

MADISON NATIONAL BANK

February 4, 2009

Dear Shareholder:

You are cordially invited to attend a Special Meeting of Shareholders of Madison National Bank at 4:00 p.m. on Monday, March 16, 2009. A formal notice setting forth the business to come before the meeting and a proxy statement are enclosed. The meeting will be held at the Melville branch of Madison National Bank located at 859 Walt Whitman Road (Route 110), Melville, New York.

At the meeting you will be asked to approve a proposal to reorganize the Bank into the holding company form of ownership by approving an Agreement and Plan of Reorganization and Share Exchange (the "Reorganization Agreement") under which (a) the Bank will become a wholly owned subsidiary of Madison National Bancorp, Inc., a New York corporation formed for the purpose of becoming the holding company for the Bank, (b) each outstanding share of common stock of the Bank will automatically convert into one share of common stock of Madison National Bancorp, Inc., and (c) each outstanding option and warrant to purchase shares of common stock of the Bank will automatically convert into one option or warrant, as the case may be, to purchase shares of common stock of Madison National Bancorp, Inc. (collectively, the "Reorganization").

Your Board of Directors has unanimously approved the adoption of a holding company structure for the Bank. Forming a holding company is an important step in the continued growth of our business and will create a more flexible corporate structure, increase the range of financial activities we can offer, provide more flexibility for raising capital, and help us to respond to future regulatory changes. Although we have no present plans to acquire or establish other businesses, upon consummation of the holding company reorganization we will be in a position to take immediate advantage of any such opportunities that may arise.

Your rights as a shareholder of Madison National Bancorp, Inc. will be substantially the same as they are as a shareholder of the Bank, and your percentage stock ownership interest in Madison National Bancorp, Inc. will be the same as your present interest in the Bank. *You do not need to exchange your Bank stock certificates.* On the effective date of the Reorganization, each share of common stock of the Bank will automatically become one share of common stock of Madison National Bancorp, Inc. The transaction will be tax-free for federal income tax purposes.

Approval of the reorganization requires the favorable vote of the holders of at least two-thirds ($\frac{2}{3}$) of the outstanding shares of common stock of the Bank. **YOUR VOTE IS VERY IMPORTANT. FAILURE TO VOTE IS THE EQUIVALENT TO VOTING AGAINST APPROVAL OF THE REORGANIZATION. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT IN THE ACCOMPANYING POSTAGE-PAID ENVELOPE AS PROMPTLY AS POSSIBLE.** This will not prevent you from attending the meeting and voting in person, but will ensure that your vote is counted if you are unable to attend the meeting.

We look forward to seeing you at the meeting.

Sincerely,



Daniel V. Murphy
Chairman of the Board

The securities that Madison National Bancorp, Inc. will issue in the Reorganization are not deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

None of the Securities and Exchange Commission, the Federal Reserve Board, the Office of the Comptroller of the Currency nor any state securities regulator has approved or disapproved these securities or determined if this proxy statement is accurate or complete. Any representation to the contrary is a criminal offense.

**MADISON NATIONAL BANK
888 Veterans Memorial Highway
Hauppauge, New York 11788**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON MARCH 16, 2009**

NOTICE IS HEREBY GIVEN that a Special Meeting of Shareholders (the “Special Meeting”) of Madison National Bank (the “Bank”) will be held at the Melville branch of Madison National Bank located at 859 Walt Whitman Road (Route 110), Melville, New York on Monday, March 16, 2009 at 4:00 p.m. A proxy card and a proxy statement for the meeting are enclosed.

The meeting is for the purpose of considering and acting upon the following:

I. A proposal to reorganize the Bank into the holding company form of organization by approving an Agreement and Plan of Reorganization and Share Exchange under which (a) the Bank will become a wholly owned subsidiary of Madison National Bancorp, Inc., a New York corporation formed for the purpose of becoming the holding company of the Bank, (b) each outstanding share of common stock of the Bank will automatically convert into one share of common stock of Madison National Bancorp, Inc., and (c) each outstanding option and warrant to purchase shares of the common stock of the Bank will automatically convert into an option or warrant, as the case may be, to purchase common stock of Madison National Bancorp, Inc. (the transactions collectively, the “Reorganization”);

II. The transaction of such other matters as may properly come before the Special Meeting or any adjournments thereof.

Any action may be taken on the foregoing at the Special Meeting on the date specified above, or on any date to which the Special Meeting may be adjourned. The Board of Directors is not aware of any other business to come before the Special Meeting. Shareholders of record at the close of business on January 22, 2009 are the shareholders entitled to vote at the Special Meeting and any adjournments thereof.

Each shareholder has the right to dissent from the Reorganization and demand payment of the fair value of his shares of the Bank’s common stock if the Reorganization is completed. The right of a shareholder to receive such payment is contingent upon strict compliance with the requirements of 12 U.S.C. § 215a(b). The full text of Section 215a is included as *Appendix C* to the proxy statement.

Each shareholder, whether or not planning to attend the Special Meeting, is requested to sign, date, and promptly return without delay the enclosed proxy card in the enclosed postage-paid envelope. Your vote is important. Any proxy given by a shareholder may be revoked by such shareholder by filing with the Secretary of the Bank a written revocation or a duly executed proxy bearing a later date. Any shareholder present at the Special Meeting may revoke his or her proxy and vote in person on each matter brought before the Special Meeting. However, if you are a shareholder whose shares are not registered in your own name, you will need additional documentation from your record holder to vote in person at the Special Meeting.

By Order Of The Board Of Directors



Bonnie Seider
Corporate Secretary

Hauppauge, New York
February 4, 2009

IMPORTANT: THE PROMPT RETURN OF PROXIES WILL SAVE THE BANK THE EXPENSE OF FURTHER REQUESTS FOR PROXIES IN ORDER TO ENSURE A QUORUM AT THE MEETING. A SELF-ADDRESSED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.

PROXY STATEMENT
SPECIAL MEETING OF STOCKHOLDERS
MADISON NATIONAL BANK

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PROXY STATEMENT
SPECIAL MEETING OF STOCKHOLDERS
MADISON NATIONAL BANK
TO BE HELD ON MARCH 16, 2009

I. SUMMARY OF THE REORGANIZATION

The following is a summary of certain information contained in this proxy statement. This summary is not complete and is qualified in its entirety by the more detailed information appearing in this proxy statement and the attached appendices. Shareholders should review this entire proxy statement and, in particular, the specific sections referred to in this summary.

The Reorganization

Under the Agreement and Plan of Reorganization and Share Exchange (the “Reorganization Agreement”), attached hereto as *Appendix A* and incorporated herein by reference, the corporate structure of Madison National Bank, a national banking association (the “Bank”), will be reorganized into the holding company form of ownership. As a result of this reorganization, (a) the Bank will become a wholly owned subsidiary of Madison National Bancorp, Inc. (the “Holding Company” or “Madison National Bancorp”), a New York corporation formed for the purpose of becoming the holding company for the Bank, (b) each outstanding share of the Bank’s common stock (the “Bank Common Stock”) will automatically convert into one share of the common stock of Madison National Bancorp, Inc. (the “Holding Company Common Stock”), and (c) each outstanding option and warrant to purchase shares of Bank Common Stock will automatically convert into one option or warrant, as the case may be, to purchase shares of Holding Company Common Stock (collectively, the “Reorganization”).

Conditions and Regulatory Approvals

In addition to approval by shareholders owning at least two-thirds ($\frac{2}{3}$) of the outstanding shares of the Bank Common Stock, the consummation of the Reorganization is conditioned upon the receipt of the approval from the Office of the Comptroller of the Currency (the “OCC”) and the Board of Governors of the Federal Reserve System (the “Federal Reserve Board” or the “FRB”). See “*Proposal I - The Holding Company Reorganization - Conditions to the Reorganization.*”

Federal Income Tax Consequences

The Reorganization will qualify as a tax-free reorganization, and no gain or loss will be recognized by the Bank or by Bank shareholders whose shares are converted into Holding Company Common Stock.

Rights of Dissenting Shareholders

Under federal law dissenters’ rights of appraisal are available to Bank shareholders who follow certain prescribed procedures. If properly exercised, dissenters’ rights of appraisal allow a shareholder who opposes the Reorganization to demand the payment by the Bank of the fair value of his or her shares. See “*Proposal I - The Holding Company Reorganization - Dissenters’ Rights.*”

Regulation and Supervision

After the Reorganization, Madison National Bancorp, Inc. will be regulated as a bank holding company by the Federal Reserve Board. The Bank, as a national bank, will continue to be regulated by

the OCC and to have its deposit accounts insured by the Federal Deposit Insurance Corporation (the “FDIC”).

Management After the Reorganization

The Reorganization will not result in a change in the Bank’s directors, officers or personnel. The management of Madison National Bancorp, Inc. is described in this proxy statement beginning on page 12.

Exchange of Stock Certificates

Upon consummation of the Reorganization pursuant to the Reorganization Agreement, shares of Bank Common Stock will automatically convert into shares of Holding Company Common Stock. The holders of Bank Common Stock will be notified of the consummation of the Reorganization. After the consummation of the Reorganization, holders of Bank Common Stock may forward to Madison National Bancorp, Inc. their Bank Common Stock certificates for surrender and exchange for certificates of Holding Company Common Stock. *There is no requirement, however, to do so, and certificates formerly representing Bank Common Stock will automatically be deemed, for all corporate purposes, to evidence the number of shares of Holding Company Common Stock that the shareholder would be entitled to receive upon surrender.*

Recommendation

The Board of Directors of the Bank has unanimously approved the Reorganization and unanimously recommends that the shareholders vote “**FOR**” the approval and adoption of the Reorganization Agreement.

II. GENERAL INFORMATION

Introduction

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of the Bank to be used at the Special Meeting of Shareholders of the Bank to be held at the Melville branch of Madison National Bank located at 859 Walt Whitman Road (Route 110), Melville, New York on Monday, March 16, 2009 at 4:00 p.m. local time and at any adjournments or postponements thereof (the “Special Meeting”). The accompanying Notice of Special Meeting, this proxy statement and the enclosed form of proxy are being first mailed to shareholders on or about February 4, 2009.

Purpose of Meeting

At the Special Meeting, shareholders will consider and vote upon the approval and adoption of the Reorganization Agreement, under which the Reorganization will be effected.

If there are not sufficient votes to approve the Reorganization Agreement, the Board of Directors of the Bank may adjourn the Special Meeting to allow for the solicitation of additional proxies. The Board of Directors knows of no additional matters that will be presented for consideration at the Special Meeting. Execution of a proxy, however, confers on the designated proxy holders discretionary authority to vote the shares represented by such proxy in accordance with their best judgment on such other business, if any, that may properly come before the Meeting or any adjournment thereof.

Record Date

Only holders of record of shares of Bank Common Stock at the close of business on January 22, 2009 (the “Record Date”) are entitled to vote at the Special Meeting. At the close of business on the

Record Date, 3,350,720 shares of Bank Common Stock were issued, outstanding and entitled to be voted at the Special Meeting. The Bank has no other class of capital stock outstanding.

Quorum

The presence in person or by proxy of at least a majority of the outstanding shares of Bank Common Stock entitled to vote is necessary to constitute a quorum at the Special Meeting. In the event there are not sufficient votes for a quorum, the Special Meeting may be adjourned in order to permit the further solicitation of proxies.

Voting and Revocability of Proxies

With respect to the proposal to approve and adopt the Reorganization Agreement to effect the Reorganization, shareholders are entitled to one vote for each share of Bank Common Stock held by such shareholders.

Shareholders who execute proxies retain the right to revoke them at any time. Unless so revoked, the shares represented by signed proxies will be voted at the Special Meeting and all adjournments thereof. Proxies may be revoked by written notice delivered in person or mailed to the Secretary of the Bank at 888 Veterans Memorial Highway, Hauppauge, New York 11788 or by the filing of a later-dated proxy prior to a vote being taken on the proposal at the Special Meeting. A proxy will not be voted if a shareholder attends the Special Meeting and votes in person. Proxies solicited by the Board of Directors will be voted in accordance with the directions given therein. **Shares as to which the “ABSTAIN” box has been selected on the proxy card will have the same effect as a vote against Proposal I because two-thirds (2/3) of the outstanding shares of both the Bank Common Stock are required to approve the Proposal.** Where no instructions are indicated, signed proxies will be voted “FOR” the proposals set forth in this proxy statement for consideration at the Special Meeting or any adjournment thereof.

The proxy confers discretionary authority on the named persons to vote with respect to matters incident to the conduct of the Special Meeting.

Vote Required

With respect to the proposal to approve and adopt the Reorganization Agreement to effect the Reorganization, a shareholder of the Bank can vote “FOR” the proposal, “AGAINST” the proposal or “ABSTAIN” from voting on the proposal. Approval and adoption of the Reorganization Agreement to effect the Reorganization requires the affirmative vote of the holders of at least 2,233,814 shares of Bank Common Stock, which is equivalent to two-thirds (2/3) of the total outstanding shares entitled to vote at the Special Meeting.

As of the Record Date, executive officers and directors of the Bank beneficially owned 779,350 shares, or 23.26%, of the Bank’s Common Stock. Such executive officers and directors have indicated that they intend to vote “FOR” the Reorganization Agreement.

Expense of Solicitation

The Bank will pay the cost of preparing, assembling and mailing this proxy statement and the enclosed material. In addition to solicitation by mail, proxies may also be solicited personally or by telephone by the Bank’s directors, officers or employees without additional compensation. The Bank will reimburse brokerage firms and other custodians, nominees and fiduciaries, if any, for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of Bank Common Stock.

Security Ownership of Principal Shareholders

Other than as set forth in the following table, management knows of no person or group that owned 5% or more of the outstanding shares of Bank Common Stock as of the Record Date

<u>Name</u>	<u>Number of Shares Of Bank Common Stock Beneficially Owned</u> ⁽¹⁾	<u>Percent of Bank Common Stock</u>
Daniel L. Murphy	223,333 ⁽²⁾	6.48%
Donald J. Musso	221,667 ⁽³⁾	6.47%
Michael P. Puorro	227,683 ⁽⁴⁾	6.60%

(1) Beneficial ownership is based on 3,350,720 outstanding shares of Common Stock as of December 31, 2008 plus, where applicable, the number of shares that may be purchased pursuant to the exercise of warrants and of stock options. The securities “beneficially owned” by an individual may include securities owned by or for, among others, the spouse and/or minor children of the individual and any other relative who has the same home as such individual, as well as other securities as to which the individual has or shares voting or investment power. A person is deemed to beneficially own shares of Common Stock that such person does not own but has the right to acquire presently or within the next 60 days.

(2) Includes 62,500 shares that may be purchased pursuant to the exercise of warrants and 35,833 shares that may be purchased pursuant to the exercise of stock options.

(3) Includes 60,000 shares that may be purchased pursuant to the exercise of warrants and 16,667 shares that may be purchased pursuant to the exercise of stock options.

(4) Includes 62,500 shares that may be purchased pursuant to the exercise of warrants and 35,833 shares that may be purchased pursuant to the exercise of stock options.

III. PROPOSAL I – THE HOLDING COMPANY REORGANIZATION

General

The Reorganization will be accomplished under the Reorganization Agreement, pursuant to which the Bank will become a wholly owned subsidiary of Madison National Bancorp, Inc. Under the terms of the Reorganization Agreement, each outstanding share of Bank Common Stock will be automatically converted into one share of Holding Company Common Stock and the former holders of Bank Common Stock will automatically become the holders of all of the outstanding shares of Holding Company Common Stock.

Madison National Bancorp, Inc. has been incorporated for the purpose of becoming a bank holding company and has no prior operating history. Following the Reorganization, it is intended that the Bank will continue its operations at the same locations, with the same management, and subject to all the rights, obligations, and liabilities of the Bank existing immediately prior to the Reorganization. The Holding Company will continue the dividend policy or policies of the Bank in effect on the date of consummation of the Reorganization. The Bank may distribute capital to Madison National Bancorp, Inc. at or following the Reorganization, subject to applicable regulations regarding capital distributions by national banks. Initially, the Bank intends to capitalize Madison National Bancorp, Inc. with up to \$100,000 in cash, subject to regulatory approval.

Reasons for the Reorganization

The Board of Directors believes that a bank holding company structure will provide greater flexibility than is currently available to the Bank. Present regulations of the OCC limit the types of businesses in which the Bank may engage. The establishment of a bank holding company is designed to permit diversification of operations and the acquisition and formation of companies engaged in lines of business that, while complementary to the business of the Bank, should help reduce the risks inherent in an industry that is sensitive to interest rate changes. Management believes that acquisition or formation of such enterprises, which do not have the degree of asset and liability interest rate sensitivity inherent in

the structure of a bank, would provide a beneficial stabilizing effect on operations. At this time, however, the Bank has not identified any enterprises that would be the subject of future acquisitions nor have criteria been developed to identify such an enterprise.

Under the holding company structure, Madison National Bancorp, Inc. would operate under the general corporate laws of the State of New York, which provide more flexibility than currently available to the Bank in the areas of: corporate governance, capital raising activity, director and officer responsibility, and limitations of liability. For example, the Holding Company could, following shareholder approval, adopt charter provisions that encourage prospective merger candidates to negotiate with the Board of Directors as opposed to engaging in a hostile takeover that may not be in the best interests of the Bank and its shareholders. However, the Holding Company's current corporate structure is substantially the same as that of the Bank, so the perceived benefits cannot be realized without amending the Certificate of Incorporation of Madison National Bancorp, Inc., which amendment would require additional shareholder approval.

Furthermore, Madison National Bancorp, Inc. would have access to the capital markets in ways that are not available to the Bank, for example, through the sale of trust preferred securities. The Board of Directors believes this greater flexibility in raising capital will be important to meet the demands of the growing business of the Bank. Neither the Bank nor Madison National Bancorp, Inc. currently has any plans relating to any capital raising transaction.

Upon completion of the Reorganization, the Board of Directors of Madison National Bancorp, Inc. would have the authority to adopt stock repurchase plans, subject to any applicable statutory and regulatory requirements. Based upon facts and circumstances that may arise following the Reorganization, Madison National Bancorp, Inc. may wish to repurchase shares of Holding Company Common Stock in the future. Any stock repurchases will be subject to the determination by the Board of Directors of the Holding Company that the Bank will be capitalized in excess of all applicable regulatory requirements after any such repurchases and that capital will be adequate taking into account, among other things, the level of non-performing and other risk assets, the Holding Company's and the Bank's current and projected results of operations and asset/liability structure, the economic environment, and tax and other considerations.

Although the Board of Directors presently intends for Madison National Bancorp, Inc. to remain a one bank holding company, it would have the ability to become a multiple bank holding company (a holding company which has more than one bank subsidiary) in the future if the Board so desires. A multiple holding company structure can facilitate the acquisition of other banks and savings institutions in addition to other companies. If a multiple bank holding company structure is utilized, an acquired financial institution would be able to operate on a more autonomous basis as a wholly owned subsidiary of the Holding Company rather than as a division of the Bank. For example, the acquired institution could retain its own directors, officers and corporate name, as well as have representation on the Holding Company's Board of Directors. This more autonomous operation may be decisive in acquisition negotiations. Although there are currently no future plans for the acquisition of other financial institutions or companies or the offering of additional services through future subsidiaries of the Holding Company, it and the Bank would be in a position following the Reorganization to take advantage of any opportunities that may arise.

Certificate of Incorporation and Bylaws of Madison National Bancorp, Inc.

The rights of shareholders of the Holding Company under its Certificate of Incorporation and Bylaws are substantially the same as they are under the existing Articles of Association and Bylaws of the Bank. One of the reasons for the Reorganization is to afford the possibility of implementing more modern and flexible corporate governance documents that will make it easier for the Holding Company to raise capital, expand operations and discourage a hostile acquisition. In order to avoid a costly and time-

consuming SEC registration, these types of provisions are not included in the current Certificate of Incorporation of the Holding Company. Following completion of the Reorganization, however, we may at a later date choose to submit to the shareholders, at an annual or special meeting, amendments to the Certificate of Incorporation to include provisions to provide flexibility in corporate governance, raising capital, discouraging hostile acquisitions and other provisions permitted under modern corporate law and utilized by most public companies.

Comparison of Shareholder Rights Under Federal Banking Law and New York General Corporation Law

The rights of shareholders under New York General Corporation Law, which will govern the Holding Company, are similar those under the National Bank Act and OCC regulations, which govern the Bank. Described below are certain differences in those rights that shareholders should consider when deciding how to vote on the Reorganization. This summary does not purport to be a complete statement of differences affecting shareholders' rights under federal banking law and the New York General Corporation Law and is subject to, and qualified in its entirety by reference to, all the provisions thereof.

Removal of Directors. Under federal law applicable to national banks, a director may be removed by shareholders with or without cause.

Under New York General Corporation Law, if a corporation has a classified board of directors, a director may be removed by shareholders only with cause.

Voting. Under the National Bank Act, approval of certain mergers, consolidations and sales of all or substantially all of the assets not in the ordinary course of business requires the vote of shareholders owning at least two-thirds ($\frac{2}{3}$) of the stock of the bank entitled to vote.

Under New York General Corporation Law, such transactions require the vote of shareholders owning at least a majority of the stock of the corporation entitled to vote, and a vote of the shareholders of the surviving corporation is not necessary where, in the case of a merger, (i) no amendment of its certificate of incorporation or change in its outstanding stock is involved, and (ii) the merger results in no more than a 20% increase in its outstanding common stock.

Dividends. The payment of dividends by any bank or bank holding company is subject to government regulation, in that regulatory authorities may prohibit banks and bank holding companies from paying dividends in a manner that would constitute an unsafe or unsound banking practice. In addition, neither a bank nor a bank holding company may pay cash dividends if doing so would reduce the amount of its capital below that necessary to meet minimum applicable regulatory capital requirements.

Under the New York General Corporation Law, a corporation may, unless otherwise restricted by its certificate of incorporation, declare and pay dividends out of surplus, or if no surplus exists, out of net profit for the current or preceding fiscal year.

The payment of dividends on Bank Common Stock is subject to the applicable restrictions contained in the National Bank Act and the OCC's Interpretive Rulings. The National Bank Act provides that a national bank cannot pay dividends that would impair its capital or at a time when it has sustained losses which equal or exceed its undivided profits then on hand, and at any time in an amount greater than its net profits then on hand less its losses and bad debts. "Bad debts" means all debts due to the national bank on which interest is past due and unpaid for a period of six months, unless such debts are well secured and in the process of collection. In addition, if, in the particular circumstances, the OCC determines that the payment of dividends would constitute an unsafe or unsound banking practice, the OCC may, among other things, issue a cease-and-desist order prohibiting the payment of dividends. As

with the Holding Company, payments of dividends by the Bank will be subject to favorable operating results and financial condition, general economic conditions and other factors.

The approval of the OCC is required for a national bank to pay dividends in property or additional shares of its stock. The OCC's approval is also required if the total of all dividends declared by a national bank in any calendar year will exceed the total of its net profits for that year combined with its retained net profits from the preceding two years, less any required transfers to surplus or to a fund for the retirement of any preferred stock. "Net profits" means the remainder of all earnings from current operations plus actual recoveries on loans and investments and other assets less all current operating expenses, actual losses, accrued dividends on preferred stock and all federal and state taxes.

In addition, the Bank could not make a capital distribution, including paying a dividend, if the result would subject the Bank to prompt corrective action by the OCC. In the event the Bank's capital fell below specified levels or the OCC notified it that it was in need of more than normal supervision, the Bank's ability to make capital distributions could be restricted. In addition, the OCC may prohibit a proposed capital distribution by a national bank, which would otherwise be permitted by the applicable regulation, if the OCC determines that such distribution would constitute an unsafe or unsound practice.

Reorganization Agreement

The Reorganization will be accomplished under the Reorganization Agreement, which is attached as *Appendix A* to this proxy statement and is incorporated herein by reference. Shareholders are urged to read the Reorganization Agreement in full and not rely on this summary of the Reorganization Agreement. The following discussion is qualified in its entirety by reference to the Reorganization Agreement.

Upon shareholder approval and adoption of the Reorganization Agreement, the Reorganization will be accomplished as follows:

1. All shareholders of the Bank shall have the right to exchange their Bank Common Stock for Holding Company Common Stock. Notwithstanding the foregoing, any shareholder not desiring to exchange his shares shall be entitled to dissenters' rights as provided under U.S.C. § 215a, as more fully described below.
2. On the effective date of the Reorganization (the "Effective Date"), the Holding Company shall, without any further action on its part or on the part of the shareholders of the Bank, automatically and by operation of law acquire and become the owner for all purposes of all the then issued and outstanding shares of Bank Common Stock and shall be entitled to have issued to it, by the Bank, a certificate or certificates representing such shares. Thereafter, Madison National Bancorp, Inc. shall have full and exclusive power to vote such shares of the Bank, to receive dividends thereon and to exercise all rights of an owner thereof.
3. On the Effective Date, the holders of the then issued and outstanding shares of Bank Common Stock, except shareholders who exercise dissenters' rights, shall, without any further action on their part or on the part of the Holding Company, automatically and by operation of law cease to own such shares and shall instead become owners of one share of Holding Company Common Stock for each share of Bank Common Stock theretofore held by them. Thereafter, such persons shall have full and exclusive power to vote such shares of Holding Company Common Stock, to receive dividends thereon and to exercise all rights of an owner thereof.

The Bank currently intends to complete the Reorganization using the "share exchange" procedure described in the above paragraphs. As an alternative to such procedure, however, the Board of Directors

of the Bank may determine that it is advisable for regulatory considerations that the Bank complete the Reorganization using an interim bank merger. The use of an interim bank merger would involve the following steps: (i) the temporary acquisition of all of the outstanding shares of the Holding Company; (ii) the formation of an interim national bank (“Interim Bank”) as a wholly owned subsidiary of the Holding Company; and (iii) the merger of Interim Bank with the Bank (the “Merger”). Pursuant to the Merger, (a) all of the issued and outstanding shares of Bank Common Stock (except for shares held by shareholders who exercise dissenters’ rights under U.S.C. § 215a) will be converted by operation of law into an equal number of issued and outstanding shares of Holding Company Common Stock and (b) all of the issued and outstanding shares of Bank Common Stock will be held by the Holding Company. The Bank believes completing the Reorganization using an interim merger rather than a share exchange would have no effect on the shareholders of the Bank. The approval of the Reorganization Agreement by the shareholders will also constitute approval of such changes to the Reorganization Agreement as are determined by the Board of Directors to be necessary or advisable to provide for the use of an interim merger procedure.

Upon consummation of the Reorganization, whether accomplished by a share exchange or an interim merger, on the Effective Date all previously issued and outstanding certificates representing shares of Bank Common Stock (the “Bank Certificates”) shall automatically and by operation of law cease to represent shares of Bank Common Stock or any interest therein and each Bank Certificate shall instead represent the ownership by the holder thereof of an equal number of shares of Holding Company Common Stock. Thereafter, no holder of a Bank Certificate shall be entitled to vote the shares of Bank Common Stock formerly represented by such certificate, or to receive dividends thereon, or to exercise any other rights of ownership in respect thereof.

As a result of the Reorganization, each outstanding organizer’s warrant to purchase shares of Bank Common Stock and each outstanding option to purchase shares of the Bank’s Common Stock under the Madison National Bank 2007 Stock Option Plan, shall be converted into a warrant or an option, as the case may be, to purchase the same number of shares of Holding Company Common Stock on the same terms and conditions.

The Board of Directors presently intends to cause Madison National Bancorp, Inc. to be initially capitalized with up to \$100,000 in cash, subject to OCC approval. Future capitalization of Madison National Bancorp, Inc. will be dependent upon dividends declared by the Bank or other capital raising methods. Currently, under applicable federal banking laws, the Bank is not permitted to declare and pay dividends of any kind. See “*MARKET PRICES AND DIVIDENDS – Dividend Restrictions Imposed on the Bank.*” In the future, once dividends are permissible under applicable law, the Bank will be able to declare dividends to the Holding Company, which may be used for the payment of dividends to shareholders. However, is uncertain when the Holding Company will adopt a dividend policy.

After the Reorganization, the Bank will continue its existing business and operations as a wholly owned subsidiary of Madison National Bancorp, Inc. The consolidated capitalization, assets, liabilities, income and financial statements of Madison National Bancorp, Inc. immediately following the Reorganization will be substantially the same as those of the Bank immediately prior to consummation of the Reorganization. The corporate existence of the Bank will continue unaffected and unimpaired by the Reorganization. The Reorganization will not result in a change in the Bank’s directors, officers or personnel. For information on the management of the Bank, see “*Madison National Bank – Management.*” After consummation of the Reorganization, the Bank will remain subject to regulation and supervision by regulatory authorities to the same extent as it is now. It is expected that the Bank will pay the initial expenses of Madison National Bancorp, Inc. after consummation of the Reorganization, which expenses are expected to be nominal. For information with regard to the supervision and regulation of the Bank, see “*Madison National Bank – Regulation.*”

In connection with the Reorganization, the Bank has filed an application with the OCC for approval of the Reorganization. In addition, the Holding Company has applied to the Federal Reserve Board for approval to acquire the Bank upon the Reorganization and to become a bank holding company.

Effective Date

The effective date of the Reorganization (the “Effective Date”) will be a date selected by the Holding Company and the Bank, which date shall be within a reasonable period after shareholder approval and the regulatory approvals of the Federal Reserve Board and the OCC are received.

Exchange of Stock Certificates Not Required

The holders of Bank Common Stock will be notified of the consummation of the Reorganization. It will not be necessary for shareholders of the Bank to surrender their certificates for new certificates representing stock of the Holding Company.

After the Reorganization is consummated, the former shareholders of the Bank may forward to Madison National Bancorp, Inc. stock certificates evidencing Bank Common Stock for surrender and exchange for certificates representing Holding Company Common Stock. There is no requirement that such surrender and exchange be made and, until so surrendered to the Holding Company, certificates formerly representing Bank Common Stock will be deemed for all corporate purposes to evidence the number of shares of Holding Company Common Stock that the holder thereof would be entitled to receive upon surrender.

Accounting Treatment

For accounting purposes, the assets, liabilities and shareholders’ equity of the Bank immediately prior to the Reorganization will be carried forward on either separate or consolidated financial statements of the Bank and Madison National Bancorp, Inc. after the Reorganization at the amounts carried on their respective books at the Effective Date of the Reorganization.

Dissenters’ Rights

Pursuant to 12 U.S.C. § 215a(b), any shareholder of the Bank who has (i) voted against the Reorganization at the Meeting or (ii) given written notice to the Bank at or prior to the Meeting that he dissents from the Reorganization Agreement shall be entitled to receive the appraised value of his shares of Bank Common Stock in lieu of Holding Company Common Stock, provided that such shareholder makes a written request to the Bank for payment of the appraised value of his stock within 30 days after the Effective Date and surrenders to the Bank his certificates theretofore representing shares of Bank Common Stock at the time the written request is made.

The value of Bank Common Stock owned by any dissenting shareholder shall be ascertained, as of the Effective Date, by an appraisal made by a committee of three persons composed of (i) one person selected by the vote of the holders of a majority of Bank Common Stock who have elected to dissent from the Reorganization Agreement, (ii) one person selected by the directors of Madison National Bancorp, Inc., and (iii) one person selected by the two so selected. The valuation agreed upon by any two of the three appraisers shall govern. If the value is not satisfactory to any dissenting shareholder who has requested payment, that shareholder may, within five days after being notified of the appraised value of his Bank Common Stock, appeal to the Comptroller of the Currency, who may cause a reappraisal to be made and which reappraisal shall be final and binding as to the value of the shares of the dissenting shareholder.

If, for any reason, 90 days after the Effective Date, one or more of the appraisers is not selected, or if the appraisers fail to determine the value of Bank Common Stock owned by the dissenting

shareholder, the Comptroller of the Currency must, upon the written request of any interested party, cause an appraisal to be made which shall be final and binding on all of the parties.

The value of the shares ascertained shall be promptly paid to the dissenting shareholders by Madison National Bancorp, Inc. The shares of Holding Company Common Stock that would have been delivered to such dissenting shareholders had they not requested payment shall be sold at an advertised public auction, and if such shares are sold at a price greater than the amount paid to such dissenting shareholders, the excess of such sale price shall be paid to such dissenting shareholders. The Holding Company has the right to bid for and purchase such shares of Holding Company Common Stock as are required to be auctioned to the public.

The full text of 12 U.S.C. § 215a(b) is included as *Appendix C* and is incorporated herein by reference. Shareholders are urged to read *Appendix C* in its entirety and not rely on this summary.

Federal Income Tax Consequences

The Bank has received an opinion of its special counsel, Malizia Spidi & Fisch, PC, Washington, D.C., as to the material federal income tax consequences of the Reorganization. Such opinion is based upon the representations and warranties of management of the Bank and assumes that the Reorganization is consummated in accordance with the Reorganization Agreement and is in conformity with the requirements of the FRB and the OCC. The opinion of Malizia Spidi & Fisch, PC, which is not binding on the Internal Revenue Service, provides, in pertinent part, as follows:

1. Neither the Bank nor Madison National Bancorp, Inc. will recognize any gain or loss upon the share exchange of Holding Company Common Stock for Bank Common Stock.
2. The Bank's shareholders will not recognize any gain or loss upon their exchange of shares of Bank Common Stock solely for shares of Holding Company Common Stock.
3. A Bank shareholder's basis in such shareholder's Holding Company Common Stock received in the exchange will be the same as the basis of the Bank Common Stock surrendered in the exchange.
4. A Bank shareholder's holding period in his or her Holding Company Common Stock received in the exchange will include the period during which the Bank Common Stock surrendered was held, provided that the Bank Common Stock surrendered is a capital asset in the hands of the Bank shareholder on the date of the exchange.

The Bank believes that the Reorganization will be treated for New York state tax purposes in a manner similar to the treatment of the Reorganization for federal tax purposes, although it has not received an opinion of counsel to such effect. Each holder of Bank Common Stock should consult his own tax advisor as to specific federal, state and local tax consequences of the Reorganization, if any, to such shareholder.

Restrictions on Resale of Holding Company Common Stock Received by Certain Persons

The offering of shares of Holding Company Common Stock issuable in connection with the Reorganization has not been registered under the Securities Act of 1933, as amended (the "1933 Act"). Holding Company Common Stock received in the Reorganization by persons who are not "affiliates" of Madison National Bancorp, Inc. (within the meaning of the 1933 Act) may be resold without registration. Shares received by affiliates of Madison National Bancorp, Inc. (primarily the directors, officers and any shareholders owning 10% or more of Madison National Bancorp, Inc.'s Common Stock) will be subject to the resale restrictions of Rule 145 under the 1933 Act. In general, the Rule 145 restrictions terminate with respect to persons who are no longer affiliated with Madison National Bancorp, Inc. after a six-

month holding period from the date of consummation of the Reorganization if (1) Madison National Bancorp, Inc. is then subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “1934 Act”), or (2) if Madison National Bancorp, Inc. is not subject to such requirements, after a one-year period from the date of consummation of the Reorganization if such person has not been an affiliate for at least three months. Madison National Bancorp, Inc. currently is not required to, and will not, register the Holding Company Common Stock under the 1934 Act, and as such, a one-year holding period will be required for persons who are currently affiliates of Madison National Bancorp, Inc.

Conditions to the Reorganization

The Reorganization Agreement sets forth a number of conditions that must be met before the Reorganization will be consummated. Specifically, the obligations of the Bank and the Holding Company to effect the Reorganization and otherwise consummate the transaction are subject to satisfaction of the following conditions: (i) the Reorganization Agreement must be adopted by the affirmative vote of the holders of at least two-thirds of the outstanding voting shares of the Bank entitled to vote thereon; (ii) the Holding Company Common Stock to be issued to the shareholders of the Bank in the Reorganization shall have been registered, if required by law, pursuant to Section 5 of the 1933 Act and the Holding Company shall have complied with all applicable state blue sky laws related to the issuance of the Holding Company Common Stock; (iii) all required regulatory approvals from the OCC and the FRB shall have been obtained; (iv) the exchange of shares pursuant to the Reorganization Plan shall not be subject to state or federal taxation; (v) all other approvals or consents required for completion of the Reorganization shall have been obtained; and (vi) the number of shares of Bank Common Stock who elect to exercise dissenters’ rights shall not exceed 10% of the outstanding shares of Bank Common Stock.

The Bank has filed an application with the OCC for approval of the Reorganization and Madison National Bancorp, Inc. has filed an application with the Federal Reserve Board for approval to acquire the Bank and to become a bank holding company. By approving the Reorganization, the shareholders of the Bank will be approving compliance by the Bank and Madison National Bancorp, Inc. with any conditions imposed by the OCC and Federal Reserve Board in connection with their approvals of the applications that are not deemed by the Bank to be materially adverse to the Bank or its shareholders. If additional conditions are required that would have a material impact on operations of the Holding Company or the Bank, a resolicitation of shareholders may be required. The imposition of such additional material conditions is not anticipated by the Bank.

Shareholder approval of the Reorganization Agreement, if obtained, will remain valid until the Reorganization is approved or disapproved by the various regulatory agencies, or until a resolicitation of shareholders is conducted because of the imposition of an unanticipated, material condition by such agencies. In the event the Reorganization is not approved by the shareholders, the Bank will not proceed with the Reorganization.

Amendment or Termination

The Bank and Madison National Bancorp, Inc., by mutual consent of their boards of directors and to the extent permitted by law, may amend the Reorganization Agreement at any time before or after approval of the Reorganization Agreement by the shareholders, but no amendment that would have a materially adverse impact on the Bank or its shareholders may be implemented unless approval of the shareholders is first obtained.

Either party may cause the Reorganization Agreement to be terminated if any one or more of the conditions to the obligations of any of them hereunder shall not have been satisfied and shall have become incapable of fulfillment and shall not be waived. The Reorganization Agreement may also be terminated at any time prior to the Effective Date by the mutual consent of the respective boards of

directors of the parties. Shareholder approval of the Reorganization will be valid unless and until conditions in connection with the Reorganization materially change requiring, in the opinion of the Board of Directors, a resolicitation of shareholder approval and adoption of the Reorganization Agreement or termination of the Reorganization. In the event shareholder approval of the Reorganization is not obtained, the Reorganization Agreement shall be terminated. In the event of the termination of the Plan pursuant to any of the foregoing provisions, no party shall have any further liability or obligation of any nature to any other party under the Reorganization Agreement.

Federal and State Taxation

After the consummation of the Reorganization, the Bank and Madison National Bancorp, Inc. may file consolidated federal and state income tax returns that would have the effect of eliminating inter-company distributions, including dividends, in the computation of the consolidated taxable income.

THE BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE REORGANIZATION AGREEMENT AND RECOMMENDS THAT YOU VOTE "FOR" THE APPROVAL AND ADOPTION OF THE REORGANIZATION AGREEMENT.

IV. MADISON NATIONAL BANCORP, INC.

General

Madison National Bancorp, Inc. is currently a non-operating corporation with no assets or liabilities. Upon the Reorganization, the Bank will become a wholly owned subsidiary of Madison National Bancorp, Inc., and each shareholder of the Bank will become a shareholder of Madison National Bancorp, Inc. with the same respective ownership interest therein as presently held in the Bank.

Immediately after consummation of the Reorganization, it is expected that Madison National Bancorp, Inc. will not engage in any business activity other than to hold all of the stock of the Bank. It is anticipated, however, that Madison National Bancorp, Inc. in the future will begin to explore the feasibility of other investment opportunities, including possible diversification through acquisitions and mergers, although no specific future plans are being considered at this time.

Management

The initial Board of Directors of Madison National Bancorp, Inc. consists of nine directors, all of whom are currently directors of the Bank. The following table sets forth the names and classes of the initial Board of Directors.

<u>Name</u>	<u>Term to Expire</u>
Richard M. Berman	2009
John F. Coffey	2011
Gerald J. Kaiser	2010
Brian H. Madden	2009
Robert R. McMillan	2010
Daniel L. Murphy	2011
Donald J. Musso	2010
Michael P. Puorro	2009
John R. Sorrenti	2011

It is proposed that the following executive officers of the Bank will serve as the initial executive officers of Madison National Bancorp, Inc.

<u>Name</u>	<u>Positions To Be Held with the Holding Company</u>
Daniel L. Murphy	Co-Chairman and Chief Executive Officer
Michael P. Puorro	Co-Chairman and President
William P. Mackey	Executive Vice President and Chief Financial Officer

The executive officers of Madison National Bancorp, Inc. will be elected annually by the Board of Directors and hold office until their respective successors have been elected and qualified or until death, resignation or removal by the Board.

It is currently expected that, unless Madison National Bancorp, Inc. becomes actively involved in the operation or acquisition of additional financial institutions or other businesses, no separate compensation will be paid to the directors and employees of Madison National Bancorp, Inc. However, Madison National Bancorp, Inc. may determine that separate compensation is appropriate in the future. Because the directors and employees of the Bank will not initially be compensated by Madison National Bancorp, Inc., and will continue to serve and be compensated by the Bank, no new benefits plans are anticipated at this time. The Bank will continue to maintain its current benefit programs.

Properties

Madison National Bancorp, Inc. is not expected to initially own or lease real or personal property. Instead, it intends to utilize the premises, equipment and furniture of the Bank without the direct payment of any rental fees to the Bank. The principal executive office of Madison National Bancorp, Inc. is located at 888 Veterans Memorial Highway, Hauppauge, New York 11788, and its telephone number at that address is (631) 348-6999.

Legal Proceedings

Madison National Bancorp, Inc. has not, since its organization, been a party to any legal proceedings.

Regulation

General. Upon completion of the Reorganization, Madison National Bancorp, Inc. will become a bank holding company within the meaning of the Bank Holding Company Act of 1956 (the "BHC Act"). Madison National Bancorp, Inc. will be subject to regulation by the FRB and will be required to file with the FRB an annual report and any additional information as the FRB may require pursuant to the BHC Act. The FRB will examine Madison National Bancorp, Inc. and its non-bank subsidiaries, if any, and will have the power to restrict or prohibit activities that are determined to be a serious risk to the Bank. This regulation and oversight is intended primarily for the protection of the depositors of the Bank and not for shareholders of Madison National Bancorp, Inc.

The BHC Act requires, among other things, a bank holding company to obtain prior approval from the FRB whenever it proposes to (i) acquire all or substantially all of the assets of any other bank, (ii) acquire direct or indirect ownership or control of more than five percent (5%) of the voting stock of any bank that is not already controlled by that bank holding company, or (iii) merge or consolidate with any other bank holding company. The FRB will not approve any acquisition or merger that would have a substantially anticompetitive effect, unless such anticompetitive impact is clearly outweighed by a greater public interest in meeting the convenience and needs of the community to be served. The FRB also considers capital adequacy and other financial and managerial resources and future prospects of the

companies and banks concerned, together with the convenience and needs of the communities to be served, when reviewing acquisitions or mergers.

A bank holding company is also authorized under the BHC Act to acquire ownership or control of nonbanking companies, provided that the activities are so closely related to banking or managing or controlling banks that the FRB has found them to be a proper incident thereto. Regulation Y, promulgated by the FRB, sets forth those activities that are regarded as closely related to banking or managing or controlling banks and thus are permissible activities for bank holding companies.

The BHC Act was substantially amended in 1999 through the enactment of the Gramm-Leach-Bliley Act (the "GLBA"). The GLBA permits bank holding companies and banks that meet certain capital, management and Community Reinvestment Act standards to engage in a broader range of nonbanking activities, including securities underwriting, dealing and market making, sponsoring mutual funds and investment companies, insurance underwriting and agency and merchant banking activities. In addition, bank holding companies that elect to become financial holding companies may engage in certain banking and nonbanking activities without prior FRB approval. Madison National Bancorp, Inc. has no present plans to engage directly or through a holding company subsidiary in any activities that are not permissible for banks.

The Federal Reserve Act limits the authority of subsidiary banks of a bank holding company to lend to, and engage in certain other transactions (collectively, "covered transactions") with the bank holding company or any of its other subsidiaries ("affiliates"). The aggregate amount of covered transactions with any one affiliate is limited to 10% of a bank's capital and surplus, and the aggregate amount of covered transactions with all affiliates is limited to 20% of a bank's capital and surplus. Loans and other specified transactions with affiliates are required to be secured by collateral in amounts and types specified by the Federal Reserve Act. In addition, all transactions with affiliates must be on terms and under circumstances that are at least as favorable to the bank as those prevailing at the time for comparable transactions with unrelated parties.

Extensions of credit by the Bank to executive officers, directors and principal shareholders of the Bank or any affiliate thereof, including Madison National Bancorp, Inc., are subject to Section 22(h) of the Federal Reserve Act, which, among other things, generally prohibits loans to any such individual where the aggregate amount exceeds an amount equal to 15% of a bank's unimpaired capital and surplus, plus an additional 10% of unimpaired capital and surplus in the case of loans that are fully secured by readily marketable collateral.

Federal Securities Law. The issuance of Holding Company Common Stock in connection with the Reorganization is exempt from registration under the 1933 Act pursuant to Section 3(a)(12) of the 1933 Act, which provides for an exemption in connection with a formation of a bank holding company, if the transaction meets certain requirements. In addition, upon consummation of the Reorganization, Madison National Bancorp, Inc. will not be required to register the Holding Company Common Stock under Section 12 of the 1934 Act because the Holding Company at that time will not have more than 500 shareholders of record. However, if at any fiscal year-end there are 500 or more shareholders of record of its common stock, Madison National Bancorp, Inc. will be required to register its common stock with the SEC and become subject to the periodic reporting and other requirements of Section 12 of the 1934 Act.

As of the Record Date, the Bank had approximately 219 shareholders of record; therefore, immediately following the Reorganization, Madison National Bancorp, Inc. would have fewer than 500 shareholders of record and will not be required to register under the 1934 Act until, or if, it later has 500 or more shareholders of record at the end of a fiscal year.

IV. MADISON NATIONAL BANK

General

Madison National Bank is a national banking association with a home office located in Merrick, New York. The Bank was originally chartered in 2007. The Bank's deposits are FDIC insured. The Bank is regulated by the OCC and the FDIC.

Management

Board of Directors. The Bank's Articles of Association provide that the Board of Directors shall consist of not fewer than five and not more than 25 directors, with the exact number of directors to be fixed from time to time by resolution of the Board of Directors. Currently, the number of directors constituting the entire Board of Directors is fixed at nine. The Board of Directors is divided into three classes, each class consisting of one-third of the whole Board. Directors are elected for staggered three-year terms expiring at the Special Meeting of shareholders three years following their election.

The following table sets forth certain information regarding the Bank's present directors, as of December 31, 2008.

<u>Name</u>	<u>Age</u>	<u>Director Since</u>	<u>Current Term to Expire</u>	<u>Position(s) Held with the Bank</u>
Daniel L. Murphy	49	2007	2011	Chairman and Chief Executive Officer, Director
Michael P. Puorro	49	2007	2009	President and Director
Richard M. Berman	61	2007	2009	Director
John F. Coffey	62	2007	2011	Director
Gerald J. Kaiser	52	2007	2010	Director
Brian H. Madden	55	2007	2009	Director
Robert R. McMillan	76	2007	2010	Director
Donald J. Musso	49	2007	2010	Director
John R. Sorrenti	58	2007	2011	Director
Executive Officers Who Are not Directors				
William P. Mackey	47	--	--	Chief Financial Officer
Estela M. Mendes	38	--	--	Chief Retail Banking Officer
Peter C. Puccio	61	--	--	Chief Lending Officer

Properties

The Bank's principal executive office is located at 888 Veterans Memorial Highway, Hauppauge, New York 11788, and its telephone number at that address is (631) 348-6999. The Bank operates two banking offices, in Merrick, Nassau County, New York and Melville, Suffolk County, New York.

Legal Proceedings

The Bank, from time to time, is a party to routine litigation that arises in the normal course of business. Management does not believe the resolution of such routine litigation, if any, would have a material adverse effect on the Bank's financial condition or results of operations. However, the ultimate outcome of any such matter, as with litigation generally, is inherently uncertain and it is possible that some of these matters may be resolved adversely to the Bank.

Regulation

The Bank operates as a national banking association subject to examination by the OCC. The OCC regulates all areas of a national bank's commercial banking and trust operations including reserves, loans, mergers, payment of dividends, establishment of branches and other aspects of operations.

The Bank is also insured and regulated by the FDIC. The major functions of the FDIC with respect to insured national banks include paying depositors to the extent provided by law in the event the Bank is closed without adequately providing for payment of the claims of depositors.

VI. MARKET PRICES AND DIVIDENDS

General

Because Madison National Bancorp, Inc. is a newly formed corporation and there is currently no established trading market for its securities, no information can be provided as to historical market prices for the Holding Company Common Stock. The Bank's Common Stock is not listed on any exchange, but is traded in the over-the-counter market. Trades in the Bank Common Stock are reported on the OTC Bulletin Board under the symbol "MNBX." Upon the consummation of the Reorganization, the Holding Company Common Stock is expected to be traded in the same manner; however, under OTC Bulletin Board policy, it is likely that the Holding Company Common Stock will be assigned a different trading symbol.

Shares of Bank Common Stock were last traded at a price of \$9.45 per share on February 2, 2009. There can be no assurance that following the Reorganization a share of Holding Company Common Stock will be quoted or traded at or above the current value of a share of Bank Common Stock. As of the Record Date, the Bank had approximately 219 shareholders of record.

Holders of Holding Company Common Stock will be entitled to receive dividends when, and if, declared by the Board of Directors of the Holding Company out of funds legally available. The timing and amount of future dividends will be within the discretion of the Board of Directors of Madison National Bancorp, Inc. and will depend on the consolidated earnings, financial condition, liquidity and capital requirements of Madison National Bancorp, Inc. and its subsidiaries, applicable governmental regulations and policies, and other factors deemed relevant by the Holding Company's Board of Directors. To date, the Bank has not paid any dividends, and it is not currently permitted to do so under applicable federal banking law. It is uncertain when the Board of Directors will adopt a dividend policy.

Dividend Restrictions Imposed on Madison National Bancorp, Inc.

Certain restrictions generally imposed on corporations incorporated in New York may have an impact on the Holding Company's ability to pay dividends to its shareholders. New York law provides that dividends may be paid only out of surplus or net profits for the fiscal year in which the dividends are declared and/or the preceding fiscal year.

Dividend Restrictions Imposed on the Bank

After the Reorganization, dividends from the Bank will be the Holding Company's primary source of funds for the payment of dividends, because initially the Holding Company will have no source of income other than such dividends and the capital contributed by the Bank to the Holding Company immediately prior to or upon the Reorganization. The following restrictions on the payment of dividends by the Bank will continue to apply to dividends paid by the Bank to the Holding Company.

The payment of dividends on Bank Common Stock is subject to the applicable restrictions contained in the National Bank Act and OCC regulations. The National Bank Act provides that a national

bank cannot pay dividends that would impair its capital or at a time when it has sustained losses that equal or exceed its undivided profits then on hand, and at any time in an amount greater than its net profits then on hand less its losses and bad debts. Because the Bank is in an accumulated net loss position since opening in 2007 and currently has negative undivided profits, it will not be permitted to pay dividends to the Holding Company until the deficit in its undivided profits account has been eliminated.

The OCC's approval is required if the total of all dividends declared by a national bank in any calendar year will exceed the total of its net profits for that year combined with its retained net profits from the preceding two years, less any required transfers to surplus or to a fund for the retirement of any preferred stock. "Net profits" means the remainder of all earnings from current operations plus actual recoveries on loans and investments and other assets less all current operating expenses, actual losses, accrued dividends on preferred stock and all federal and state taxes. The approval of the OCC is also required for a national bank to pay dividends in property or additional shares of its stock.

In addition, the Bank could not make a capital distribution, including paying a dividend, if the result would subject the Bank to prompt corrective action by the OCC. In the event the Bank's capital fell below its fully phased-in requirement or the OCC notified it that it was in need of more than normal supervision, the Bank's ability to make capital distributions could be restricted. Furthermore, if, in the particular circumstances, the OCC determines that the payment of dividends would constitute an unsafe or unsound banking practice, the OCC may, among other things, issue a cease-and-desist order prohibiting the payment of dividends. As with the Holding Company, payments of dividends by the Bank will be subject to favorable operating results and financial condition, general economic conditions and other factors.

VII. FINANCIAL STATEMENTS

No financial statements of Madison National Bancorp, Inc. are presented in this proxy statement, as it currently has no assets or liabilities. In addition, no pro forma consolidated financial statements of the Holding Company are included herein, as such statements would reflect no material differences from the consolidated financial statements of the Bank.

VIII. LEGAL MATTERS

Certain legal matters for Madison National Bancorp, Inc. and the Bank have been passed upon by Malizia Spidi & Fisch, PC, Washington, D.C.

IX. OTHER MATTERS

The Board of Directors is not aware of any business to come before the Meeting other than those matters described above in this proxy statement. However, if any other matters should properly come before the Meeting, it is intended that proxies in the accompanying form will be voted in respect thereof in accordance with the judgment of the person or persons voting such proxies.

By Order of the Board of Directors



Bonnie Seider
Corporate Secretary

Hauppauge, New York
February 4, 2009

MADISON NATIONAL BANK

**AGREEMENT AND PLAN OF REORGANIZATION
AND SHARE EXCHANGE**

THIS AGREEMENT AND PLAN OF REORGANIZATION AND SHARE EXCHANGE (the “Plan of Reorganization”), dated as of October 30, 2008, is made by and between Madison National Bank, a national banking association (“Madison National” or the “Bank”), and Madison National Bancorp, Inc., a to-be-formed New York business corporation (the “Holding Company”).

The parties hereto desire to enter into a Plan of Reorganization whereby the corporate structure of Madison National will be reorganized into the holding company form of ownership in a manner that is fair and equitable to the shareholders. Madison National and the Holding Company have agreed that the Holding Company will acquire all of the issued and outstanding shares of common stock, \$0.01 par value per share, of Madison National (“Bank Common Stock”) in exchange for shares of common stock, \$0.01 par value per share, of the Holding Company (“Holding Company Common Stock”) pursuant to 12 U.S.C. § 215a-2 and this Plan of Reorganization. The Plan of Reorganization has been adopted and approved by the unanimous favorable vote of the entire Board of Directors of Madison National and by the favorable vote of a majority of the entire Board of Directors of the Holding Company. The Boards of Directors have determined that the Plan of Reorganization is fair and equitable to all shareholders of Madison National.

NOW, THEREFORE, and in consideration of the premises, the parties agree as follows:

ARTICLE I

SHAREHOLDER APPROVAL OF PLAN OF REORGANIZATION

The Plan of Reorganization will be submitted to a vote of shareholders at a meeting of shareholders of Madison National duly called by the directors, and duly held upon prior notice in accordance with the procedures prescribed under 12 U.S.C. § 215a. The Plan of Reorganization must be approved by the affirmative vote of the shareholders of Madison National owning at least two-thirds of the outstanding shares of Bank Common Stock.

ARTICLE II

EXCHANGE OF SECURITIES

The manner and basis of exchanging the outstanding securities of the Bank for securities of the Holding Company shall be as follows:

2.1 All shareholders of Madison National as of the Effective Date shall have the right to exchange their Bank Common Stock for Holding Company Common Stock. On the Effective Date, the holders of the then issued and outstanding shares of Bank Common Stock, except shareholders who exercise dissenters’ rights in accordance with Paragraph 2.5 below, shall, without any further action on their part or on the part of the Holding Company, automatically and by operation of law cease to own such shares and shall instead become owners of one share of Holding Company Common Stock for each share of Bank Common Stock theretofore held by them. Thereafter, such persons shall have full and exclusive power to vote such shares of Holding Company Common Stock, to receive dividends thereon and to exercise all rights of an owner thereof.

2.2 On the Effective Date, the Holding Company shall, without any further action on its part or on the part of the holders of Bank Common Stock, automatically and by operation of law acquire and become the owner for all purposes of all the then issued and outstanding shares of Bank Common Stock, and Madison National shall issue to the Holding Company a certificate or certificates representing such shares. Thereafter, the Holding Company shall have full and exclusive power to vote such shares of Bank Common Stock, to receive dividends thereon and to exercise all rights of an owner thereof.

2.3 On the Effective Date, each outstanding option to purchase shares of Bank Common Stock under the Madison National Bank 2007 Stock Option (“Madison National Option Plan”) shall be converted into an option to purchase the same number of shares of Holding Company Common Stock under the same terms and conditions as are then provided for under the Madison National Option Plan.

2.4 On the Effective Date, each outstanding Madison National Bank Organizer Warrant (“Bank Warrant”) issued upon the Bank’s organization in 2007 shall be converted into a warrant to purchase the same number of shares of Holding Company Common Stock on the same terms and conditions as are then provided for by the Bank Warrants.

2.5 Any shareholder of the Bank who does not wish to participate in the exchange of shares of Bank Common Stock contemplated hereby may dissent from the Plan of Reorganization by complying with all of the requirements set forth in 12 U.S.C. §§ 215a-2(c) and 215a and, if the transactions contemplated by the Plan of Reorganization are consummated, shall be entitled to receive the value of his shares in accordance with those provisions.

2.6 On the Effective Date, all previously issued and outstanding certificates representing shares of Bank Common Stock (the “Madison National Certificates”) shall automatically and by operation of law cease to represent shares of Bank Common Stock or any interest therein, and each Madison National Certificate shall instead represent the ownership by the holder thereof of an equal number of shares of Holding Company Common Stock. Thereafter, no holder of a Madison National Certificate shall be entitled to vote the shares of Bank Common Stock formerly represented by such certificate, or to receive dividends thereon, or to exercise any other rights of ownership in respect thereof.

ARTICLE III

CONDITIONS

The obligations of the parties to consummate the Reorganization shall be subject to the satisfaction of the following conditions on or prior to the Effective Date:

3.1 The holders of the outstanding shares of Bank Common Stock shall, at a meeting of the shareholders of Madison National duly called pursuant to notice, have adopted this Plan of Reorganization by the affirmative vote of the shareholders of Madison National owning at least two-thirds of the outstanding shares of Madison National Common entitled to vote on the Reorganization.

3.2 The shares of Holding Company Common Stock to be issued to the shareholders of Madison National pursuant to this Plan of Reorganization shall have been, if required by law, duly registered pursuant to Section 5 of the Securities Act of 1933, as amended, and the Holding Company shall have complied with all applicable state securities or “blue sky” laws relating to the issuance of the Holding Company Common Stock.

3.3 All approvals or consents from the Office of the Comptroller of the Currency (the “OCC”), the Board of Governors of the Federal Reserve System and any other state or federal

governmental agency having jurisdiction necessary for the lawful consummation of the Reorganization as contemplated by this Agreement shall have been obtained, and any waiting periods imposed in connection with any such regulatory approvals or consents shall have expired.

3.4 The exchange of shares shall not be subject to state or federal income taxation.

3.5 Madison National and the Holding Company shall have obtained all other consents, permissions and approvals and shall have taken all actions required by law or agreement, or deemed necessary, by Madison National or the Holding Company, prior to the consummation of the Reorganization and to the Holding Company's having and exercising all rights of ownership with respect to all of the outstanding shares of Bank Common Stock acquired by it under this Agreement.

3.6 The holders of not more than ten percent (10%) of the outstanding shares of Bank Common Stock shall have elected to exercise dissenters' rights of appraisal in accordance with the requirements of 12 U.S.C. § 215a, unless this condition is waived by the parties hereto.

ARTICLE IV

AMENDMENT

4.1 This Plan of Reorganization may be substantively amended by the Board of Directors of Madison National at any time prior to approval by the shareholders of Madison National.

4.2 Following approval by the shareholders of Madison National, the Plan of Reorganization may not be materially amended by the Board of Directors of Madison National.

ARTICLE V

TERMINATION

This Plan of Reorganization may be terminated by the Board of Directors of Madison National at any time.

ARTICLE VI

EFFECTIVE DATE

The share exchange contemplated by this Plan of Reorganization shall become effective upon a date selected by the parties hereto and certified in writing by the OCC (the "Effective Date"), which shall be within a reasonable period after the conditions set forth in Section III. Each shareholder of the Bank on the Effective Date shall have the right to participate in the exchange of shares.

ARTICLE VII

MISCELLANEOUS

7.1 This Plan of Reorganization shall be governed by and construed in accordance with the federal laws of the United States.

7.2 This Plan of Reorganization may be executed in several identical counterparts, each of which when executed by the parties hereto and delivered shall be an original, but all of which together shall constitute a single instrument.

MADISON NATIONAL BANCORP, INC.

CERTIFICATE OF INCORPORATION

(Under Section 402 of the Business Corporation Law)

The undersigned incorporator, a natural person over the age of eighteen years, in order to form a corporation under the Business Corporation Law of the State of New York, certifies as follows:

1. Name.

The name of the corporation is Madison National Bancorp, Inc. (herein the "Corporation").

2. Purposes and Powers.

Subject to any limitation provided in the Business Corporation Law or any other statute of the State of New York, and except as otherwise specifically provided in this Certificate, the purposes for which the Corporation is formed and the powers that the Corporation may exercise are:

2.1 To act as a bank holding company, with all of the rights, powers and privileges, and subject to all of the limitations, specified in any applicable state or federal legislation from time to time in effect; and

2.2 To engage in any other lawful act or activity for which corporations may be organized under the Business Corporation Law of the State of New York, provided that the Corporation shall not engage in any act or activity requiring the consent or approval of any state official, department, board, agency or other body without such consent or approval first being obtained.

3. Office.

The office of the Corporation in the State of New York is to be located in the County of Suffolk.

4. Number of Shares.

The aggregate number of shares that the Corporation shall have authority to issue is Thirty-Two Million (32,000,000) of which Thirty Million (30,000,000) shares, of the par value of \$0.01 per share, shall be designated "common stock" and Two Million (2,000,000) shares, of the par value of \$0.01 per share, shall be designated "preferred stock." The relative rights, preferences and limitations of said classes of stock are as follows:

4.1 Common Stock. Subject to the rights of the preferred shares, established as hereinafter set forth, and except as otherwise provided herein, the shares of the Corporation's common stock shall have all such rights as are expressly provided to such shares herein and by the Business Corporation Law of the State of New York, and as are customarily attendant to such shares. Except as otherwise provided by the Board of Directors in accordance with paragraph 4.2 below in respect of any series of the preferred stock, and except as otherwise required by law, all voting rights of the Corporation shall be vested exclusively in the holders of the shares of common stock who shall be entitled to one vote per share.

4.2 Preferred Stock. Shares of the preferred stock may be issued from time to time by the Board of Directors as shares of one or more series of preferred stock, and the Board of Directors is expressly authorized, prior to issuance, in the resolution or resolutions providing for the issue of shares of each particular series, to fix the following:

(a) The distinctive serial designation of such series that shall distinguish it from other series;

(b) The number of shares included in such series, which number may be increased or decreased from time to time unless otherwise provided by the Board of Directors in creating the series;

(c) Whether the holders thereof shall be entitled to cumulative, noncumulative, or partially cumulative dividends and, with respect to shares entitled to dividends, the dividend rate or rates, including without limitation the methods and procedures for determining such rate or rates, and any other terms and conditions relating to such dividends;

(d) The amount or amounts which shall be paid out of the assets of the Corporation to the holders of the shares of such series upon voluntary or involuntary liquidation, dissolution or winding up of the Corporation;

(e) The period or periods within which and the terms and conditions, if any, including the price or prices or the rate or rates of conversion and the terms and conditions of any adjustments thereof, upon which the shares of such series shall be convertible at the option of the holder into shares of any class of stock or into shares of any other series of preferred stock, except into shares of a class having rights or preferences as to dividends or distribution of assets upon liquidation which are prior or superior in rank to those of the shares being converted;

(f) The price or prices at which, the period or periods within which and the terms and conditions upon which the shares of such series may be redeemed, in whole or in part, at the option of the Corporation;

(g) Whether the shares shall be subject to any sinking fund provided for the purchase or redemption of such shares and, if so, the terms of such fund;

(h) The voting rights, if any, of the shares of such series in addition to those required by law, including the number of votes per share; and

(i) Any other relative rights, preferences or limitations of the shares of the series not inconsistent herewith or with applicable provisions of the Business Corporation Law of the State of New York.

All shares of preferred stock of the Corporation (a) shall rank senior to the common stock in respect of the right to receive dividends and the right to receive payments out of the assets of the Corporation upon voluntary or involuntary liquidation, dissolution or winding up of the Corporation, (b) shall be of equal rank, regardless of series, and (c) shall be identical in all respects except as provided in the first sentence of this paragraph 4.2. The shares of any one series of the preferred stock shall be identical with each other in all respects except as to the dates from and after which dividends thereon shall be cumulative. In case the stated dividends or the amounts payable on liquidation are not paid in full, the shares of all series of the preferred stock shall share ratably in the payment of dividends, including accumulations, if any, in accordance with the sums which would be payable on said shares if all dividends were declared and paid in full, and in any distribution of assets other than by way of dividends in accordance with the sums which would be payable on such distribution if all sums payable were

discharged in full. All shares of preferred stock redeemed, purchased or otherwise acquired by the Corporation (including shares surrendered for conversion) shall be cancelled and thereupon restored to the status of authorized but unissued shares of preferred stock undesignated as to series.

5. Preemptive Rights.

No holder of shares of any class or of any series of any class shall have any preemptive right to subscribe for, purchase or receive any shares of the Corporation, whether now or hereafter authorized, or any obligations or other securities convertible into or carrying options to purchase any such shares of the corporation or any options or rights to purchase any such shares or securities, issued or sold by the Corporation for cash or any other form of consideration. Any such shares, securities or rights may be issued or disposed of by the Board of Directors to such persons and on such terms as the Board in its discretion shall deem advisable without first offering such shares, obligations, other securities, options, or rights or any part thereof to existing shareholders.

6. Designation of Secretary of State; Mailing Address.

The Secretary of State is designated as the agent of the Corporation upon whom process in any action or proceeding against the Corporation may be served, and the address to which the Secretary of State shall mail a copy of process in any action or proceeding against the Corporation which may be served upon him is:

888 Veterans Memorial Highway
Hauppauge, New York 11788
Attn: President

7. Duration.

The duration of the Corporation is to be perpetual.

8. Directors.

8.1 Number. The number of and the restrictions and qualifications, if any, for directors of the Corporation shall be fixed by or in accordance with the Bylaws of the Corporation.

8.2 Classification. The directors shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as shall be provided in the manner specified in the Bylaws of the Corporation. The first class shall be originally elected for a term of one (1) year, the second class shall be originally elected for a term of two (2) years, and the third class shall be originally elected for a term of three (3) years, with the directors of each class to hold office until their successors are elected and qualified. At each annual meeting of the shareholders of the Corporation, the successors of the class of directors whose terms expire at that meeting shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election.

8.3 Nominations for Director. Nominations for election to the Board of Directors may be made by the Board or by any shareholder of any outstanding class of capital stock of the Corporation entitled to vote for the election of directors. Nominations, other than those made by the Board of Directors of the Corporation, shall be made in writing and shall be delivered or mailed to the President of the Corporation not less than 14 days nor more than 50 days prior to any meeting of shareholders called for the election of directors, provided, however, that if less than 21 days notice of the meeting is given to the shareholders, such nomination shall contain the following information to the extent known to the notifying shareholder: (a) the name and address of each proposed nominee; (b) the

principal occupation of each proposed nominee; (c) the total number of shares of capital stock of the Corporation that will be voted for each proposed nominee; (d) the name and residence address of the notifying shareholder; and (e) the number of shares of capital stock of the Corporation owned by the notifying shareholder. The chairman of the meeting may, in his discretion, disregard nominations not made in accordance herewith. The inspectors of election may disregard all votes cast for each such nominee.

8.4 Removal of Directors. Subject to the provisions of the Business Corporation Law of the State of New York and of this Certificate of Incorporation, any one or more or all of the directors may be removed for cause (a) by vote of the shareholders of the Corporation or (b) by a majority vote of the directors present at a meeting of the Board of Directors at which a quorum is present.

9. Cumulative Voting.

There shall be no cumulative voting by shareholders of any class or series in the election of directors of the Corporation.

10. Indemnification.

10.1 General. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, including actions by or in the right of the Corporation, whether civil, criminal, administrative, arbitrative or investigative, by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation or of any constituent corporation absorbed by the Corporation in a consolidation or merger, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, sole proprietorship, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding to the fullest extent permitted by the Business Corporation Law of the State of New York, and any other applicable law, as from time to time in effect.

10.2 Advance Payment. The Corporation may pay in advance any expenses (including attorneys' fees) that may become subject to indemnification under Section 10.1 if the person receiving the payment undertakes in writing to repay the same if it is ultimately determined that such person is not entitled to indemnification by the Corporation under New York law.

10.3 Non-Exclusivity. The indemnification provided by this Article 10 shall not be deemed exclusive of any other rights to which the person indemnified hereunder may be entitled under law both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person. In addition, nothing contained in this Article 10 shall affect any rights to indemnification to which personnel of the Corporation may be entitled by contract or otherwise under law.

10.4 Insurance. The Corporation may purchase and maintain insurance on behalf of directors and officers in accordance with, and subject to, the Business Corporation Law of the State of New York, and any other applicable law, as from time to time in effect.

10.5 Savings Clause. If this Article 10 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each director, officer, employee, and agent of the Corporation as to costs, charges, and expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement with respect to any action, suit, or proceeding, whether civil, criminal, administrative, arbitrative or investigative, including an action

by or in the right of the Corporation to the full extent permitted by any applicable portion of this Article 10 that shall not have been invalidated and to the full extent permitted by applicable law.

11. Elimination of Director Liability.

To the fullest extent permitted by law, subject only to the express prohibitions on limitation of liability set forth in Section 402(b) of the Business Corporation Law of the State of New York, as the same now exists or may hereafter be amended, a director of this Corporation shall not be liable to the Corporation or its shareholders for monetary damages for any breach of duty.

12. Amendment of Bylaws.

The Bylaws of the Corporation may be amended, repealed or adopted by a majority of the votes cast by the holders of shares at the time entitled to vote in the election of any directors. The Board of Directors may also amend, repeal or adopt the Bylaws by a vote of the majority of the total number of directors, but any Bylaw adopted by the Board of Directors may be amended or repealed by shareholders entitled to vote thereon as provided in the Bylaws.

13. Amendment of Certificate of Incorporation.

The Corporation reserves the right to repeal, alter, amend, or rescind any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by law, and all rights conferred on shareholders herein are granted subject to this reservation. No amendment, addition, alteration, change, or repeal of this Certificate of Incorporation shall be made unless such amendment addition, alteration, change, or repeal is first proposed and approved by the Board of Directors pursuant to a resolution proposed and adopted by the affirmative vote of a majority of the directors then in office, and thereafter is approved by the holders of a majority of the shares of the Corporation entitled to vote generally in an election of directors, voting together as a single class, as well as such additional vote of the Corporation's preferred stock as may be required by the provisions of any series thereof.

SECTION 215A OF TITLE 12 OF THE UNITED STATES CODE

Section 215a. Mergers of national banks or State banks into national banks

(a) **Approval of Comptroller, board and shareholders; merger agreement; notice, capital stock; liability of receiving association.** One or more national banking associations or one or more State banks, with the approval of the Comptroller, under an agreement not inconsistent with this subchapter [12 USC §§ 215 *et seq.*], may merge into a national banking association located within the same State, under the charter of the receiving association. The merger agreement shall

(1) be agreed upon in writing by a majority of the board of directors of each association or State bank participating in the plan of merger;

(2) be ratified and confirmed by the affirmative vote of the shareholders of each such association or State bank owning at least two-thirds of its capital stock outstanding, or by a greater proportion of such capital stock in the case of a State bank if the laws of the State where it is organized so require, at a meeting to be held on the call of the directors, after publishing notice of the time, place, and object of the meeting for four consecutive weeks in a newspaper of general circulation published in the place where the association or State bank is located, or, if there is no such newspaper, then in the newspaper of general circulation published nearest thereto, and after sending such notice to each shareholder of record by certified or registered mail at least ten days prior to the meeting, except to those shareholders who specifically waive notice, but any additional notice shall be given to the shareholders of such State bank which may be required by the laws of the State where it is organized. Publication of notice may be waived, in cases where the Comptroller determines that an emergency exists justifying such waiver, by unanimous action of the shareholders of the association or State bank;

(3) specify the amount of the capital stock of the receiving association, which shall not be less than that required under existing law for the organization of a national bank in the place in which it is located and which will be outstanding upon completion of the merger, the amount of stock (if any) to be allocated, and cash (if any) to be paid, to the shareholders of the association or State bank being merged into the receiving association; and

(4) provide that the receiving association shall be liable for all liabilities of the association or State bank being merged into the receiving association.

(b) **Dissenting shareholders.** If a merger shall be voted for at the called meetings by the necessary majority of the shareholders of each association or State bank participating in the plan of merger, and thereafter the merger shall be approved by the Comptroller, any shareholder of any association or State bank to be merged into the receiving association who has voted against such merger at the meeting of the association or bank of which he is a stockholder, or has given notice in writing at or prior to such meeting to the presiding officer that he dissents from the plan of merger, shall be entitled to receive the value of the shares so held by him when such merger shall be approved by the Comptroller upon written request made to the receiving association at any time before thirty days after the date of consummation of the merger, accompanied by the surrender of his stock certificates.

(c) **Valuation of shares.** The value of the shares of any dissenting shareholder shall be ascertained, as of the effective date of the merger, by an appraisal made by a committee of three persons, composed of (1) one selected by the vote of the holders of the majority of the stock, the owners of which are entitled to payment in cash; (2) one selected by the directors of the receiving association; and (3) one selected by the two so selected. The valuation agreed upon by any two of the three appraisers shall govern. If the value so fixed shall not be satisfactory to any dissenting shareholder who has requested

payment, that shareholder may, within five days after being notified of the appraised value of his shares, appeal to the Comptroller, who shall cause a reappraisal to be made which shall be final and binding as to the value of the shares of the appellant.

(d) **Application to shareholders of merging associations; appraisal by Comptroller; expenses of receiving association; sale and resale of shares; State appraisal and merger law.** If, within ninety days from the date of consummation of the merger, for any reason one or more of the appraisers is not selected as herein provided, or the appraisers fail to determine the value of such shares, the Comptroller shall upon written request of any interested party cause an appraisal to be made which shall be final and binding on all parties. The expenses of the Comptroller in making the reappraisal or the appraisal, as the case may be, shall be paid by the receiving association. The value of the shares ascertained shall be promptly paid to the dissenting shareholders by the receiving association. The shares of stock of the receiving association which would have been delivered to such dissenting shareholders had they not requested payment shall be sold by the receiving association at an advertised public auction, and the receiving association shall have the right to purchase any of such shares at such public auction, if it is the highest bidder therefor, for the purpose of reselling such shares within thirty days thereafter to such person or persons and at such price not less than par as its board of directors by resolution may determine. If the shares are sold at public auction at a price greater than the amount paid to the dissenting shareholders, the excess in such sale price shall be paid to such dissenting shareholders. The appraisal of such shares of stock in any State bank shall be determined in the manner prescribed by the law of the State in such cases, rather than as provided in this section, if such provision is made in the State law; and no such merger shall be in contravention of the law of the State under which such bank is incorporated. The provisions of this subsection shall apply only to shareholders of (and stock owned by them in) a bank or association being merged into the receiving association.

(e) **Status of receiving association; property rights and interests vested and held as fiduciary.** The corporate existence of each of the merging banks or banking associations participating in such merger shall be merged into and continued in the receiving association and such receiving association shall be deemed to be the same corporation as each bank or banking association participating in the merger. All rights, franchises, and interest of the individual merging banks or banking associations in and to every type of property (real, personal, and mixed) and choses in action shall be transferred to and vested in the receiving association by virtue of such merger without any deed or other transfer. The receiving association, upon the merge and without any order or other action on the part of any court or otherwise, shall hold and enjoy all rights of property, franchises, and interest, including appointments, designations, and nominations, and all other rights and interests as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, and committee of estates of lunatics, and in every other fiduciary capacity, in the same manner and to the same extent as such rights, franchises, and interest were held or enjoyed by any one of the merging banks or banking associations at the time of the merger, subject to the conditions hereinafter provided.

(f) **Removal as fiduciary; discrimination.** Where any merging bank or banking association, at the time of the merger, was acting under appointment of any court as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver or committee of estates of lunatics, or in any other fiduciary capacity, the receiving association shall be subject to removal by a court of competent jurisdiction in the same manner and to the same extent as was such merging bank or banking association prior to the merger. Nothing contained in this section shall be considered to impair in any manner the right of any court to remove the receiving association and to appoint in lieu thereof a substitute trustee, executor, or other fiduciary, except that such right shall not be exercised in such a manner as to discriminate against national banking associations, nor shall any receiving association be removed solely because of the fact that it is a national banking association.

(g) **Issuance of stock by receiving association; preemptive rights.** Stock of the receiving association may be issued as provided by the terms of the merger agreement, free from any preemptive rights of the shareholders of the respective merging banks.

