

The HomeTown Bank of Alabama

Excessive or Luxury Expenditures Policy for TARP Compliance November 16, 2009

The HomeTown Bank of Alabama (the "Company") has applied for and received financial assistance under the Troubled Asset Relief Program ("TARP") of the U.S. Department of the Treasury (the "Treasury"). As a condition of receiving such financial assistance, the Company is required to comply with the Treasury's regulations issued pursuant to TARP (the "TARP Regulations"). The TARP Regulations require that the Company adopt, within ninety (90) days after the closing date of the agreement between the Treasury and the Company (or September 14, 2009, if later), a Company-wide policy regarding excessive or luxury expenditures. Therefore, effective until the last date upon which any obligation arising out of such financial assistance remains outstanding (disregarding any warrants to purchase common stock of the Company that the Treasury may hold), the following rules shall apply to employees and directors of the Company and any other entity that is treated as part of the TARP Recipient (as defined in the TARP Regulations) and all references to the Company shall include any entity that is part of the TARP Recipient, unless the context requires otherwise:

I. Expenses Which Are Prohibited or Which Require Prior Approval

A. *Entertainment or Events*

Acceptable entertainment or event expenses include meals, drinks, facility or equipment rental, hiring of temporary entertainment staff, or tickets or admission costs associated with entertainment events. Any other type of entertainment or event expense which is not listed in the preceding sentence is subject to approval by the Committee.

Expenses incurred by an employee or director for the entertainment of individuals other than clients, prospective clients, vendors, employees, directors or other business associates (collectively, clients, prospective clients, vendors, employees, directors and other business associates are referred to as "Business Associates") and expenses for sponsoring or attending events of any kind that do not involve Business Associates are not eligible for reimbursement.

B. *Office and Facility Renovations*

No expenses incurred for the renovation of any office or other facility of the Company shall be approved unless such renovation is:

- (1) part of a renovation of all or a part of a facility of the Company necessary to improve the appearance, functionality, or both of such facility in a manner designed to improve service of the Company or attract or retain the business or services of Business Associates, as approved by the Committee;
- (2) solely in the case of repairing damage to such office or facility, to restore such office or facility to a substantially similar working order as it was prior to such damage;
- (3) necessary to update the technology utilized by the facility; or
- (4) used to replace fully depreciated property.
- (5) used to repair or replace due to normal wear and tear.

In no event, however, will the office of any executive officer be constructed and furnished with materials that are substantially disproportionate in cost to the materials or furnishings provided or used generally as part of a facility renovation. The Committee reserves the discretion to decline to reimburse or pay for all or part of a renovation that is inconsistent with the foregoing guidelines or if the Committee determines that all or such part of such renovation is unduly extravagant or that the cost associated with renovating the office of an executive officer of the Company as part of such renovation is substantially disproportionate to the total cost of the renovation.

C. *Aviation and Other Transportation Services*

The Company shall not maintain, or have on retainer, a private aviation vehicle or service. Expenses for private chartered flights shall not be approved, unless no other means of transportation is reasonably available under the prevailing circumstances.

D. Other Activities or Events

Expenses for other activities and events will be reimbursed in the Committee's discretion. To be eligible for reimbursement, any such expense must be a reasonable expenditure for sales conferences, staff development, reasonable performance incentives and other similar measures conducted in the Company's normal business operations. All such expenses should serve the purpose of furthering the business goals of the Company and the cost of any such expense should be reasonable in proportion to the benefit to the Company that is expected to be derived from such expense.

II. Approval Procedures

Employees and directors must submit requests for reimbursement on such forms and in such time and manner as the Committee or its designee may require.

III. CEO and CFO Certification

The Company's Chief Executive Officer and Chief Financial Officer will certify that any expenditure requiring the prior approval of any CEO (as defined in the TARP Regulations), the prior approval of any executive officer of a substantially similar level of responsibility, or the prior approval of the Committee, was properly obtained with respect to each such expenditure.

IV. Reporting of Violations

Violations of this Policy must be reported either to the Company's Chief Executive Officer or Chief Financial Officer or to the Committee. No employee or director may be disciplined in retaliation for reporting a violation of this Policy.

V. Accountability

By accepting any reimbursement from the Company, an employee or director (1) represents that the expense for which reimbursement is sought is for a legitimate business purpose and is eligible for reimbursement under this Policy; (2) acknowledges that he or she has read and understands this Policy and agrees to return all or a portion of the reimbursement he or she receives if the Committee or its designee determines that such expense was excessive, extravagant, unnecessary or unrelated to a legitimate business purpose or was otherwise not eligible for reimbursement; and (3) agrees to be responsible for payment of, or reimbursement to the Company of, any expense that is not approved by the Committee or its designee pursuant to this Policy.

VI. Miscellaneous

The Committee shall have the sole and absolute authority to interpret the provisions of this Policy and their determination as to any matter hereunder shall be final and binding on all relevant parties. This Policy may not be amended, revoked, or superseded without the express approval of the Committee.

This Policy is adopted and effective November 16, 2009.