

U S A B A N K

601 North Main Street
Port Chester, New York 10573

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS AND PROXY STATEMENT

To Be Held on May 28, 2009

Notice is hereby given that the Annual Meeting of Stockholders of USA BANK will be held at the AMC Loews Port Chester 14, The Waterfront at Port Chester, 40 Westchester Avenue, Port Chester, New York 10573, at 10:00 A.M. on Thursday, May 28, 2009 for the following purposes:

1. To elect nine directors for the ensuing year;
2. To consider and act on a proposal to approve the Bank's 2009 Stock Option Plan and a related amendment to the Bank's Organization Certificate to increase by 287,500 the number of shares that the Bank is authorized to issue from 5,750,000 to 6,037,500;
3. To consider and act on a proposal to approve a further amendment to the Bank's Organization Certificate to increase the number of shares that the Bank is authorized to issue by 5,462,500 (or such lesser number as may be approved by the New York Superintendent of Banks);
4. To consider and act upon a proposal to ratify the appointment of McGladrey & Pullen, LLP as independent auditor for the year ending December 31, 2009; and
5. To transact such other business as may be properly brought before the Annual Meeting.

The close of business on April 8, 2009 has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and at any adjournments thereof.

Whether or not you expect to be present at the meeting, please mark, date, sign and return the enclosed form of proxy in the postage-paid pre-addressed envelope provided or vote your shares online or by telephone following the instructions provided. If you attend the meeting and desire to vote your shares in person at the meeting, you may revoke your proxy.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2009 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 28, 2009.

The Securities and Exchange Commission has adopted rules to allow proxy materials to be posted on the Internet and to provide only a Notice of Internet Availability of Proxy Materials to stockholders. For this proxy statement, we have chosen to follow the SEC's full set delivery option, and, therefore, although we are posting this proxy statement online, we are also mailing a full set of our proxy materials to our stockholders. Therefore, even if you previously consented to receiving your proxy materials electronically, you will receive a copy of these proxy materials by mail. The Bank's Proxy

Statement for the 2009 Annual Meeting of Stockholders and its Annual Report on Form 10-K for the year ended December 31, 2008 are available at <http://www.cfproxy.com/5940>.

By Order of the Board of Directors



RONALD J. GENTILE

President and Chief Executive Officer

Port Chester, New York
April 23, 2009

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USA Bank
601 North Main Street
Port Chester, New York 10573

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 28, 2009

INTRODUCTION

This Proxy Statement (this “*Proxy Statement*”) is being furnished in connection with the solicitation by the Board of Directors of USA BANK (the “*Bank*”) of proxies from holders of the Bank’s Common Stock, \$2.00 par value (“*Common Stock*”), to be voted at the Annual Meeting of Stockholders to be held on Thursday, May 28, 2009, and at any adjournments thereof (the “*Annual Meeting*”). The time and place of the Annual Meeting, as well as the purposes for the meeting, are set forth in the accompanying Notice of Annual Meeting. The approximate date on which this Proxy Statement and the enclosed proxy are first being sent or given to stockholders is April 23, 2009. In addition to solicitation by mail, directors, officers and certain management employees of the Bank may solicit, by telephone or in person, the return of signed proxies from stockholders without additional remuneration for doing so. In connection with the Annual Meeting, the Bank has retained Regan and Associates to perform proxy advisory / solicitation services at an aggregate cost of approximately \$12,000.

Any proxy given by a stockholder may be revoked at any time before its exercise, and any stockholder who executes and returns a proxy and who attends the Annual Meeting may withdraw the proxy at any time before it is voted and vote his or her shares in person. A proxy may also be revoked by submitting a duly executed proxy bearing a later date or by giving notice to the Corporate Secretary of the Bank in writing (at the Bank’s address indicated above) or in open meeting prior to the taking of a vote.

Unless so revoked, the proxy will be voted at the Annual Meeting, and unless authorization to vote for the election of directors or for any particular nominee is withheld, the shares represented by such proxy will be voted FOR the nominees set forth in this Proxy Statement. Proxies containing instructions on Proposal 2 (approval of the Bank’s 2009 Stock Option Plan and of a corresponding amendment to the Bank’s Organization Certificate to increase by 287,500 the number of shares that the Bank is authorized to issue from 5,750,000 to 6,037,500), Proposal 3 (approval of a further amendment to the Bank’s Organization Certificate to increase the number of shares that the Bank is authorized to issue by 5,462,500 (or such lesser number as may be finally approved by the New York Superintendent of Banks)) or Proposal 4 (the ratification of the appointment of McGladrey & Pullen, LLP as independent auditor for 2009) will be voted in accordance with such instructions. If no instructions are contained on Proposal 2, Proposal 3 or Proposal 4, proxies will be voted FOR the proposals. Directors are elected by a plurality vote, meaning that the nine nominees receiving the greatest numbers of votes are elected. Approval of the 2009 Stock Option Plan and each of the amendments to the Organization Certificate requires the affirmative vote of the holders of a majority of the shares authorized to vote. Ratification of the appointment of the auditor requires the affirmative vote of a majority of the shares voted on this proposal. An abstention or a broker non-vote will be counted for purposes of determining whether a quorum is present but will not be counted as shares voted on Proposal 4.

VOTING SECURITIES AND PRINCIPAL HOLDERS

The record date for determining stockholders entitled to notice of and to vote at the Annual Meeting and any adjournments thereof has been set as the close of business on April 8, 2009 (the “*Record Date*”). As of the Record Date, there were 5,750,000 shares of Common Stock outstanding and entitled to vote at the Annual Meeting. Each share of Common Stock is entitled to one vote with respect to the election of directors and to one vote on each other matter submitted to the Annual Meeting.

Information as to the number of shares of Common Stock owned by each nominee for election as a director of the Bank is set forth below under “ELECTION OF DIRECTORS – Beneficial Ownership of Common Stock by Directors and Named Executive Officers.”

To the knowledge of the Bank, no arrangement exists the operation of which might result in a change in control of the Bank.

PROPOSAL 1.

ELECTION OF DIRECTORS

General

The number of directors to be elected at the Annual Meeting has been set at nine by action of the Board of Directors in accordance with the By-laws of the Bank. The directors are elected annually by the stockholders by ballot. With respect to the election of directors, the holders of Common Stock do not have cumulative voting. Directors are elected by a plurality vote which means that the nominees receiving the largest numbers of votes will be elected even if they do not receive a majority of the votes cast. Each director will hold office until the next Annual Meeting of Stockholders and until his or her successor is elected and qualifies (or until his or her earlier resignation, death or removal). Each of the nominees has consented to being named in this Proxy Statement and to serve as a director if elected. Each of the nominees is currently a director of the Bank.

The persons named in the form of proxy to represent stockholders at the Annual Meeting are Annamaria Stephens and Lisa Frojen and each of them. It is the intention of the persons named in the proxy to vote FOR the election of the nominees named herein unless authority to vote is withheld with respect to one or more nominees. In the event that any nominee for director should become unavailable for election for any reason, the persons named in the proxy will consult with the Bank’s management and use their discretion in deciding whether and how to vote the shares represented by such proxies.

The names of the nominees for election as directors are set forth below, together with the date each became a director, their principal occupations and employment, ages, and the number and percentage of shares of Common Stock beneficially owned by each as of the Record Date, based on information furnished by the nominees. Each of the persons named below has a business address c/o the Bank, 601 North Main Street, Port Chester, New York 10573. There is no arrangement or understanding between any director or nominee and any other person or persons pursuant to which such director or nominee was or is to be selected as a director or nominee. There is no family relationship between any director and any other director or any executive officer of the Bank.

Each of the nominees has held the principal occupation listed for the past five years, with the exception of Mr. Gentile, Mr. DeAngelis and Mr. Mioli.

Nominees

Set forth below are the names of the nominees, their ages and a brief description of their principal occupations and employment.

Ronald J. Gentile, age 60, became a director of the Bank in July 2007 and serves as the Bank's President and Chief Executive Officer. Mr. Gentile served as President and Chief Executive Officer and a director of Community Bank of Orange, Middletown, New York, for the period from October 2004 to March 2007. From December 1997 to October 2004, Mr. Gentile served as President and Chief Operating Officer and a director of The Warwick Savings Bank and Warwick Community Bancorporation in Warwick, New York. From April 1990 to December 1997, he served as the Executive Vice President and Chief Operating Officer of The Warwick Savings Bank. From April 1971 to April 1990, Mr. Gentile served as a Senior Bank Examiner for the Federal Deposit Insurance Corporation.

Gene R. Branca, age 35, became a director of the Bank in August 2007. He is the owner and Chief Executive Officer of REI Management Group which he acquired in 1996. REI Management Group manages over 45 commercial and residential buildings, providing maintenance to over 1,700 units.

Rocco Caputo, age 47, became a director of the Bank in December 2008. Mr Caputo has served as Senior Managing Partner of Caputo & Boncardo, CPAS PC, a public accounting firm, since 1991.

Patrick A. DeAngelis, age 43, became a director of the Bank in August 2007. He is the founder and Chief Technology Officer of a venture capital-funded technology start-up company. Mr. DeAngelis is the holder of five patent application claims and has designed and developed numerous systems and operating platforms for a variety of technology companies. He is currently the Chief Technology Officer of Infortrieve, Inc. From 1999 to 2005, Mr. DeAngelis was founder and Chief Technical Officer of CentrPort Inc. responsible for technology product and business leadership for the company's Marketing and Advertising Suite and Service Bureau deployment.

Fred A. DeCaro III, age 38, became a director of the Bank in 2005. He owns a consulting company that provides computer and systems support services principally to the residential real estate community in Greenwich, CT, including the Connecticut Board of Realtors. In addition to his own consulting company, Mr. DeCaro III manages residential properties in Greenwich, Connecticut. Mr. DeCaro III is a member of the Greenwich RTM (Representative Town Meeting) Committee.

Rocco A. Magnotta, age 63, became a director of the Bank in April 2007. He has over 35 years of banking experience in a variety of senior positions with the Federal Reserve Bank of New York. Mr. Magnotta was employed by Bankers' Bank Northeast where he was responsible for business maintenance and development in New York and Connecticut.

Frank Mioli, age 37, became a director of the Bank in December 2007. Since May 2006, he has served as Director of Security and Safety at Doral Arrowwood, a convention and conference center located in Westchester County, New York. Since 2005, Mr. Mioli has also served as Deputy Commissioner of the Town of Rye Department of Public Safety. Since June 1999 and May 2003, respectively, Mr. Mioli has been the owner and president of Frank Mioli, Inc. (a corporation that provides security and related services) and an instructor at HSS International (a company that provides instruction and training in security and related matters).

William D. Zeidenberg, age 55, became a director of the Bank in February 2007. He is the Managing Member of ILZ Group, LLC and has been a practicing CPA for three decades. He is licensed in both Connecticut and New York and is active in many civic organizations.

Richard D. Zeisler, age 71, became a director of the Bank in 2005. He is a founding member of Zeisler & Zeisler P.C., a law firm located in Bridgeport, CT, with a specialty practice in bankruptcy law.

Beneficial Ownership of Common Stock by Directors and Named Executive Officers

Set forth in the table below is information concerning the number and percentage of shares of Common Stock beneficially owned as of the Record Date by each director and by each executive officer named in the Summary Compensation Table, based on information furnished by the nominees. For these purposes, a “beneficial owner” of a security includes any person who, directly or indirectly, has or shares voting power and/or investment power for, although not necessarily the economic benefit of, that security.

<u>Name</u>	<u>Number of Sharers</u>	<u>Percent of Class</u>
Ronald J. Gentile	38,800 ¹	0.67
Gene R. Branca	137,899	2.40
Rocco Caputo	1,667	0.03
Patrick A. DeAngelis	15,850	0.28
Fred A. DeCaro III	82,450 ²	1.43
Rocco A. Magnotta	4,756	0.08
Frank Mioli	1,000	0.02
William D. Zeidenberg	6,000 ³	0.10
Richard D. Zeisler	35,000	0.61
Paul V. Erwin	933 ⁴	0.02
Directors and Named Executive Officers as a Group	324,355	5.64

Executive Officers of the Bank

The following table presents information concerning the executive officers of the Bank.

<u>Name</u>	<u>Age</u>	<u>Office Currently Held</u>
Ronald J. Gentile	60	President and Chief Executive Officer
Paul V. Erwin	63	Senior Vice President – Chief Financial Officer and Corporate Secretary
John J. Komar	53	Senior Vice President and Chief Lending Officer
Karen M. Garcia	55	Senior Vice President – Corporate Services

Biographical information about Mr. Gentile is included above under “ELECTION OF DIRECTORS – Nominees.”

¹ Includes 5,400 shares held by Mr. Gentile’s individual retirement accounts.

² Includes 4,650 shares held by Mr. DeCaro’s individual retirement accounts.

³ Includes 2,400 shares held by a corporation wholly owned by Mr. Zeidenberg or by Mr. Zeidenberg’s individual retirement accounts.

⁴ Includes 100 shares held by Mr. Erwin’s children.

Set forth below is biographical information about the executive officers of the Bank who are not also directors.

Mr. Erwin, age 63, became the Bank's Senior Vice President and Chief Financial Officer in August 2005. Mr. Erwin has over 15 years of experience as the chief financial officer of publicly-held community banks in the greater New York and Connecticut areas. In 2005, Mr. Erwin was an independent consultant providing an outsource controller function on a project basis. From 2003 to 2004, Mr. Erwin was First Vice President of Financial Management & Reporting for Staten Island Bank and Trust, Staten Island, NY.

Mr. Komar, age 53, became the Bank's Senior Vice President and Chief Lending Officer in December 2008, after serving as a consultant to the Bank since October 2008. From 2006 to 2008, Mr. Komar served as Transaction Manager, Director – Real Estate Finance for Canadian Imperial Bank for Commerce, New York, New York, and from 2002 to 2006, he was a Lending Officer, Assistant Vice President – Commercial Real Estate Group at Commerce Bank, New York, NY.

Ms. Garcia, age 55, became Senior Vice President of Corporate Services in December 2005 and became an Executive Officer in 2007. Ms. Garcia was previously the Vice President of Human Resources at Patriot National Bank, Stamford, CT. She was with Patriot National Bank from 2000 to 2005.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Set forth below is information concerning compensation paid by the Bank in 2008 and 2007 to its directors, its principal executive officer and its other executive officer whose compensation for 2008 exceeded \$100,000. In accordance with Item 402(m) of Regulation S-K applicable to "smaller reporting companies," no "Outstanding Equity Awards at Fiscal Year-End" or "Director Compensation" table is included herein. If the 2009 Stock Option Plan is approved, the directors and executive officers would be eligible to receive awards thereunder.

The current annual compensation for Mr. Gentile is \$220,000, for Mr. Erwin is \$175,000 and for all of the Bank's officers, including Mr. Gentile and Mr. Erwin, is \$635,000.

Compensation of Directors

During 2008 and 2007, the Bank paid no compensation to its directors for service as such nor did it maintain any equity or non-equity incentive compensation plan in which any director participates. In addition, the Bank does not have any non-qualified deferred compensation arrangement in which any of its directors participates.

Cash Compensation of Executive Officers

The following table sets forth summary information as to compensation paid by the Bank to Mr. Gentile as principal executive officer of the Bank, and to Mr. Erwin as its Senior Vice President – Chief Financial Officer for the years 2008 and 2007. No other executive officer of the Bank received compensation in excess of \$100,000 for 2008.

SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary (\$)	Bonus (\$)	Stock awards (\$)	Option awards (\$)	Nonequity incentive plan compensation (\$)	Non-qualified deferred compensation earnings (\$)	All other compensation (\$)	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Ronald J. Gentile President and Chief Executive Officer	2008	\$220,000	\$0	\$0	\$0	\$0	\$0	\$9,000 ³	\$229,000
	2007	\$87,923 ¹	\$0	\$0	\$0	\$0	\$0	\$31,177 ²	\$119,100
Paul V. Erwin Senior Vice President – Chief Financial Officer	2008	\$175,000	\$0	\$0	\$0	\$0	\$0	\$0	\$175,000
	2007	\$175,000	\$0	\$0	\$0	\$0	\$0	\$0	175,000

¹ Mr. Gentile has served as the Bank's President and Chief Executive Officer since July 5, 2007.

² Consulting fees of \$31,177.

³ Car Allowance of \$9,000.

The Bank does not have any equity compensation plan or any non-qualified deferred compensation arrangement in which any of the executive officers named in the foregoing table participated nor does it have any employment agreement or arrangement, whether written or unwritten, with any of them. Each is an employee of the Bank "at will."

If the 2009 Stock Option Plan is approved, Mr. Gentile and Mr. Erwin would be eligible to receive awards thereunder.

Related Party Transactions

The Bank paid approximately \$100 and \$37,000 during the years ended December 31, 2008 and 2007, respectively, for legal services to a law firm, a principal of which was a director of the Bank. The Bank paid \$51,000 during the year ended December 31, 2008, versus \$73,500 for the year ended December 31, 2007, for information technology-related services to an IT consulting company, the principal of which is a director of the Bank. The Bank also paid rent for its main branch facility at 211 Irving Avenue, Port Chester, New York, and its facility at 601 N. Main Street, Port Chester, New York, of \$113,638 and \$108,127 during the years ended December 31, 2008 and 2007, respectively, to a company owned by certain directors, management and others. The lease at 211 Irving Avenue, Port Chester, NY, was on a sublease basis and the related company only charged the Bank the actual costs it incurred to lease the property from its owner.

COMMITTEES OF THE BOARD OF DIRECTORS; CORPORATE GOVERNANCE

Director Independence

The Board of Directors has determined that the following directors are “independent” within the meaning of the rules of the American Stock Exchange:

Gene R. Branca;
Rocco Caputo;
Patrick A. DeAngelis;
Rocco A. Magnotta;
Frank Mioli;
William D. Zeidenberg; and
Richard D. Zeisler.

Board Meetings and Committees; Annual Meeting Attendance

During the year ended December 31, 2008, the Board of Directors of the Bank held a total of 12 meetings. Other than Richard D. Zeisler, each of the incumbent directors of the Bank attended at least 75% of the aggregate number of meetings of the Board of Directors and of the committees of the Board on which he served during the period that he served.

It is the Bank’s policy that, absent unusual or unforeseen circumstances, all of the directors are expected to attend annual meetings of stockholders. Of the ten directors serving at the time of the Bank’s 2008 Annual Meeting of Stockholders, eight attended that meeting.

Committees of the Board of Directors

The Bank has established the following committees of the Board of Directors. Other committees may be established as needed.

Audit Committee

The Bank has a standing Audit Committee, the functions of which are described in the following paragraph. The current members of the Audit Committee are William D. Zeidenberg, Rocco A. Magnotta, Patrick A. DeAngelis and Rocco Caputo, each of whom is independent. The Bank anticipates that the members of the Audit Committee will each continue to be independent and that at least one member will satisfy the criteria for being an “audit committee financial expert.” William D. Zeidenberg, Chairman of the Audit Committee, qualifies as an audit committee financial expert and is independent, as “independence” is defined in the listing standards of the American Stock Exchange. During the year ended December 31, 2008, the Audit Committee held eight meetings.

The Audit Committee meets as needed and has a policy of meeting no less frequently than quarterly. The Audit Committee operates consistent with the requirements of the regulations of the New York State Banking Department and the requirements of the Sarbanes-Oxley Act of 2002 to the extent applicable to the Bank and will consist of independent directors of the Bank as defined in the rules of the American Stock Exchange. The Audit Committee has the responsibility for reviewing the Bank’s accounting practices, internal accounting controls and financial results. The Audit Committee monitors and reviews the risk management practices of the Bank including asset/liability management, compliance with all applicable laws and regulations, corporate governance, interest rate risk management and liquidity management. It selects and engages the internal and external auditors of the Bank, as deemed appropriate. The Audit Committee oversees the annual review and testing of the internal control structure of the Bank. The Committee also reviews and recommends to the Board policies and procedures with respect to internal control, compliance and risk management. The Audit Committee has retained Crowe Chizek and Company LLC to serve as an advisor to the Audit Committee.

A copy of the charter of the Audit Committee as currently in effect is available on the Bank's website at www.usa-bankers.com.

Nominating / Corporate Governance Committee and Nomination Procedures

The Bank has a standing Nominating / Corporate Governance Committee. The Nominating / Corporate Governance Committee reviews the qualifications of potential candidates for election and recommends candidates to the Board of Directors for nomination to become directors of the Bank and advises the Board by establishing and monitoring the Bank's overall philosophy and policies concerning corporate governance. Mr. DeAngelis currently serves as the Chairman of the Nominating / Corporate Governance Committee; the other members of the Nominating / Corporate Governance Committee are Mr. Branca, Mr. Mioli and Mr. Zeisler. The nomination of each of the nominees named herein was recommended by the Nominating / Corporate Governance Committee. During the year ended December 31, 2008, the Nominating / Corporate Governance Committee met four times.

The Nominating / Corporate Governance Committee has a charter, a copy of which is available on the Bank's website at www.usa-bankers.com.

The Nominating / Corporate Governance Committee will consider any recommendation by a stockholder of a candidate for nomination as a director. If a stockholder wants to recommend to the Nominating / Corporate Governance Committee a candidate for election as a director, the stockholder may submit the name of the proposed nominee, together with the reasons why the stockholder believes the election of the candidate would be beneficial to the Bank and its stockholders and the information about the nominee that would be required in a proxy statement requesting proxies to vote in favor of the proposed candidate.

A stockholder's submission must be accompanied by the written consent of the candidate to being nominated by the Board and the candidate's agreement to serve if nominated and elected.

Any such submission should be directed to the Chairman of the Bank's Nominating / Corporate Governance Committee at its office at 601 North Main Street, Port Chester, New York 10573. For any annual meeting of the Bank's stockholders, any such recommendation must be received no later than the deadline for receiving a stockholder proposal for inclusion in the Bank's proxy statement for such meeting. Copies of any recommendation received in accordance with these procedures will be distributed to each member of the Nominating / Corporate Governance Committee. One or more members of the Nominating / Corporate Governance Committee may contact the proposed candidate to request additional information.

At the request of any member of the Nominating / Corporate Governance Committee, the candidacy of the proposed nominee will be considered by the full Nominating / Corporate Governance Committee. The Nominating / Corporate Governance Committee will not, however, be obligated to notify a stockholder who has recommended a candidate for election as a director of the reasons for any action the Committee may or may not take with respect to such recommendation.

In addition to the procedure for evaluating any candidate recommended by a stockholder as described above, the Nominating / Corporate Governance Committee will consider any candidate recommended by any director or executive officer of the Bank.

While the Nominating / Corporate Governance Committee does not have any specific minimum qualifications for recommending a candidate for nomination as a director of the Bank, it will consider a candidate's character and ability to contribute to the operation and success of the Bank. Depending on the circumstances, other characteristics that might influence the Committee's evaluation could include:

- Whether the candidate's specific skills and experience would augment or strengthen the overall effectiveness or operation of the Board of Directors;

- The candidate's experience in the banking industry; and
- The candidate's knowledge of, and ties to, the Bank's market area.

Compensation Committee

The Bank has a standing Compensation Committee, which meets as needed, and has a policy of meeting no less frequently than quarterly. The Compensation Committee is responsible for discharging the Board's responsibilities related to compensation of the Bank's directors and executive officers and monitoring the adequacy and fairness of compensation levels by comparing the Bank's compensation practices with practices at similar financial institutions. The Compensation Committee will also oversee the Bank's other compensation-related activities, such as the Bank's 401(k) plan and any profit sharing plan that the Bank may establish. If the Bank's 2009 Stock Option Plan is approved by stockholders at the Annual Meeting and receives final approval from the New York Superintendent of Banks, the Compensation Committee will administer the Stock Option Plan. Messrs Branca and Mioli serve as the Chairman and Vice Chairman, respectively, of the Compensation Committee. The other members of the Compensation Committee are Mr. DeAngelis, Mr. Zeidenberg and Mr. Zeisler.

During the year ended December 31, 2008, the Compensation Committee met three times. The Compensation Committee does not have a charter.

In considering the compensation paid to the Bank's senior management, including the Bank's chief executive officer, the Compensation Committee takes into account a variety of factors, including the individual's contributions or anticipated contributions to the operation and success of the Bank, generally available information about compensation paid by financial institutions and other businesses in the Bank's market area that the Compensation Committee believes are reasonably comparable to the Bank, inflation and any applicable regulatory constraints. Compensation decisions relating to an employee other than the chief executive officer or an executive officer have been delegated to the chief executive officer and senior management unless such decision would result in an employee's compensation increasing by more than 10%.

Other Committees of the Board of Directors

Executive Committee. The Executive Committee currently consists of seven members of the Board. The Executive Committee is responsible for monitoring the implementation by management of policies established by the Board and to exercise, when the Board is not in session, all other powers of the Board that may lawfully be delegated. Mr. Zeisler and Mr. Gentile serve as the Executive Committee's Chairman and Vice Chairman, respectively. The other members of the Executive Committee are Messrs. Caputo, DeCaro, DeAngelis, Magnotta and Zeidenberg.

Loan Committee. The Loan Committee meets on a bi-weekly basis throughout the year and currently consists of five members of the Board and one of the Bank's Senior Vice Presidents. The Loan Committee is responsible for monitoring the safety and soundness of the Bank by reviewing all large loans and small loans with policy exceptions, adhering to the lending policy and procedures manual as approved by the Board of Directors and reviewed by the New York State Banking Department. Mr. Branca and Mr. Caputo serve as the Loan Committee's Chairman and Vice Chairman, respectively. The other members of the Loan Committee are Messrs. Gentile, DeCaro, Magnotta and Komar.

Asset and Liability Committee. The Asset and Liability Committee ("ALCO") meets as needed, but no less frequently than quarterly, and currently consists of six members. The ALCO is responsible for carrying out the established policy for the Bank's liquidity and investments. In addition, the ALCO reviews the Bank's liquidity position on a monthly basis. The ALCO receives input from the external and internal auditor as well as from an independent investment advisor retained by the ALCO to assist the Bank in the formulation and management of its investment portfolio. Messrs. Gentile and Magnotta serve as the Chairman and Vice Chairman, respectively, of the ALCO. The other members of the ALCO are Messrs. DeCaro, Caputo, Zeidenberg and Erwin.

Technology Committee. The Technology Committee meets as needed, but no less frequently than quarterly, and currently consists of four members of the Board. The Technology Committee is responsible for ensuring that the Bank is equipped with up-to-date technology in the banking industry, within the Bank's capital expenditure budgets. The Technology Committee retains the services of an outside data processing firm and other service providers to provide the Bank with appropriate computerized systems and data processing capabilities. Messrs. DeCaro and DeAngelis serve as Chairman and Vice Chairman of the Technology Committee. The other members of the Technology Committee are Messrs. Magnotta and Gentile.

Branch Expansion Committee. The Branch Expansion Committee meets as needed and consists of six members of the Board. The Branch Expansion Committee is responsible for reviewing and implementing the Bank's strategic plan for the establishment of new branch offices, subject to the prior approval of the New York State Banking Department and other bank regulatory authorities and taking into account appropriate location, staffing, technology, budget, marketing and strategic considerations. During the year ended December 31, 2008, the Branch Expansion Committee met twice. Messrs. Gentile and DeCaro serve as Chairman and Vice Chairman of the Branch Expansion Committee. The other members of the Branch Expansion Committee are Messrs. Branca, Caputo, Magnotta and Mioli.

Compliance Committee. The Compliance Committee was formed in 2007 with the responsibility of overseeing the actions taken by the Bank as required under the Orders to Cease and Desist issued by the Federal Deposit Insurance Corporation and the Superintendent of Banks of the State of New York in October 2007. Mr. Gentile serves as Chairman of the Compliance Committee, and the other directors serving on the Committee are Vice Chairman DeAngelis and Messrs. Magnotta and Zeidenberg. Paul V. Erwin, the Bank's Senior Vice President and Chief Financial Officer, and George Roman, the Bank's Compliance Officer, also serve on the Compliance Committee.

Stockholder Communications with Directors

The Board of Directors of the Bank welcomes questions, comments and observations from stockholders concerning the policies and operation of the Board and about the general business and operation of the Bank.

Any stockholder wishing to communicate with the Board or with any specified director should address his or her communication to the Board of Directors or to the particular director(s) and send it to the Company's office at 601 North Main Street, Port Chester, New York 10573. Unless otherwise requested by a stockholder in a separate written request accompanying the communication, stockholder communications to the Board or to specified director(s) will be initially reviewed by the Bank's President and Chief Executive Officer or its Senior Vice President and Chief Financial Officer. Communications that the reviewing officer determines relate to the Bank's ordinary course of business will be responded to by the officer or his designee. Communications that the Bank's President and Chief Executive Officer or its Senior Vice President and Chief Financial Officer determines do not relate to the Bank's ordinary course of business or that he otherwise believes are appropriate for review by the directors will be forwarded to each of the directors. Actions, if any, to be taken in response to any stockholder communication will be in the discretion of the appropriate officer or the Board of Directors. At the request of the Board, the President and Chief Executive Officer will summarize any stockholder communications that are not forwarded on the basis that such communications relate to the ordinary course of the Bank's business.

The process for stockholder communication with the Board of Directors or with specified director(s) has been approved by the Bank's Board, including by a majority of the Bank's independent directors.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee has prepared the following report for inclusion in this Proxy Statement. The Audit Committee is comprised of Messrs. Zeidenberg, Magnotta, DeAngelis and Caputo, all of whom are "independent" within the meaning of "independent" included in the rules of the American Stock Exchange.

The Audit Committee has the responsibility for reviewing the Bank's accounting practices, internal accounting controls and financial results and is responsible for the engagement of the Bank's independent auditors. The Audit Committee met six times in 2008 and four times to-date in 2009. The Audit Committee has reviewed and discussed the audited financial statements with McGladrey & Pullen, LLP, the Bank's independent auditor, and the Bank's management.

The Audit Committee has discussed with McGladrey & Pullen, LLP the matters required to be discussed by SAS 61 (Codification of Statement on Auditing Standards, AU Section 380), as may be modified or supplemented.

The Audit Committee has received the written disclosure letter from McGladrey & Pullen, LLP required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as it may be modified or supplemented, and has discussed with McGladrey & Pullen, LLP the independent auditor's independence.

Based on the review and discussions referred to in the foregoing three paragraphs, the Audit Committee has recommended that the audited financial statements be included in the Bank's Annual Report on Form 10-K for the year ended December 31, 2008 for filing with the Federal Deposit Insurance Corporation.

William D. Zeidenberg
Rocco A. Magnotta
Patrick A. DeAngelis
Rocco Caputo

Dated: April 13, 2009

THE REPORT OF THE AUDIT COMMITTEE SHALL NOT BE DEEMED INCORPORATED BY REFERENCE INTO ANY FILING UNDER THE SECURITIES EXCHANGE ACT OF 1934, EXCEPT TO THE EXTENT THAT THE BANK SPECIFICALLY INCORPORATES IT BY REFERENCE, AND SHALL NOT OTHERWISE BE DEEMED TO BE FILED UNDER SUCH ACT.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank has made loans to officers and directors (including loans to members of their immediate families and loans to companies of which a director owns 10% or more). In the opinion of management, all of such loans were made in the ordinary course of business of the Bank on substantially the same terms, including interest rates and collateral requirements, as those then prevailing for comparable transactions with other persons and did not involve more than the normal risk of collectibility or present other unfavorable features.

See also "COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS – Related Party Transactions."

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires directors, officers and persons who are beneficial owners of more than ten percent of the Bank's Common Stock to file with the Federal Deposit Insurance Corporation (the "FDIC") reports of their ownership of the Bank's securities and of changes in that ownership. To the Bank's knowledge, based upon a review of copies of reports filed with the FDIC with respect to the year ended December 31, 2008, all reports required to be filed under Section 16(a) by the Bank's directors and officers and persons who were beneficial owners of more than 10% of the Bank's Common Stock were timely filed, except that Mr. Branca was late in filing one report relating to five transactions, Mr. DeCaro

was late in filing one report relating to two transactions and Mr. Komar failed to file timely his Initial Statement of Beneficial Ownership on Form 3.

PROPOSAL 2

APPROVAL OF 2009 STOCK OPTION PLAN AND AMENDMENT TO THE ORGANIZATION CERTIFICATE OF THE BANK TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK BY 287,500

The second matter to be presented to the Annual Meeting is a proposal that the stockholders of the Bank approve the Bank's 2009 Stock Option Plan and a related amendment to the Bank's Organization Certificate to increase the Bank's capital stock and the number of shares into which such capital stock is to be divided.

Subject to stockholder approval at the Annual Meeting, to final approval of the New York Superintendent of Banks and to the effectiveness of an amendment to the Bank's Organization Certificate, the Board of Directors adopted the 2009 Stock Option Plan pursuant to which options to acquire up to 287,500 shares of Common Stock would be available for the grant or exercise of stock options on the terms described below. The preliminary approval of the 2009 Stock Option Plan and the related amendment to the Bank's Organization Certificate by the New York Superintendent of Banks implies neither approval nor disapproval of the contents of the 2009 Stock Option Plan. The 2009 Stock Option Plan will not be implemented if it is not approved by a majority of the shares entitled to vote, in person or by proxy, at the Annual Meeting or the final approval of the New York Superintendent of Banks is not issued. The Bank has not heretofore granted options to purchase shares of its capital stock to any of its officers or employees.

The Board of Directors believes that the well-recognized benefits of stock option plans outweigh any burden on or dilution of the Common Stock as a result of awards under the Stock Option Plan, including (i) encouraging the acquisition by key officers, directors and employees of a proprietary interest in the Bank, (ii) the ability to fashion attractive incentive awards based upon the performance of the Bank and the price of its Common Stock and (iii) a better alignment of the interests of officers, directors and employees with the interests of the Bank's stockholders. The Bank has not previously granted options to purchase shares of its capital stock to any of its officers or employees.

The Board believes that the size of the Stock Option Plan is appropriate.

As required by the General Regulations of the Banking Board of New York, Appendix A sets forth comparative earnings statements of the Bank for each of the last five calendar years and Appendix B sets forth balance sheets for the Bank as of December 31 for each of the last five calendar years.

The following brief summary of certain features of the Stock Option Plan is qualified in its entirety by reference to the full text of the Stock Option Plan, which is attached as Appendix C.

Summary of the Stock Option Plan

Stock Options

Stock options may be either "incentive stock options" (within the meaning of Section 422 of the Internal Revenue Code) or nonqualified stock options. The exercise price per share that may be acquired on exercise of a stock option will be determined by the Compensation Committee at the time of grant and will be not less than the fair market value per share on the date of grant. Generally, options will have a term of ten years (or as of the date of termination of employment to the extent exercisable at that date if the participant terminates employment) and will become exercisable ratably over four years, but the Committee has the authority to provide for other terms or other exercise schedules. Payment may be made in cash or in the form of unrestricted shares the participant already owns or by other means as determined by the Committee including "cashless"

exercises. The right to exercise an option may be conditioned on the completion of a period of service or other conditions.

As of the date hereof, there are nine directors and approximately 36 employees (excluding the one director who is also an employee) who would be eligible to receive stock options under the Stock Option Plan.

Amendments and Modifications

The Stock Option Plan will expire in 2019. The Board of Directors may amend, alter or discontinue the Stock Option Plan, subject to certain limits.

Change in Control

In the event of a Change in Control (as defined in the Stock Option Plan) of the Bank, all Stock Options outstanding as of the date of such Change in Control which are not then exercisable and vested will become fully exercisable and vested to the full extent of the original grant.

For purposes of the Stock Option Plan, a Change in Control includes any transaction which would result in any person's acquiring ownership, directly or indirectly, of 20% or more of the Bank's outstanding Common Stock or the voting power of the Bank other than as a result of specified transactions, certain changes in the members of the Board of Directors, certain corporate transactions (such as a merger) and the sale of substantially all of the Bank's assets.

Certain Federal Income Tax Consequences

The following summary of tax consequences with respect to awards granted under the Stock Option Plan is not comprehensive and is based upon laws and regulations in effect on the date hereof. Such laws and regulations are subject to change. The summary is intended for the information of stockholders in considering how to vote and not as tax guidance to participants in the Stock Option Plan. Participants in the Stock Option Plan should consult their own tax advisors as to the tax consequences of participation in the Stock Option Plan.

Stock options granted under the Stock Option Plan may be either stock options qualified under Section 422 of the Internal Revenue Code ("ISO's") or options that are not ISO's, referred to herein as "NQSO's." There are generally no federal income tax consequences either to the option holder or to the Bank upon the grant of a stock option. On exercise of an ISO, the option holder will not recognize any income and the Bank will not be entitled to a deduction for tax purposes, although such exercise may give rise to liability for the option holder under the alternative minimum tax provisions of the Internal Revenue Code. Generally, if the option holder disposes of shares acquired upon exercise of an ISO within two years from the date of grant or one year from the date of exercise, the option holder will recognize compensation income and the Bank will be entitled to a deduction for tax purposes in the amount of the excess of the fair market value of the shares on the date of exercise over the option exercise price (or the gain on sale, if less). Otherwise, the Bank will not be entitled to any deduction for tax purposes upon disposition of such shares, and the entire gain for the option holder will be treated as a capital gain.

On exercise of an NQSO, the amount by which the fair market value of the shares on the date of exercise exceeds the option exercise price will generally be taxable to the option holder as compensation subject to income and payroll taxes and will generally be deductible for tax purposes by the Bank. The disposition of shares acquired upon exercise of an NQSO will generally result in a capital gain or loss for the option holder with the holding period commencing on the date of the exercise but will have no consequences for the Bank.

Parachute Payments

In the event any payments or rights accruing to a participant upon a Change in Control, or any other payments awarded under the Stock Option Plan, constitute "parachute payments" under Section 280G of the Internal Revenue Code, depending upon the amount of such payments accruing and the other income of the

participant from the Bank, the participant may be subject to an excise tax (in addition to ordinary income tax) and the Bank may be disallowed a deduction for the amount of the actual payment.

Plan Benefits to Executive Officers and Directors

Since the grant of awards under the 2009 Stock Option Plan is within the discretion of the Compensation Committee, the Bank cannot determine the amount of awards that may be made to the Bank's executive officers named in the Summary Compensation table, its executive officers as a group, its non-executive directors or its non-executive officer employees as a group.

None of the members of the Compensation Committee shall be under consideration for a grant of options at the time that the Compensation Committee acts with respect to such grant.

Value of Common Stock Reserved under the Stock Option Plan

Based on the closing price of the Company's Common Stock on April 21, 2009, the fair market value of the shares reserved for the 2009 Stock Option Plan was \$336,375.

Amendment of Organization Certificate

Because the Organization Certificate of the Bank provides that the number of shares of its Common Stock that the Bank is authorized to issue is 5,750,000, implementation of the 2009 Stock Option Plan will require an amendment to the Bank's Organization Certificate to increase the Bank's authorized capital from \$11,500,000 (divided into 5,750,000 shares) to \$12,075,000 (divided into 6,037,500 shares). Such amendment requires both the final approval of the Superintendent of Banks of the State of New York and the approval of the holders of a majority of the shares entitled to be voted at the Annual Meeting.

If Proposal 2 is approved and Proposal 3 is not approved and if the increase in the Bank's capital stock related to the 2009 Stock Option Plan is approved by the Superintendent of Banks, article Third of the Organization Certificate of the Bank would be restated and amended to read as follows:

Third: The amount of capital stock is to be \$12,075,000 and the number of shares into which such capital stock is to be divided is 6,037,500 with a par value of \$2.00 each. Shareholders will have no preemptive rights.

If both Proposal 2 and Proposal 3 are approved by the affirmative vote of the holders of a majority of the shares entitled to vote and both receive final approval from the New York Superintendent of Banks, Article Third of the Bank's Organization Certificate would fix the amount of the Bank's capital stock at \$23,000,000 and the number of shares into which such capital stock would be divided would be 11,500,000.

Approval of Proposal 2 requires the affirmative vote of a majority of the shares entitled to vote on this proposal.

Recommendation of the Board of Directors

The Board of Directors recommends that the stockholders of the Bank vote FOR Proposal 2.

PROPOSAL 3.

APPROVAL OF AN AMENDMENT TO THE ORGANIZATION CERTIFICATE OF THE BANK TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK BY 5,462,500

The third matter to be presented to the Annual Meeting is a proposal that the stockholders of the Bank approve a further amendment to the Bank's Organization Certificate to increase the Bank's capital stock and the number of shares into which such capital stock is to be divided.

Subject to stockholder approval at the Annual Meeting, to final approval by the New York Superintendent of Banks and to the effectiveness of an amendment to the Bank's Organization Certificate, the Board of Directors has approved a further amendment to the Bank's Organization Certificate to increase the authorized capital stock of the Bank by \$10,925,000 and the number of additional shares into which such capital stock would be divided by 5,462,500.

Even if Proposal 2 is approved by the stockholders and by the New York Superintendent of Banks and the related amendment to the Bank's Organization Certificate becomes effective, the Bank would have no authorized shares that are not either issued or reserved for issuance. Should the Bank determine that it would be appropriate or necessary for the Bank to increase its capital, such action would require a special meeting of stockholders to approve an amendment to the Bank's Organization Certificate as well as the approval of the New York Superintendent of Banks.

In order to avoid the delay that would be required to hold a special meeting of stockholders to approve such an amendment, the Board has determined that it would be appropriate for the Bank to increase its capital stock and the number of shares into which it is divided at this time. Depending on the terms of any particular issuance of the additional shares, other approvals of the New York Superintendent of Banks may be required. The Bank has no specific plan to issue additional shares, but the Board of directors believes that it would be prudent for the Bank to have authorized but unissued shares that could be issued at an appropriate time without the need for specific stockholder approval.

If this proposal is approved at the Annual Meeting and becomes effective, stockholders should be aware that any subsequent issuance of shares would require only the action of the Board of Directors and, potentially, of the regulatory agencies having authority over the Bank.

If Proposal 3 is approved and Proposal 2 is not approved and if the increase in the Bank's capital stock is given final approval by the Superintendent of Banks, article Third of the Organization Certificate of the Bank would be restated and amended to read as follows:

Third: The amount of capital stock is to be \$22,425,000 and the number of shares into which such capital stock is to be divided is 11,212,500 with a par value of \$2.00 each. Shareholders will have no preemptive rights.

If both Proposal 2 and Proposal 3 are approved by the affirmative vote of the holders of a majority of the shares entitled to vote and both are given final approval by the New York Superintendent of Banks, Article Third of the Bank's Organization Certificate would fix the amount of the Bank's capital stock at \$23,000,000 and the number of shares into which the capital stock would be divided would be 11,500,000.

Approval of Proposal 3 requires the affirmative vote of a majority of the shares entitled to vote on this proposal.

PROPOSAL 4.

RATIFICATION OF SELECTION OF INDEPENDENT AUDITOR

The Audit Committee of the Board of Directors of the Bank has selected McGladrey & Pullen, LLP, independent auditors, to audit the books, records and accounts of the Bank for the year ending December 31, 2009. In accordance with a resolution of the Board of Directors, this selection is being presented to the stockholders for ratification at the Annual Meeting.

The firm of McGladrey & Pullen, LLP has served as independent auditor of the Bank since its organization and is considered to be well qualified. The Bank has been advised by McGladrey & Pullen, LLP that it has no direct financial interest nor any material indirect financial interest in the Bank other than that arising from the firm's employment as independent auditor.

If the stockholders do not ratify the selection of McGladrey & Pullen, LLP, the selection of independent auditor will be reconsidered by the Audit Committee of the Board of Directors.

The Board of Directors recommends that you vote "FOR" Proposal 3.

INDEPENDENT AUDITORS

The independent auditor of the Bank is McGladrey & Pullen, LLP. McGladrey & Pullen, LLP and RSM McGladrey, Inc. perform both audit and non-audit professional services for and on behalf of the Bank. All professional services rendered by McGladrey & Pullen, LLP or RSM McGladrey, Inc. during 2008 were furnished at customary rates and terms.

The following sets forth information regarding the aggregate fees for services rendered by McGladrey & Pullen, LLP or RSM McGladrey, Inc. for the fiscal years ended December 31, 2008 and 2007.

Audit Fees

Audit fees for professional services rendered by McGladrey & Pullen, LLP for the audit of the Bank's annual financial statements for 2008 and 2007, reviews of the financial statements included in the Bank's Quarterly Reports on Form 10-Q, and services normally provided by the accountant in connection with statutory or regulatory filings or engagements aggregated \$336,549 and \$293,839, respectively.

Audit-Related Fees

During 2008 and 2007, McGladrey & Pullen, LLP billed the Bank \$31,000 and \$18,965, respectively, for audit-related fees consisting principally of consultation on various accounting and reporting matters.

Tax Service Fees

During 2008 and 2007, RSM McGladrey, Inc. billed the Bank \$10,125 and \$7,500, respectively, for tax services consisting of tax return preparation, planning and tax advice.

The Audit Committee has a policy of preapproving both audit and permitted nonaudit services to be provided by the independent auditors.

The audit-related fees paid to its independent auditors represented 8.4% of the total fees for 2008.

A representative of McGladrey & Pullen, LLP will be present at the Annual Meeting and will be provided the opportunity to make a statement and to respond to appropriate questions which may be asked by stockholders.

STOCKHOLDER PROPOSALS FOR 2010 ANNUAL MEETING

Any stockholder who intends to present a proposal at the Annual Meeting of Stockholders to be held in 2010 is advised that, in order for such proposal to be included in the Board of Directors' proxy material for such meeting, the proposal must be received by the Bank at its principal executive office no later than December 24, 2009 (or, if the date of the 2010 Annual Meeting of Stockholders changes by more than 30 days from the date of the 2009 Annual Meeting, as will likely be the case for the Bank's Annual Meeting in 2010, a reasonable time before the Bank sends its proxy materials for the 2010 Annual Meeting) directed to Ronald J. Gentile, President and Chief Executive Officer, USA Bank, 601 North Main Street, Port Chester, New York 10573.

If any stockholder proposes to make any proposal at the 2010 Annual Meeting which proposal will not be included in the Bank's proxy statement for such meeting, such proposal must be received by March 7, 2010 (or, if the date of the 2010 Annual Meeting of Stockholders changes by more than 30 days from the date of the 2009 Annual Meeting, as will likely be the case for the Bank's Annual Meeting in 2010, a reasonable time before the Bank sends its proxy materials for the 2010 Annual Meeting) to be considered timely for purposes of Rule 14a-4(c) under the Securities Exchange Act of 1934.

The form of proxy distributed by the Board of Directors for such meeting will confer discretionary authority to vote on any such proposal not received by the applicable date. If any such proposal is received by the applicable date, the proxy statement for the meeting will provide advice on the nature of the matter and how the Bank intends to exercise its discretion to vote on each such matter.

COST OF SOLICITATION

The Bank will bear the cost of preparing, assembling and mailing the notice, proxy statement and form of proxy for the Annual Meeting. Solicitation of proxies will be primarily through the use of the mails, but regular employees of the Bank may solicit proxies by personal contact, by telephone or by telegraph without additional remuneration for doing so. Banks, brokerage houses and other institutions, nominees or fiduciaries, if any, will be notified and supplied with sufficient copies of proxies, proxy soliciting material and annual reports in order to obtain authorization for the execution of proxies by their beneficial holders. In addition, the Bank has retained Regan & Associates to provide proxy advisory / solicitation services at an aggregate cost of approximately \$12,000. The Bank will, upon request, reimburse banks, brokerage houses and other institutions, nominees and fiduciaries, if any, for their reasonable expenses in forwarding proxy material to their beneficial holders. All expenses associated with the solicitation of proxies in the form enclosed will be borne by the Bank.

OTHER MATTERS

As of the date of this Proxy Statement, the Board of Directors knows of no other matters to be voted upon at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed proxy to vote said proxy in accordance with their judgment on such matters.

ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2008

A copy of the Bank's Annual Report on Form 10-K for the year ended December 31, 2008 accompanies each copy of this Proxy Statement sent to a stockholder of the Bank for the purpose of soliciting proxies to be voted at the 2009 Annual Meeting.

By Order of the Board of Directors



RONALD J. GENTILE

President and Chief Executive Officer

Port Chester, New York

April 23, 2009

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USA BANK
CONSOLIDATED BALANCE SHEETS
December 31, 2008, 2007, 2006, 2005 and 2004

	December 31, 2008	December 31, 2007	December 31, 2006	December 31, 2005	December 31, 2004 (in organization)
ASSETS					
Cash and due from banks	\$ 1,286,237	\$ 2,746,304	\$ 4,458,792	\$ 200,433	\$ 600,134
Federal funds sold and overnight investments	10,629,616	8,209,367	20,645,089	15,600,000	-
Cash and cash equivalents	11,915,853	10,955,671	25,103,881	15,800,433	600,134
Interest-bearing deposits	-	4,835,943	-	-	-
Held to maturity securities, at amortized cost (fair value \$1,181,876 in 2008, \$1,424,183 in 2007 and \$1,747,994 in 2006) (Note 4)	1,146,972	1,395,835	1,730,612	-	-
Available for sale securities, at fair value (Note 4)	40,877,380	37,520,245	6,217,273	-	-
Total investment securities	42,024,352	38,916,080	7,947,885	-	-
Loans held for sale	-	6,786,211	1,461,948	-	-
Loans, net of the allowance for loan losses of \$1,819,000 in 2008, \$1,421,000 in 2007 and \$703,000 in 2006 (Note 5)	151,013,117	105,493,540	69,120,358	-	-
Leasehold improvements and equipment, net (Note 6)	691,560	846,337	739,652	417,396	1,763
Other real estate owned	2,370,250	-	-	-	-
Accrued interest receivable	1,638,089	993,008	566,913	3,430	-
Other assets	279,585	646,827	645,145	408,113	6,606
Total assets	\$ 209,932,806	\$ 169,473,617	\$ 105,585,782	\$ 16,629,372	\$ 608,503
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Deposits (Note 7)					
Noninterest-bearing deposits	\$ 8,435,324	\$ 5,490,964	\$ 3,980,294	\$ 20,143	\$ -
Interest-bearing deposits	161,332,857	117,350,203	74,131,328	1,929,418	-
Total deposits	169,768,181	122,841,167	78,111,622	1,949,561	-
Securities sold under repurchase agreements (Note 8)	23,000,000	23,000,000	-	-	-
Advances from organizers	-	-	-	1,953,006	788,000
Accrued expenses and other liabilities	1,030,820	1,323,236	907,618	532,663	17,500
Total liabilities	193,799,001	147,164,403	79,019,240	4,435,200	805,500
Commitments and Contingencies (Notes 12 and 19)					

USA BANK
CONSOLIDATED BALANCE SHEETS
December 31, 2008, 2007, 2006, 2005 and 2004

	December 31, 2008	December 31, 2007	December 31, 2006	December 31, 2005	December 31, 2004 (in organization)
Shareholders' Equity (Notes 3 and 20)					
Common stock, par value \$2; 5,750,000 shares authorized, issued and outstanding at December 31, 2008, 2007 and 2006, 2,333,334 at December 31, 2005 and none at December 31, 2004	11,500,000	11,500,000	11,500,000	4,666,668	-
Additional paid-in capital	21,116,774	21,116,774	12,116,774	9,036,820	-
Accumulated deficit	(13,026,070)	(10,334,178)	(6,017,998)	(1,509,316)	(196,997)
Accumulated other comprehensive income (loss) – net unrealized gain (loss) on available for sale securities – net of taxes	(3,456,899)	26,618	(32,234)	-	-
Total shareholders' equity	<u>16,133,805</u>	<u>22,309,214</u>	<u>26,566,542</u>	<u>12,194,172</u>	<u>(196,997)</u>
Total liabilities and shareholders' equity	<u>\$ 209,932,806</u>	<u>\$ 169,473,617</u>	<u>\$ 105,585,782</u>	<u>\$ 16,629,372</u>	<u>\$ 608,503</u>

USA BANK
CONSOLIDATED STATEMENTS OF OPERATIONS
December 31, 2008, 2007, 2006, 2005 and 2004

	December 31, 2008	December 31, 2007	December 31, 2006	December 31, 2005	December 31, 2004 (in organization)
Interest Income					
Interest and fees on loans	\$ 10,251,899	\$ 6,455,725	\$ 1,899,567	-	\$ -
Interest on investments	2,140,640	1,584,128	487,774	-	-
Interest on loans held for sale	341,978	327,755	65,563	7,228	-
Interest on Federal funds sold and overnight investments	202,579	1,065,270	785,289	44,308	5,158
Interest on interest-bearing deposits	114,415	109,033	-	-	-
Total interest income	13,051,511	9,541,911	3,289,545	51,536	5,158
Interest Expense					
Interest expense on deposits (Note 7)	6,241,317	4,904,928	1,527,882	162	-
Interest expense on securities sold under repurchase agreements	1,057,046	518,020	-	-	-
Interest expense on other borrowings	272	-	-	-	-
Total interest expense	7,298,635	5,422,948	1,527,882	162	-
Net interest income after provision for loan losses	5,752,876	4,118,963	1,761,663	51,374	5,158
Provision for loan losses	1,541,718	984,477	703,000	-	-
Net interest income after provision for loan losses	4,211,158	3,134,486	1,058,663	51,374	5,158
Noninterest Income					
Gains on sale of securities	401,258	-	53,391	-	-
Gains on sales of loans	96,739	548,900	36,269	-	-
Loan broker fee income	68,213	192,532	-	-	-
Service charges	67,392	67,850	32,152	20	-
Other	102,574	31,526	5,469	-	-
Total noninterest income	736,176	840,808	127,281	20	-

USA BANK
CONSOLIDATED STATEMENTS OF OPERATIONS
December 31, 2008, 2007, 2006, 2005 and 2004

	December 31, 2008	December 31, 2007	December 31, 2006	December 31, 2005	December 31, 2004 (in organization)
Noninterest expense					
Salaries and employee benefits	2,685,363	3,521,463	2,976,857	645,186	-
Occupancy and equipment	803,276	675,007	593,122	156,557	-
Professional fees	789,089	866,472	205,839	100,800	100,000
Lease buyout	553,671	-	-	-	-
Legal	550,294	693,612	227,230	28,324	57,394
FDIC insurance	467,231	187,593	-	-	-
Date and item processing	365,429	370,549	293,422	11,425	-
Commissions	278,889	666,745	-	-	-
Contract services	203,717	310,991	143,611	72,929	25,981
Printing, stationery and supplies	59,031	102,142	131,312	93,743	16,229
Advertising	150,903	364,134	477,332	217,028	-
OREO	108,472	10,745	-	-	-
Other	623,861	522,021	645,881	37,721	2,551
Total noninterest expense	7,639,226	8,291,474	5,694,626	1,363,713	202,155
Net loss	\$ (2,691,892)	\$ (4,316,180)	\$ (4,508,682)	\$ (1,312,319)	\$ (196,997)
Basic and diluted loss per share (Note 14)	\$ (0.47)	\$ (0.75)	\$ (1.11)	N/A	N/A

**USA BANK
2009 STOCK OPTION PLAN**

1. PURPOSE

The purpose of the USA Bank 2009 Stock Option Plan (the “Plan”) is to strengthen USA Bank, a New York bank (the “Bank”), by providing an incentive to its employees, officers and directors and thereby encouraging them to devote their abilities and industry to the success of the business enterprise of the Bank.

It is intended that this purpose be achieved by extending to employees (including future employees who have received a formal written offer of employment), officers and directors of the Bank and its Subsidiaries an added long-term incentive for high levels of performance and unusual efforts through the grant of Incentive Stock Options or Nonqualified Stock Options (as each term is herein defined), or a combination of the foregoing.

2. DEFINITIONS

The following definitions shall be applicable throughout the Plan.

(a) “Award” means, individually or collectively, any Incentive Stock Option or Nonqualified Stock Option under the Plan.

(b) “Award Agreement” means the agreement between the Bank and a Participant who has been granted an Award which evidences and sets forth the terms and conditions of such Award.

(c) “Bank” means USA Bank.

(d) “Board” means the Board of Directors of the Bank.

(e) “Code” means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any section of the Code shall be deemed to include any amendments or successor provisions to such section and any rules, regulations and interpretations under such section.

(f) “Committee” means the Compensation Committee of the Board, or, if the Board so directs, the full Board or another committee appointed by the Board to administer the Plan as described in Section 4.

(g) “Common Stock” means the common stock, par value \$2.00, of the Bank.

(h) “Covered Employee” means a Participant whom the Committee designates or as the recipient of an Option in order to qualify for the Section 162(m) Exemption.

(i) “Date of Grant” means the date on which the granting of an Award is authorized or such other date as may be specified in such authorization.

(j) “Disability” means “permanent and total disability” as defined in Section 22(e)(3) of the Code.

(k) “Effective Date” shall have the meaning set forth in Section 3 hereof.

(l) “Eligible Person” means any of the following individuals who is designated by the Committee as eligible to receive Options subject to the conditions set forth herein: (i) any director, officer or employee of the Bank or a Subsidiary; or (ii) any individual to whom the Bank or a Subsidiary has extended a formal, written offer of employment.

(m) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(n) “Fair Market Value” on a given date means (i) if the Stock is listed on a national securities exchange, the mean between the highest and lowest sale prices reported as having occurred on the primary exchange

with which the Stock is listed and traded on the date prior to such date, or, if there is no such sale on that date, then on the last preceding date on which such a sale was reported; (ii) if the Stock is not listed on any national securities exchange but is quoted in the National Market System of the National Association of Securities Dealers Automated Quotation System on a last sale basis, the average between the high bid price and low ask price reported on the date prior to such date, or, if there is no such sale on that date, then on the last preceding date on which a sale was reported; or (iii) if the Stock is not listed on a national securities exchange nor quoted in the National Market System of the National Association of Securities Dealers Automated Quotation System on a last sale basis, the amount determined by the Committee to be the fair market value based upon a good faith attempt to value the Stock accurately.

(o) “Holder” means a Participant who has been granted an Option, or a permitted transferee of such a Participant.

(p) “Incentive Stock Option” means an Option granted by the Committee to a Participant under the Plan which is designated by the Committee as an “incentive stock option” within the meaning of Section 422 of the Code.

(q) “Nonqualified Stock Option” means an Option granted under the Plan which is not designated as an Incentive Stock Option.

(r) “Normal Termination” means termination of employment or service with the Bank or a Subsidiary other than by reason of death or Disability.

(s) “Option” means an Award granted under Section 7 of the Plan.

(t) “Option Period” means the period described in Section 7(c) of the Plan.

(u) “Option Price” means the exercise price set for an Option described in Section 7(a) of the Plan.

(v) “Participant” means an Eligible Person who has been selected by the Committee to participate in the Plan and to receive an Award pursuant to Section 6 of the Plan.

(w) “Plan” means the USA Bank 2009 Stock Option Plan.

(x) “Securities Act” means the Securities Act of 1933, as amended.

(y) “Stock” means the Common Stock or such other authorized shares of stock of the Bank as from time to time may be authorized for use under the Plan.

(z) “Subsidiary” means any corporation, 50% or more of whose stock having general voting power is owned by the Bank, or by another Subsidiary, as herein defined, of the Bank.

(aa) “Treasury Regulations” means the regulations, as amended from time to time, promulgated under the Code.

3. EFFECTIVE DATE, DURATION AND BANKING LAW

The Plan was first adopted and made effective as of [_____], 2009 (the “Effective Date”).

The Plan is subject to the provisions of Section 140-a of the Banking Law of the State of New York, the regulations of the New York Banking Board and all other applicable laws and regulations.

The expiration date of the Plan, after which no Awards may be granted hereunder, shall be the tenth anniversary of the Effective Date; provided, however, that the administration of the Plan shall continue in effect until all matters relating to the payment of Awards previously granted have been settled.

4. ADMINISTRATION

The Plan shall be administered by the Committee, which shall be composed of at least three persons serving as directors of the Bank, each member of which, at the time he or she takes any action with respect to an Award under the Plan, shall be a “Non-Employee Director,” as defined in Rule 16b-3 under the Exchange Act, an “independent director” under the listing standards of the Nasdaq Stock Market, Inc. and an “outside director,” as defined in Treasury Regulations Section 1.162-27(e)(3), or any successor rules or regulation of each of the foregoing. None of the members of the Committee shall be under consideration for a grant of Options at the time that the Committee acts with respect to such grant. The majority of the members of the Committee shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present shall be deemed the acts of the Committee. The Committee may also act without meeting by unanimous written consent.

Subject to the provisions of the Plan, the Committee shall have exclusive power to:

- (a) Select the Eligible Persons to participate in the Plan;
- (b) Determine the nature and extent of the Awards to be made to each Participant;
- (c) Determine the time or times when Awards will be made to Eligible Persons;
- (d) Determine the duration of each Award Period;
- (e) Determine the conditions to which the payment of Awards may be subject;
- (f) Prescribe the form of Award Agreement or other form or forms evidencing Awards; and
- (g) Cause records to be established in which there shall be entered, from time to time as Awards are made to Eligible Persons, the date of each Award, the number of Incentive Stock Options or Nonqualified Stock Options awarded by the Committee to each Eligible Person, and the expiration date and the duration of any applicable Award Period.

The Committee shall have the authority, subject to the provisions of the Plan, to establish, adopt, or revise such rules and regulations and to make all such determinations relating to the Plan as it may deem necessary or advisable for the administration of the Plan. The Committee's interpretation of the Plan or any documents evidencing Awards granted pursuant thereto and all decisions and determinations by the Committee with respect to the Plan shall be final, binding, and conclusive on all parties unless otherwise determined by the Board.

Anything in the Plan to the contrary notwithstanding, no term or provision of the Plan relating to Incentive Stock Options or any Award Agreement providing for Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of the Holder(s) affected, to disqualify any Incentive Stock Option under such Section 422.

5. GRANT OF AWARDS; SHARES SUBJECT TO THE PLAN

The Committee may, from time to time, grant Awards to one or more Eligible Persons; provided, however, that:

- (a) Subject to adjustments as provided in Section 12 hereof, the aggregate number of shares of Stock made subject to all Awards may not exceed 287,500 shares;
- (b) Such shares shall be deemed to have been used in payment of Awards whether they are actually delivered or the Fair Market Value equivalent of such shares is paid in cash. In the event any Option shall be surrendered, terminate, expire, or be forfeited, the number of shares of Stock no longer subject thereto shall thereupon be released and shall thereafter be available for new Awards under the Plan;

(c) Stock delivered by the Bank in settlement of Awards under the Plan may be authorized and unissued Stock or Stock held in the treasury of the Bank or may be purchased on the open market or by private purchase;

(d) The Committee may, in its sole discretion, require a Participant to pay consideration for an Award in an amount and in a manner as the Committee deems appropriate; and

(e) Notwithstanding anything to the contrary in Section 12 hereof, or any other applicable provision of the Plan, the Option Price of an outstanding Option granted under the Plan may not be decreased after the Date of Grant nor may an outstanding Option granted under the Plan be surrendered to the Bank as consideration for the grant of a new Option with a lower Option Price (except as otherwise provided in Section 10 hereof relating to the adjustment of Awards upon changes in capitalization of the Bank).

6. ELIGIBILITY

(a) **PLAN PARTICIPATION.** Awards may be made or granted to Eligible Persons selected by the Committee whose past, present and/or potential contributions to the Bank and/or one or more of its Subsidiaries have been, are or are expected to be important to the success of the Bank, to give them an opportunity to acquire a proprietary interest in the Bank; provided however, that Incentive Stock Options may only be granted to any Eligible Persons selected by the Committee who are full-time, salaried employees of the Bank or a Subsidiary.

(b) **SUBSTITUTE AWARDS.** The Committee, in its discretion, may also grant Awards in substitution for any stock incentive awards previously granted by companies acquired by the Bank or one of its Subsidiaries. Such substitute awards may be granted on such terms and conditions as the Committee deems appropriate in the circumstances, provided, however, that substitute Incentive Stock Options shall be granted only in accordance with the requirements of the Code.

7. STOCK OPTIONS

Subject to Section 6(a) hereof, the Committee is authorized to grant one or more Incentive Stock Options or Nonqualified Stock Options to any Eligible Person. To the extent that any Stock Option intended by the Committee to qualify as an Incentive Stock Option does not so qualify, it shall constitute a separate Nonqualified Stock Option. Each Option so granted shall be subject to the following conditions or to such other conditions as may be reflected in the applicable Award Agreement.

(a) **OPTION PRICE.** The exercise price ("Option Price") per share of Stock for each Option shall be set by the Committee at the time of grant but shall not be less than the Fair Market Value of a share of Stock on the Date of Grant.

(b) **MANNER OF EXERCISE AND FORM OF PAYMENT.** Options which have become exercisable may be exercised by delivery of written notice of exercise to the Committee accompanied by payment of the Option Price. The Option Price shall be payable by the Participant either by payment to the Bank in cash, by wire transfer, by certified or bank check or by personal check (in each case made payable to the order of the Bank) or, at the discretion of the Committee, through a combination of any one or more of the following methods:

- (i) delivery of shares of Stock then held by the Participant having an aggregate Fair Market Value equal to the Option Price, provided that such Stock has been held by the Participant for at least six (6) months and is delivered to the Bank free and clear of any liens and encumbrances thereon;
- (ii) an election by the Participant to make a "cashless exercise" through a registered broker-dealer to sell all or a portion of the shares of Stock acquired upon exercise of the Option and to deliver promptly to the Bank the amount of sale proceeds sufficient to pay the aggregate Option Price (and any applicable tax withholding amount), provided that any such cashless exercise shall be made only pursuant to such procedures which are, from time to time, deemed acceptable by the Committee; or

- (iii) delivery of shares of Stock otherwise receivable upon the exercise of the Option having an aggregate Fair Market Value equal to the Option Price (and any applicable tax withholding amount); provided, however, that in the event the Committee shall determine in any given instance that the exercise of such Option by withholding shares otherwise receivable would be unlawful, unduly burdensome or otherwise inappropriate, the Committee may require that such exercise be accomplished in another acceptable manner.

Notwithstanding anything in this Plan to the contrary, an Option may be exercised in accordance with the arrangements and procedures described in this Section 7(b) only to the extent such arrangements or procedures comply with Section 13(k) of the Exchange Act and any other applicable laws, rules and regulations.

(c) **OPTION VESTING PERIODS; DURATION AND EXPIRATION.** Options awarded under the Plan shall vest and become exercisable in such manner and on such date or dates determined by the Committee. Except as may otherwise be established by the Committee on the Date of Grant, each Option awarded under the Plan shall be exercisable with respect to not more than twenty-five percent (25%) of the shares of Stock subject thereto after the expiration of one (1) year following the Date of Grant, and shall be exercisable as to an additional twenty-five percent (25%) of the shares of Stock subject thereto after the expiration of each of the succeeding three (3) years, on a cumulative basis, so that such Option, or any unexercised portion thereof, shall be fully exercisable after a period of four (4) years following the Date of Grant; provided, however, that each award of an Incentive Stock Option shall also comply with the requirements of the Code and Section 7(g) hereof. Options awarded under the Plan shall expire after ten (10) years (the “Option Period”) from the date of grant or on such earlier date determined by the Committee at the time of grant. Notwithstanding any vesting dates set by the Committee, the Committee may, in its sole discretion, accelerate the exercisability of any Option, which acceleration shall not affect the terms and conditions of such Option other than with respect to exercisability. If an Option is exercisable in installments, such installments or portions thereof which become exercisable shall remain exercisable until the Option expires. Unless otherwise stated in the applicable Option Award Agreement, an Option shall expire earlier than the end of the Option Period in the following circumstances:

- (i) If prior to the end of the Option Period, the Participant shall undergo a Normal Termination, the Option shall expire on the earlier of the last day of the Option Period or the date that is ninety (90) days after the date of such Normal Termination. In such event, the Option shall remain exercisable by the Holder only to the extent the Option was exercisable at the time of such Normal Termination;
- (ii) If the Participant dies prior to the end of the Option Period and while still in the employ of the Bank or such Participant becomes Disabled, the Option shall expire on the earlier of the last day of the Option Period or the date that is one year after the date of death or Disability of the Participant. In the event of death or Disability, the Option shall remain exercisable by the Participant or the Holder or Holders to whom the Participant's rights under the Option pass by will or the applicable laws of descent and distribution until its expiration, only to the extent the Option was exercisable by the Participant at the time of death or Disability.

(d) **OTHER TERMS AND CONDITIONS.** In addition, each Option granted under the Plan shall be evidenced by an Award Agreement, which shall contain such provisions as may be determined by the Committee and, except as may be specifically stated otherwise in such Award Agreement, which shall be subject to the following terms and conditions:

- (i) Each Option issued pursuant to this Section 7 or portion thereof that is exercisable shall be exercisable for the full amount or for any part thereof.
- (ii) Each share of Stock purchased through the exercise of an Option issued pursuant to this Section 7 shall be paid for in full at the time of the exercise in the manner described in Section 7(b) hereof. Each Option shall cease to be exercisable, as to any share of Stock, when the Holder purchases the share or when the Option expires.

- (iii) Subject to Section 9(l) hereof, Options issued pursuant to this Section 7 shall not be transferable by the Holder except by will or the laws of descent and distribution and shall be exercisable during the Holder's lifetime only by the Holder.
- (iv) Each Option issued pursuant to this Section 7 shall vest and become exercisable by the Holder in accordance with Section 7(c) hereof or the vesting schedule established by the Committee and set forth in the Award Agreement.
- (v) Each Award Agreement may contain a provision that, upon demand by the Committee for such a representation, the Holder shall deliver to the Committee at the time of any exercise of an Option issued pursuant to this Section 7 a written representation that the shares to be acquired upon such exercise are to be acquired for investment and not for resale or with a view to the distribution thereof. Upon such demand, delivery of such representation prior to the delivery of any shares issued upon exercise of an Option issued pursuant to this Section 7 shall be a condition precedent to the right of the Holder to purchase any shares. In the event certificates for Stock are delivered under the Plan with respect to which such investment representation has been obtained, the Committee may cause a legend or legends to be placed on such certificates to make appropriate reference to such representation and to restrict transfer in the absence of compliance with applicable federal or state securities laws.
- (vi) Each Award Agreement between the Bank and an executive officer of the Bank shall state that no Stock issued to the executive officer upon the exercise of an Option shall be sold by such executive officer within six months of the date of exercise. Each Award Agreement and any Participant who is not an executive officer of the Bank shall state that no Stock issued to such Participant upon the exercise of an Option shall be sold by such Participant within one month of the date of exercise.
- (vii) Each Incentive Stock Option Award Agreement shall contain a provision requiring the Holder to notify the Bank in writing immediately after the Holder makes a disqualifying disposition of any Stock acquired pursuant to the exercise of such Incentive Stock Option. A disqualifying disposition is any disposition (including any sale) of such Stock before the later of: (A) two years after the Date of Grant of the Incentive Stock Option, or (B) one year after the date the Holder acquired the Stock by exercising the Incentive Stock Option.

(e) **DEFERRED DELIVERY OF OPTION SHARES.** The Committee may, in its discretion, permit the Holder of an Option to elect to defer the issuance of Stock upon the exercise of one or more Nonqualified Stock Options granted pursuant to the Plan. The terms and conditions of such deferral shall be determined at the time of the grant of the Option or thereafter and shall be set forth in the Award Agreement evidencing the Option.

(f) **BUYOUT AND SETTLEMENT PROVISIONS.** The Committee may, in its sole discretion, offer to repurchase an Option previously granted, only in extraordinary circumstances, and not in the ordinary course of business, based upon such terms and conditions as the Committee shall establish and communicate to the Holder of the Option at the time that such offer is made.

(g) **INCENTIVE STOCK OPTION GRANTS TO 10% STOCKHOLDERS.** Notwithstanding anything to the contrary in this Section 7, if an Incentive Stock Option is granted to a Participant who owns stock representing more than ten percent of the voting power of all classes of stock of the Bank or of a Subsidiary, the Option Period shall not exceed five (5) years from the Date of Grant of such Option and the Option Price shall be at least 110 percent of the Fair Market Value on the Date of Grant of the Stock subject to the Option.

(h) **\$100,000 PER YEAR LIMITATION FOR INCENTIVE STOCK OPTIONS.** To the extent the aggregate Fair Market Value (determined as of the Date of Grant) of Stock for which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all plans of the Bank and its Subsidiaries) exceeds \$100,000, such excess Incentive Stock Options shall be treated as Nonqualified Stock Options.

(i) **VOLUNTARY SURRENDER.** The Committee may permit the voluntary surrender of all or any portion of any Nonqualified Stock Option issued pursuant to this Section 7 granted under the Plan to be conditioned upon the granting to the Holder of a new Option for the same or a different number of shares as the Option surrendered or require such voluntary surrender as a condition precedent to a grant of a new Option to such Participant. Subject to Section 5(e) hereof, such new Option shall be exercisable at an Option Price, during an Option Period, and in accordance with any other terms or conditions specified by the Committee at the time the new Option is granted, all determined in accordance with the provisions of the Plan without regard to the Option Price, Option Period, or any other terms and conditions of the Nonqualified Stock Option surrendered.

(j) **CONVERSION OF INCENTIVE STOCK OPTIONS INTO NONQUALIFIED STOCK OPTIONS; TERMINATION OF INCENTIVE STOCK OPTIONS.** The Committee, at the written request of any Holder, may, in its discretion, take such actions as may be necessary to convert such Holder's Incentive Stock Options (or any installments or portions of installments thereof) that have not been exercised on the date of conversion into Nonqualified Stock Options at any time prior to the expiration of such Incentive Stock Options, regardless of whether the Holder is an employee of the Bank or a Subsidiary at the time of such conversion. Such actions may include, but not be limited to, extending the Option Period of such Incentive Stock Options. At the time of such conversion, the Committee (with the consent of the Holder) may impose such conditions on the exercise of the resulting Nonqualified Stock Options as the Committee in its discretion may determine, provided that such conditions shall not be inconsistent with the Plan. Nothing in the Plan shall be deemed to give any Holder the right to have such Holder's Incentive Stock Options converted into Nonqualified Stock Options, and no such conversion shall occur until and unless the Committee takes appropriate action. The Committee, with the consent of the Holder, may also terminate any portion of any Incentive Stock Option that has not been exercised at the time of such termination.

8. NON-COMPETITION PROVISIONS

In addition to such other conditions as may be established by the Committee, in consideration of the granting of Awards under the terms of the Plan, the Committee, in its discretion, may include non-competition provisions in the applicable Award Agreement.

9. GENERAL

(a) **WRITTEN AGREEMENTS.** Each award granted under the Plan shall be confirmed by, and shall be subject to the terms of, the Award Agreement executed by the Bank and the Holder. The Committee may terminate any Award made under the Plan if the Agreement relating thereto is not executed and returned to the Bank within ten (10) business days after the Award Agreement has been delivered to the Holder for his or her execution.

(b) **ADDITIONAL PROVISIONS OF AN AWARD.** Awards under the Plan also may be subject to such other provisions (whether or not applicable to the benefit awarded to any other Participant) as the Committee determines appropriate including, without limitation, provisions for the forfeiture of or restrictions on resale or other disposition of shares of Stock acquired under any Award, provisions giving the Bank the right to repurchase shares of Stock acquired under any Award in the event the Participant elects to dispose of such shares, and provisions to comply with Federal and state securities laws and Federal and state tax withholding requirements. Any such provisions shall be reflected in the applicable Award Agreement.

(c) **PRIVILEGES OF STOCK OWNERSHIP.** No person shall be entitled to the privileges of stock ownership in respect of shares of Stock which are subject to Awards hereunder until such shares have been issued to that person.

(d) **GOVERNMENT AND OTHER REGULATIONS.** The obligation of the Bank to make payment of Awards in Stock or otherwise shall be subject to: (1) all applicable laws, rules and regulations and such approvals by any governmental agencies as may be required, including, without limitation, the Securities Act and the Exchange Act and laws and regulations of the Federal Deposit Insurance Corporation; and (2) the rules and regulations of the Nasdaq Stock Market, Inc. or any securities exchange on which the Common Stock may be listed. Notwithstanding any terms or conditions of any Award to the contrary, the Bank shall be under no obligation to offer to sell or to sell and shall be prohibited from offering to sell or selling any shares of Stock pursuant to an Award unless the Bank has received an opinion of counsel, satisfactory to the Bank, that such shares may be offered

or sold without such registration pursuant to an available exemption therefrom and the terms and conditions of such exemption have been fully complied with.

(e) **TAX WITHHOLDING.** Notwithstanding any other provision of the Plan, the Bank or a Subsidiary, as appropriate, shall have the right to deduct from any payment of any kind otherwise due to a Participant, cash and/or Stock, valued at Fair Market Value on the date of payment, in an amount necessary to satisfy all Federal, state or local taxes as required by law to be withheld with respect to such payment. The Bank may accept shares of Stock of equivalent Fair Market Value in payment of such withholding tax obligations if the Holder of the Award elects to make payment in such manner.

(f) **CLAIM TO AWARDS AND EMPLOYMENT OR SERVICE RIGHTS.** No employee or other person shall have any claim or right to be granted an Award under the Plan or, having been selected for the grant of an Award, to be selected for a grant of any other Award. Neither the Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the employ or service of the Bank or any Subsidiary.

(g) **DESIGNATION AND CHANGE OF BENEFICIARY.** Each Participant may file with the Committee a written designation of one or more persons as the beneficiary who shall be entitled to receive the rights or amounts payable with respect to an Award due under the Plan upon his or her death. A Participant may, from time to time, revoke or change his or her beneficiary designation without the consent of any prior beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no beneficiary designation is filed by the Participant, the beneficiary shall be deemed to be his or her spouse or, if the Participant is unmarried at the time of death, his or her estate.

(h) **PAYMENTS TO PERSONS OTHER THAN PARTICIPANTS.** If the Committee shall find that any person to whom any amount is payable under the Plan is unable to care for his or her affairs because of illness or accident, or is a minor, or has died, then any payment due to such person or his or her estate (unless a prior claim therefor has been made by a duly appointed legal representative) may, if the Committee so directs the Bank, be paid to his or her spouse, child, relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Committee and the Bank therefor.

(i) **NO LIABILITY OF COMMITTEE MEMBERS.** No member of the Committee shall be personally liable by reason of any contract or other instrument executed by such member or on such member's behalf in such member's capacity as a member of the Committee nor for any mistake of judgment made in good faith, and the Bank shall indemnify and hold harmless each member of the Committee and each other employee, officer or director of the Bank to whom any duty or power relating to the administration or interpretation of the Plan may be allocated or delegated, against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim) arising out of any act or omission to act in connection with the Plan unless arising out of such person's own fraud or willful bad faith; provided, however, that approval of the Board shall be required for the payment of any amount in settlement of a claim against any such person. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Bank's Organization Certificate or By-Laws, as a matter of law, or otherwise, or any power that the Bank may have to indemnify them or hold them harmless.

(j) **GOVERNING LAW.** Except as to matters of federal law, the Plan and the rights of all Holders claiming hereunder, shall be governed by and construed in accordance with the internal laws of the State of New York without regard to the principles of conflicts of law thereof.

(k) **FUNDING.** No provision of the Plan shall require the Bank, for the purpose of satisfying any obligations under the Plan, to purchase assets or place any assets in a trust or other entity to which contributions are made or otherwise to segregate any assets, nor shall the Bank maintain separate bank accounts, books, records or other evidence of the existence of a segregated or separately maintained or administered fund for such purposes. Holders shall have no rights under the Plan other than as unsecured general creditors of the Bank, except that insofar as they may have become entitled to payment of additional compensation by performance of services, they shall have the same rights as other employees under general law.

(l) **NONTRANSFERABILITY.** A person's rights and interest under the Plan, including amounts payable, may not be sold, assigned, donated, or transferred or otherwise disposed of, mortgaged, pledged or encumbered except, in the event of a Holder's death, to a designated beneficiary to the extent permitted by the Plan, or in the absence of such designation, by will or the laws of descent and distribution; provided, however, the Committee may, in its sole discretion, allow in an Award Agreement for transfer of Awards other than Incentive Stock Options to other persons or entities as otherwise provided by applicable law.

(m) **RELIANCE ON REPORTS.** Each member of the Committee and each member of the Board shall be fully justified in relying, acting or failing to act, and shall not be liable for having so relied, acted or failed to act in good faith, upon any report made by the independent public accountant of the Bank and its Subsidiaries and upon any other information furnished in connection with the Plan by any person or persons other than such member.

(n) **RELATIONSHIP TO OTHER BENEFITS; OTHER PLANS.** Any Award granted under the Plan shall not be deemed compensation for purposes of computing benefits under any retirement plan of the Bank or any Subsidiary and shall not affect any benefits under any other employee benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation, except as otherwise specifically provided in any other employee benefit plan.

(o) **EXPENSES.** The expenses of administering the Plan shall be borne by the Bank.

(p) **TITLES AND HEADINGS.** The titles and headings of the sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings shall control.

(q) **CHANGE-IN-CONTROL.**

(i) **ACCELERATED VESTING AND EXERCISABILITY.** Except as otherwise provided by the Committee in an Award Agreement, if a "Change-in-Control," as defined below, occurs, then the vesting periods of any and all Options granted and outstanding under the Plan shall immediately be accelerated; provided, however, that, if the "Change-in-Control" occurs with respect to a Subsidiary, only Awards and Options granted to employees of such Subsidiary shall be subject to the accelerated vesting provisions of this Section 9(q)(i).

(ii) **CHANGE IN CONTROL DEFINED.** A "Change in Control" shall be deemed to have occurred if, after the date an Award is granted: (A) a public announcement shall be made or a report on Schedule 13D shall be filed pursuant to Section 13(d) of the Exchange Act disclosing that any Person (as defined below), other than the Bank or a Subsidiary or any employee benefit plan sponsored by the Bank or a Subsidiary, is the beneficial owner (as the term is defined in Rule 13d-3 under the Exchange Act) directly or indirectly, of twenty (20%) percent or more of the total voting power represented by the Bank's or a Subsidiary's then outstanding voting common stock (calculated as provided in paragraph (d) of Rule 13d-3 under the Exchange Act in the case of rights to acquire voting common stock); or (B) any Person, other than the Bank or a Subsidiary or any employee benefit plan sponsored by the Bank or a Subsidiary, shall purchase shares pursuant to a tender offer or exchange offer to acquire any voting common stock of the Bank or a Subsidiary (or securities convertible into such voting common stock) for cash, securities or any other consideration, provided that after consummation of the offer, the Person in question is the beneficial owner directly or indirectly, of twenty (20%) percent or more of the total voting power represented by the Bank's or a Subsidiary's then outstanding voting common stock (all as calculated under clause (A)); or (C) the stockholders of the Bank or a Subsidiary shall approve (X) any consolidation or merger of the Bank or a Subsidiary in which the Bank or a Subsidiary is not the continuing or surviving corporation (other than a consolidation or merger of the Bank or a Subsidiary in which holders of the outstanding capital stock of the Bank or a Subsidiary immediately prior to the consolidation or merger have the same proportionate ownership of the outstanding capital stock of the surviving corporation immediately after the consolidation

or merger as immediately before), or pursuant to which the outstanding capital stock of the Bank or a Subsidiary would be converted into cash, securities or other property, or (Y) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Bank or a Subsidiary; or (D) there shall have been a change in the composition of the Board of Directors of the Bank or a Subsidiary at any time during any consecutive twenty-four (24) month period such that “continuing directors” cease for any reason to constitute at least a majority of the Board of Directors unless the election, or the nomination for election of each new Director was approved by a vote of at least two-thirds (2/3) of the Directors then still in office who were Directors at the beginning of such period; or (E) the Board of Directors of the Bank or a Subsidiary, by a vote of a majority of all the Directors adopts a resolution to the effect that a “Change-in-Control” has occurred for purposes of the Plan. For purposes of this Section 11(q), the term “Person” shall mean any individual, corporation, partnership, company or other entity, and shall include a “group” within the meaning of Section 13(d)(3) of the Exchange Act.

- (iii) Notwithstanding the provisions of Section 9(q)(i) above, in the event that: (A) a Change in Control occurs; or (B) the Bank enters into a written agreement to engage in one or more events or transactions that would constitute a Change in Control, then the Committee may, in its sole discretion and upon at least ten (10) calendar days’ advance notice to the affected persons, cancel each outstanding Award that is subject to the accelerated vesting provisions of Section 9(q)(i) hereof and pay to the Holder thereof, in cash, an amount equal to the value of such Award based upon the price per share of Stock received or to be received by other stockholders of the Bank or a Subsidiary in the event. The terms of this Section 9(q)(iii) may be varied by the Committee in any particular Award Agreement.

(r) **CONFLICTS.** If any of the terms or provisions of the Plan or an Award Agreement conflict with the requirements of Section 422 of the Code, then such terms or provisions shall be deemed inoperative to the extent they so conflict with such requirements. Additionally, if this Plan or any Award Agreement does not contain any provision required to be included herein under Section 422 of the Code, such provision shall be deemed to be incorporated herein and therein with the same force and effect as if such provision had been set out at length herein and therein. If any of the terms or provisions of any Award Agreement conflict with any terms or provisions of the Plan, then such terms or provisions shall be deemed inoperative to the extent they so conflict with the requirements of the Plan. Additionally, if any Award Agreement does not contain any provision required to be included therein under the Plan, such provision shall be deemed to be incorporated therein with the same force and effect as if such provision had been set out at length therein.

(s) **PROHIBITION AGAINST LOANS.** Anything in the Plan to the contrary notwithstanding, neither the Bank nor any Subsidiary shall make a loan to any officer, director, or employee of the Bank or any Subsidiary for the purpose of obtaining the benefits of any Award under the Plan.

(t) **RIGHT OF OFFSET.** To the extent permitted by law, the Bank or any Subsidiary shall have the right to deduct from any payment of any kind otherwise due to the Holder from the Bank or any Subsidiary, under the Plan or any Award Agreement entered into hereunder, any amounts due and owing to the Bank or any Subsidiary, as the case may be, from the Holder.

10. CHANGES IN CAPITAL STRUCTURE

Awards granted under the Plan and any Award Agreements shall be subject to equitable adjustments, as determined by the Committee in its sole discretion, as to the number, price or kind of a share of Stock or other consideration subject to such Awards: (a) in the event of changes in the outstanding Common Stock or in the capital structure of the Bank by reason of stock dividends, stock splits, reverse stock splits, recapitalizations, reorganizations, mergers, consolidations, combinations, exchanges, or other relevant changes in capitalization occurring after the Date of Grant of any such Award, (b) in the event of any change in applicable laws or any change in circumstances which results in or would result in any substantial dilution or enlargement of the rights granted to, or available for, Participants in the Plan, or (c) upon the occurrence of any other event which otherwise warrants

equitable adjustment because it interferes with the intended operation of the Plan. In addition, in the event of any such corporate or other event, the aggregate number of shares of Stock available under the Plan shall be appropriately adjusted by the Committee, whose determination shall be conclusive. The terms of this Section 10 may be varied by the Committee in any particular Award Agreement.

11. NONEXCLUSIVITY OF THE PLAN

Neither the adoption of the Plan by the Board nor the submission of the Plan to the stockholders of the Bank for approval shall be construed as creating any limitations on the power of the Board to adopt such other additional incentive arrangements (subject to stockholder approval if such approval is required) as it may deem desirable, including, without limitation, the awarding of Stock Options, other awards or cash otherwise than under the Plan, and such arrangements may be either applicable generally or applicable only in specific cases.

12. AMENDMENT AND TERMINATION

The Board may at any time terminate the Plan. Subject to Section 5(e) hereof, with the express written consent of an individual Participant, the Committee may cancel, reduce or otherwise alter outstanding Awards. The Committee may, at any time, or from time to time, amend or suspend and, if suspended, reinstate, the Plan in whole or in part; provided that any such amendment shall be contingent on obtaining the approval of the stockholders of the Bank if the Committee determines that such approval is necessary to comply with any requirement of law, including the requirements for qualification of Incentive Stock Options or rule of any stock exchange or automated quotation system on which the Bank's equity securities are traded or quoted; provided further that any amendment shall be subject to the approval of the New York Superintendent of Banking; and provided further that the Committee shall not take any of the following actions without the prior approval of the Bank's stockholders at a meeting duly held in accordance with the applicable laws of the state of New York: (a) amending the Plan to repeal the prohibition against repricing set forth in Section 5(e) hereof; (b) expanding the definition of "Eligible Person" under the Plan; (c) increasing the aggregate number of shares of Stock reserved and available for issuance under the Plan set forth in Section 5(a) hereof (except as otherwise provided in Section 12 hereof); (d) changing the persons or category of persons eligible to be granted Options; (e) decreasing the exercise price of Options awarded under the Plan to any amount lower than 100% of the Stock's Fair Market Value on the date of the Award; (f) extending the maximum Option duration under the Plan; or (g) extending the duration of the Plan beyond that specified in Section 3 hereof.

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