

**COMMUNITY BANK OF  
ORANGE, N.A.**

**CODE OF ETHICS**

## **PREAMBLE**

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State and federal banking laws and regulations restrict or prohibit certain activities of bank employees, officers and directors considered contrary to the bank's or the public's best interest. Most prominent among these laws and regulations is the federal Bank Bribery Amendments Act of 1985.

Various regulatory agencies have adopted guidelines, as required by Congress, to assist bank employees, officers, directors and attorneys in complying with the Bank Bribery Act. The guidelines assist and encourage banks to establish a Code of Ethics that advises bank staff and officials regarding the Act's specific restrictions. The restrictions primarily address against acts of giving, offering, or promising anything of value to bank officials with corrupt intent to influence or reward such officials in connection with the bank's business, or seeking, accepting, or agreeing to accept the same, intending to be influenced or rewarded in connection with such business transactions.

Accordingly, by adopting appropriate guidelines to meet the requirements of law and regulations, this Code of Ethics makes it possible for the Community Bank of Orange (the "Bank") to provide a degree of assurance that our employees, officers and Directors will not be prosecuted for accepting routine benefits that do not amount to corrupting influence. If this Code of Ethics is complied with, the likelihood of criminal prosecution is diminished, for, under the Bank Bribery Act, no act is criminal unless done corruptly.

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## DEFINITIONS

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Whenever the following terms appear in the Code of Ethics, they are defined as follows:

**"Bank"** - the corporation that conducts the business of banking under the name Community Bank of Orange, and its subsidiaries, if any.

**"Customer"** - includes any person or entity that opens an account with, or borrows money or purchases services or products from, the Bank.

**"Close relative"** or **"close family"** - includes parents, children, spouses and siblings and their parents, spouses, children and siblings. Where circumstances indicate that the involvement of another relative may influence the employee's judgment, that relative is also included in the relevant restrictions.

**"Employee"** - includes Directors, officers, other salaried employees and independent contractors.

**"Compliance Officer"** - the person responsible for reporting any infractions to the President and the Board of Directors.

**"Fiduciary"** - person undertaking an act for the benefit of another such that a confidential relationship is created. Examples include persons with powers of attorney, Directors, executors, guardians and custodians.

**"Financial Interest"** - any direct or indirect ownership, claim, stake or right to share in an entity, its operations or its profits.

**"Suppliers"** - any person who provides services or products to the Bank.

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## **PROHIBITED ACTS**

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The Bank believes in acting as a lawful member of the community and maintaining the public trust. Therefore, no Bank Director, officer or employee shall engage or give the appearance of engaging in any of the following activities:

### **Personal Gain**

Deriving personal gain not in the normal course of employment or affiliation with the Bank or from the Bank's relationship with any person or organization.

### **Unusual Decisions**

Making Bank-related decisions outside normal channels.

### **Preferential Treatment**

Getting preferential treatment from any person or entity doing business with the Bank.

### **Misuse of Confidential Information**

Taking advantage of confidential information derived from the Bank or from any connection with a Bank customer, borrower, supplier or business associate.

### **Inappropriate Activities**

Engaging in activities that would tend to reflect adversely on the Bank or tarnish its reputation within the community.

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## **INVOLVEMENT IN OUTSIDE ACTIVITIES**

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### **For Profit Organizations**

No employee shall serve as an officer or director in any other business established for profit, unless the Board of Directors has given permission after full disclosure. If an employee is involved in another business, he shall take no part in decisions pertaining to any relationship the Bank has with that business. The Bank shall not enter into a relationship with any business in which a Director has a financial interest without prior written notification of such relationship.

### **Not For Profit Organizations**

The Bank encourages its staff to participate fully in the life of the community. Therefore, employees may be involved with any athletic, charitable, religious, cultural, educational or political groups, subject to law, and provided that they give their full efforts to the Bank during working hours. Such groups may do business with the Bank on the same terms as those given to other customers and suppliers. In such event, the employee shall disclose his involvement with the group to the Compliance Officer. If appropriate, the Compliance Officer may direct the employee to refrain from participating in any Bank decisions involving a particular group.

## **GIFTS AND BUSINESS ENTERTAINMENT**

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### **General Prohibition**

A Bank employee shall not accept a gift or item of value from customers or suppliers, actual or prospective, unless within the guidelines detailed below or unless received with the prior permission of the Audit Committee after full disclosure.

### **Permitted Exceptions**

Acceptance of:

- Meals, gratuities, amenities or favors based on obvious family or personal relationships unrelated to Bank business.
- Meals, refreshments, entertainment, accommodations or travel arrangements, all of reasonable value, in connection with bona fide business meetings or business discussions.
- Loans from other banks or financial institutions on customary terms for usual activities, such as home mortgages, except where prohibited by law.
- Promotional or advertising gifts of nominal value, such as key chains, pens, pencils, calendars, note pads and similar items.
- Discounts or rebates on merchandise or services that are available to other similar customers.
- Gifts of model value related to personal occasions, such as weddings, job promotions, birthdays, new jobs, retirement or holidays.
- Awards from civic, charitable, educational or religious groups in recognition for service or accomplishments.

### **Required Reporting**

All gifts exceeding \$100 in value must have pre-approval of the Compliance Officer.

### **Return of Gifts Violating Rules**

If an employee or close relative accepts a gift not in accord with these rules, he must return the gift or its value. If this is either impossible or inappropriate, the employee must donate the gift or its value, without claiming a charitable tax deduction to a charity chosen by the employee and approved by the Compliance Officer.

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## **FIDUCIARY APPOINTMENTS AND BEQUESTS**

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### **Permitted Activity**

A Bank employee may serve as a fiduciary in connection with a close relative or the estate thereof.

### **Activity Subject To Prior Approval**

If the gross value of the estate exceeds \$500,000 or if the employee is asked to serve as a fiduciary for anyone else, such service must be approved by the Compliance Officer and the Bank's Audit Committee, after due disclosure of anticipated remuneration.

### **Receipt Of Bequests**

A Bank employee must report all bequests made to him or to a close relative by a Bank customer or supplier. If appropriate, the Compliance Officer may bar the employee from any Bank decisions involving the customer or supplier.

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## **RELATIONSHIPS WITH VENDORS AND CREDITORS**

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### **General Prohibition**

No Bank employee or close relative shall purchase goods or services from a Bank customer or supplier, or borrow money or otherwise become obligated to a customer or supplier, except on the same terms and conditions that are available to a member of the public under the same circumstances for proper and usual activities, such as home mortgage loans and car leases or purchases.

### **Required Reporting**

If a creditor of the employee, who has given the employee more favorable terms or conditions than those available to the public, becomes a customer or supplier of the Bank, the employee shall report the receipt of such favorable treatment from the creditor. Once has such a relationship is established with the Bank, the employee shall not participate in Bank decisions relating to this creditor.

## **INVESTMENTS MADE IN CONNECTION WITH BANK EMPLOYMENT**

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### **General Prohibition**

No Bank employee shall acquire, directly or indirectly, a financial interest in any entity that the employee should know has a business relationship with the Bank, unless the Compliance Officer and the Bank's Audit Committee grants prior approval.

### **Retention of Pre-Acquired Interests**

If the business relationship was created after the Bank employee acquired the financial interest, the employee may retain the financial interest after disclosure to the Compliance Officer and the Bank's Audit Committee but may not participate in Bank decisions regarding the customer or supplier.

### **Use of Bank Information**

Bank employees must never sell or convey confidential information about the Bank or any Bank customer or supplier to anybody and must never make changes in their personal investment portfolios based on such information.

## **OBEDIENCE TO LAW AND POLICY**

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The Bank obeys all applicable federal, state and local laws and banking regulations. Therefore, all employees are expected to do the same in the performance of their work.

Many of these laws and regulations are incorporated into the Bank's by-laws, policies and procedures. Accordingly, all employees are expected to be knowledgeable about, and adhere to, them.

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## **ENFORCEMENT AND SANCTIONS**

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### **Familiarity With The Code**

Each employee is required to read annually and remain familiar with this Code of Ethics.

### **Submitting Information**

An employee who may have a potential conflict of interest or may have received any benefit from a customer or supplier or otherwise be subject to the reporting rules of this Code should notify the Compliance Officer. The attached form may be used for reporting purposes. If a memorandum is used instead of the form, it should contain all the information required in the form.

When submitting information to the Compliance Officer, employees are encouraged to be completely honest and disclose all facts they know. An attempt to mislead or withhold information from the Compliance Officer or the Bank's Audit Committee may be grounds for suspension or dismissal.

### **Violations**

Violations of the provisions of the Code will be judged by the Bank's Audit Committee on a case-by-case basis.

In general, an attempt to profit from either confidential information, a business relationship or by deceiving a customer or the Bank will be considered more severe than a failure to report a gift or possible conflict of interest.

Any violation of the provisions of the Code may result in dismissal if the employee acted with the intention of gaining an illicit profit or demonstrated some other malicious intent.

### **Penalties**

Any officer, director, employee, agent or attorney of a financial institution, corruptly solicits or demands, or corruptly accepts or agrees to accept, anything of value from any person intending to be influenced or rewarded in connection with any business transaction of such institution is subject to:

- If the value of the benefit offered does not exceed \$1,000, you can be fined or imprisoned not more than one year, or both.
  - If the value of the benefit equals or exceeds \$1,000 you may be fined under Section 215.2 of the Bank Bribery Act for not more than \$1,000,000 or three times the value
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of the item given, offered, accepted or promised, whichever is greater, or imprisoned not more than 30 years, or both.



## **ROLE AND POWERS OF COMPLIANCE OFFICER & BANK'S AUDIT COMMITTEE**

The Compliance Officer and the Bank's Audit Committee shall advise Bank employees regarding compliance with the Code of Ethics. He shall interpret and implement the Code and investigate possible violations.

The Compliance Officer is empowered to issue rulings on the appropriateness of gifts received by employees, possible conflicts of interest, possible improper use of confidential information, and any other matter involving employee conduct as it pertains to the Code of Ethics.

The Compliance Officer is empowered to recommend to the Bank's Audit Committee or the President, those measures necessary to insure compliance with the provisions of the Code.

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