

March 23, 2009

Dear Shareholders:

Enclosed herein are the audited consolidated financial statements for Catskill Hudson Bancorp, Inc. ("The Company") and its wholly-owned subsidiary Catskill Hudson Bank ("The Bank") for the year ended December 31, 2008 and 2007.

We are pleased to report that the Company increased its total assets to \$221,811,000 at December 31, 2008 compared to \$178,205,000 at December 31, 2007, an increase of \$43,606,000 or 24.5%. Investment securities increased to \$73,904,000 at December 31, 2008 from \$49,766,000 at December 31, 2007, an increase of \$24,138,000 or 48.5%. Net loans increased to \$137,780,000 at December 31, 2008 from \$116,423,000 at December 31, 2007, an increase of \$21,357,000 or 18.3%. The growth in investment securities and net loans was primarily funded through increased deposits, which aggregated \$204,364,000 at December 31, 2008 compared to \$161,174,000 at December 31, 2007, an increase of \$43,190,000 or 26.8%. Total stockholders' equity was \$11,331,000 at December 31, 2008 compared to \$9,557,000 at December 31, 2007, an increase of \$1,774,000 or 18.6%.

In 2008, the Company achieved a net income of \$586,000 compared to \$500,000 in 2007, an increase of \$86,000 or 17.2%. Income before income taxes was \$687,000 compared to \$634,000 in 2007, an increase of \$53,000 or 8.4%. Net interest income after provision for loan losses was \$6,269,000 compared to \$5,092,000 in 2007, an increase of \$1,177,000 or 23.1%. The results of operations continue to be impacted by interest rate competition and the expense of building additional infrastructure for an eleven banking office organization.

In April 2008 we opened our tenth banking facility at 4054 State Route 52 in Youngsville and in August 2008 we opened our eleventh banking facility at Peck's Market in Livingston Manor. While we have no other banking office expansion planned, we would consider opportunities as they become available to expand in our targeted market area of Sullivan, Orange and Ulster Counties.

The Company and its wholly-owned subsidiary, Catskill Hudson Bank, has increased its assets from \$74 million at December 31, 2004 to \$222 million at December 31, 2008, while at the same time expanding from three to eleven banking offices. Our primary goal over the last four years has been and continues to be to increase our sources of raw materials, namely deposits. We certainly accomplished that mission with a \$139 million or 208.8% increase over the four year period. It is imperative that we obtain additional deposits to allow the Bank to lend those funds back into our local communities. During the last four years, we increased our net loans by \$87 million or 170.7% to assist each of our communities in supporting our local economy by providing loans for working capital and loans for plant and equipment to maintain local employment opportunities.

This growth requires that we continually provide the required capital to maintain the requirements of a "well capitalized" Company. As we continue to grow our deposits and loans, we need additional capital to support that growth. In spite of the current economic conditions, the Company continues to grow and expects to be able to take advantage of opportunities in our targeted marketing area that will no longer be met by larger competitive financial service providers.

At a Special Meeting of Shareholders held on January 20, 2009, the shareholders approved amending the Company's Certificate of Incorporation to authorize 200,000 shares of preferred stock to be issued on such terms and designations as may be approved by the Company's Board of Directors from time to time. On February 5, 2009, the Department of the Treasury approved the Company's Application for Participation in the Capital Purchase Program under the Emergency Economic Stabilization Act of 2008 in the amount of \$4,560,000.

After extensive review and careful consideration, the Board opted to participate in the Capital Purchase Program in the amount of \$3 million. This transaction was completed and funded by the U. S. Treasury on February 27, 2009. The Board does not consider this "bailout" funding, but a temporary loan from the U. S. Treasury to support the Company's growth over the next five years. These funds will provide the capital that is not readily available from traditional sources due to the

current financial upheaval. The Company has every intention of repaying this capital funding within the next five years from earnings and/or raising funds from traditional sources as economic conditions return to a more settled environment. This investment is not a “bailout” to cover “toxic assets.”

As part of this investment by the U. S. Treasury, the Company made commitments to (1) expand the flow of credit to U. S. consumers and businesses on competitive terms to promote the sustained growth and vitality of the U. S. economy and (2) work diligently, under existing programs, to modify the terms of residential mortgages as appropriate to strengthen the health of the U. S. housing market. Quite frankly, that is what we have been doing in the normal course of serving our customers in our targeted market area.

We also recognize our responsibility to improve the Company’s profitability, while at the same time absorbing the costs associated with our tremendous growth over the last four years. While we go through these uncertain economic times, we believe that we have avoided many of the situations affecting the financial institution industry. We are confident that as a “well capitalized” Company, we can maximize our opportunities to protect and ultimately reward our shareholders.

We wish to thank our customers, employees and our fellow members of the Board of Directors for their support in 2008. The Bank has an outstanding staff that continuously delivers exceptional customer service, and we asked a great deal from them again in 2008. We wish to acknowledge their efforts and thank each of them for being a member of the team and their contribution to the Bank’s success in 2008. We will maintain our customer service and continue increasing our customer base allowing our communities to experience what “COMMUNITY BANKING” is all about.

We wish to thank each of you as a shareholder for your support to “YOUR COMPANY” and “YOUR COMMUNITY BANK.” We hope that you will join us at the shareholders’ meeting to be held at 5:00 p.m. on Tuesday, April 21, 2009 in the Auditorium of the Frontier Insurance Building in Rock Hill, New York.

Sincerely,

Mario L. Martinez  
Chairman of the Board

Glenn B. Sutherland  
President and CEO

# **CATSKILL HUDSON BANCORP, INC.**

**195 Lake Louise Marie Road**

**Rock Hill, New York 12775**

## **NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

The Annual Meeting of Shareholders of Catskill Hudson Bancorp, Inc. (the "Company"), a New York corporation, will be held at 5:00 p.m. (local time) on April 21, 2009 at the Company's corporate headquarters at 195 Lake Louise Marie Road, in the Frontier Insurance Auditorium, in Rock Hill, New York, for the following purpose(s):

1. To elect seven (7) directors of the Company to serve until the next Annual Meeting of Shareholders and until their respective successors have been elected and qualified.
2. To consider and approve a non-binding advisory vote on the Company's executive compensation.
3. To transact such other business as may properly come before the meeting or any adjournments thereof.

Shareholders of record at the close of business on March 24, 2009 are entitled to notice of the meeting and to vote the number of shares held of record thereby as of the record date at the meeting.

**YOU ARE REQUESTED TO FILL IN, DATE AND SIGN THE ENCLOSED PROXY, WHICH IS SOLICITED BY THE BOARD OF DIRECTORS OF THE COMPANY, AND TO MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE. THIS PROXY MAY BE REVOKED PRIOR TO ITS EXERCISE.**

By Order of the Board of Directors

**Rock Hill, New York**

April 3, 2009

**Your vote is important. Please mark, sign, date and mail the enclosed proxy form(s) whether or not you plan to attend the annual meeting of shareholders. A return envelope is enclosed for your convenience.**

## TABLE OF CONTENTS

<b>ANNUAL MEETING OF SHAREHOLDERS .....</b>	<b>5</b>
GENERAL INFORMATION .....	5
MATTERS TO BE VOTED ON AT THE ANNUAL MEETING .....	5
WHO IS ELIGIBLE TO VOTE .....	5
HOW YOU MAY VOTE ON THE PROPOSALS .....	5
QUORUM AND REQUIRED VOTE .....	6
REVOCABLE PROXIES .....	6
SOLICITATION OF PROXIES .....	6
SHARES CONTROLLED BY MANAGEMENT .....	6
<b>PROPOSAL I ELECTION OF DIRECTORS .....</b>	<b>7</b>
DIRECTORS OF CATSKILL HUDSON BANCORP, INC. ....	7
EXECUTIVE OFFICERS OF CATSKILL HUDSON BANCORP, INC. ....	7
TRANSACTIONS WITH MANAGEMENT AND OTHERS .....	8
AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP .....	8
<b>DESCRIPTION OF THE BUSINESS OF</b>	
<b>THE COMPANY AND THE BANK .....</b>	<b>9</b>
THE COMPANY .....	9
THE BANK .....	9
FINANCIAL PERFORMANCE .....	9
MARKET AREA .....	10
COMPETITION .....	11
OTHER RECENT DEVELOPMENTS .....	11
LITIGATION .....	11
DESCRIPTION OF COMPANY COMMON SHARES .....	11
MARKET PRICE OF THE COMPANY'S COMMON SHARES AND DIVIDENDS ..	12
FINANCIAL STATEMENTS .....	12
<b>PROPOSAL II NON-BINDING ADVISORY VOTE ON</b>	
<b>EXECUTIVE COMPENSATION .....</b>	<b>9</b>
<b>FURTHER INFORMATION AND OTHER MATTERS .....</b>	<b>13</b>

## **PROXY STATEMENT**

**Catskill Hudson Bancorp, Inc.**

### **ANNUAL MEETING OF SHAREHOLDERS**

April 21, 2009

#### **GENERAL INFORMATION**

This Proxy Statement and the accompanying form of proxy are furnished in connection with the solicitation, by the board of directors of Catskill Hudson Bancorp, Inc., (hereinafter referred to as “Catskill Hudson Bancorp” or the “Company”) 195 Lake Louise Marie Road, Rock Hill, New York 12775, of proxies to be voted at the annual meeting of shareholders of Catskill Hudson Bancorp to be held on April 21, 2009, at 5:00 p.m. (local time), at the Company’s corporate headquarters at 195 Lake Louise Marie Road, in the Frontier Insurance Auditorium, in Rock Hill, New York.

This Proxy Statement has been mailed to all holders of record of the common stock of Catskill Hudson Bancorp as of the close of business on March 24, 2009. The cost of soliciting proxies will be borne by the Company. The date of this Proxy Statement is April 3, 2009.

#### **MATTERS TO BE VOTED ON AT THE ANNUAL MEETING**

At the annual meeting of shareholders, you will be asked to vote on:

- The election of seven (7) persons to serve as directors of the Company until the annual meeting in 2010.
- To consider and approve a non-binding advisory vote on the Company’s executive compensation.
- Any other business as may properly come before the annual meeting of shareholders or any adjournment of the annual meeting of shareholders. Management is not aware of any matters that could come before the annual meeting of shareholders.

#### **WHO IS ELIGIBLE TO VOTE**

If you held common shares of the Company at the close of business on March 24, 2009 (sometimes referred to herein as the “record date”), you are entitled to vote at the annual meeting of shareholders. As of the record date, there were 700,000 common shares of the Company issued and outstanding, of which there were 334 holders of record. Each common share is entitled to one vote on each matter properly presented at the annual meeting of shareholders.

#### **HOW YOU MAY VOTE ON THE PROPOSALS**

Please read the entire proxy statement and carefully consider the matters presented. Then fill out the enclosed proxy form and mail it to the Company in the enclosed return envelope. That proxy will instruct the persons named on the form how to vote your shares at the meeting. You also may attend the meeting in person and vote. If you wish to change your vote, you may do so by attending the meeting and notifying Glenn B. Sutherland, the President, before the meeting begins, or by submitting a proxy bearing a later date.

**The board of directors unanimously recommends that you vote FOR each of the director nominees.**

### **QUORUM AND REQUIRED VOTE**

At least a majority of the total number of common shares entitled to vote must attend the annual meeting of shareholders, in person or by proxy, to constitute a quorum for matters to be voted upon by the common shareholders. We will count shares that abstain and broker non-votes as present for purposes of determining the presence of a quorum. Assuming that a quorum is present, directors will be elected by a plurality of the votes cast on the matter.

### **REVOCABLE PROXIES**

The proxies solicited pursuant to this proxy statement, if properly signed and returned to the Company, will be voted in accordance with the instructions contained in the proxies, unless revoked prior to their use. Executed proxies with no instructions indicated on the proxy card will be voted for the election of the nominees for director. If you properly submit a proxy card, you may revoke it at any time before it is exercised by (1) filing a written notice of revocation with Glenn B. Sutherland, President & CEO, Catskill Hudson Bank, 195 Lake Louise Marie Road, P.O. Box 855, Rock Hill, New York 12775; (2) submitting a duly executed proxy card bearing a later date; or (3) appearing at the annual meeting of shareholders and giving Glenn B. Sutherland, President, notice of your intention to vote in person.

Proxies solicited pursuant to this proxy statement will be returned to the proxy solicitors and will be tabulated by inspectors of election designated by the board of directors of the Company who may be employees of either the Company or the Bank. After the final adjournment of the annual meeting of shareholders, the proxies will be returned to the board of directors of the Company for safekeeping. Proxies solicited pursuant to this proxy statement may be used only at the 2009 annual meeting of shareholders and any adjournment of that meeting and will not be used for any other meeting. Where no instructions are indicated, proxies will be voted in favor of each proposal set forth in this Proxy Statement for consideration at the Meeting. Management will vote its proxies to adjourn the meeting, if necessary, and to insure the election of the nominees noted in this Proxy Statement is approved.

### **SOLICITATION OF PROXIES**

The board of directors of Catskill Hudson Bancorp is soliciting proxies by this proxy statement. In addition to soliciting proxies by mail, directors, officers and employees of the Company may solicit proxies for the annual meeting of shareholders from shareholders personally or by telephone or other means without receiving additional compensation for these activities. The Company will bear the cost of soliciting proxies.

### **SHARES CONTROLLED BY MANAGEMENT**

On March 12, 2009, the Company's directors and executive officers, and their affiliates, held 374,702 of the Company's 700,000 outstanding common voting shares. This represented approximately 54% of the total common voting shares outstanding. At the annual meeting of the shareholders, it is expected that all common voting shares then held by management will be voted in favor of all proposals discussed herein.

## PROPOSAL I ELECTION OF DIRECTORS

The Company's board of directors is presently composed of six (6) directors. Each director is elected to serve a one year term and until his or her successor is elected and qualified. The board has nominated the seven (7) individuals set forth below to serve as directors of the Company until the annual meeting of shareholders in 2010. The nominees for election to the board of directors are listed in the table below. The board of directors of the Company recommends a vote FOR all of the persons nominated as Directors. Unless the table indicates otherwise, each person has held his or her principal occupation for more than five years.

### DIRECTORS OF CATSKILL HUDSON BANCORP, INC.

NAME	AGE	POSITIONS HELD WITH THE BANK/COMPANY	PRINCIPAL OCCUPATION IF NOT WITH BANK OR COMPANY	ELECTED TO THE BOARD
<b>Jonathan M Farrow</b>	52	Director	Insurance Broker	2004
<b>Barbara A. Garigliano</b>	53	Director	Lawyer	
<b>Brian H. Gold</b>	39	Director	Dentist	2006
<b>Mario L. Martinez</b>	52	Director and Chairman of the Board of Directors	Real Estate Developer	2001
<b>Gary C. Schmidt</b>	61	Director and Corporate Secretary of the Company	Wholesale Plumbing & Heating Supplier	1993
<b>Glenn B. Sutherland</b>	67	President & CEO and Director	N/A	2004
<b>Jan S. Van Etten</b>	59	Director and Chairman of the Audit Committee	Wholesale/Retail Petroleum Dealer	1993

### EXECUTIVE OFFICERS OF CATSKILL HUDSON BANCORP, INC.

The following table lists the names and ages of the executive officers of the Company as of the record date, the positions presently held by those officers, and their individual business experience during the past five years. The board of directors may remove any of the executive officers at any time.

NAME	AGE	POSITIONS HELD WITH THE BANK/COMPANY	OFFICER SINCE	BUSINESS EXPERIENCE DURING THE PAST 5 YEARS
<b>Glenn B. Sutherland</b>	67	President & CEO (1)	2005	1999-2004 President, CEO, Executive Vice President, Director of Ellenville National Bank 2005-Present; President & CEO
<b>Richard M. Dulay</b>	58	Executive Vice President and Chief Financial Officer (1)	1996	Executive Vice President, Chief Financial Officer and Controller
<b>Brian Ratynski</b>	48	Senior Vice President and Senior Loan Officer (1)	2004	1997-2004 Commercial Loan Officer for Orange County Trust Company 2004-Present; Senior Vice President & Senior Loan Officer

- (1) The current base salaries of Glenn B. Sutherland; Richard M. Dulay; and Brian Ratynski are \$230,000, \$132,500 and \$137,500. The Board may provide additional bonus compensation at their discretion.

## TRANSACTIONS WITH MANAGEMENT AND OTHERS

During the past year, certain directors and officers and one or more of their associates were customers of and had business transactions with the Bank. These transactions consisted of extensions of credit by the Bank. All such loans included in such transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons, and did not involve more than normal risk or collectability or present other unfavorable features. It is expected that similar transactions will occur in the future.

In addition, the Bank also leases its Liberty and Ellenville branch locations from Martco, LLC, a company affiliated with and controlled by Mario L. Martinez, the Chairman and member of both the Company's and the Bank's board of directors. The board of directors believes that these leases are in the best interest of the Bank, and that they have been executed on terms that are both fair to the Bank and comparable to leases executed between the Bank and unaffiliated third parties.

## AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP

The following table provides information regarding the beneficial ownership of common shares of the Company as of the record date, for each person known by the Company to beneficially own more than 5% of the Company's outstanding common shares, each of the current members of the board of directors of the Company, each of the Company's senior executive officers, and all directors and executive officers of the Company as a group.

NAME OF PRINCIPAL SHAREHOLDERS DIRECTORS AND EXECUTIVE OFFICERS	NUMBER OF COMMON SHARES OWNED <sup>1</sup>	PERCENT OF COMMON SHARES OWNED <sup>2</sup>
Richard M. Dulay <sup>3</sup>	2,300	0.33
Farrow Family c/o Jonathan M Farrow <sup>4</sup>	60,903	8.70
Barbara A. Garigliano <sup>5</sup>	38,616	5.52
Gold Family c/o Brian H. Gold <sup>6</sup>	53,320	7.62
Martinez Family c/o Mario L. Martinez <sup>7</sup>	130,714	18.67
Brian Ratynski <sup>8</sup>	2,000	0.29
Schmidt Family c/o Gary C. Schmidt <sup>9</sup>	55,479	7.93
Glenn B. Sutherland <sup>10</sup>	4,566	0.65
Van Etten Family c/o Jan S. Van Etten <sup>11</sup>	26,804	3.83
<b>TOTALS FOR DIRECTORS &amp; EXECUTIVE OFFICERS</b>	<b>374,702</b>	<b>53.54</b>

<sup>1</sup> These figures represent present ownership, both directly and beneficially, in common shares of the Company. Unless otherwise noted, the beneficial owner has sole voting and investment power with respect to all of the common shares reflected in the table.

<sup>2</sup> The percent of class is based on the number of issued and outstanding common voting shares of the Company, which, as of the record date, was 700,000 shares.

<sup>3</sup> Includes 2,300 common shares held of record jointly by Mr. Dulay and his wife.

<sup>4</sup> Includes 16,048 common shares held of record individually by Jonathan Farrow, 40,189 common shares held individually by Mr. Farrow's mother and 4,666 common shares held by his sister Jill A. Farrow.

<sup>5</sup> Includes 38,116 common shares held of record jointly by Mrs. Garigliano and her husband, and 500 common shares held of record by Garigliano Law Offices, LLP.

<sup>6</sup> Includes 19,824 common shares held of record individually by Raymond Gold, 8,855 common shares held of record individually by Brian Gold, 8,354 common shares held of record by Mark Gold, 6,310 common shares held of record by the Gold Family, LLC, 500 common shares held of record by Paige Gold, 500 common shares held of record by his daughter Danielle, and 8,977 common shares held by Robyn Wright.

<sup>7</sup> Includes 113,148 common shares held of record jointly by Mr. Martinez and his wife and 17,566 common shares held of record by Mr. Martinez's brother-in-law and sister-in-law.

<sup>8</sup> Includes 2,000 common shares held of record jointly by Mr. Ratynski and his wife.

<sup>9</sup> Includes 21,962 common shares held of record individually by Mr. Schmidt, 21,666 common shares held by Schmidt's Wholesale, and 3,964 common shares held in street name by Mr. Schmidt and his wife, 7,887 common shares held of record individually by Mr. Schmidt's wife, mother and two sons.

<sup>10</sup> Includes 4,566 common shares held of record jointly by Mr. Sutherland and his wife.

<sup>11</sup> Includes 21,282 common shares held of record jointly by Mr. Van Etten and his wife, 541 common shares held by Mr. Van Etten's daughter, 1,624 common shares held by Mr. Van Etten as Custodian, 1,083 common shares held by Mrs. Van Etten's son, and 2,274 common shares held in street name.

## **DESCRIPTION OF THE BUSINESS OF THE COMPANY AND THE BANK**

### **THE COMPANY**

Catskill Hudson Bancorp was incorporated on March 13, 2006 under New York law to serve as the holding company for the Bank. Its principal office is located at 195 Lake Louise Marie Road, Rock Hill, NY 12775, and its telephone number is 845-794-9203. Effective as of the close of business on July 31, 2006, the Company became the registered bank holding company for the Bank. As a result, the Company is regulated by the Board of Governors of the Federal Reserve and the Federal Reserve Bank of New York under the Bank Holding Company Act of 1956. The Company was organized both to provide greater flexibility in raising capital to fund the Bank's growth and expansion and to increase the Bank's ability to expand its operations as opportunities arise. As the Bank's parent holding company, the Company owns all of the stock of the Bank. The Company has no paid employees. The Bank employs all persons who work on our behalf.

### **THE BANK**

Catskill Hudson Bank is a commercial bank organized under the laws of the State of New York. The Bank's main retail banking office is located at 4438 State Route 42, Monticello, New York, and its executive offices are located at 195 Lake Louise Marie Road, Rock Hill, NY 12775. The Bank's deposits are insured by the Federal Deposit Insurance Corporation (the "FDIC"). The Bank has operated as a full service commercial bank since 1993 and is regulated by the New York State Banking Department and the FDIC. The Bank offers a full range of commercial bank products and services, including checking and savings accounts, certificates of deposit, individual retirement accounts, commercial and consumer loans, home mortgages and commercial real estate loans, home equity lines, safe deposit boxes, drive through banking, automated teller machines (ATM), debit and ATM cards, and other business and consumer services.

### **FINANCIAL PERFORMANCE**

The Company has experienced significant financial growth over the past several years, with total assets increasing from \$178.2 million at December 31, 2007 to \$221.8 million at December 31, 2008, and total deposits increasing from \$161.2 million at December 31, 2007 to \$204.4 million at December 31, 2008.

The Company's net income increased from \$500 thousand for the year ended December 31, 2007 to \$586 thousand for the year ended December 31, 2008. Shareholders' total equity has increased from \$9.6 million at December 31, 2007 to \$11.3 million at December 31, 2008.

The Company's interest earning assets are comprised primarily of loans and investment and mortgage-related securities. At December 31, 2008, loans, net of unearned income, allowances for loan and lease losses and allocated risk reserves, were approximately \$137.8 million and investment securities were \$73.9 million. This compares to net loans of \$116.4 million and investment securities of \$49.8 million at December 31, 2007. The Bank's loan portfolio consists primarily of consumer, commercial, and real estate loans, including the following types of loans as of the dates indicated:

<b>SUMMARY OF LOANS BY CATEGORY</b>		
	( \$000's ) <sup>1</sup>	
	12/31/2007	12/31/2008
<b>Commercial<sup>2</sup></b>	36,842	42,495
<b>Consumer</b>	3,247	3,487
<b>Real Estate – Mortgage (principally commercial)</b>	71,219	88,818
<b>Real Estate – Construction</b>	5,790	4,060
<b>Other Loans and Lease Receivables</b>	575	476
<b>TOTAL LOANS</b>	117,673	139,336
<b>Less Allowance for Loan and Lease Losses</b>	1,250	1,556
<b>Less Unearned Income</b>	0	0
<b>TOTAL LOANS, LESS ALLOWANCE FOR LOAN AND LEASE LOSSES UNEARNED INCOME</b>	116,423	137,780

At December 31, 2008, the Bank had approximately \$1.8 million in non-accruing loans in its commercial and industrial loan portfolio, and the Bank's total allowance for loan losses was \$1.6 million or 1.12% of total loans net of unearned income.

<sup>1</sup> Data taken from Consolidated Reports of Condition and Income filed by Catskill Hudson Bank with the FDIC.

<sup>2</sup> These amounts include commercial and industrial loans.

## MARKET AREA

The Bank's primary service area consists of the communities of Callicoon, Liberty, Livingston Manor, Monticello, Narrowsburg, Neversink, Rock Hill, South Fallsburg, and Youngsville each of which is located in Sullivan County, along with the additional communities of Middletown, which is located in Orange County, and Ellenville, which is located in Ulster County, and all of which are located in the State of New York. The Bank currently operates one full service banking facility in each of these communities. The address of each currently operating facility is provided in the table below.

<b>NAME</b>	<b>LOCATION</b>
<b>Main Banking Office</b>	4438 State Route 42 Monticello, NY 12701
<b>Callicoon Branch Office</b>	9 Lower Main Street Callicoon, NY 12723
<b>Ellenville Branch</b>	103 Canal Street Ellenville, NY 12428
<b>Liberty Branch Office</b>	1987 State Route 52 Liberty, NY 12754
<b>Livingston Manor Branch Office</b>	29 Main Street Livingston Manor, NY 12758
<b>Middletown Branch Office</b>	731 State Route 211 East Middletown, NY 10941
<b>Narrowsburg Branch Office</b>	122 Kirk Road Narrowsburg, NY 12764
<b>Neversink Branch Office</b>	4 Schumway Road, Suite 3 Neversink, NY 12765
<b>Rock Hill Corporate Offices and Branch Office</b>	195 Lake Louise Marie Road Rock Hill, NY 12775
<b>South Fallsburg Branch Office</b>	6 Railroad Plaza South Fallsburg, NY 12779
<b>Youngsville Branch Office</b>	4054 State Route 52 Youngsville, NY 12791
<b>ATM (Sullivan County Government Center)</b>	100 North Street Monticello, NY 12701

The Bank leases each of these properties, which are well maintained and suitable for the Bank's business as presently conducted.

## **COMPETITION**

There are numerous other banks and financial institutions operating in the Bank's current primary service area. This market is diversified, and the Bank competes primarily with other commercial banks and thrifts in attracting and retaining savings deposits and in making consumer, real estate and commercial loans. Many of the institutions with which the Bank competes are larger and have greater resources than those of the Bank. However, management believes that the Bank has been able to compete effectively for deposits and loans as a result of:

- its knowledge of its primary service area,
- emphasizing its position as an independent, locally owned bank, and utilizing personal connections with businesses and consumers in its primary service area,
- offering a variety of transaction account products and loans with competitive features,
- pricing its products at competitive interest rates,
- offering convenient branch locations, and
- emphasizing the quality and personal nature of its service.

## **OTHER RECENT DEVELOPMENTS**

New Branch Offices. The Bank has significantly expanded its market over the past three years. In 2006, the Bank opened new branch offices in Ellenville, New York, which is located in Ulster County; and in South Fallsburg, New York, which is in Sullivan County. In 2007, the Bank opened two new branch office locations; one in Callicoon and one in Narrowsburg, which are in Sullivan County, New York. In 2008 the Bank opened two new branch office locations; one in Youngsville and one in Livingston Manor which are located in Sullivan County.

## **LITIGATION**

There is no material pending litigation to which Catskill Hudson Bancorp or the Bank is a party, other than routine litigation incidental to the Bank's business. None of the routine litigation in which Catskill Hudson Bank is involved is expected to have a material adverse impact upon the financial position or results of operations of the Company or the Bank.

## **DESCRIPTION OF COMPANY COMMON SHARES**

The Company's Certificate of Incorporation authorizes the issuance of 1,000,000 common shares, each having a par value of \$1.00. As of the record date, there were 700,000 common shares of the Company issued and outstanding. Each common share of the Company has the same relative rights as, and is identical in all respects to, each other share of Company common stock. Common stock of the Company is not convertible into any other class or series of shares of Company stock and is not subject to a sinking fund.

The holders of Company common shares are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders. The By-laws of the Company provide that no matter shall be decided upon at a meeting of the shareholders unless a quorum is present, either in person or by proxy, which shall be a majority of the shares outstanding and entitled to vote. Except as may otherwise be specifically required by statute, if a quorum is present at a meeting of the shareholders, the affirmative vote of a majority of the votes cast in favor of or against an action shall decide each matter submitted to a vote. Directors are elected by a plurality of the vote. The shareholders do not possess the right to vote their shares cumulatively in the election of directors. If the Company is liquidated or dissolved or

distributes all of its assets, common shareholders will share ratably in the assets of the holding company legally available for distribution.

The Company acts as its own transfer agent, registrar and dividend disbursement agent for its common shares.

### **MARKET PRICE OF THE COMPANY'S COMMON SHARES AND DIVIDENDS**

The Company has only one class of common shares having a par value of \$1.00 per share. The Company's common shares trade infrequently and sporadically. They are not traded on any exchange or on any established securities market. Nor are the Company's shares quoted on the over-the-counter market. There is no public trading market for the Bank's common shares.

Company shareholders are entitled to receive dividends on an equal per share basis when, as, and if declared by the board of directors out of funds legally available. The declaration and payment of future dividends by the Company on its common shares will depend upon its earnings and financial condition and upon other factors that are not presently determinable. The Company obtains the funds needed for payment of its dividends and expenses from the Bank in the form of dividends. The Bank's ability to pay dividends may be restricted by New York State banking laws and regulations, as well as certain regulations imposed by the FDIC. The Capital Purchase Program under the Emergency Economic Stabilization Act of 2008 limits the ability of the Company to increase the dividend on its common stock unless approved by the United States Treasury prior to the third anniversary of the issuance of preferred stock to the United States Treasury. The Company expects to continue declaring and paying a quarterly cash dividend.

### **FINANCIAL STATEMENTS**

Catskill Hudson Bank's audited balance sheets as of December 31, 2008 and 2007, the related audited statements of income, statements of changes in shareholders' equity, and statements of cash flows for each of the two years ended December 31, 2008, are included in the Company's Annual Report, a copy of which is being delivered with this Proxy statement.

## **PROPOSAL II NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION**

In February 2009, the Company participated in the U.S. Department of the Treasury ("Treasury") Capital Purchase Program ("CPP"). Under the CPP, the Company issued to Treasury 3,150 shares of the Company's newly authorized non-voting preferred stock. The American Recovery and Reinvestment Act of 2009 ("ARRA"), more commonly known as the economic stimulus package, was signed into law on February 17, 2009. In addition to a wide variety of programs intended to stimulate the economy, ARRA imposes new requirements relating to the compensation arrangements of financial institutions that received government funds through the CPP, which restrictions will continue to apply until a participant repays the financial assistance received through the CPP.

One of the new requirements is that any proxy for a meeting of shareholders at which directors are to be elected permit a non-binding advisory vote on the compensation of the executives of the CPP participant. Consequently, as a shareholder, you have the opportunity to vote "for" or "against" the Company's executive compensation through the following non-binding resolution:

**"Resolved, that the shareholders approve the compensation of the Company's executive officers as described in the section of the Company's 2009 Proxy Statement captioned 'Executive Officers of Catskill Hudson Bancorp, Inc.'"**

The board of directors of the Company recommends a vote FOR the approval of this non-binding resolution. Because your vote is advisory, it will not: (1) be binding upon the Board of Directors; (2) overrule any decision made by the Board of Directors; or (3) create or imply any additional fiduciary duty by the Board of Directors. The Board of Directors may, however, take into account the outcome of the vote when considering future executive compensation arrangements.

## **FURTHER INFORMATION AND OTHER MATTERS**

This proxy statement is dated April 3, 2009. The information contained in this document speaks only as of that date unless the information specifically indicates that another date applies. You should not assume that the information contained in this proxy statement is accurate as of any date other than that date. The board of directors is not aware of any other matters that may come before the meeting. However, the enclosed form of proxy will confer discretionary authority with respect to matters which are known to the board of directors at the time of printing hereof and which may properly come before the meeting.