



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Division of Risk Management Supervision

December 24, 2013

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Board of Directors
Hometown Bank, A Cooperative Bank
218 Main Street
Webster, Massachusetts 01570

Dear Members of the Board:

The notice of intent to effect a mutual holding company reorganization and a conversion from a mutual to stock form filed on behalf of Hometown Bank, A Cooperative Bank (Bank) was reviewed by the Federal Deposit Insurance Corporation (FDIC) pursuant to the FDIC's regulations at 12 C.F.R. Sections 303.160 - 303.163 and other pertinent FDIC regulations. Based on the information presented and the representations made, the FDIC poses no objection to the proposed transactions.

Enclosed is our Order and Basis (Order) approving the notice and applications filed in conjunction with the mutual-to-stock conversion, including consideration of the proposed merger and Federal deposit insurance applications. Our approval is subject to the conditions stated in the Order, some of which must be met on an ongoing basis.

Further, the Bank filed an application for a request for a partial waiver of the voting requirements pursuant to Part 303.162 of the FDIC Rules and Regulations. Based on the efforts made by the Bank to encourage participation in the special meeting at which the conversion was considered, and the results of the depositor vote at this meeting, the FDIC finds good cause to grant the Bank's request for a partial waiver of the FDIC's voting requirement.

Please notify the New York Regional Office in writing when the proposed transaction has been consummated. If an extension of the time limit included in the Order is required, a letter requesting a specific extension of the limitation, and the reasons for the extension, should be submitted to Regional Director John F. Vogel at 350 Fifth Avenue, Suite 1200, New York, New York.

Sincerely,

/s/

James C. Watkins
Deputy Director

cc: Kent M. Krudys, Esq.
Megan McKinny, Esq.
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Alexis Leahy
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Federal Reserve Bank of Boston
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FEDERAL DEPOSIT INSURANCE CORPORATION

Hometown Bank, A Cooperative Bank
Webster, Worcester County, Massachusetts

Applications for Federal Deposit Insurance and Consent to Merge

ORDER AND BASIS FOR CORPORATION APPROVAL

Pursuant Section 18(c) of the Federal Deposit Insurance (FDI) Act, Hometown Bank, A Cooperative Bank, Webster, Massachusetts (Mutual Institution), currently a state-chartered, mutually-owned Deposit Insurance Fund (DIF) member with total resources of \$360,662,000 and total deposits of \$308,018,000 as of September 30, 2013, has filed an application for the FDIC's consent to merge with Hometown Interim Stock Bank, Webster, Massachusetts, a proposed new interim, state-chartered stock cooperative bank. In addition, applications have been filed for Federal deposit insurance for an interim Massachusetts-chartered mutual cooperative bank (Hometown De Novo Cooperative Bank), which will be subsequently reorganized into a mutual holding company (MHC) and Hometown Interim Stock Bank.

The transaction is to effect the Mutual Institution's plan of reorganization which, solely to facilitate such undertaking, provides for:

- Mutual Institution will organize a new *de novo* interim Massachusetts-chartered mutual bank, Hometown De Novo Cooperative Bank, and subsequently reorganize it into a Massachusetts mutual holding company to be known as Hometown Community Bancorp, MHC.
- Hometown Community Bancorp, MHC will establish a new, wholly-owned Massachusetts-chartered stock cooperative bank to be known as Hometown Interim Stock Bank (Subsidiary Bank).
- Mutual Institution will merge into Subsidiary Bank, with Subsidiary Bank as the legally surviving entity and assuming the name of Hometown Bank (Resultant Bank).
- Hometown Community Bancorp, MHC will immediately thereafter establish a Maryland-chartered stock corporation to be known as Hometown Community Bancorp, Inc.
- Hometown Community Bancorp, MHC will immediately thereafter contribute 100 percent of the shares of the Hometown Bank to Hometown Community Bancorp, Inc.

Upon consummation of the reorganization, the deposits of the Resultant Bank will continue to be insured under the DIF. On the effective date of the reorganization, the Resultant Bank will be a stock bank that is wholly owned by Hometown Community Bancorp, Inc.

On December 16, 2013, the Federal Reserve Bank of Boston approved applications to allow Hometown Community Bancorp, MHC, to become a mutual bank holding company and Hometown Community Bancorp, Inc., to become a mid-tier stock bank holding company.

Further, the Massachusetts Division of Banks granted Hometown Bank the authority to conduct banking business as a stock bank on November 8, 2013.

Following consummation of the merger, Resultant Bank will operate the same banking business, with the same management, at the same locations now being served by the Mutual Institution. The proposed transaction, per se, will not alter the competitive structure of banking in the market served by the Mutual Institution. The Resultant Bank's main office will continue to be located at 31 Sutton Avenue, Oxford, Massachusetts.

Notice of the proposed transaction, in a form approved by the FDIC, has been published pursuant to the FDI Act. A review of available information, including the Community Reinvestment Act (CRA) Statement of the proponent, disclosed no inconsistencies with the purposes of the CRA. The Resultant Bank is expected to meet the credit needs of its community, consistent with the safe and sound operation of the institution.

In connection with the deposit insurance applications for Hometown De Novo Cooperative Bank and Hometown Interim Stock Bank, the FDIC has taken into consideration the financial history and condition, the adequacy of the capital structure, the future earnings prospects, the general character and fitness of the management, the convenience and needs of the communities to be served, the risk to the Deposit Insurance Fund and whether the banks' corporate powers are consistent with the purposes of the FDI Act.

In connection with the merger application, the FDIC has taken into consideration the financial and managerial resources and future prospects of the proponent banks and the Resultant Bank, the convenience and needs of the community to be served, and the effect of the proposed transaction on competition. The FDIC has also taken into consideration the effectiveness of the insured depository institutions involved in the proposed merger transaction in combating money-laundering activities, and the risk posed by the transaction to the stability of the U.S. banking or financial system.

Having found favorably on all statutory factors, it is the FDIC's judgment that the applications for Federal Deposit Insurance and for Consent to Merge should be and are hereby approved subject to the following conditions, some of which are continuing in nature:

1. That, except for the proposed contribution by Hometown Community Bancorp, MHC, to Hometown Community Bancorp, Inc., no shares of the stock of Hometown Bank shall be sold, transferred or otherwise disposed of, to any person (including any Employee Stock Ownership Plan) unless prior notice is provided to and non-objection is received from the FDIC Boston Area Director.
2. That, prior to a sale, transfer or other disposition of any shares of Hometown Community Bancorp, Inc., by Hometown Community Bancorp, MHC, to any person (including any Employee Stock Ownership Plan), or any conversion of Hometown Community Bancorp, MHC to stock form, Hometown Bank will provide written notification to the FDIC Boston Area Director, including copies of all documents filed with the state and Federal banking and/or securities regulators in connection with any sale, transfer, disposition or conversion.

3. That, should any shares of Hometown Bank or Hometown Community Bancorp, Inc., be issued to persons other than Hometown Community Bancorp, MHC, any dividends waived by Hometown Community Bancorp, MHC, must be retained by Hometown Community Bancorp, Inc. or Hometown Bank and segregated, earmarked or otherwise identified on the books and records; such amounts must be taken into account in any valuation of the institution and factored into the calculation used in establishing a fair and reasonable basis for exchanging shares in any subsequent conversion of Hometown Community Bancorp, MHC, to stock form; such amounts shall not be available for payment to or value transferred to minority shareholders, by any means, including through dividend payments or at liquidation.
4. Except with regard to the announced resignation of President and Chief Executive Officer Matthew S. Sosik and the planned appointment of Senior Vice President Michael D. Hewitt to fill the position of interim president and chief executive officer, that any change in proposed senior executive officers, including the board of directors, prior to the consummation of the proposed transaction, will render this approval null and void unless such change is approved by the FDIC prior to the consummation of the proposed transaction.
5. That, for a period of three (3) years after the close of the proposed transaction, any material deviation from the business plan will require prior approval of the FDIC Boston Area Director prior to implementation of such material deviation from the business plan;
6. That the proposed transaction may not be consummated later than six months after the date of this Order unless such period is extended for good cause by the FDIC; and
7. That, until the proposed transaction is consummated, the FDIC shall have the right to alter, suspend, or withdraw its approval should any interim development be deemed to warrant such action.

Pursuant to the delegated authority of the FDIC Board of Directors.

Dated at Washington, D.C. this 24th day of December, 2013.

/s/

James C. Watkins
Senior Deputy Director
Division of Risk Management and Supervision