

HOMETOWN BANCORP, INC.
AUDIT COMMITTEE CHARTER

As adopted by the Board of Directors on July 19, 2007

I. Purpose

The primary purpose of the Audit Committee (the “Committee”) is oversight. The Committee shall assist the Board of Directors (the “Board”) in fulfilling its responsibility to oversee management’s conduct of the Corporation’s financial reporting process; the Corporation’s system of internal accounting and financial controls; the internal audit process; the external audit process; the external auditor’s qualifications, performance and independence; and compliance with legal and regulatory requirements. The audit committee will also prepare the report that the Securities and Exchange Commission (“SEC”) rules require be included in the Corporation’s annual proxy statement and review the financial reports and other financial information provided to the federal, state or local government or their agencies or to the public.

II. Authority

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint (subject to shareholder ratification), compensate, and oversee the work of the external auditors. The external auditors will report directly to the Committee.
- Resolve any disagreements between management and the external auditors regarding financial reporting.
- Pre-approve all auditing and permitted non-audit services performed by the external auditors.
- Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.
- Meet with management, the external and the internal auditors, or outside counsel, as necessary.

The Committee is responsible for the duties set forth in this charter but is not responsible for preparation of the financial statements, the auditing of the financial statements, or the determination that the financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulation. Management has the responsibility for preparation of the financial statements and the independent auditor has the responsibility for auditing the financial statements, subject, in each case, to the oversight of the Committee, as described in this charter.

III. Membership

The Committee shall have at least three members. The actual number of members shall be determined from time to time by resolution of the Board. Committee members shall be appointed by the Board from among its members and may be removed by the Board at any time. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership. Each member of the Committee must satisfy such criteria of independence as the Board may establish and such additional regulatory or listing requirements as the Board may determine to be applicable or appropriate.

Members of the Committee are not required to be financial, accounting or auditing professionals and, consequently, some members may not be expert in financial matters or in matters involving accounting or auditing. However, each member must be “independent” within the meaning of Rule 10A-3 under the Securities Exchange Act of 1934 and financially literate or will become financially literate within a reasonable time after appointment to the Committee. The Board will determine and disclose whether the Committee has a member who is a “financial expert”, as defined by law and regulation in the Corporation’s annual report or proxy statement. No Committee member shall simultaneously serve on the audit committee of more than 2 other public companies.

IV. Structure and Operations

The Committee shall meet at least quarterly or more frequently as circumstances dictate. The Committee shall fix its own rules of procedure and shall meet where and as provided by such rules or by resolution of the Committee. Each regular meeting shall conclude with an executive session of the Committee absent members of management and on such terms and conditions as the Committee may choose. As part of its responsibility to foster open communication, the Committee will meet periodically with management, internal auditors, and the independent auditors in separate executive sessions to discuss matters that the Committee or each of the parties believe should be discussed privately.

The Secretary of the Corporation shall be the Secretary of the Audit Committee, unless the Committee designates otherwise.

In the absence of the Chair during any Committee meeting, the Committee may designate a Chair pro tempore.

V. Responsibilities

The committee will carry out the following responsibilities:

A. Financial Reporting Process and External Audit of the Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.

- Consider and approve, if appropriate, any major changes to the Corporation's accounting and auditing principles and practices, as suggested by the external auditors, the internal auditors or management.
- Review and discuss with management and the external auditors the effect of any off-balance sheet transactions, arrangements, obligations (including contingent obligations) that may have a current or future material effect on the company's financial statements.
- Review with management, the external auditors, and the internal auditors the results of the audits, including any difficulties encountered.
- Review all significant adjustments proposed by the external auditors and by the internal auditors.
- Review all significant suggestions for improved financial reporting made by the external auditors and by the internal auditors.
- Review with the General Counsel the status of legal matters that may have an effect on the financial statements.
- The Committee, along with the other members of the Board, shall discuss with management and the external auditors the audited financial statements to be included in the Corporation's Annual Report on Form 10-KSB, including the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Committee shall review and consider with the external auditors the matters required to be discussed by Statement of Auditing Standards No. 61 ("SAS No. 61"), including deficiencies in internal controls, fraud, illegal acts, management judgments and estimates, audit adjustments, audit difficulties, and the external auditors' judgments about the quality of the Corporation's accounting practices.
- Discuss with the external auditors and management the Corporation's interim financial results included in each quarterly report on Form 10-QSB, including the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations." Each such review shall include any matters required to be discussed by SAS No. 61.
- Review with management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards.
- Discuss earnings press releases (particularly use of pro forma or non GAAP, information), as well as financial information provided to analysts and rating agencies. This review may be general (i.e., the type of information to be disclosed and the type of presentations to be made). The Committee does not need to discuss each release in advance.

- Understand the scope of management's, the internal auditor's and the external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Appoint, compensate, retain, terminate and replace the external auditors, subject, if applicable, to shareholder ratification. The external auditor shall report directly to the Committee.
- Review the performance of the external auditors or any other public accounting firm engaged by the Committee for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation.
- Review the external auditors proposed audit scope and approach, including coordination of audit effort with internal audit.
- At least annually, obtain and review a report by the external auditors describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
- Monitor regular rotation of audit partners by the external auditors as required by law.
- Set clear hiring policies for employees and former employees of the external auditors.
- Pre-approve all audit-related and non-audit services to be performed by the external auditors.
- Review the independence of the external audit firm by obtaining statements from the auditors on relationships between the audit firm and the Corporation consistent with Independence Standards Board Standard Number 1, including any non-audit services, and discussing these relationships with the audit firm. Obtain from management a listing of all services provided by the external audit firm.
- Review and approve the audited financial statements, associated management letter, attestation on the effectiveness of the internal control structure and procedures for financial reporting, other required auditor communications, and all other auditor reports and communications relating to the financial statements.
- Review and approve all other reports and communications made by the external auditors.
- Review the responsiveness and timeliness of management's follow-up activities pertaining to any reported findings and recommendations.

- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.
- Ensure production of a report of all costs of and payments to the external auditors. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided.

B. Internal Audit Process

- Appoint, compensate, retain, terminate and replace the internal auditors, as warranted. The internal auditors shall report directly to the Committee.
- Assure and maintain, through the organizational structure of the organization and by other means, the independence of the internal audit process.
- Review with management and the internal auditors the charter, objectives, plans, activities, staffing, budget, qualifications, and organizational structure of the internal audit function.
- Receive and review all internal audit reports and management letters.
- Review the responsiveness and timeliness of management's follow-up activities pertaining to any reported findings and recommendations.
- Review the effectiveness and performance of the internal auditors periodically.
- On a regular basis, meet separately with the internal auditors to discuss any matters that the Committee or internal auditors believes should be discussed privately.

C. Compliance Monitoring

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations, including investigations of misconduct and fraud.
- Discuss from time to time the Corporation's policies with respect to risk assessment and risk management.
- Review the process for communicating to all affected parties the code of ethics policy and for monitoring compliance therewith.

- Establish and follow procedures for the receipt, retention and treatment of complaints received from customers, shareholders and other individuals regarding accounting, internal controls or auditing matters and also establish procedures for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- Obtain regular updates from management and organization legal counsel regarding compliance matters.
- Monitor changes and proposed changes in laws, regulations and rules affecting the organization.
- Institute and oversee special investigations as needed.

D. Other Responsibilities

- Regularly report to the Board of Directors about all committee activities, issues, and related recommendations.
- Perform any other activities related to this charter as requested by the Board of Directors.
- Review the material facts of all related person transactions and either approve or disapprove of the entry into the related person transaction. If advance approval of a related person transaction is not feasible, then the related person transaction shall be considered and, if the Committee determines it to be appropriate, ratified at the Committee's next regularly scheduled meeting. In determining whether to approve or ratify a related person transaction, the Committee will take into account, among other factors it deems appropriate, whether the related person transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person's interest in the transaction. "Related person" and "transaction" shall have the meanings given to such terms in Securities and Exchange Commission Regulation S-B, Item 404, as amended from time to time.
- Obtain any information and training needed to enhance the Committee members' understanding of the role of the internal and external audit process, the risk management process, internal controls, and a certain level of familiarity in financial reporting standards.
- Prepare any report or other disclosure by the Committee required to be included in any proxy statement for the election of the Corporation's directors under the rules of the SEC.
- Review any other reports that the Corporation issues that relates to the Committee responsibilities.

- Report annually to the Board, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Evaluate the Committee's and individual member's performance on a regular basis, and report to the Board.
- Review and assess the adequacy of the Committee charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation. Changes in applicable laws, regulations, accounting and auditing standards may require that the Committee charter be updated.