

Luxury Expenditure Policy

Hometown Bank

Hometown Bancshares, Inc.

Approved by Board of Directors on June 17, 2009

Section 111 of the Emergency Economic Stabilization Act of 2008 (12 U.S.C. 5221) and the American Recovery and Reinvestment Act of 2009 (ARRA) enacted February 17, 2009 require that recipients of Capital Purchase Program (CPP) develop a written policy placing certain limitations on what certain individuals or government agencies may deem to be luxury expenditures. This policy is not intended in any way to limit or restrict the normal and customary expenditures for business development, employee moral or training or the on going operation of the bank or company.

Hometown Bancshares, Inc. (Company) and it subsidiaries, Hometown Bank 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 its normal course of business operations.

Renovations:

Office and facility renovation 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, and improve employee morale or such other worthwhile purposes as may be identified by the organization. By the way of example, relocation or adding to movable worker stations, improving the air flow or temperature, altering the wall, ceiling or lighting configuration of a work or storage spaces, establishing a new branch office or sales office are not considered excessive by their very nature.

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(s) or prospective customer(s) or to further enhance the Company's marketing efforts. Our expectation is that all expenses incurred by the Company or Bank would be for company expenses and used to drive business to the bank. Occasional events such as taking customers or prospects on trips, playing golf, eating dinner, taking them to other events the customer/prospect would find pleasurable is a necessary part of the Company's marketing efforts and would not be considered a violation of the Luxury Expenditure Policy.

Conferences:

We encourage our staff to attend conferences that are appropriate educational 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 the Company attendees. Typically these conferences are sponsored by vendors, banking associates, or other industry related entities. By the way of an example, peer group meeting, executive roundtables, recognized trade association conferences, conventions, and training, off site planning meetings and off site board meetings are considered a normal part of a successful operation of the company and bank and are not considered excessive events.

Parties:

We feel that holiday parties are part of an employee appreciation process and "kick off" event parties are part of the employee education process. A kickoff party may introduce a new product or service. All parties should be local in geographic nature, and should not cost the company more than an average day's payroll per employee on average.

Events or parties focused on the customer or prospect (ie annual BBQ, customer appreciation, bank anniversary) are for the purpose of attracting or retaining business and would not be considered excessive events under the Luxury Expenditure Policy.

Aviation Services:

Transportation for company 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 may consist of vehicle and commercial air service (does not include first class tickets unless approved by the board of directors). Private air service may be used in certain situation but must be approved by the board of directors.