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MERGER OR SHARE EXCHANGE

First of Homestead, Inc.

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Corporate Filing Menu

Help

1st part
of 2 mergers
(38)

merge
of

KENNEDY & BARIS, L.L.P.

ATTORNEYS AT LAW

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BETHESDA, MD 20816

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FAX: (301) 229-2443

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PLEASE RESPOND TO THE MARYLAND OFFICE

TO: Susan Payne
FAX NUMBER: 850.205.0380
FROM: Noel Gruber
DATE: July 24, 2006

PAGES EXCLUDING COVER SHEET: 5

IF YOU DID NOT RECEIVE THE NUMBER OF PAGES INDICATED ABOVE,
PLEASE CALL (301) 229-3400 AND ASK FOR THE FAX ATTENDANT.

MESSAGE: RE: Articles of Merger of HOH Acquisition into First of Homestead: As discussed, attached are a hopefully better copy of the Articles of Merger filed through CT on the 18th, as well as the correct Exhibit B, which should be inserted in lieu of the Exhibit B originally filed. Also included is the acceptance of registered agent.

As noted in the merger agreement, the officers of Acquisition (Vernon D. Smith, President; James E. Creamer, Jr., Treasurer; Elizabeth R. McMahon, Secretary) will be the officers of First of Homestead, Inc. following the first merger;

Re: Articles of Merger of First of Homestead Inc into Hometown of Homestead, Inc.: Attached is the acceptance of registered agent. Hometown of Homestead Inc will change its name to Hometown of Homestead Banking Company in connection with this merger.

As discussed, both mergers should be accepted as of the date of original filing. Please let me know if you have any further questions. Thank you for your assistance.

cc: EMA Murphy

THIS FAX IS INTENDED SOLELY FOR THE USE OF THE RECIPIENT NAMED ABOVE AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, CONFIDENTIAL, AND EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAW. IF YOU HAVE RECEIVED THIS FAX IN ERROR, PLEASE NOTIFY US IMMEDIATELY BY TELEPHONE. THEN EITHER DESTROY THIS FAX OR RETURN IT TO US BY MAIL. THANK YOU.

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SECRETARY OF STATE
TALLAHASSEE, FLORIDA

**ARTICLES OF MERGER
OF
HOH ACQUISITION, INC.
INTO
FIRST OF HOMESTEAD, INC.**

Pursuant to the provisions of Sections 607.1101 and 607.1105 of the Florida Business Corporation Act, HOH Acquisition, Inc., a Florida corporation ("Acquisition"), and First of Homestead, Inc., a Florida corporation (the "Survivor"), adopt the following Articles of Merger for the purpose of merging HOH with and into the Survivor.

FIRST: The Agreement and Plan Merger is attached hereto as Exhibit A.

SECOND: As a result of the merger, the articles of incorporation of Survivor shall be amended and restated to read in their entirety as set forth in Exhibit B.

THIRD: The Agreement and Plan of Merger was approved by the shareholders of the Survivor at a meeting of shareholders, duly called and held, on April 27, 2006, by the affirmative vote of in excess of a majority of the votes entitled to be cast thereon.

FOURTH: The Agreement and Plan Merger was approved by the unanimous written consent of the sole shareholder of Acquisition on January 6, 2006.

FIFTH: The merger to which these Articles relate shall become effective as of 5:59 P.M. prevailing local time in Tallahassee, Florida, on July 18, 2006.

IN WITNESS WHEREOF, these Articles of Merger have been executed on behalf of the parties hereto as of the 18th day of July, 2006.

FIRST OF HOMESTEAD, INC

By: 
William H. Losner, President

HOH ACQUISITION, INC.

By: _____
Vernon D. Smith, President

ARTICLES OF MERGER
OF
HOH ACQUISITION, INC.
INTO
FIRST OF HOMESTEAD, INC.

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FIRST OF HOMESTEAD, INC

By: _____
William H. Loamer, President

HOH ACQUISITION, INC.

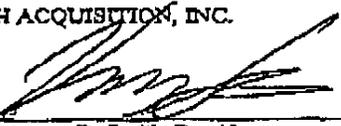
By: 
Vernon D. Smith, President

EXHIBIT A

AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger (the "Agreement"), made as of this 6th day of January, 2006, by and among Homestown Banking Company, Inc. ("Homestown"), a corporation organized and existing under the laws of the state of Florida, Homestown of Homestead, Inc. a corporation organized and existing under the laws of the state of Florida ("HHI"), HOH Acquisition, Inc., a corporation organized and existing under the laws of the state of Florida ("Acquisition"), First of Homestead, Inc. ("Homestead"), a corporation organized and existing under the laws of the state of Florida and First National Bank of South Florida, a national banking association ("Bank").

WHEREAS, the respective Boards of Directors of each of Homestown, HHI, Acquisition and Homestead deem it advisable and in the best interests of their respective shareholders that HHI acquire Homestead and Bank through the merger of Acquisition with and into Homestead, on the terms, and subject to the conditions, set forth in this Agreement; and

WHEREAS, the respective Boards of Directors of Homestown, HHI, Acquisition and Homestead have each approved the merger of Acquisition with and into Homestead, substantially upon the terms, and subject to the conditions, hereinafter set forth (the "Merger");

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereafter set forth, and other good and valuable consideration the receipt and sufficiency of which hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

THE MERGER

1.1 *Merger.* Subject to the terms and conditions hereafter set forth, Acquisition shall be merged with and into Homestead, in accordance with the applicable provisions of the Florida Business Corporation Act (the "FBCA").

1.2 *Name.* The name of the surviving corporation (the "Surviving Corporation" when reference is made to it after the Effective Time (hereinafter defined)) shall be "First of Homestead, Inc."

1.3 *Articles of Incorporation; Bylaws.* (a) The Articles of Incorporation of the Surviving Corporation shall be the Articles of Incorporation of Homestead in effect at the Effective Time, except that as of the Effective Time, the Articles of Incorporation of Homestead shall be amended and restated to read in their entirety as set forth in Exhibit A attached hereto and made a part hereof.

(b) The Bylaws of Homestead in effect at the Effective Time, shall be the Bylaws of the Surviving Corporation.

(c) Following the receipt of all regulatory approvals required to effect the Merger, but prior to the Effective Time, Article I of the Articles of Incorporation of HHI shall be amended and restated, by action of the Board of Directors of HHI and Homestown as the sole shareholder of HHI, to read in its entirety as follows:

"The name of the corporation shall be "Homestown of Homestead Banking Company" and its principal offices shall be located at, and its mailing address shall be, 1550 North Krome Avenue, Homestead, Florida 33030."

1.4 *Board of Directors; Bank Board; Officers.* (a) The Board of Directors of Acquisition at the Effective Time shall serve as the Board of Directors of the Surviving Corporation until their successors are duly elected and qualified.

(b) The Surviving Corporation, as sole stockholder of the Bank after the Effective Time, shall appoint William H. Lowner and one other member of the Board of Directors of Bank in office as of the date hereof, to the Board of the Bank, and shall reappoint such each such person so that he shall serve until the earlier of the second anniversary of the Effective

Time, or his earlier resignation or retirement. Such persons shall serve along with such other persons as HHI shall select as the Board of Directors of the Bank.

(c) The officers of Acquisition at the Effective Time shall serve as the officers of the Surviving Corporation until their successors are duly appointed by the Board of Directors.

1.5 *Effect of the Merger.* At the Effective Time, the separate corporate existence of Acquisition shall cease and Homestead as the Surviving Corporation shall succeed to and possess all of the properties, rights, powers, privileges, franchises, patents, trademarks, licenses, registrations, and other assets of every kind and description of Acquisition, and shall be subject to, and be responsible for, all debts, liabilities, and obligations of Acquisition, all without further act or deed, and in accordance with the applicable provisions of the FBCA.

1.6 *Closing; Effective Time.* (a) The closing of the Merger (the "Closing") shall occur at the principal offices of Homestead, or at such other place designated by the parties in writing, at a time and on a date specified in writing by the parties, which date shall be on the earliest practicable business day, but not more than thirty (30) days, after the receipt of all requisite approvals and authorizations of regulatory and governmental authorities, the expiration of all applicable waiting periods and the satisfaction or waiver of all conditions hereto. The date at which the Closing occurs is occasionally referred to herein as the "Closing Date."

(b) The Merger shall become effective at the later of (i) the filing of appropriate articles of merger with the Secretary of State of the State of Florida and (ii) the time set forth in said articles of merger (the "Effective Time"). Except as otherwise agreed in writing, the Effective Time shall be on the Closing Date.

ARTICLE II

CONSIDERATION AND CONVERSION OF SHARES

2.1 *Conversion of Shares.* (a) At the Effective Time, each of the outstanding shares of common stock, \$1.00 par value per share, of Homestead ("Homestead Common Stock") (excluding shares of Homestead Common Stock held in treasury or by any Homestead Subsidiary, or as to which the holders have demanded the payment of fair value in accordance with Florida law ("dissenting shares"), shall automatically, and without further action be converted into cash in an amount equal to \$297.8186794.

(b) All dollar amounts payable to any shareholder as a result of the payment of cash consideration pursuant to Section 2.1(a) will be rounded to the nearest cent (with one-half cent being rounded upward), based on the aggregate consideration payable for all shares registered in such shareholder's name.

(c) Each share of common stock, par value \$.01 per share of Acquisition ("Acquisition Common Stock") outstanding immediately prior to the Effective Time shall automatically, and without further action, be converted into one share of Common Stock, \$.01 par value per share, of Homestead as the Surviving Corporation, which shall not be further converted pursuant to Sections 2.1(a).

(d) All shares of Homestead Common Stock held by Homestead as treasury shares, or held by any Homestead Subsidiary, shall be cancelled and shall not be converted as provided in Sections 2.1(a). Any such treasury shares or shares held by any Homestead Subsidiary shall not be considered outstanding.

(e) For reference only, the amount of merger consideration per share assumes that there are 186,355 outstanding shares of Homestead common stock at the Effective Time, and that the aggregate value of the per share merger consideration is \$55,500,000.

2.2 *Exchange of Share Certificates.* Certificates formerly representing shares of Homestead Common Stock shall be exchanged for cash in accordance with the following procedure:

(a) *Exchange Agent.* Hometown shall act as exchange agent ("Exchange Agent") to receive Homestead Common Stock certificates from the holders thereof and to issue checks for the amount of cash constituting the merger

consideration pursuant to Section 2.1(a). The Exchange Agent shall, promptly after the Effective Time, mail to each former shareholder of Homestead a notice specifying the procedures to be followed in surrendering such shareholder's Homestead Common Stock certificates.

(b) *Surrender of Certificates.* As promptly as possible after receipt of the Exchange Agent notice, each former shareholder of Homestead shall surrender his or her certificates to the Exchange Agent; provided, that if any former shareholder of Homestead shall be unable to surrender his Homestead Common Stock certificates due to loss or mutilation thereof, he or she may make a constructive surrender by following the procedures customarily followed by Hometown in the replacement of lost or mutilated certificates, including the posting of appropriate bond. Upon actual or constructive surrender of Homestead Common Stock certificates from a former Homestead shareholder, the Exchange Agent shall issue such shareholder, in exchange therefore, a check in payment of the cash constituting the per share merger consideration under Section 2.1(a).

(c) *Failure to Surrender Certificates.* All Homestead Common Stock certificates must be surrendered to the Exchange Agent within six months of the Effective Time. In the event that any former shareholder of Homestead shall not have properly surrendered his or her certificates within such period, the cash merger consideration to be received by holders of Homestead Common Stock shall be held by Hometown for such shareholder's benefit in a non-interest bearing deposit account at Bank or another depository institution, the deposits of which are insured by the Federal Deposit Insurance Corporation, chosen by Hometown in its discretion, and the sole right of such shareholder shall be the right to collect cash in such account. Subject to all applicable laws of each state, such amounts shall be paid to such former shareholder of Homestead, without interest, upon proper surrender of his or her Homestead Common Stock certificates.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF HOMETOWN, HHI AND ACQUISITION

Hometown, HHI and Acquisition represent and warrant to Homestead and Bank as follows:

3.1 *Organization and Authority.* Each of Hometown, HHI and Acquisition is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida, and has the corporate power and authority to own its properties and assets and to carry on its business, and the business of its subsidiaries, as now being conducted and to enter into and carry out its obligations under this Agreement. In connection with the transactions contemplated hereby, each of Hometown, HHI and Acquisition will make application for registration as a bank holding company with the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") under the Bank Holding Company Act of 1956, as amended (the "BHCA"). Each of Hometown, HHI and Acquisition is qualified to do business as a foreign corporation in each jurisdiction where such qualification is necessary, except where the failure to obtain such qualification would not have a material adverse effect on the business, operations, assets, financial condition, prospects or results of operations, of Hometown, HHI or Acquisition and their respective subsidiaries, taken as a whole. Hometown, HHI and Acquisition have all necessary governmental authorizations to own or lease their respective properties and assets, and carry on their business as now being conducted, with the exception of those authorizations which the failure to obtain would not have a material adverse effect on the business, operations, financial condition, or result of operations of Hometown or HHI.

3.2 *Capital Structure of Hometown; Initial Funding.* (a) As of the date hereof, the authorized capital stock of Hometown consisted of 10,000 shares of common stock, par value \$1.00 per share, of which at such date, 1 share was issued and outstanding. Prior to the Closing, the Articles of Incorporation of Hometown shall be amended to read in their entirety as set forth in Exhibit B and to change the authorized capital stock of Hometown to consist of 10,000,000 shares of common stock, par value \$.01 per share ("Hometown Common Stock"), and 1,000,000 shares of undesignated preferred stock, \$.01 par value per share. Prior to the Effective Time, Hometown shall effect the sale for cash of not less than 1,000,000 shares of Hometown Common Stock. Other than as set forth in this Section 3.2, and except for the proposed offering of shares of Hometown Common Stock for cash, there are no other shares of capital stock or other equity securities of Hometown outstanding and no other outstanding options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into or exchangeable for, shares of any capital stock of Hometown, or contracts, commitments, understandings, or arrangements by which Hometown was or may become bound to issue additional shares of its capital stock or options, warrants or rights to

purchase or, except as provided in the Articles of Incorporation of Hometown or in purchase agreements relating to the sale of shares of shares of Hometown Common Stock, acquire any additional shares of its capital stock.

(b) Hometown will maintain cash and readily marketable securities free of any claims thereon, other than claims of Hometown thereon that may arise under this Agreement, with a fair market value equal to at least \$500,000, commencing on the date that is 30 days after the date of this Agreement and ending at earliest to occur of (i) the Effective Time, (ii) 45 days after a termination of this Agreement described in Section 8.2(e) of this Agreement, (iii) payment of all amounts due pursuant to such Section 8.2(e), or (iv) the date of termination other than as described in Section 8.2(e) hereof.

3.3 *Capitalization of HHI.* As of the date hereof, the authorized capital stock of HHI consisted of 10,000,000 shares of Class A Common Stock, of which at such date, no shares were issued and outstanding, 10,000,000 shares of Class B Common Stock, of which at such date 1 share was issued and outstanding, 10,000,000 shares of Class C Common Stock, of which at such date no shares were issued and outstanding and 1,000,000 shares of undesignated preferred stock, \$.01 par value per share, of which at such date no shares were issued or outstanding. Prior to the Effective Time, HHI shall effect the sale for cash of not less than 1,000,000 shares of Class A Common Stock, Class B Common Stock and/or Class C Common Stock, at a price of \$10.00 per share. Other than as set forth in this Section 3.3, and except for the proposed offering of shares of Class A Common Stock, Class B Common Stock and/or Class C Common Stock for cash, there are no other shares of capital stock or other equity securities of HHI outstanding and no other outstanding options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into or exchangeable for, shares of any capital stock of HHI, or contracts, commitments, understandings, or arrangements by which HHI was or may become bound to issue additional shares of its capital stock or options, warrants or rights to purchase or, except as provided in the Articles of Incorporation of HHI, acquire any additional shares of its capital stock.

3.4 *Capitalization of Acquisition.* As of the date hereof, the authorized capital stock of Acquisition consisted of 1,000 shares of Acquisition Common Stock, of which at such date, 1,000 shares were issued and outstanding. There are no other shares of capital stock or other equity securities of Acquisition outstanding and no other outstanding options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into or exchangeable for, shares of any capital stock of Acquisition, or contracts, commitments, understandings, or arrangements by which Acquisition was or may become bound to issue additional shares of its capital stock or options, warrants or rights to purchase or, acquire any additional shares of its capital stock.

3.5 *Authorization.* The execution, delivery and performance of this Agreement by Hometown, HHI and Acquisition, and the consummation of the transactions contemplated hereby have been duly authorized by the Board of Directors of Hometown, HHI and Acquisition, HHI as the sole shareholder of Acquisition, Hometown as the sole shareholder of HHI and the sole shareholder of Hometown, and no other corporate proceedings on the part of Hometown or HHI are necessary to authorize this Agreement and the transactions contemplated hereby. Subject to the approvals of government agencies having regulatory authority over Hometown, HHI and Acquisition or the Merger as may be required by statute or regulation, this Agreement is the valid and binding obligation of Hometown, HHI and Acquisition, enforceable in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization or moratorium or other similar laws affecting creditors' rights generally, and subject to general equitable principles which may limit the enforcement of certain remedies.

Neither the execution, delivery and performance of this Agreement by Hometown, HHI and Acquisition, nor the consummation of the transactions contemplated hereby, nor compliance by Hometown, HHI and Acquisition with any of the provisions of this Agreement, will (i) violate, conflict with, or result in a breach of any provisions of, or constitute a default (or an event which, with notice of lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration, or the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of Hometown, HHI or Hometown under any of the terms, conditions or provisions of, (x) the respective Articles of Incorporation or Association or Bylaws of Hometown, HHI and Acquisition, or (y) any material note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which Hometown, HHI or Acquisition is a party or by which Hometown, HHI or Acquisition may be bound, or to which Hometown, HHI or Acquisition or any of their

properties or assets may be subject, or (ii) subject to compliance with the statutes and regulations referred to in the next paragraph, violate any judgment, ruling, order, writ, injunction, decree, statute, rule or regulation applicable to Homestead, HHI, Acquisition or any of their properties or assets.

Other than in connection or in compliance with the applicable provisions of Florida law, the securities or blue sky laws of the various states and consents, authorizations, approvals or exemptions required under the BHCA, the National Bank Act or any applicable federal or state banking statute, no notice to, filing with, authorization of, exemption by, or consent or approval of, any public body or authority is necessary for the consummation by Homestead, HHI and Acquisition of the transactions contemplated by this Agreement.

Neither Homestead, HHI nor Acquisition has any reason to believe that any required regulatory consent or approval will not be received on a timely basis or will be received with conditions or restrictions which it would deem unduly burdensome, or which would have an adverse impact on its capacity to consummate the transactions contemplated hereby.

Homestead and HHI are highly confident that they will be able to sell equity or debt securities or obtain other borrowings for proceeds sufficient for each of them to fulfill its duties hereunder by the dates specified herein.

3.6 Litigation and Other Proceedings. Neither Homestead, HHI nor Acquisition is a party to any pending, or, to the knowledge of Homestead, HHI and Acquisition, threatened claim, action, suit, investigation or proceeding or subject to any order, judgment or decree, except for matters which, in the aggregate, cannot reasonably be anticipated to have, a material adverse effect on the capacity of Homestead, HHI and Acquisition to consummate the transactions contemplated hereby.

3.7 Proxy Statement, Etc. None of the information supplied or to be supplied by Homestead, HHI or Acquisition for inclusion, or included, in (i) the Proxy Statement to be mailed to the shareholders of Homestead (as defined in Section 5.3 below), in connection with the Homestead Shareholder Meeting (as defined in Section 5.3 below), and (ii) any other documents to be filed with any regulatory agency in connection with the transactions contemplated hereby will, to the best knowledge of Homestead, HHI or Acquisition and at such respective times as such information is supplied or such documents are filed or mailed, be false or misleading with respect to any material fact, or omit to state any material fact necessary in order to make the statements therein not misleading. All documents which Homestead, HHI or Acquisition are responsible for filing with any regulatory agency in connection with the Merger will comply as to form in all material respects with the provisions of applicable law.

3.8 Brokers and Finders. Except for fees of up to \$25,000 payable to Kendrick Pierce and Co. Inc., for services in connection with the Merger, neither Homestead, HHI, Acquisition nor any of their officers, directors, shareholders or employees has employed any broker or finder or incurred any liability for any financial advisory fees, brokerage fees, commissions or finder's fees, and no broker or finder has acted directly or indirectly for Homestead, HHI or Acquisition in connection with this Agreement or the transactions contemplated hereby.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF HOMESTEAD AND BANK

Homestead and Bank represent and warrant to Homestead, HHI and Acquisition as follows:

4.1 Organization and Authority. Homestead is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida. Homestead is a registered bank holding company under the BHCA, and has the corporate power and authority to own its properties and assets and to carry on its business, and the business of its subsidiaries, as now being conducted and to enter into and carry out its obligations under this Agreement. Homestead is qualified to do business as a foreign corporation in each jurisdiction where such qualification is necessary, except where the failure to obtain such qualification would not have a material adverse effect on the business, operations, assets, financial condition, prospects or results of operations, of Homestead and its subsidiaries, taken as a whole. Homestead has all necessary governmental authorizations to own or lease its properties and assets, and carry on its business as now being conducted, with the exception of those authorizations which the failure to obtain would not have a material adverse

effect on the business, operations, financial condition, or result of operations of Homestead and its subsidiaries, taken as a whole.

4.2 Homestead Subsidiaries. (a) Homestead directly owns all outstanding shares of the capital stock of Bank outstanding. Except as reflected on Schedule 4.2 attached hereto and made a part hereof, Homestead and the Bank do not have any subsidiaries, and do not own any capital stock or other interests in any entity (including, without limitation, active or inactive corporations, partnerships, joint ventures, trusts and limited liability companies). The Bank together with all other Homestead and Bank subsidiaries are referred to on occasion as "Homestead Subsidiaries" and each individually as a "Homestead Subsidiary." No equity securities of Bank or any other Homestead Subsidiary are or may become required to be issued by reason of any options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever, relative to, or concerning securities or rights convertible into, or exchangeable for, shares of any class of capital stock of any Homestead Subsidiary, and there are no other contracts, commitments, understandings or arrangements by which any Homestead Subsidiary is bound to issue, or Homestead is bound to cause any Homestead Subsidiary to issue, additional shares of its capital stock or options, warrants or rights to purchase or acquire any additional shares of its capital stock.

(b) All of the shares of capital stock of each Homestead Subsidiary so owned by Homestead are fully paid and non-assessable (except to the extent that the capital stock of the Bank may be deemed to be assessable under 12 USC §55) and are owned by it free and clear of any claim, lien, encumbrance or agreement with respect thereto. Bank is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America, and has the corporate power and authority and all necessary federal, state, local and foreign authorizations to own or lease its properties and assets and to carry on its business as it is now being conducted. The deposits of Bank are insured to the applicable legal limits by the Bank Insurance Fund of the FDIC. Each other Homestead Subsidiary is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and has the corporate power and authorization and all necessary material Federal, state, local and foreign authorizations to own or lease its properties and assets and to carry on its business as it is now being conducted.

4.3 Homestead and Bank Capital Structure. (a) The authorized capital stock of Homestead consists of 1,000,000 shares of Homestead Common Stock and 1,000,000 shares of undesignated preferred stock, par value \$1.00 per share. As of the date hereof, 186,355 shares of Homestead Common Stock were issued and outstanding, none of which were held in treasury or by Homestead Subsidiaries, and no shares of preferred stock are issued or outstanding. There are no other shares of capital stock or other equity securities of Homestead outstanding and no other outstanding options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into or exchangeable for, shares of capital stock of Homestead, or contracts, commitments, understandings, or arrangements by which Homestead was or may become bound to issue additional shares of its capital stock or options, warrants or rights to purchase or acquire any additional shares of its capital stock.

All of the outstanding shares of Homestead Common Stock are duly and validly issued, and are fully paid and non-assessable. No shares of Homestead Common Stock have been issued in violation of the preemptive or preferential rights of any holder of Homestead capital stock. All of the outstanding shares of Homestead Common Stock have been issued pursuant to an effective registration statement under the Securities Act, and pursuant to effective registrations or qualifications under applicable state securities or blue sky laws, or pursuant to applicable exemptions from such registration or qualification.

(b) As of the date hereof, the authorized capital stock of Bank consisted of (i) 225,000 shares of common stock, \$10.00 par value, ("Bank Common Stock") of which at such date 208,284 shares were issued and outstanding and no shares of Bank Common Stock have been issued since that date. There are no other shares of capital stock or other equity securities of Bank outstanding and no other outstanding options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into or exchangeable for, shares of capital stock of Bank, or contracts, commitments, understandings, or arrangements by which Bank was or may become bound to issue additional shares of its capital stock or options, warrants or rights to purchase or acquire any additional shares of its capital stock.

4.4 Authorization. The execution, delivery and performance of this Agreement by Homestead and Bank and the consummation of the transactions contemplated hereby have been duly authorized by the Boards of Directors of Homestead and Bank and by Homestead as sole shareholder of Bank, and except for the approval by the shareholders of

Homestead, no other corporate proceedings on the part of Homestead or Bank are necessary to authorize this Agreement and the transactions contemplated hereby. Subject to shareholder approval, this Agreement is the valid and binding obligation of Homestead and Bank enforceable against it in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization or moratorium or other similar laws or equitable principles affecting creditors' rights generally and subject to general equitable principles which may limit the enforcement of certain remedies.

Except as reflected on Schedule 4.4 attached hereto and made a part hereof, neither the execution, delivery and performance of this Agreement by Homestead and Bank, nor the consummation of the transactions contemplated hereby, nor compliance by Homestead and Bank with any of the provisions hereof or thereof, will (i) violate, conflict with, or result in a breach of any provisions of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration or the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of Homestead or Bank under any of the terms, conditions or provisions of (x) its Articles or Articles of Incorporation or Association or Bylaws or (y) any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which Homestead or Bank may be bound, or to which Homestead or Bank or any of the properties or assets of Homestead or Bank may be subject; or (ii) subject to compliance with the statutes and regulations referred to in the next paragraph, violate any judgment, ruling, order, writ, injunction, decree, statute, rule or regulation applicable to Homestead or Bank or any of their respective properties or assets.

Other than in connection or in compliance with the applicable provisions of the FDCA, the securities or blue sky laws of the various states and consents, authorizations, approvals or exemptions required under the BHCA, the National Bank Act or any applicable federal or state banking statute, no notice to, filing with, authorization of, exemption by, or consent or approval of, any public body or authority is necessary for the consummation by Homestead and Bank of the transactions contemplated by this Agreement.

Homestead has no reason to believe that any required regulatory consent or approval will not be received or will be received with conditions or restrictions which Homestead would deem unduly burdensome, or which would have an adverse impact on its capacity to consummate the transactions contemplated hereby.

4.5 Homestead Financial Statements. The audited consolidated balance sheets of Homestead as of December 31, 2004 and 2003 and the related audited consolidated statements of financial condition, income, changes in shareholders' equity, and cash flows for the two years ended December 31, 2004, copies of which have been furnished by Homestead to Homestead, HHI and Acquisition, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, and present fairly, in all material respects, its financial position as of December 31, 2004 and 2003, and its consolidated results of operations and cash flows for the years then ended. The audited consolidated balance sheets of Homestead as of future dates and the related audited consolidated statements of income, changes in shareholders' equity and cash flows for the periods then ended, which may be provided by Homestead to Homestead, HHI and Acquisition subsequent to the date hereof, will be prepared in accordance with generally accepted accounting principles applied on a consistent basis, and will present fairly, in all material respects, its financial position as of such dates and its consolidated results of operations and cash flows for such periods. The unaudited consolidated balance sheet of Homestead as of September 30, 2005, and the related unaudited consolidated statements of income, shareholders' equity and cash flows for the nine-month period then ended, and such unaudited interim financial statements which may be provided to Homestead, HHI and Acquisition subsequent to the date hereof, have been and will be prepared in accordance with generally accepted accounting principles applied on a consistent basis, and present and will present fairly the financial position of Homestead at the dates, and the consolidated results of operations, shareholders' equity, and changes in the financial position of Homestead for the periods stated therein, provided that all such unaudited interim financial statements are condensed and therefore do not include all of the information and footnotes required by accounting principles generally accepted for complete financial statement. In the case of interim fiscal periods, all adjustments, consisting only of normal recurring adjustments, have been and will be made, subject to year-end audit adjustments. Together, the audited and unaudited consolidated financial statements referred to in this section 4.5 are referred to as the "Homestead Consolidated Financial Statements."

Without limitation of the foregoing, the allowance for loan losses which are reflected in the balance sheets included in the Homestead Consolidated Financial Statements, were calculated in accordance with generally accepted

accounting principles; and no facts have subsequently come to the attention of management of Homestead or Bank which would cause it to restate in any material way the amount of the allowance for loan losses as of any such date.

4.6 Books of Account; Corporate Records; Shareholder Lists. (a) The books of account of Homestead and Bank are maintained in compliance in all material respects with all applicable legal and accounting requirements. Not in limitation of the foregoing, the books and records of account of Bank contain sufficient information, in reasonably accessible form and format, to enable it to conduct business in the ordinary course with respect to the assets and liabilities of Bank, including but not limited to information which would enable it to make any required filings under the Bank Secrecy Act and regulations promulgated thereunder. The minute books of Homestead and Bank accurately disclose all material corporate actions of their respective shareholders and Board of Directors and of all committees thereof.

(b) The list of all of the holders of Homestead Common Stock, including the address of legal residence of such holders, to be provided pursuant to Section 5.4 hereof shall be true and correct in all respects. The information provided by Homestead to Homestown, HHI and Acquisition as to the address of legal residence of the beneficial owners of shares held in street name, or by nominees or custodians, will reflect, to the knowledge of Homestead, the true and correct legal residence of such beneficial owners.

4.7 Reports. As of December 31, 2004, Homestead and Bank had filed, since that date have filed, and subsequent to the date hereof will file, all reports, registrations and statements, if any, together with any amendments required to be made with respect thereto, that were and are required to be filed with (i) the Federal Reserve Board, (ii) the FDIC, and (iii) the OCC (all such reports and statements are collectively referred to herein as the "Homestead Reports"). As of their respective dates, the Homestead Reports complied and will comply in all material respects with all the statutes, rules and regulations enforced or promulgated by the regulatory authority with which they were filed and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

4.8 Absence of Certain Changes. Except as reflected on Schedule 4.8 attached hereto and made a part hereof, since December 31, 2004, there has not been any change, in the nature of the business, results of operations, assets, financial condition, prospects, method of accounting or accounting practice, or manner of conducting the business of Homestead and Bank, or otherwise, any of which changes has had, or may reasonably be expected to have, individually or in the aggregate, a material adverse effect on the business, operations, assets, financial condition, prospects or results of operations of Homestead and Bank taken as a whole, or on the ability of Homestead and Bank to consummate the transactions contemplated hereby.

4.9 Insurance. All policies of insurance, including policies of title insurance, liability insurance and financial institutions bonds maintained by Homestead and Bank, including the identity of the carrier, type of coverage, policy limits, expiration, and claims made within the past five (5) years, are set forth in Schedule 4.9 attached hereto and made a part hereof. All such policies are in full force and effect and no notices of cancellation have been received in connection therewith. Such policies are in accordance with customary and reasonable practice in the banking industry in respect of amounts, types and risks insured, for the business in which Homestead and Bank are engaged, and are sufficient for compliance with all legal requirements and all agreements to which Homestead or Bank is a party. Neither Homestead nor Bank is in default with respect to any such policy which defaults, taken as a whole, are material to Homestead and Bank, taken as a whole.

4.10 Properties, Leases and Other Agreements. Except as may be reflected in the Homestead Consolidated Financial Statements or in Schedule 4.10 attached hereto and made a part hereof, and except for any lien for current taxes not yet delinquent, and except for imperfections of title, encumbrances and easements, if any, as are not substantial in character, amount or extent and do not materially detract from the value, or interfere with the present or proposed use of, such properties or assets, Homestead and Bank have good title, free and clear of any liens, claims, charges, options or other encumbrances, to all of the personal and real property reflected in the consolidated balance sheet of Homestead as of September 30, 2005, referred to above in Section 4.5, and all personal and real property acquired since such date, except such personal and real property as has been disposed of for fair value in the ordinary course of business. Except as set forth in Schedule 4.10 attached hereto and made a part hereof, all leases material to Homestead, pursuant to which Homestead and Bank, as lessee, leases real or personal property, are valid and effective in accordance with their

respective terms, and there is not, under any of such leases, any material existing default by Homestead and Bank or any event which with notice or lapse of time or both would constitute such a material default. Schedule 4.10 attached hereto and made a part hereof sets forth a complete list and brief description of all real estate owned or leased by Homestead and Bank (including real estate acquired by means of foreclosure, transfer in lieu of foreclosure or by exercise of any creditor's right), and all personal property having a value in excess of \$50,000 owned or leased by Homestead and Bank. Except as set forth on Schedule 4.10 hereto, each item of real estate described in Schedule 4.10 and used in the conduct of the business of Homestead or Bank is in good repair and insurable at market rates; no notice of violation of zoning laws, building or fire codes or other statutes, ordinances or regulations relating to the use or operation of such property has been received by or is known of by Homestead and Bank; and there are no condemnation or similar proceedings pending or threatened against any such property or any portion thereof.

4.11 *Taxes.* Except as set forth in Schedule 4.11 attached hereto and made a part hereof, Homestead and Bank have duly filed, or will file, all federal, state, local and foreign tax returns ("Returns") required by applicable law to be filed on or before the Effective Time (all such Returns being accurate and complete in all material respects), and have paid or have set up adequate reserves or accruals for the payment of all taxes required to be paid in respect of the periods covered by such Returns, and will pay, or where payment is not yet due, will set up adequate reserves or accruals adequate in all material respects for the payment of all taxes for any subsequent periods ending on or prior to the Effective Time or any portion of a subsequent period which includes the Effective Time and ends subsequent thereto. Neither Homestead nor Bank will have any material liability for any such taxes in excess of the amounts so paid or reserved or accruals so established. Except as set forth in Schedule 4.11 attached hereto and made a part hereof, neither Homestead nor Bank is delinquent in the payment of any material tax, assessment or governmental charge and has not requested any extension of time within which to file any tax returns in respect of any fiscal year which have not since been filed. Except as set forth in Schedule 4.11 attached hereto and made a part hereof, no material delinquencies for any tax, assessment or governmental charge have been proposed, asserted or assessed (tentatively or definitively) against Homestead or Bank which have not been settled and paid and, as of the date of this Agreement, no requests for waivers of the time to assess any tax, or waivers of the statutory period of limitation, are pending or have been granted, and neither Homestead nor Bank has in effect any currently effective power of attorney or authorization to any person to represent it in connection with any taxes.

4.12 *Fiduciary Activities.* Except as set forth in Schedule 4.12 attached hereto and made a part hereof, neither Homestead nor any Homestead Subsidiary is directly or indirectly engaged in any fiduciary or custodial activities.

4.13 *Intangible Property.* Except as set forth in Schedule 4.13 attached hereto and made a part hereof, Bank and Homestead own or possess the right, free of the claims of any third party, to use all material trademarks, service marks, trade names, copyrights, patents, and licenses currently used by them in the conduct of their respective businesses, each of which is described in Schedule 4.13. No material product or service offered and no material trademark, service mark or similar right used by Homestead or Bank infringes any rights of any other person, and, as of the date hereof, neither Homestead nor Bank has received written or oral notice of any claim of such infringement.

4.14 *Employee Relations.* As of the date hereof, Homestead and Bank are in all material respects in compliance with all federal and state laws, regulations, and orders respecting employment and employment practices (including Title 7 of the Civil Rights Act of 1964), terms and conditions of employment, and wages and hours, and none of them is engaged in any unfair labor practice, and there are no pending, or to the knowledge of Homestead and Bank, threatened actions, suits or proceedings, administrative, arbitral, civil, criminal or otherwise, seeking to impose on Homestead or Bank, any penalty, or to recover any damages from Homestead or Bank or any person to whom they may be obligated to provide indemnification or defense, as a result of the violation or alleged violation of any of such employment related laws, regulations or orders, and there is no basis for any of the foregoing. As of the date hereof, no dispute exists between Homestead or Bank and any of their respective employee groups regarding employee organization, wages, hours, or conditions of employment which would materially interfere with the business or operations of Homestead. As of the date hereof, there are no labor or collective bargaining agreements binding upon Homestead or Bank or to which Homestead or Bank is a party, and, except as set forth in Schedule 4.14, no employment, severance, change in control or consulting agreements binding upon Homestead or Bank, or to which Homestead or Bank is a party. As of the date hereof, Homestead and Bank are not aware of any attempts to organize a collective bargaining unit to represent any of their respective employee groups. All contributions due on or prior to the date hereof to any pension, profit-sharing, or similar plan of Homestead or Bank have been paid or provided for in accordance with the Employee Retirement Income Security Act of 1974, as amended, and all other applicable federal and state statutes

and regulations. Schedule 4.14 sets forth each employment contract, deferred compensation, non-competition, bonus, stock option, profit sharing, pension, retirement, change in control, severance, incentive and insurance arrangement or plan, and any other remunerative or fringe benefit arrangement applicable to Homestead or Bank, including the amounts currently payable pursuant to any employment agreement or other such arrangement.

4.15 ERISA. Schedule 4.15 sets forth a complete list of Homestead and Bank's employee pension benefit plans within the meaning of Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), profit sharing plans, stock purchase plans, deferred compensation and supplemental income plans, group insurance plans and all other employee welfare benefit plans within the meaning of Section 3(1) of ERISA, maintained for the benefit of the employees or former employees, including any beneficiaries thereof, and directors or former directors of Homestead and Bank. Homestead and Bank have delivered to Hornstown a true and correct copy of each such employee benefit plan. Other than as set forth in this Section 4.15 and Schedule 4.15, neither Homestead nor Bank maintains any plans of the type described in this Section.

All "employee benefit plans" (as defined in Section 3(3) of ERISA) comply in all material respects with all applicable provisions of ERISA, the Code, and all other federal, state, or local laws. The assets of Homestead and Bank are not subject to any liens under ERISA or the Code with respect to any employee benefit plan of Homestead or Bank or an Affiliate (as defined below), and no event has occurred, or condition exists, which could subject Homestead or Bank or their respective assets to a future liability, obligation, or lien arising out of any employee benefit plan of Homestead or Bank or an Affiliate.

All employee benefit plans currently or previously maintained, sponsored, or contributed to by Homestead or Bank have been administered, maintained, and operated in accordance with their terms. All contributions, payments, fees or expenses relating to each such employee benefit plan that were deducted by Homestead or Bank for income tax purposes were properly deductible in the year claimed. There are no actions, claims (other than routine benefit claims made in the ordinary course), proceedings or inquiries, pending or threatened, with respect to any such employee benefit plan, and neither Homestead nor Bank has any knowledge of any fact which could give rise to any such action, claim, proceeding or inquiry. Neither Homestead, Bank, nor any other person or entity who or which is a party in interest (as defined in Section 3(14) of ERISA) or disqualified person (as defined in Section 4975(a)(2) of the Code) has acted or failed to act with respect to any such employee benefit plan in any manner which constitutes: (1) a breach of fiduciary responsibility under ERISA; (2) a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code; or (3) any other violation of ERISA or the Code. Neither Homestead nor Bank is obligated to indemnify, reimburse, or contribute to the liabilities or expenses of any person or entity who may have committed or been involved in any such fiduciary breach, prohibited transaction, or ERISA or Code violation. Each such employee benefit plan which is intended to meet the requirements for tax-favored treatment under Subtitle A, Chapter 1 of the Code meets such requirements. Each such employee benefit plan that was intended to constitute a qualified plan under Section 401(a) of the Code has, at all times, been qualified, in form and operation, under Section 401(a) of the Code, and any related trust is and has, at all times, been exempt from income tax. Neither Homestead, Bank nor any Affiliate (as defined below) has ever maintained or contributed to a multiemployer plan (as defined in Section 3(37) of ERISA). All returns, reports, statements, notices, declarations or documents relating to an employee benefit plan that are required by law to be filed with or furnished to any federal, state, or local governmental agency have been timely filed. Any employee benefit plan (including any employee benefit plan of an Affiliate) that is a group health plan (as defined in Section 5000(b)(1) of the Code) has complied in each and every case with the requirements of Sections 501 through 507 of ERISA and Section 4980B of the Code and all other applicable federal, state, and local laws relating to continuation coverage (collectively "COBRA"), and no such plan provides benefits to former employees or their beneficiaries (except to the extent required under COBRA). Each employee benefit plan can be amended, modified, or terminated without participant consent and without additional liability accruing to Homestead or Bank after the date of Plan termination. For this purpose, liabilities accrued on or before the date of Plan termination shall be limited to the following: (1) in the case of an employee benefit pension plan (within the meaning of Section 3(2) of ERISA), the participant's "accrued benefit," as defined in Section 3(23) of ERISA; and (2) in the case of an employee welfare benefit plan (within the meaning of Section 3(1) of ERISA), claims for expenses, costs, or services (including, but not limited to, medical and other health care services) actually performed or incurred before the date of the Plan termination. Any prior amendment, modification, or termination of an employee benefit plan has been made in accordance with the terms of the Plan and applicable law.

For purposes of this Section 4.15, the term Affiliate means an entity included in the group of entities consisting of Homestead or Bank and all other entities that are treated as part of the same controlled group under Section 414(b), (c), (m) or (o) of the Code.

4.16 Contracts; Consents. Except as disclosed in Schedule 4.16, neither Homestead nor Bank is a party to, and no property or assets of Homestead or Bank is subject to any contract, agreement, lease, sublease, license, arrangement, understanding or instrument calling for payments in excess of \$25,000 over the term of the contract or in any year ("Material Contract"). Each such Material Contract is valid and in full force and effect, and all parties thereto have in all material respects performed all obligations thereunder required to be performed to date, and are not in material default. Except as disclosed in Schedule 4.16, each Material Contract is assumable and assignable without consent of the other party thereto and does not contain any provision, increasing or accelerating payments otherwise due, or changing or modifying the provisions or terms of such Material Contract as a result of this Agreement or the transactions contemplated hereby. Except for the governmental approvals referred to in Section 4.4 and as set forth on Schedule 4.16, no consent, permission acquiescence, approval, or authorization of or by any third party is required to permit Homestead and the Bank to consummate the transactions contemplated hereby.

4.17 Related Party Transactions. Except as disclosed in Schedule 4.17 neither Homestead nor Bank has any contract, extension of credit, business arrangement, depository relationship, or other relationship with (i) any present or former director or officer of Homestead or Bank; (ii) any shareholder of Homestead owning 5% or more of the Homestead Common Stock; or (iii) any affiliate or associate of the foregoing. Each extension of credit disclosed in Schedule 4.17 has been made in the ordinary course of business, and on the same terms, including interest rate and collateral, as those prevailing at the time for comparable arms'-length transactions, and does not involve more than the normal risk of collectibility or present other unfavorable features.

4.18 Loans. Except as set forth in Schedule 4.18, to the knowledge of the Homestead and Bank, each of the loans of Bank represents the legal, valid and binding obligation of the borrowers named therein, enforceable in accordance with its terms (including the validity, perfection and enforceability of any lien, security interest or other encumbrances relating to such loan), except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, and subject to general principles of equity which may limit the enforcement of certain remedies, and each such loan was made in compliance with the provisions of applicable law and regulation, including but not limited to the Real Estate Settlement Practices Act and the Truth in Lending Act and the regulations promulgated thereunder. Except as set forth in Schedule 4.18, to the knowledge of Homestead and Bank, no default (including any event or circumstance which with the passage of time or the giving of notice or both would constitute a default) in respect of any material provision of any such loan exists, and Homestead and Bank have no knowledge of any borrower's inability to repay any of such loans when due, whether or not such borrower is currently in default.

4.19 Environmental Matters. Homestead and Bank have no knowledge or information that any environmental contaminant, pollutant, toxic or hazardous waste or similar or like substance is being or has been generated, used, stored, processed, disposed of, discharged at, or was or is otherwise present at any real estate now or previously owned or acquired (including without limitation any real estate acquired by means of foreclosure, transfer in lieu of foreclosure or by exercise of any other creditor's right) or leased by Homestead or Bank, or any real estate which is pledged or stands as collateral security for any loan or other extension of credit by Bank, except as disclosed in Schedule 4.19. Except as disclosed in Schedule 4.19, there is no legal, administrative, arbitral or other proceeding, claim, action, cause of action or governmental proceeding or investigation of any nature whatsoever, seeking to impose, or that could result in the imposition, on Homestead or Bank of any liability arising under any local, state, or federal environmental statute, regulation, rule or ordinance, pending or, to the knowledge of Homestead or Bank, threatened against Homestead or Bank; and there is no reasonable basis for any of the foregoing; and neither Homestead nor Bank is subject to any agreement, order, judgment, decree or memorandum of any court, governmental authority, regulatory agency or third party imposing any such liability.

4.20 Litigation and Other Proceedings. Except as set forth in Schedule 4.20, neither Homestead nor Bank is a party to any pending, or, to the knowledge of Homestead and Bank, threatened claim, action, suit, investigation or proceeding or subject to any order, judgment or decree, except for matters which, in the aggregate, cannot reasonably be anticipated to have, a material adverse effect on the financial condition, results of operations, business, properties or

prospects of Homestead or Bank taken as a whole, and there is no basis for any of the foregoing. Schedule 4.20 sets forth a complete and accurate list of all pending actions, suits, investigations or proceedings to which Homestead or Bank is a party or which relate to any material portion of their respective assets, and threatened actions, suits, investigation or proceedings of which Homestead or the Bank have knowledge, to which Homestead or Bank believes one or both may become a party or which relate to any material portion of their respective assets. Homestead and Bank do not have any knowledge of any pending or threatened action, suit or proceeding which presents a claim to prohibit, restrict or restrain the transactions contemplated hereby.

4.21 Absence of Undisclosed Liabilities. Except as disclosed in Schedule 4.21, or as reflected, noted or adequately reserved against in the Homestead Consolidated Financial Statements as of September 30, 2005, Homestead has no material liabilities (whether accrued, absolute, contingent or otherwise) which were required to be reflected, noted or reserved against in the balance sheet included therein under generally accepted accounting principles. Except as disclosed in Schedule 4.21, Homestead and the Homestead Subsidiaries have not incurred, since September 30, 2005, any such liability, other than liabilities of the same nature as those set forth in the balance sheet, all of which have been incurred in the ordinary course of business as conducted prior to September 30, 2005.

4.22 Compliance with Laws. (a) Homestead and Bank have all permits, licenses, certificates of authority, orders and approvals of, and have made all filings, applications and registrations with, federal, state, local or foreign governmental or regulatory bodies that are required in order to permit them to carry on their business as presently conducted and the absence of which would have a material adverse effect on such business; all such permits, licenses, certificates of authority, orders and approvals are in full force and effect, and, to the best knowledge of Homestead and Bank, no suspension or cancellation of any of them is threatened; and all such filings, applications and registrations are current. Homestead and the Bank are in compliance in all material respects with all applicable federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders or decrees applicable thereto or to the employees conducting such businesses, including, without limitation, the Equal Credit Opportunity Act, the Fair Housing Act, the Community Reinvestment Act, the Home Mortgage Disclosure Act, the Bank Secrecy Act and all other applicable fair lending laws and other laws relating to discriminatory business practices. The conduct of its business by Homestead and Bank has not violated, and does not violate, in any material respect, any applicable domestic (federal, state or local) or foreign law, statute, ordinance, license or regulation now in effect. Neither Homestead nor Bank is in default under any order, license, regulation or demand of any federal, state, local or other governmental agency or with respect to any order, writ, injunction or decree of any court.

(b) Except for statutory or regulatory restrictions of general application, no Federal, state, local or other governmental authority has placed any restrictions on the business of Homestead or any of the Homestead Subsidiaries which reasonably could be expected to have a material adverse effect on the business of Homestead and the Homestead Subsidiaries taken as a whole.

4.23 Proxy Statement, Etc. None of the information supplied or to be supplied by Homestead or Bank for inclusion, or included, in (i) the Proxy Statement or (ii) any other documents to be filed with any regulatory agency in connection with the transactions contemplated hereby will, at the respective times such information is supplied or such documents are filed or mailed, be false or misleading with respect to any material fact, or omit to state any material fact necessary in order to make the statements therein not misleading. All documents which Homestead or Bank is responsible for filing with any regulatory agency in connection with the transactions contemplated hereby, and all information provided by Homestead or Bank to Homestead, HHI and Acquisition for inclusion in any such filings by Homestead, HHI or Acquisition, will comply as to form in all material respects with the provisions of applicable law.

4.24 Anti-Takeover Provisions. Homestead, the Bank and each other Homestead Subsidiary has taken all actions required to exempt such company, this Agreement and the Merger from any provisions of an antitakeover nature contained in their organizational documents or the provisions of any federal or state "antitakeover," "fair price," "moratorium," "affiliate transaction," "control share acquisition" or similar laws or regulations ("Takeover Laws"), including but not limited to Section 607.0901 and Section 607.0902 of the Florida Business Corporation Act.

4.25 Fairness Opinion. Homestead has received, on or prior to the date hereof, the written opinion of Sandler O'Neill & Partners, L.P. to the effect that the Merger is fair to the shareholders of Homestead from a financial point of view.

4.26 *Brokers and Finders.* Except for a fee of \$100,000 payable to Sandler O'Neill & Partners, L.P. neither Homestead nor Bank, nor any of their officers, directors, employees, or shareholders has employed any broker or finder or incurred any liability for any financial advisory fees, brokerage fees, commissions or finder's fees, and no broker or finder has acted, directly or indirectly, for Homestead or Bank, in connection with this Agreement or the transactions contemplated hereby.

ARTICLE V

CONDUCT OF BUSINESS PRIOR TO THE EFFECTIVE TIME

5.1 *Forbearance by Homestead and Bank.* From the date hereof until the Effective Time, Homestead and Bank covenant and agree that each will not do, or agree or commit to do, and Homestead and Bank covenant and agree that without the prior written consent of Homestead, HHI and Acquisition they will not permit any Homestead Subsidiary to do or agree or commit to do any of the following:

- (a) except as in the ordinary course of business consistent with past practice, enter into or assume any Material Contract, make any material commitment, incur any material liabilities or material obligations, whether directly or by way of guaranty, including any obligation for borrowed money whether or not evidenced by a note, bond, debenture or similar instrument, acquire or dispose of any material property or asset, or engage in any transaction not in the ordinary course of business consistent with past practice, or subject any of Homestead's or Bank's assets or properties to any lien, claim, charge or encumbrances whatsoever, other than with respect to the construction and reasonable equipping and furnishing of the Perrine Branch of the Bank, and the upgrade of ATM and computer systems of the Bank in accordance with the plans disclosed to Homestead;
- (b) grant any general increase in compensation to its employees or officers or directors, pay any bonus, or effect any increase in retirement benefits to any class of employees or its officers (unless any such change shall be required by applicable law), except for the payment of annual bonuses with respect to 2005 to directors, executive officers and employees under plans in effect prior to the date of this Agreement and in amounts which have been accrued for, or which after the date hereof will be accrued for, in accordance with Homestead's 2005 budget;
- (c) declare, set aside or pay any dividend or other distribution on any class of its capital stock;
- (d) redeem, purchase or otherwise acquire any shares of its capital stock or any securities or obligations convertible into or exchangeable for any shares of its capital stock; merge into any other corporation or bank or permit any other corporation or bank to merge into it, or consolidate with any other corporation or bank; liquidate, sell or dispose of any assets or acquire any assets, otherwise than in the ordinary course of its business consistent with past practice; or agree to do any of the foregoing;
- (e) open, or file an application with any federal or other regulatory agency with respect to the opening of any additional office, branch or banking facility, or the acquisition or establishment of any additional banking or nonbanking facility;
- (f) issue any shares of its capital stock or permit any share of its capital stock held in its treasury to become outstanding; issue or grant, or extend or modify the terms of any option, warrant, or stock appreciation right;
- (g) amend its Articles or Articles of Incorporation or Association or Bylaws;
- (h) effect any capital reclassification, stock dividend, stock split, consolidation of shares or similar change in capitalization;
- (i) take, cause or permit the occurrence of any change or event which would render any of its representations and warranties contained herein untrue in any material respect at and as of the Effective Time;
- (j) enter into any related party transaction of the type contemplated by Section 4.17 hereof, except for transactions relating to deposit relationships or the extension of credit in the ordinary course of business, on substantially the same terms, including interest rate and collateral, as those prevailing for comparable transactions with unaffiliated parties, and

which do not present more than the normal risk of collectibility or other unfavorable features, and in respect of which disclosure has been made to Hometown, HHI and Acquisition prior to disbursement;

(k) solicit, encourage, or authorize any person, including but not limited to directors, officers, shareholders, or employees, to solicit from, or communicate with, any third party, inquiries or proposals relating to any Acquisition Proposal (as defined in Section 6.10), or provide any such third party with information or assistance or negotiate or conduct any discussions with any such third party in furtherance of such inquiries or to obtain an Acquisition Proposal, or continue any such activities in progress on the date hereof, and Homestead shall promptly notify Hometown, HHI and Acquisition of all of the relevant details, including the identity of such third party and the nature of any such third party Acquisition Proposal, relating to all inquiries and proposals which it may receive relating to any of such matters;

(l) knowingly take any action which would (i) adversely affect the ability to obtain the necessary approvals of governmental authorities required for the transactions contemplated hereby; or (ii) adversely affect the ability to perform the covenants and agreements under the Agreement; or

(m) enter into any new line of business, or change its lending, investment, assets liability management, risk management, deposit pricing, or other material banking or operating policies and procedures in any material manner; or

(n) adopt, enter into or amend any employment, consulting, change in control, or severance agreement, arrangement or policy with or with respect to any officer, employee or director.

5.2 Conduct of Business. From the date hereof until the Effective Time, Homestead and Bank covenant and agree that, except as otherwise consented to by Hometown, HHI and Acquisition in writing it shall, and Homestead shall cause Bank and each other Homestead Subsidiary to:

(a) carry on its business, and maintain its books of account and other corporate records, in the ordinary course consistent with past practice and legal and regulatory requirements;

(b) to the extent consistent with prudent business judgment, use all reasonable efforts to preserve its present business organization, to retain the services of its officers and employees, and maintain customer and other business relationships;

(c) maintain all of the structures, equipment, and other real and personal property of Homestead and the Homestead Subsidiaries in good repair, order and condition, ordinary wear and tear and unavoidable casualty excepted;

(d) use all reasonable efforts to preserve or collect all material claims or causes of action of Homestead and the Homestead Subsidiaries;

(e) keep in full force and effect all insurance coverage maintained by Homestead or the Homestead Subsidiaries;

(f) perform in all material respects all obligations under all material agreements, contracts, commitments and other instruments which Homestead or any Homestead Subsidiary is a party or by which they may be bound or which relate to or affect any of their respective assets or properties;

(g) comply in all material respects with all statutes, laws, regulations, rules, ordinances, orders, decrees, consent agreements, examination reports and other federal, state and local governmental or regulatory directives applicable to Homestead and the Homestead Subsidiaries and the conduct of their respective businesses;

(h) at all times maintain the allowance for loan losses at a level which is adequate to absorb reasonably anticipated losses in the loan and lease portfolio, in accordance with generally accepted accounting principles and regulatory requirements; and

(i) prior to the Effective Time, provide the calculation of Bank's allowance for loan losses and supporting information to Hometown prior to the date of publication of any regulatory report or financial statement that will first include an allowance for loan losses based upon such calculation.

5.3 *Approval of Homestead Shareholders.* Homestead shall cause a meeting of its shareholders (the "Homestead Shareholder Meeting") to be held as soon as reasonably possible, but no later than April 30, 2006, for the purpose of considering the approval of the Merger and adoption of this Agreement and the approval of the any change in control agreements for which approval is required in order to avoid adverse tax consequences under Section 280G of the Internal Revenue Code. Homestead shall cause to be distributed to each shareholder of record of Homestead (according to the transfer records of Homestead as of the record date for the Homestead Shareholder Meeting), such material required by applicable statutes and regulations including but not limited to a copy of a joint prospectus/proxy statement ("Proxy Statement") to be prepared by Hometown, HHI and Homestead in connection with the Merger, describing in reasonable detail the provisions of the Merger Agreement, the terms of the Merger, the business of Homestead and the Bank, and the provisions of the securities of HHI to be issued in connection with the Merger, in form and substance reasonably satisfactory to Hometown. The Proxy Statement shall be mailed by Homestead on the date (the "Mailing Date") at least twenty (20) business days prior to the date of the Homestead Shareholder Meeting. The Board of Directors of Homestead shall recommend to its shareholders that they vote the shares held by them to approve the Merger and to adopt this Agreement and for approval of the change in control agreements and Homestead shall use its best efforts in good faith to obtain its shareholders' approval of the Merger in accordance with Florida law.

The Proxy Statement, as amended or supplemented by any amendment or supplement, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that information as of a later date included therein shall be deemed to modify information of an earlier date, and with respect to either party, the foregoing statement shall not apply to statements in or omissions from the Proxy Statement made in reliance upon and in conformity with information furnished by the other party for use in the Proxy Statement. After becoming aware of any statement or omission which renders the statement set forth in the preceding sentence not true or correct, the parties will promptly amend, supplement or revise such material in order to make the statement in the preceding sentence true and correct at all times up to and including the Effective Date.

5.4 *Shareholder List.* Homestead will provide a complete list of its shareholders in accordance with Section 4.6(b) hereof within ten days of notice from Hometown that Hometown and HHI have sold for cash and/or received binding subscriptions for their equity and debt securities, or other borrowings, for aggregate proceeds equal to or exceeding \$55,500,000. Within 10 business days of the date of this Agreement, Homestead will provide a list showing shares owned by each shareholder and the state of the holder's residence, but without listing other identifying information.

ARTICLE VI

ADDITIONAL AGREEMENTS

6.1 *Access and Information.* (a) Homestead and Bank shall afford to Hometown, HHI and Acquisition, and to Hometown's, HHI's and Acquisition's accountants, counsel, financial advisors and other representatives, reasonable access during normal business hours of Homestead and Bank, during the period prior to the Effective Time, to all of its properties, books, contracts, commitments and records and, during such a period, shall furnish promptly to Hometown, HHI and Acquisition (a) except as prohibited by law, a copy of each report, schedule and other document filed or received by it during such period with or from (i) the OCC; (ii) Federal Reserve Board or (iii) the FDIC; and (b) all other information concerning its business, assets, properties and personnel as Hometown, HHI and Acquisition may reasonably request. Hometown, HHI, Acquisition and their accountants, counsel, financial advisors and other representatives will request permission for all such access in advance, and all such access will be conducted in a manner designed to minimize disruption to the normal business operations and employee or customer relations of Homestead and Bank. Hometown, HHI and Acquisition shall cause all information obtained by them or their representatives pursuant to this Agreement or in connection with the negotiation thereof, including, without limitation, the schedules hereto, to be treated as confidential and shall not use, nor knowingly permit others to use, any such information for any purpose other than in connection with the transactions contemplated hereby, unless such information becomes generally available to the public or is required to be disclosed pursuant to the order of a court of competent jurisdiction or otherwise in accordance with applicable law, and in the event of the termination of this Agreement shall promptly return all documents (including copies thereof) obtained hereunder from Homestead and Bank, and shall destroy all copies of any analyses, compilations, notes, studies or other documents prepared from any such material for their use.

6.2; Applications; Cooperation. As promptly as practicable after the furnishing by Homestead and Bank of all information regarding them required to be reflected therein, Hometown, HHI and Acquisition shall file (i) the applications and notices for Federal Reserve Board, OCC or other regulatory approval, and (ii) any other applications for regulatory or other approvals deemed necessary or appropriate by Hometown, HHI and Acquisition. To the extent available, Hometown, HHI and Acquisition shall request expedited or emergency treatment of such applications, and shall take reasonable steps to pursue the applications. Homestead and Bank agree that they shall, and shall cause their employees, agents, representatives, and advisors to, cooperate with Hometown, HHI and Acquisition in the preparation and filing of the regulatory applications, including, but not in limitation, by providing on a prompt basis information requested by Hometown, HHI, Acquisition or their advisors for inclusion in such documents, and by providing comments on drafts of such documents on a timely basis.

6.3 Notice of Actual or Threatened Breach. Each party will promptly give written notice to the other parties upon becoming aware of any impending or threatened occurrence of any event or the failure of any event to occur which would cause or constitute a breach of any of the representations, warranties or covenants made by such party in this Agreement, any other changes or inaccuracies in any data previously given or made available to the other parties, or which would threaten consummation of the transaction contemplated hereby.

6.4 Current Information. (a) During the period from the date of this Agreement to the Effective Time, Homestead and Bank will cause one or more of its representatives to confer on a regular and frequent basis with representatives of Hometown, HHI and Acquisition to report the general status of its ongoing operations. Homestead and Bank will promptly notify Hometown, HHI and Acquisition of any material change in the normal course of its business or in the operation of its properties and, to the extent permitted by applicable law, of any governmental complaints, investigations or hearings (or communications indicating that the same may be contemplated), or the institution or the threat of material litigation involving them, and will keep Hometown, HHI and Acquisition fully informed with respect to such events.

(b) During the period from the date of this Agreement to the Effective Time, Hometown, HHI and Acquisition (i) will cause one or more of its representatives to confer on a regular and frequent basis with representatives of Homestead and the Bank to report its financial condition, its ongoing operations and activities, and the status of its capital raising efforts, including, without limitation, the amount of Hometown and HHI equity securities that have been sold, the dollar amount held by Hometown or HHI tendered with subscriptions or stock purchase agreements for the equity securities of Hometown or HHI but not yet employed to purchase such securities, and the dollar amount of other subscriptions or stock purchase agreements tendered without cash, and its management's assessment of the prospects for and timing of sale of equity securities; (ii) will promptly notify Homestead and Bank of any governmental complaints, investigations or hearings (or communications indicating that the same may be contemplated), or the institution or the threat of material litigation involving them, and will keep Hometown, HHI and Acquisition fully informed with respect to such events; and (iii) will promptly provide to Homestead and the Bank copies of all regulatory applications required to be filed by Hometown, HHI or Acquisition under this Agreement and related correspondence to and from the applicable regulatory authorities. Hometown will promptly provide written reports of the fair market value of assets required to be established and maintained by in Section 3.8 of this Agreement upon the request of Homestead or Bank.

6.5 Expenses. Each party hereto shall pay its own expenses incident to preparing for, entering into and carrying out this Agreement and to the consummation of the Merger and the transactions contemplated hereby. Homestead agrees that the aggregate expenses of Homestead, including all fees and expenses of legal counsel, accountants, and financial or other advisors, shall not exceed reasonable amounts in light of the circumstances and the amount and nature of work or services to be performed.

6.6 Miscellaneous Agreements and Consents. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement, including, without limitation, using reasonable efforts to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated hereby. Hometown, HHI and Acquisition, or Homestead and Bank, as the case may be, will use their respective best efforts to obtain consents of all third parties and governmental bodies necessary or desirable for the consummation of the transactions contemplated by this Agreement.

6.7 *Press Releases.* Hometown and Homestead will consult with each other as to the form, substance and timing of any press release or other public disclosure of matters related to this Agreement or any of the transactions contemplated hereby.

6.8 *Bank Employees.* Subject to the terms of employment and/or consulting agreements in effect as of the date hereof and which have been disclosed to Hometown on the Schedules hereto, and subject to Hometown's and HHI's determination, in their discretion, to offer continued employment to non-executive officer or executive officer employees of Bank on a case by case basis, Hometown and HHI shall have no obligation to continue the employment of any Homestead or Bank employee after the Effective Time. Not in limitation of the foregoing, it is the current intention of Hometown and HHI to offer employees of Hometown and Bank continued employment, subject to satisfactory review of employee records.

6.9 *D&O Indemnification.* Following the Effective Time and for a period of six (6) years thereafter, HHI shall indemnify, defend and hold harmless any person who has rights to indemnification from Homestead, to the same extent and on the same conditions as such person is entitled to indemnification pursuant to applicable law and Homestead's articles of incorporation or bylaws, as in effect on the date of this Agreement, to the extent legally permitted to do so with respect to matters occurring on or prior to the Effective Time. HHI shall maintain Homestead's existing directors' and officers' liability policy, or some other policy, providing at least comparable coverage, covering persons who are currently covered by such insurance of Homestead for a period of six (6) years after the Effective Time on terms comparable to those in effect on the date hereof.

6.10 *Acquisition Proposals.* (a) Notwithstanding anything contained in Section 5.1(k) to the contrary, in the event that Homestead shall receive prior to the Effective Time an Unsolicited Acquisition Proposal (as hereinafter defined) which, in the good faith determination of the Board of Directors of Homestead, the fiduciary duty of the directors under Florida law requires that the Board of Directors consider, negotiate, communicate, or provide information with respect to (collectively "communications"), which such determination shall be based on the written advice of counsel to Homestead, to the effect that the fiduciary duty of the directors requires such communications because such Unsolicited Acquisition Proposal is more favorable (in the written opinion of Homestead's financial advisor) to its shareholders than the Merger, then Homestead shall be entitled to engage in such communications.

(b) In the event that the Board of Directors of Homestead:

(i) approves any Unsolicited Acquisition Proposal, or Homestead and/or Bank consummates any such Unsolicited Acquisition Proposal, Homestead and Bank shall be deemed to have terminated this Agreement as of the date of such approval or consummation.

(ii) (1) recommends any Unsolicited Acquisition Proposal to the shareholders of Company; (2) shall fail to recommend the Merger to the shareholders of Homestead while any unrejected Unsolicited Acquisition Proposal exists; or (3) withdraws, or adversely modifies, or fails upon request of Hometown, HHI and Acquisition to reaffirm its recommendation of the Merger to shareholders of the Merger, in each case while any unrejected Unsolicited Acquisition Proposal exists; then Hometown, HHI and Acquisition shall be deemed to have terminated this Agreement as of the date of such recommendation, failure to recommend, withdrawal, modification or failure to reaffirm.

(c) For purposes of this Section 6.10:

(i) An "Acquisition Proposal" shall mean any proposal, other than the Merger, received by Homestead from any person or entity other than Hometown, HHI and Acquisition (including deemed receipt as a result of the public announcement of such proposal by the proponent) regarding: (1) any merger, consolidation, reorganization, business combination, share purchase or exchange, purchase and assumption or similar transaction involving Homestead or the Bank; or (2) any sale, lease, transfer, pledge, encumbrance or other disposition, directly or indirectly, of all, or any substantial portion of, the assets of Homestead or the Bank.

(ii) An "Unsolicited Acquisition Proposal" shall mean any Acquisition Proposal received without violation of the provisions of Section 5.1(k) hereof.

(iii) Any Acquisition Proposal made by any party at the direction, suggestion, solicitation, encouragement, or otherwise as a result of contact between such party and any investment banker or financial advisor retained or proposed to be retained by Homestead shall be deemed to be a proposal solicited by Homestead for purposes of this Section 6.10 and shall not constitute an Unsolicited Acquisition Proposal.

(d) Homestead shall immediately advise Hometown, HHI and Acquisition of, and communicate to Hometown, HHI and Acquisition the terms of, any such Acquisition Proposal or inquiry with respect to an Acquisition Proposal addressed to Homestead or of which Homestead or its officers or directors has knowledge. Homestead's Board of Directors shall use its best efforts to cause its officers, directors, employees, agents and representatives to comply with the requirements of this Section and Section 5.1(k).

6.11 *Disclosure.* All Schedules called for by this Agreement shall be updated as of the Closing Date, for comparative purposes.

ARTICLE VII

CONDITIONS

7.1 *Conditions to Each Party's Obligation to Effect the Merger.* The respective obligations of each party to effect the Merger shall be subject to the fulfillment or waiver at or prior to the Effective Time of the following conditions:

(a) *Shareholder Approval.* The Merger shall have been approved by the requisite vote of the shareholders of Homestead.

(b) *Tax Treatment.* Hometown, HHI and Homestead shall have received the written opinion of RSM McCladrey, Inc., or other tax advisor agreed upon in writing by the parties hereto, to the effect that, or Hometown, HHI and Homestead shall have otherwise determined to their satisfaction that, the consummation of the Merger and other transactions contemplated hereby, in accordance with provisions hereof, will not result in a taxable event or realization event at Homestead or the Surviving Corporation. The parties acknowledge and agree that it is expected that the Merger will result in the taxation of gains, if any, which holders of Homestead Common Stock may realize as a result of the Merger.

7.2 *Conditions to Obligation of Hometown, HHI and Acquisition to Effect the Merger.* The obligation of Hometown, HHI and Acquisition to effect the Merger shall be subject to the fulfillment or waiver at or prior to the Effective Time of the following additional conditions:

(a) *Representations and Warranties; Corporate Proceedings.* Each representation and warranty of Homestead and Bank set forth in Article IV hereof shall be true and correct in all material respects (except those representations and warranties which are qualified by a materiality standard, which shall be true and correct in all respects, and except that the representations contain in Section 4.3 as to the number of shares of Homestead Common Stock outstanding and the number of shares of Homestead Common Stock and Bank equity securities assumable upon the exercise of options or similar rights, which shall be true and correct in all respects) as of the date of this Agreement and as of the Effective Time (other than those limited to a specified date, which shall speak only as to such date), and Hometown, HHI and Acquisition shall have received a certificate of the Homestead and Bank, executed by the President thereof in his capacity as such, and not in his individual capacity, to that effect. All action required to have been taken by, or on the part of, Homestead or Bank to authorize the execution, delivery and performance of this Agreement and the Merger, respectively, shall have been duly and validly taken, and Hometown, HHI and Acquisition shall have received certified copies of the resolutions evidencing such authorizations.

(b) *Performance of Obligations.* Homestead and Bank shall each have in all material respects performed all obligations required to be performed by it under this Agreement prior to the Effective Time, and Hometown, HHI and Acquisition shall have received a certificate of Homestead and Bank, executed by the President thereof in his capacity as such, and not in his individual capacity, to that effect.

- (c) *Permits, Authorizations, Etc.* Homestead and Bank shall have obtained any and all material permits, authorizations, consents, waivers, clearances or approvals required for the lawful consummation of the Merger.
- (d) *No Material Adverse Change.* There shall not have been any material adverse change in the business, operation, assets, financial condition, or results of operations of Homestead and Bank, taken as a whole.
- (e) *Regulatory Approvals.* Homestead, HHI and Acquisition shall have received approval of the Merger contemplated by this Agreement from the Federal Reserve, OCC or any other federal or state regulatory agencies whose approval is required for consummation of such transaction, without the imposition of any condition or conditions that, in the reasonable judgment of Homestead, HHI and Acquisition, would have a material adverse effect on the value of the Merger to Homestead, HHI and Acquisition (excluding conditions that are ordinarily imposed in connection with transactions of the type contemplated by this Agreement), and all notice and waiting periods after the granting of any such approval shall have expired.
- (f) *No Injunction.* No injunction, restraining order, stop order or other order or action of any federal or state court or agency in the United States which prohibits, restricts or makes illegal the consummation of the transactions contemplated hereby, shall be in effect, and no action, suit or other proceeding seeking such shall have been instituted or threatened, and no statute, rule or regulation shall have been enacted, issued or promulgated, by any state or federal government or government agency, which prohibits, restricts or makes illegal the consummation of the transactions contemplated hereby.
- (g) *Litigation.* At the Effective Time, there shall not be pending or threatened against Homestead or Bank or the officers or directors thereof in their capacity as such, any suit, action or proceeding (including enticement actions) which, if successful, would, in the reasonable judgment of Homestead, HHI and Acquisition, have a material adverse effect on the financial condition, operations, business or prospects of Bank.
- (h) *Support Agreement.* Each of the directors of Homestead and Bank of the outstanding Homestead Common Stock shall have, simultaneously with the execution of the Merger Agreement, entered into a Support Agreement in substantially the form attached hereto as Exhibit C.
- (i) *Brokers and Finders Fees.* Homestead and Bank shall have paid in full, at or prior to Closing, all amounts owing in respect of the payments contemplated in Section 4.26 hereof.
- (j) *Third Party Consents.* Homestead and Bank shall have obtained all material third party consents under any agreement, contract, lease, note, license, permit or other document by which Homestead and Bank is bound or to which any of their respective properties is subject required for the consummation of the transactions contemplated hereby, except such consents which, individually or in the aggregate do not result in a material adverse effect on the business, operations, assets, financial condition, assets, prospects or results of operations of Homestead, taken as a whole.
- (k) *Shareholders' Equity.* At the Effective Time, Homestead's shareholders' equity (consisting of capital stock, surplus, undivided profits, unrealized gains/losses on available for sale securities and treasury stock) shall be a minimum of \$23,000,000 before deducting the amount payable pursuant to change in control or employment agreements in effect as of the date hereof as a result of the Merger.
- (l) *Dissenters.* Holders of not more than 15% of the outstanding Homestead Common Stock shall have validly exercised and perfected their rights to dissent from the Merger and demand fair value of their shares of Homestead Common Stock in accordance with Florida law.
- (m) *BSA Review.* Crowe Chizek & Company, L.L.C., or such other independent party reasonably acceptable to Homestead and Homestead, HHI and Acquisition, shall have performed an independent review of Homestead's and Bank's BSA/AML compliance policies and function, and shall have issued a report reasonably satisfactory to Homestead, HHI and Acquisition.

7.3 Conditions to Obligation of Homestead and Bank to Effect the Merger. The obligation of Homestead and Bank to effect the Merger shall be subject to the fulfillment or waiver at or prior to the Effective Time of the following additional conditions:

(a) **Representations and Warranties; Corporate Proceedings.** Each representation and warranty of Homestown, HHI and Acquisition set forth in Article III hereof shall be true and correct in all material respects (except those representations and warranties which are qualified by a materiality standard, which shall be true and correct in all respects) as of the date of this Agreement and as of the Effective Time as though made at and as of the Effective Time (other than those limited to a specified date, which shall speak only as to such date), and Homestead shall have received a certificate of the President of Homestown, HHI and Acquisition, in his capacity as such to that effect. All corporate action required to have been taken by, or on the part of, Homestown, HHI and Acquisition to authorize the execution, delivery and performance of this Agreement and the Merger, respectively, shall have been duly and validly taken, and Homestead and Bank shall have received certified copies of the resolutions evidencing such authorizations.

(b) **Performance of Obligations.** Homestown, HHI and Acquisition shall have in all material respects performed all obligations required to be performed by them under this Agreement prior to the Effective Time, and Homestead and Bank shall have received a certificate of the President of Homestown to that effect.

(c) **Fairness Opinion Update.** Homestead shall have received an updated opinion of Sandler O'Neill & Partners, L.P. dated as of (or shortly prior to) the date of the Proxy Statement, to the effect that the Merger is fair to the shareholders of Homestead from a financial point of view.

(d) **No Injunction.** No injunction, restraining order, stop order or other order or action of any federal or state court or agency in the United States which prohibits, restricts or makes illegal the consummation of the transactions contemplated hereby, shall be in effect, and no action, suit or other proceeding seeking such shall have been instituted or threatened, and no statute, rule or regulation shall have been enacted, issued or promulgated, by any state or federal government or government agency, which prohibits, restricts or makes illegal the consummation of the transactions contemplated hereby.

(e) **Capitalization of HHI.** Immediately Prior to the Effective Time, HHI and Homestown shall have cash and readily marketable securities having an aggregate value of not less than \$55,500,000 plus any additional amount necessary to effect the Merger and its obligations hereunder.

ARTICLE VIII

TERMINATION, AMENDMENT AND WAIVER

8.1 Termination. This Agreement may be terminated at any time prior to the Effective Time:

(a) by mutual consent of all parties hereto;

(b) by either Homestown, HHI and Acquisition or Homestead and Bank, at anytime after August 30, 2006, if the Merger shall not theretofore have been consummated, unless the date reflected in this Section 8.1(b) shall be extended in writing by the parties hereto, provided, however, in the event that Homestead or Bank engages in communications in violation of Section 5.1(k), Homestead and Bank shall not be entitled to terminate this Agreement pursuant to provisions of Section 8.1(b);

(c) (i) by Homestead and Bank, in the event of a material adverse change in the business, results of operations, assets, financial condition or prospects, of Homestown, HHI and Acquisition or may reasonably be expected to threaten the ability of Homestown, HHI and Acquisition to consummate the transactions contemplated hereby; or (ii) by Homestown, HHI and Acquisition, in the event of a material adverse change in the business, results of operations, assets, financial condition or prospects, of Homestead and Bank.

(d) (i) by Homestead and Bank, in the event of the material breach by Homestown, HHI and Acquisition of any material representation, warranty or agreement contained herein if such breach has not been, or cannot be, cured within of fifteen (15) days of delivery of written notice of breach, or (ii) by Homestown, HHI and Acquisition, in the event of the

material breach by Homestead or Bank of any material representation, warranty or agreement contained herein if such breach has not been, or cannot be, cured within of fifteen (15) days of delivery of written notice of breach, provided that no cure period shall be available for a breach involving the provisions of Sections 5.1(k);

(e) by either Homestead and Bank or Homtown, HHI and Acquisition if any governmental or regulatory approval required for consummation of the Merger and the transactions contemplated hereby shall have been denied by final, non-appealable order, or any such denial shall not have been appealed within the time available for such appeal;

(f) by either Homestead and Bank or Homtown, HHI and Acquisition, in the event that any of the conditions precedent to the obligation of such party to consummate the Merger cannot be satisfied or fulfilled by the date specified in 8.1(b) of this Agreement, provided that terminating party(ies) shall not be in breach of a material representation, warranty or covenant of this Agreement at the time of termination pursuant to this Section 8.1(f);

(g) by either Homestead and Bank or Homtown, HHI and Acquisition, in the event that the Merger and the Agreement are not approved by the requisite majority of the shareholders of Homestead at the Homestead Shareholder Meeting.

(h) by either Homestead and the Bank or Homtown, HHI and Acquisition, in accordance with the provisions of Section 6.10(b).

8.2. Effect of Termination. (a) In the event of termination of this Agreement by either Homestead and Bank or Homtown, HHI and Acquisition as provided in Section 8.1 above, this Agreement shall forthwith become void and there shall be no liability on the part of either Homestead and Bank or Homtown, HHI and Acquisition or their respective officers or directors, except that: (i) the provisions of this Section 8.2, the provisions regarding the confidentiality and return or destruction of documents of Section 6.1, and the provisions of Section 3.8 and Section 6.5 shall survive any such termination and abandonment; and (ii) a termination pursuant to Section 8.1(c) shall not relieve the breaching party from liability for any of willful breach of a material provision of this Agreement giving rise to such termination.

(b) Notwithstanding anything to the contrary contained herein, in the event of termination of this Agreement: (i) by either Homestead and Bank or Homtown, HHI and Acquisition pursuant to Section 8.1(h); or (ii) by Homtown, HHI and Acquisition pursuant to Section 8.1(d) based upon a breach of Section 5.1(k); Homestead shall, within 15 days of such termination pay to Homtown, in cash or by wire transfer, the sum of \$1,750,000.

(c) Notwithstanding anything to the contrary contained herein, if this Agreement shall have been terminated pursuant to Section 8.1(g), and prior to such termination Homestead shall have breached the provisions of Section 5.1(k) (whether or not such breach shall have resulted in the failure to obtain shareholder approval), and Homestead shall enter into a definitive agreement with respect to an Acquisition Proposal within one year of the date of termination of this Agreement, Homestead shall, within 15 days of entry into such Agreement pay to Homtown, in cash or by wire transfer, the sum of \$1,750,000.

(d) Homestead and Bank agree that they shall cause the acquirer in respect of any Acquisition Proposal to which Section 8.2(b) or Section 8.2(c) applies to expressly assume the obligation of Homestead to make such payment to the extent such payment obligation has not been previously satisfied. Notwithstanding anything to the contrary contained herein, the obligations of Homestead to make such payments and to cause such assumption shall survive the termination of this Agreement and shall be binding upon Homestead and any successor or assign of Homestead, whether by merger, consolidation, share purchase or exchange, asset purchase, or otherwise.

(e) Notwithstanding anything to the contrary herein, in the event of termination of this Agreement: (i) by Homestead or Bank under Section 8.1(d) hereof; (ii) by any party under Section 8.1(b) hereof, if at such time Homtown and HHI had not sold for cash, or received binding subscriptions or commitments for, their equity securities and borrowings sufficient to effect the Merger; (iii) by any party under Section 8.1(e) hereof, if the basis for the denial related primarily to the condition, management, or prospects of Homtown or HHI; Homtown shall, within 15 days of termination pay to Homestead, in cash or by wire transfer, the sum of \$500,000. Notwithstanding anything to the contrary contained herein, the obligations of Homtown to make such payment shall survive the termination of this

Agreement and shall be binding upon Hometown and any successor or assign of Hometown, whether by merger, consolidation, share purchase or exchange, asset purchase, or otherwise.

(f) Hometown and Homestead and Bank acknowledge that the business and assets of Homestead and Bank are unique and that, if the parties fail to consummate the transactions contemplated by this Agreement, the parties may have no adequate remedy at law. Hometown shall be entitled, in addition to the rights provided by this Section 8.2 and its other remedies at law, to specific performance of this Agreement if another party shall, without cause, refuse to consummate the transactions contemplated by this Agreement.

(g) Hometown and Homestead and Bank that the agreements contained in Section 8.2(b) Section 8.2(c) and 8.2(e) are integral parts of the transactions contemplated by this Agreement, that without such agreements the parties would not have entered into this Agreement and that such amounts do not constitute a penalty. If a party (the "breaching party") fails to pay the party entitled to a payment under such section (the "recipient party") the amounts due under such sections within the time periods specified therein, the breaching party shall pay the costs and expenses (including reasonable legal fees and expenses) incurred by the recipient party in connection with any action in which the recipient party prevails, including the filing of any lawsuit, taken to collect payment of such amounts, together with interest on the amount of any such unpaid amounts at the prime lending rate prevailing during such period as published in *The Wall Street Journal*, calculated on a daily basis from the date such amounts were required to be paid until the date of actual payment.

8.3 *Amendment.* This Agreement may be amended by the parties hereto, by action taken by or on behalf of their respective Boards of Directors, at any time before or after approval of the Merger by the shareholders of Homestead; provided, however, that after such approvals no such amendment shall reduce the value of or change the form of the consideration to be delivered to each of Homestead's shareholders as contemplated by the Agreement, unless such amendment is subject to the obtaining of the approval of the amendment by the shareholders of Homestead and such approval is obtained. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto which expressly states its intention to amend this Agreement.

8.4 *Waiver.* Any term, condition or provision of this Agreement may be waived in writing at any time by the party which is, or whose shareholders are, entitled to the benefits thereof.

8.5 *Restructuring.* The parties hereto agree that Homestead and the Bank shall execute and deliver such amendments or revisions to this Agreement as may be necessary to restructure or modify the structure of the transaction in order to achieve any tax benefit or accounting treatment as Hometown shall determine to be advisable, provided that such amendment or restructuring shall not reduce the consideration payable to shareholders of Homestead.

ARTICLE IX

GENERAL PROVISIONS

9.1 *Investigation; Survival of Representations, Warranties and Agreements.* No investigation by the parties hereto made heretofore or hereafter shall affect the representations and warranties of the parties which are contained herein and each such representation and warranty shall survive such investigation. All representations, warranties and agreements in this Agreement of either Homestead and Bank or Hometown, HHI and Acquisition or in any instrument delivered by either Homestead and Bank or Hometown, HHI and Acquisition pursuant to this Agreement shall survive the Effective Time for a period of two years.

9.2 *Notices.* All notices and other communications hereunder shall be in writing and shall be deemed to have been duly received (i) on the date given if delivered personally or by telecopier, cable, telegram or telex or (ii) on the date received if sent by overnight delivery service or if mailed by registered or certified mail (return receipt requested), to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Homestown, HHI or Acquisition :

Vernon D. Smith
Homestown Banking Company
1600 South Federal Highway
Ft. Pierce, Florida 34950
(Facsimile No: 772.464.9113)

Copy to:

David H. Baria, Esq.
Kennedy & Baria, L.L.P.
Suite P-15
4701 Sangamore Road
Bethesda, Maryland 20816
(Facsimile No: 301.229.2443)

(b) if to Homestead or Bank:

William H. Losner
First of Homestead, Inc.
1550 North Krome Avenue
Homestead, Florida 33030
(Facsimile No: (305) 245-8440)

Copy to:

James I. Lundy, III
Attorney at Law
Suite 400
1700 Pennsylvania Avenue, NW
Washington, DC 20006
(Facsimile No: (202) 318-4623)

9.3 Material Adverse Change. Notwithstanding anything to the contrary contained herein, the term "material adverse change" or "material adverse effect" or words of similar import, shall not include the impact of: (i) changes, after the date hereof, in laws of general applicability or interpretations thereof by courts or governmental authorities; (ii) changes, after the date hereof, in generally accepted accounting principles or regulatory principles generally applicable to banks; (iii) actions or omissions by a party hereto (or any of its subsidiaries), after the date hereof, taken or failed to be taken with the prior informed written consent of the other party, or at the express written request of the other party, in contemplation of the transaction contemplated hereby; (iv) seasonal fluctuations in the deposits or assets of Homestead in amounts consistent with past experience; (v) declines in the level of public deposits held by Homestead; (vi) any decline in the level of loans held by Homestead which occurred between December 31, 2004 and September 30, 2005; (vii) the Merger and compliance with the provisions of this Agreement on the operating performance of the parties.

9.4. Knowledge of Homestead and Bank. Whenever a statement herein or in any certificate delivered pursuant to the requirements hereof is qualified by reference to the "knowledge," "best knowledge," "actual knowledge" of Homestead and Bank, or words of similar import, such qualification refers to the awareness of Homestead and Bank as reflected by the actual knowledge of the Chairman and President, the Executive Vice President, Senior Vice President and Cashier, and/or the Senior Vice President - Lending of Homestead or Bank.

9.5 Severability. Any invalidity, illegality or unenforceability of any provision of this Agreement in any jurisdiction shall not invalidate or render illegal or unenforceable the remaining provisions hereof in such jurisdiction and shall not invalidate or render illegal or unenforceable such provision in any other jurisdiction.

9.6 *Headings.* The headings of the Articles and Sections of this Agreement are for convenience of reference only and shall not be deemed to be a part of this Agreement.

9.7 *Attorneys' Fees.* In any action or proceeding brought to enforce any provision of this Agreement, or where any provision hereof is validly asserted as a defense, the successful party shall be entitled to recover reasonable attorneys' fees in addition to any other remedy.

9.8 *Miscellaneous.* This Agreement (including exhibits, documents and instruments referred to herein)

(a) together with all disclosure letters, schedules, exhibits, documents and instruments attached hereto or required to be delivered herewith, or at or prior to Closing, constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof;

(b) is not intended to confer upon any person not a party hereto any rights or remedies hereunder;

(c) shall not be assigned by operation of law or otherwise;

[Signatures appear on following page]

(d) shall be governed in all respects by the laws of the State of Florida without regard to the choice of laws provisions thereof; and

(e) may be executed in two or more counterparts which together shall constitute a single agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective officers thereto duly authorized and their respective corporate seals to be affixed hereto, all as of the date first written above.

ATTEST: [SEAL]

Elizabeth R. McMahon
Name:
Title: Secretary

HOMETOWN BANKING COMPANY, INC.

By: [Signature]
Name: Vernon D. Smith
Title: President

ATTEST: [SEAL]

Elizabeth R. McMahon
Name:
Title: Secretary

HOMETOWN OF HOMESTEAD, INC.

By: [Signature]
Name: Vernon D. Smith
Title: President

ATTEST: [SEAL]

Elizabeth R. McMahon
Name:
Title: Secretary

HOM ACQUISITION, INC.

By: [Signature]
Name: Vernon D. Smith
Title: President

ATTEST: [SEAL]

[Signature]
Name: Robert A. [unclear]
Title: Secretary

FIRST OF HOMESTEAD, INC.

By: [Signature]
Name: William H. Lerner
Title: President

ATTEST: [SEAL]

[Signature]
Name: Robert A. [unclear]
Title: Secretary

FIRST NATIONAL BANK OF SOUTH FLORIDA

By: [Signature]
Name: William H. Lerner
Title: President

EXECUTION COPY

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EXHIBIT B

**AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
FIRST OF HOMESTEAD, INC.**

ARTICLE I

The name of the corporation shall be "First of Homestead, Inc." and its principal offices shall be located at, and its mailing address shall be, 1550 North Krome Avenue, Homestead, Florida 33030.

ARTICLE II

The corporation is organized for the purpose of engaging in any lawful activity for which corporations may be organized under Florida law.

ARTICLE III

The term for which the corporation shall exist shall be perpetual.

ARTICLE IV

The aggregate number of all classes of stock which the corporation shall have authority to issue shall be one thousand shares (1,000), all of which shall be common stock, par value \$.01 per share.

The holders of the capital stock of the corporation shall not have any preemptive or preferential rights to purchase or otherwise acquire any shares of any class of capital stock of the corporation, whether now or hereafter authorized, except as the Board of Directors may specifically provide.

ARTICLE V

The street address of the registered office of the corporation is 1550 North Krome Avenue, Homestead, Florida 33030, and the name of the registered agent is Vernon D. Smith.

ARTICLE VI

The provisions of section 607.0901 of the Florida Business Corporation Act, relating to affiliate transactions, and section 607.0902 of the Florida Business Corporation Act, relating to control share acquisitions, as each may now exist or hereafter be amended, shall not be applicable to the corporation.

ARTICLE VII

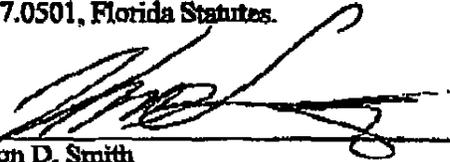
The number of directors constituting the entire board shall be not less than one (1) nor more than fifteen (15), the exact number of which as may be fixed from time to time by a vote of a majority of the directors then in office, provided that the number of directors shall not be reduced so as to shorten the term of any director then in office, and further provided that the number of directors shall be one (1) until otherwise fixed by a majority of the board.

ARTICLE VIII

To the fullest extent permitted by Florida law, as it now exists or as it may hereafter be amended or supplemented, the corporation shall indemnify any and all persons it shall have the power to indemnify under such law, from and against any and all expenses, liabilities, fines, judgments or other payments permitted thereby. Such indemnification shall not be deemed to be exclusive of any other indemnification to which such persons may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise.

CERTIFICATE OF ACCEPTANCE OF REGISTERED AGENT

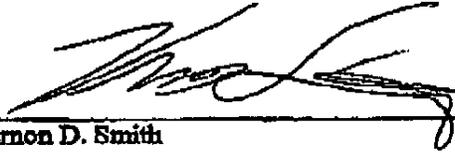
Having been named as registered agent to accept service of process for First of Homestead, Inc., the undersigned hereby agrees to act in such capacity, and further agrees to comply with the provisions of all statutes relative to the proper and complete performance of the undersigned's duty, and accepts the obligations and duties of Section 607.0501, Florida Statutes.



Vernon D. Smith

CERTIFICATE OF ACCEPTANCE OF REGISTERED AGENT

Having been named as registered agent to accept service of process for Homctown of Homestead Banking Company, the undersigned hereby agrees to act in such capacity, and further agrees to comply with the provisions of all statutes relative to the proper and complete performance of the undersigned's duty, and accepts the obligations and duties of Section 607.0501, Florida Statutes.



Vernon D. Smith