Byrne David B Jr
Form 4
August 20, 2009

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person *
Byrne David B Jr

(Last) (First) (Middle)

9213 BRISTOL WAY

(Street)

MONTGOMERY, AL 36117

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
COLONIAL BANCGROUP INC [CNB]

3. Date of Earliest Transaction (Month/Day/Year)
08/18/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Legal Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	08/18/2009		D(2)		7,676	D	$ 0	29,227	D	
Common Stock	08/18/2009		D(2)		7,676	D	$ 0	21,551	D	
Common Stock	08/18/2009		D(2)		2,590	D	$ 0	18,961	D	
Common Stock	08/18/2009		D(2)		2,590	D	$ 0	16,371	D	
Common Stock	08/18/2009		D(2)		2,625	D	$ 0	13,746	D	

Common Stock	1,000	I	by Spouse

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount Underlying Securitie (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amou or Numb of Sha
Incentive Stock Option (right to buy)	$ 23.89							01/18/2007[3]	01/18/2016	Common Stock	20,0
Incentive Stock Option (right to buy)	$ 25.4							04/18/2007	04/18/2016	Common Stock	87
Non-Qualified Stock Option (right to buy)	$ 25.4							04/18/2007[1]	04/18/2016	Common Stock	10,8
Non-Qualified Stock Option (right to buy)	$ 25.81							01/16/2008[3]	01/16/2017	Common Stock	12,1
Non-Qualified Stock Option (right to buy)	$ 11.29							01/15/2009[3]	01/15/2018	Common Stock	38,6

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
				Chief Legal Officer

Byrne David B Jr
9213 BRISTOL WAY
MONTGOMERY, AL 36117

Signatures

/s/ David B. Byrne, Jr.	08/20/2009
**Signature of Reporting Person	Date

Explanation of Responses:

***** If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

****** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) 2,170 options vest on the first anniversary of the grant date. The remaining 8,676 options will vest in four equal installments beginning two years from the date of grant.

(2) On August 14, 2009 the FDIC took Colonial Bank into receivership. The FDIC sold Colonial Bank and certain of its assets to BB&T. As a result, Mr. Byrne ceased being an employee of an affiliate of Colonial BancGroup at the close of business on August 14th and began employment with BB&T immediately thereafter. On August 18th, 2009, Mr. Byrne resigned from Colonial BancGroup, Inc. thereby causing the referenced restricted stock awards to cancel pursuant to the terms of the Colonial BancGroup, Inc. Stock Incentive Plan.

(3) Options vest in 5 equal installments, 20% annually beginning one year from the date of grant.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. %" style="BORDER-BOTTOM: black 4px double; TEXT-ALIGN: left">$1,510 $1,397

90

Other Assets.

Other assets totaled $1.9 million at December 31, 2009, as compared to $529,000 at year-end 2008. On December 30, 2009, Fort Orange was required by the FDIC to make a payment in the amount of $1.2 million equal to the FDIC's estimate of the next 13 quarters of deposit insurance assessments. This prepaid amount is available to offset future required cash payments of deposit insurance premiums by Fort Orange. If any amount remains unused after collection of the deposit premiums due on June 30, 2013, it will be returned to Fort Orange by the FDIC.

Deposits.

Total deposits were $222.3 million at December 31, 2009, up $34.7 million or 18.5% from year-end 2008. Demand deposits, NOW accounts, money market accounts and savings accounts all experienced increases during 2009. The balance of NOW accounts at year-end 2009 included one $14.3 million account that was almost completely withdrawn during the first six months of 2010. Given the inflow of core deposit accounts during 2009, we were able to let higher-priced time deposits mature and either roll into lower-priced deposit accounts or be withdrawn. Partially as a result of this approach, total time deposits decreased by $8.0 million during 2009. While a certain amount of the growth in core deposits during 2009 was a reflection of customers' preferences to place funds in bank accounts rather than to invest these funds in the stock market or other alternative investments, we believe that our business development and sales initiatives also helped to boost deposits during 2009, as over 1,000 new accounts were opened during the year.

The following table summarizes the average amount of and average rate paid on each of the following deposit categories for the periods indicated:

	For the Year Ended December 31,					
	2009		2008		2007	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
	($ in thousands)					
Demand deposits	$20,057	— %	$18,207	— %	$16,565	— %
NOW accounts	24,997	1.27 %	16,302	2.30 %	11,348	2.47 %
Money market accounts	8,712	1.01 %	11,694	1.97 %	15,760	3.74 %
Savings accounts	61,211	1.52 %	59,609	2.84 %	66,493	4.02 %
Time deposits	85,137	3.44 %	70,100	4.24 %	70,368	4.95 %
Total	$200,114	2.13 %	$175,912	3.00 %	$180,534	3.89 %

The following table summarizes the maturities of time deposits of $100,000 and over as of December 31, 2009:

Maturity period:	($ in thousands)
Three months or less	$ 10,703
Over three months through six months	5,948
Over six months through twelve months	14,910
Over twelve months	18,755
Total	$ 50,316

Borrowings.

Total borrowings were $41.4 million at December 31, 2009, up $2.9 million from year-end 2008. During 2009, Fort Orange borrowed $9.3 million in longer-term advances from FHLB to help extend the duration of its interest-bearing

liabilities based on the expectation for higher rates in the future. These new longer-term advances more than offset the $5.8 million decrease in the FHLB overnight line of credit from year-end 2008 to year-end 2009. FHLB advances (excluding the overnight line of credit) totaled $35.7 million at December 31, 2009, as compared to $28.7 million at year-end 2008.

The following table sets forth certain information with respect to short-term borrowings for the periods indicated:

	At or For the Year Ended December 31,		
	2009	2008	2007
	($ in thousands)		
Short-Term Lines of Credit:			
Balance at end of year	$ —	$ 5,840	$ 3,000
Maximum month-end balance	5,800	13,320	6,560
Average balance during the year	1,279	2,400	799
Weighted-average interest rate at end of year	—	0.44 %	4.11 %
Weighted-average interest rate during the year	0.47 %	1.82 %	5.45 %
Repurchase Agreements:			
Balance at end of year	$ 5,761	$ 4,007	$ 2,989
Maximum month-end balance	5,761	6,182	4,246
Average balance during the year	4,187	2,960	1,761
Weighted-average interest rate at end of year	0.33 %	0.34 %	3.27 %
Weighted-average interest rate during the year	0.31 %	1.45 %	3.75 %

Stockholders' Equity.

Total stockholders' equity was $21.5 million at year-end 2009, up $667,000 or 3.2% from year-end 2008. The overall increase is due principally to $770,000 of earnings that were retained during the year, partially offset by an increase of $81,000 in treasury stock and a $64,000 decrease in accumulated other comprehensive income, which represents the net unrealized gains on securities available for sale, net of tax. Stockholders' equity as a percentage of total assets was 7.51% at December 31, 2009, as compared to 8.39% at year-end 2008. The decrease in this ratio is due principally to the 15.3% increase in total assets during the year, a good portion of which was attributable to the large, short-term NOW account that existed at year-end 2009. Book value per common share was $5.80 at December 31, 2009, up from $5.61 at December 31, 2008 (as adjusted to give effect to the 5% common stock dividend distributed on May 14, 2010).

Capital provides the foundation for future growth and profitability for Fort Orange and Capital Bank. At December 31, 2009, Capital Bank's Tier 1 leverage ratio was 7.62% versus 8.41% at December 31, 2008. The total capital to risk-weighted assets ratio at December 31, 2009 was 11.88% compared to 11.02% at December 31, 2008. The decrease in the Tier 1 leverage ratio during the year can be attributed primarily to the significant increase in total assets, which outpaced the growth in capital. However, the increase in the total risk-based capital ratio reflects both the growth in capital and the shift in asset composition, as loans (which generally have a higher risk-weighting of 50% - 100%) decreased and interest-bearing deposits at other banks (primarily deposits at the Federal Reserve Bank of New York, which have a 0% risk-weighting) increased. All of Capital Bank's capital ratios at December 31, 2009 exceeded the minimum regulatory levels, and place Capital Bank in the "well-capitalized" category according to regulatory standards.

Interest Rate Risk.

Interest rate risk is the primary market risk affecting Fort Orange. Other types of market risk, such as foreign currency exchange rate risk and commodity price risk, do not arise in the normal course of Fort Orange's business activities. Interest rate risk is defined as an exposure to a movement in interest rates that could have an adverse effect on net interest income. Net interest income is susceptible to interest rate risk to the degree that interest-bearing liabilities mature or reprice on a different basis than earning assets When interest-bearing liabilities mature or reprice

more quickly than earning assets in a given period, a significant increase in market rates could adversely affect net interest income. Similarly, when earning assets mature or reprice more quickly than interest-bearing liabilities, falling interest rates could result in a decrease in net interest income.

Fort Orange utilizes an Asset and Liability Committee ("ALCO"), which generally meets monthly, to review, among other items, Fort Orange's interest rate sensitivity on an ongoing basis and to prepare strategies to limit exposure to interest rate risk. One primary objective of the ALCO is to maximize Fort Orange's net interest income while maintaining a level of risk appropriate to Fort Orange's business focus, operating environment, capital, liquidity requirements and performance objectives. The ALCO also reviews Fort Orange's balance sheet composition, liquidity, capital position, cash flow needs, maturities of securities, loans, deposits and borrowings, and current market conditions and interest rates. The ALCO also has input with respect to deposit pricing decisions. Notwithstanding Fort Orange's interest rate risk management activities, the potential for changing interest rates is an uncertainty that can have an adverse effect on net interest income and net income.

In adjusting Fort Orange's asset/liability position, management and the ALCO attempt to manage interest rate risk while minimizing net interest margin compression. At times, depending on the level of general interest rates, the relationship between long- and short-term interest rates, market conditions and competitive factors, management and ALCO may determine to increase Fort Orange's interest rate risk position somewhat in an attempt to increase its net interest margin.

Fort Orange's primary tool for measuring and monitoring interest rate risk is an asset/liability simulation model, which is prepared quarterly. The model is run first based on: (i) the current balance sheet; (ii) a projected balance sheet one year in the future; and (iii) an interest rate forecast prepared by management. Additional models are then run reflecting instantaneous parallel interest rate shocks up or down. Fort Orange examines projected changes to net interest income and the economic value of equity assuming various rising or falling interest rate scenarios. The results of the simulation model are reported to both the ALCO and the board of directors on a quarterly basis.

The following table summarizes the estimated percentage change in net interest income in various rising and falling interest rate scenarios over a 12-month period from the forecasted net interest income under management's interest rate scenario using the December 31, 2009 balance sheet position:

Interest Rate Sensitivity Analysis Immediate Shock in Interest Rates (in basis points):		Percentage Change in Net Interest Income
–	100	(5.0)%
+	100	2.7%
+	200	5.5%
+	300	7.6%
+	400	4.7%

The asset/liability simulation model used by Fort Orange to measure, monitor and manage interest rate risk is based on various projections and assumptions. Some of the more critical projections and assumptions include: forecasted market interest rates; the future composition of the balance sheet; prepayment rates on loans and securities; estimated deposit withdrawal activity; and the level of deposit rates. Actual net interest income will likely differ, at times materially, from the estimates projected as a result of the simulation model.

Liquidity Risk.

Managing liquidity involves meeting the day-to-day needs of depositors and borrowers, taking advantage of investment opportunities, and providing a cushion against unforeseen cash flow needs.

Sources of liquidity for Fort Orange include cash and cash equivalents, securities, including monthly cash flows from amortizing securities such as mortgage-backed securities and collateralized mortgage obligations, and

maturing and repaying loans. Fort Orange also meets its liquidity needs by attracting deposits and utilizing borrowing arrangements with the FHLB, the Federal Reserve (through access to the discount window), and other correspondent banks. All borrowings with the FHLB, including short-term lines of credit and longer-term advances, must be collateralized by securities, qualifying loans and/or FHLB stock under a blanket pledge agreement with the FHLB. Based on the amount of specific collateral pledged, the Bank could have borrowed a maximum of $48.2 million from the FHLB as of December 31, 2009, of which $35.7 million was outstanding.

Capital Bank also has a $3.0 million unsecured line of credit available with a correspondent financial institution. Fort Orange (the holding company only) has a $5.0 million secured line of credit available with a different financial institution. Fort Orange's line of credit is collateralized by its ownership in Capital Bank's stock. There were no advances outstanding on either of these lines of credit at December 31, 2009.

Fort Orange's sources of liquidity are deemed by management to be sufficient to fund outstanding loan commitments and meet other obligations such as depositor withdrawals and borrowing maturities.

Comparison of Results of Operations for the Years Ended December 31, 2009 and 2008.

Fort Orange earned net income of $770,000 or $0.21 per common share for the year ended December 31, 2009, as compared to $610,000 or $0.16 per common share for 2008. All share and per share information in this discussion and analysis has been retroactively adjusted to give effect to the 5% common stock dividend distributed on May 14, 2010. Therefore, there is a difference between the $0.21 and $0.16 per common share earned in 2009 and 2008, respectively, as adjusted and disclosed above, and the $0.22 and $0.17 per common share earned in 2009 and 2008, respectively, as shown in the audited consolidated financial statements and related notes contained elsewhere in this joint proxy statement/prospectus.

Return on average assets for the year ended December 31, 2009 was 0.29%, compared to 0.26% for 2008. Return on average equity for the year ended December 31, 2009 was 3.61%, compared to 3.00% for 2008.

Average Balances, Interest Income and Expense, and Average Yields and Rates.

The following table sets forth certain information relating to Fort Orange's average earning assets and average interest-bearing liabilities for the periods indicated. The yields and rates were derived by dividing interest income or interest expense by the average balance of assets or liabilities, respectively, for the periods shown. Tax-exempt income for the periods presented was insignificant and therefore no tax-equivalent adjustments have been made. Average balances were computed based on average daily balances. Non-accruing loans have been included in loan balances. The yield on securities available for sale and securities held to maturity is computed based upon amortized cost.

	Year Ended December 31, 2009				Year Ended December 31, 2008			
	Average Balance	Interest Income/ Expense	Average Yield/ Rate		Average Balance	Interest Income/ Expense	Average Yield/ Rate	
	(Dollars in thousands)							
Earning Assets:								
Securities available for sale and securities held to maturity:								
Taxable	$28,150	$1,283	4.56	%	$24,917	$1,244	4.99	%
Loans:								
Commercial, commercial real estate and construction	155,530	8,910	5.65		144,891	8,896	6.06	
Residential real estate	37,205	1,921	5.16		38,304	2,067	5.40	
Home equity and consumer	7,127	247	3.47		5,381	269	5.00	
Total loans	199,862	11,078	5.54		188,576	11,232	5.96	
Federal Home Loan Bank stock	1,822	80	4.39		1,704	93	5.46	
Short-term investments	25,845	477	1.85		13,844	478	3.45	
Total earning assets	255,679	12,918	5.03		229,041	13,047	5.66	
Cash and due from banks	6,120				3,227			
Allowance for loan losses	(2,069)				(1,790)			
Other assets	3,606				3,183			
Total assets	$263,336				$233,661			
Interest-Bearing Liabilities:								
NOW accounts	$24,997	$318	1.27	%	$16,302	$375	2.30	%
Money market accounts	8,712	88	1.01		11,694	230	1.97	
Savings accounts	61,211	929	1.52		59,609	1,692	2.84	
Time deposits	85,137	2,925	3.44		70,100	2,973	4.24	
Total interest-bearing liabilities	180,057	4,260	2.37		157,705	5,270	3.34	
Short-term borrowings	6,782	23	0.33		5,360	87	1.60	
Long-term borrowings	33,322	1,152	3.41		30,407	1,099	3.56	
Total interest-bearing liabilities	220,161	5,435	2.46		193,472	6,456	3.33	
Demand deposits	20,057				18,207			
Other liabilities	1,768				1,664			
Total liabilities	241,986				213,343			
Stockholders' equity	21,350				20,318			
Total liabilities and equity	$263,336				$233,661			
Net interest income		$7,483				$6,591		
Net interest spread			2.57	%			2.33	%
Net interest margin			2.93	%			2.88	%

Explanation of Responses:

Volume and Rate Analysis.

The following table presents the extent to which changes in interest rates and changes in the volume of earning assets and interest-bearing liabilities have affected our interest income and interest expense during the year ended December 31, 2009, as compared to the year ended December 31, 2008. Information is provided in each major category with respect to: (i) changes attributable to changes in volume (changes in volume multiplied by prior rate); (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume); and (iii) the net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

Year Ended December 31, 2009 vs 2008

	Increase (Decrease) Due to Volume (Dollars in thousands)	Rate	Total Increase/ (Decrease)
Earning assets:			
Securities	$ 152	$ (113)	$ 39
Loans	642	(796)	(154)
Federal Home Loan Bank stock	6	(19)	(13)
Short-term investments	288	(289)	(1)
Total earning assets	1,088	(1,217)	(129)
Interest-bearing liabilities:			
NOW accounts	152	(209)	(57)
Money market accounts	(49)	(93)	(142)
Savings accounts	44	(807)	(763)
Time deposits	571	(619)	(48)
Short-term borrowings	18	(82)	(64)
Long-term borrowings	101	(48)	53
Total interest-bearing liabilities	837	(1,858)	(1,021)
Net interest income	$ 251	$ 641	$ 892

Net Interest Income.

Net interest income is the difference between interest income on earning assets and interest expense on interest-bearing liabilities. Net interest income for the year ended December 31, 2009 was $7.5 million, an increase of $892,000 or 13.5% when compared to the year ended December 31, 2008. Overall, the net interest margin (net interest income divided by average earning assets) increased slightly from 2.88% for the year ended December 31, 2008 to 2.93% for the year ended December 31, 2009. As shown in the table above, the increase in net interest income during the respective periods can be attributed primarily to the impact of interest rate changes, as the benefit of lower funding costs was the primary driver in the margin increase and the increase in net interest income.

Total average earning assets increased from $229.0 million during 2008 to $255.7 million during 2009. The growth in average earning assets was evident in all significant asset categories, including short-term investments (up $12.0 million), loans (up $11.3 million), and securities ($3.2 million). However, total interest income was down $129,000 from year-to-year, as the impact of lower interest rates more than offset the impact of higher average balances.

With respect to interest-bearing liabilities, due to the reduction in market interest rates from 2008 to 2009, Fort Orange was able to reduce its funding costs through the repricing of deposit products and lower borrowing costs. As can be seen in the table above, the impact of the lower rate environment was the primary driver in the $1.0 million

reduction in interest expense from year-to-year. The average rates paid on NOW, money market and savings accounts decreased by 103 bp, 96 bp, and 132 bp, respectively, from 2008 to 2009. In addition, as higher-rate time deposits matured, they were replaced with new time deposits with lower rates, leading to a drop of 80 bp in the average rate paid on time deposits. The benefit from lower rates was partially offset by an increase in the average balance of interest-bearing liabilities, with the increases occurring primarily in average time deposits and NOW accounts. In addition, the average balance of demand deposits increased from $18.2 million during 2008 to $20.1 million during 2009, which helped to increase the net interest margin due to the non-interest-bearing nature of these deposits.

Provision for Loan Losses.

Fort Orange makes a monthly determination as to an appropriate provision for loan losses from earnings necessary to maintain an allowance for loan losses that is adequate based on the estimated inherent risk of loss in the loan portfolio. Management's evaluation is based upon a continuing review of the loan portfolio, which includes factors such as the risk characteristics of individual loans, net loan charge-off or recovery experience, delinquency rates, the overall size and composition of the loan portfolio, and local and general economic conditions.

The provision for loan losses was $1.4 million for the year ended December 31, 2009, up $950,000 from the $455,000 recorded during 2008. The increase in the provision from year-to-year was primarily reflective of the increase in net charge-offs from $240,000 during 2008 to $1.2 million during 2009. During 2009, Fort Orange incurred charge-offs totaling $957,000 on two specific credit relationships. At December 31, 2009, one of these credit relationships had been completely charged-off and the other had a remaining carrying balance of $125,000, which was fully reserved for in Fort Orange's allowance for loan losses analysis. Excluding these two charge-offs, net charge-offs for 2009 would have been comparable to 2008's level. In addition, the continued sluggish economic environment during 2009 and management's assessment of the increased risk of loss in the loan portfolio led to an increased allowance level as a percentage of total loans and non-performing loans at year-end 2009 as compared to year-end 2008.

Management reviews the allowance for loan losses monthly and makes provisions for loan losses, when necessary, in order to maintain the adequacy of the allowance. Management believes the allowance for loan losses is adequate to cover risks inherent in Fort Orange's loan portfolio at December 31, 2009. However, there can be no assurance that Fort Orange will not have to increase its provision for loan losses in the future as a result of changes in economic conditions or for other reasons, which could adversely affect Fort Orange's results of operations.

Non-Interest Income.

Total non-interest income was $916,000 for 2009, up $748,000 from the $168,000 realized during 2008. Non-interest income is comprised primarily of service charges on deposit accounts, net gains or losses on sales of securities, and items of other income (for example, ATM and debit card fees, merchant credit card processing residuals, wire transfer fees, and safe deposit box rentals). During 2009, non-interest income also included a net gain of $121,000 realized on the termination of a branch lease and the related disposal of the leasehold improvements, furniture, fixtures and equipment. Fort Orange also realized $607,000 in gains on sales of securities during 2009, as compared to only $8,000 in such gains during 2008. The gains on securities taken during 2009 helped to fund the additional provision for loan losses required as a result of the two significant charge-offs noted above.

Non-Interest Expenses.

Total non-interest expenses were $5.7 million for 2009, up $424,000 or 8.0% from $5.3 million during 2008. The primary component of non-interest expenses is salaries and benefits, which represented 51.7% of total non-interest expenses during 2009 and 53.0% during 2008. Salaries and benefits were $3.0 million for 2009, up $154,000 or 5.5% from 2008. The increase can be attributed primarily to additional personnel costs associated with the overall growth in total assets from year-to-year.

Occupancy expenses were $592,000 for 2009, down $41,000 or 6.5% from 2008. This decrease can be partially attributed to the relocation and down-sizing of our Clifton Park, New York branch during the second quarter of 2009, which led to a decrease in overall occupancy expenses related to this branch.

Information technology expenses were $251,000 for 2009, up $52,000 or 26.1% from 2008. During 2009, Fort Orange implemented several enhancements to its online banking platform, which was the primary driver in the

information technology expense increase from year-to-year.

FDIC deposit insurance premiums and assessments were $432,000 for 2009, up $292,000 or 208.6% from 2008. During the second quarter of 2009, the FDIC charged all banks with a special assessment equal to 5 bp of total assets less Tier 1 capital. For Fort Orange, this special assessment was equal to $117,000, which increased expenses during 2009. In addition, the increase in expense from year-to-year can be attributed to higher deposit insurance assessment rates mandated by the FDIC and higher levels of average deposit balances during 2009. FDIC deposit insurance premiums continue to be elevated from historical levels due to assessment rate increases enacted by the FDIC to recapitalize the Deposit Insurance Fund as a result of recent bank failures. The level of FDIC deposit insurance premiums and assessments is largely out of the control of Fort Orange and there can be no assurance that additional assessment rate increases or special assessments will not be required by the FDIC in future periods.

Income Tax Expense.

Income tax expense increased from 2008 to 2009 primarily as a result of the increase in income before taxes. The effective tax rate was 40.0% for 2009, almost identical to the 40.1% for 2008.

Fort Orange Financial Corp. and Subsidiaries
Index to Financial Statements

FORT ORANGE FINANCIAL CORP. AND SUBSIDIARIES
Consolidated Balance Sheets

September 30, 2010 and December 31, 2009
(Unaudited)

	September 30, 2010	December 31, 2009
	($ in thousands, except per share data)	
Assets		
Cash and due from banks	$ 3,512	$ 7,542
Money market investments	2,000	2,000
Interest-bearing deposits at other banks	29,265	46,702
Total cash and cash equivalents	34,777	56,244
Securities available for sale, at fair value	34,051	24,903
Securities held to maturity (approximate fair value of $9,214 in 2010 and $2,798 in 2009)	9,057	2,719
Federal Home Loan Bank of New York (“FHLB”) stock, at cost	1,697	1,883
Loans receivable	189,638	198,575
Allowance for loan losses	(3,151)	(2,113)
Net loans receivable	186,487	196,462
Premises and equipment, net	955	875
Accrued interest receivable	1,255	1,041
Deferred taxes	997	654
Other assets	1,596	1,887
Total assets	$ 270,872	$ 286,668
Liabilities and Stockholders’ Equity		
Liabilities:		
Deposits:		
Demand	$ 23,217	$ 23,177
NOW accounts	30,419	42,743
Money market accounts	12,056	12,074
Savings accounts	69,743	64,074
Time deposits ($100,000 or more)	46,859	50,316
Other time deposits	27,885	29,874
Total deposits	210,179	222,258
Borrowings	36,522	41,437
Accrued interest payable	329	522
Other liabilities	1,201	921
Total liabilities	248,231	265,138
Commitments and contingent liabilities		
Stockholders’ equity:		
Preferred stock: Par value – $0.10; Authorized shares – 1,000,000; Issued and outstanding shares – None	—	—
Common stock: Par value – $0.10; Authorized shares – 10,000,000; Issued shares – 3,742,303 in 2010 and 3,564,242 in 2009	375	357
Additional paid-in capital	22,354	22,362
Accumulated deficit	(281)	(1,211)

Treasury stock, at cost (41,239 shares in 2010 and 36,989 shares in 2009)	(205)	(196)
Directors' deferred stock units (5,516 units in 2010 and 5,485 units in 2009)	26	25
Accumulated other comprehensive income	372	193
Total stockholders' equity	22,641	21,530
Total liabilities and stockholders' equity	$ 270,872	$ 286,668

See accompanying notes to unaudited consolidated interim financial statements.

Fort Orange Financial Corp. and Subsidiaries
Consolidated Statements of Income

Nine Months Ended September 30, 2010 and 2009
(Unaudited)

	2010 ($ in thousands, except per share data)	2009
Interest, dividend and fee income:		
Loans:		
Commercial, commercial real estate and construction	$ 7,364	$ 6,612
Residential real estate	1,173	1,455
Home equity and consumer	197	179
Total interest and fees on loans	8,734	8,246
Securities available for sale	660	916
Securities held to maturity	303	87
Federal Home Loan Bank of New York stock	73	53
Money market investments	333	309
Interest-bearing deposits at other banks	33	6
Total interest, dividend and fee income	10,136	9,617
Interest expense:		
Deposits	2,338	3,285
Borrowings	901	865
Total interest expense	3,239	4,150
Net interest income	6,897	5,467
Provision for loan losses	1,250	885
Net interest income after provision for loan losses	5,647	4,582
Non-interest income:		
Service charges on deposit accounts	88	82
Gain on sale of securities	280	360
Net gain on lease termination and disposal of premises and equipment	—	121
Other income	73	54
Total non-interest income	441	617
Non-interest expenses:		
Salaries and benefits	2,325	2,241
Occupancy expense	522	447
Equipment expense	225	234
Information technology	245	173
Audit, tax preparation and loan review fees	128	132
Consulting and legal fees	201	175
FDIC deposit insurance premiums and assessments	259	352
Other expenses	668	567
Total non-interest expenses	4,573	4,321
Income before taxes	1,515	878
Income tax expense	585	353

Net income	$	930	$	525
Earnings per common share:				
Basic	$	0.25	$	0.14
Diluted	$	0.25	$	0.14

See accompanying notes to unaudited consolidated interim financial statements.

Fort Orange Financial Corp. and Subsidiaries
Consolidated Statements of Changes in Stockholders' equity

Nine Months Ended September 2010 and 2009
(Unaudited)

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Directors' Deferred Stock Units	Accumulated Other Comprehensive Income	Total	Comprehensive Income
($ in thousands)								
Balance at December 31, 2008	$ 356	$ 22,310	$ (1,981)	$ (115)	$ 36	$ 257	$ 20,863	
Net income	—	—	525	—	—	—	525	$ 525
Other comprehensive income, net of tax:								
Increase in net unrealized holding gains on securities available for sale (pre-tax $585)	—	—	—	—	—	356	356	356
Reclassification adjustment for net gains on sales of securities available for sale (pre-tax $360)	—	—	—	—	—	(221)	(221)	(221)
Other comprehensive income, net of tax								135
Comprehensive income								$ 660
Expense related to directors' deferred stock units	—	—	—	—	20	—	20	
Distribution of directors' deferred stock units (6,630 shares)	—	(1)	—	37	(36)	—	—	
Vesting of employee stock awards (8,637 shares)	1	(8)	—	6	—	—	(1)	
Expense related to options and employee stock awards	—	52	—	—	—	—	52	
	—	—	—	(126)	—	—	(126)	

Purchase of treasure stock (25,648 shares)								
Balance at September 30, 2009	$ 357	22,353	$ (1,456)	$ (198)	$ 20	$ 392	$ 21,468	
Balance at December 31, 2009	$ 357	$ 22,362	$ (1,211)	$ (196)	$ 25	$ 193	$ 21,530	
Net income	—	—	930	—	—	—	930	$ 930
Other comprehensive income, net of tax:								
Increase in net unrealized holding gains on securities available for sale (pre-tax $573)	—	—	—	—	—	351	351	351
Reclassification adjustment for net gains on sales of securities available for sale (pre-tax $280)	—	—	—	—	—	(172)	(172)	(172)
Other comprehensive income, net of tax								179
Comprehensive income								$ 1,109
Expense related to directors' deferred stock units	—	—	—	—	26	—	26	
Distribution of directors' deferred stock units (5,757 shares)	—	(4)	—	29	(25)	—	—	
Vesting of employee stock awards (6,668 shares)	—	(35)	—	35	—	—	—	
Expense related to options and employee stock awards	—	49	—	—	—	—	49	
Distribution of 5% stock dividend (178,061 shares; 1,768 treasury shares)	18	(18)	—	—	—	—	—	
Purchases of treasure stock (14,907 shares)	—	—	—	(73)	—	—	(73)	
Balance at September 30, 2010	$ 375	$ 22,354	$ (281)	$ (205)	$ 26	$ 372	$ 22,641	

See accompanying notes to unaudited consolidated interim financial statements.

Fort Orange Financial Corp. and Subsidiaries
Consolidated Statements of Cash Flows

Nine Months Ended September 30, 2010 and 2009
(Unaudited)

	2010	2009
Cash flows from operating activities	($ in thousands)	
Net income	$ 930	$ 525
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,250	885
Depreciation and amortization expense on premises and equipment	172	167
Deferred tax benefit	(456)	(299)
Gain on sale of securities	(280)	(360)
Net loss (gain) on lease termination and disposal of premises and equipment	27	(121)
Net amortization of premiums and discounts on securities	180	51
Expense related to stock-based compensation	75	72
Net (increase) decrease in accrued interest receivable	(214)	48
Net decrease in other assets	291	36
Net decrease in accrued interest payable	(193)	(210)
Net increase in other liabilities	280	55
Net cash provided by operating activities	2,062	849
Cash flows from investing activities		
Purchases of securities available for sale	(21,654)	(16,420)
Proceeds from sales of securities available for sale	8,672	9,543
Proceeds from maturities and calls of securities available for sale	750	1,250
Proceeds from principal paydowns on securities available for sale	3,517	5,572
Purchases of securities held to maturity	(17,200)	(533)
Proceeds from maturities and calls of securities held to maturity	10,000	—
Proceeds from principal paydowns on securities held to maturity	821	1,130
Purchases of Federal Home Loan Bank of New York stock	(3,640)	(2,722)
Redemptions of Federal Home Loan Bank of New York stock	3,826	2,715
Purchases of residential real estate loans	(700)	(6,333)
Net loans repaid by customers	9,425	21,723
Purchases of premises and equipment	(279)	(273)
Proceeds from lease termination and sales of premises and equipment	—	450
Net cash (used in) provided by investing activities	(6,462)	16,102
Cash flows from financing activities		
Net (decrease) increase in deposits	(12,079)	12,910
Net (decrease) increase in overnight lines of credit and other short-term borrowings	(538)	362
Proceeds from FHLB long-term borrowings	—	7,000
Principal repayments of FHLB long-term borrowings	(4,377)	(2,109)
Purchases of treasury stock	(73)	(126)

Tax impact related to stock-based compensation		—		(1)
Net cash (used in) provided by financing activities		(17,067)		18,036
Net (decrease) increase in cash and cash equivalents		(21,467)		34,987
Cash and cash equivalents at beginning of period		56,244		4,883
Cash and cash equivalents at end of period	$	34,777	$	39,870
Supplemental cash flow information				
Interest paid	$	3,432	$	4,360
Income taxes paid	$	1,006	$	528
Supplemental disclosure of non-cash investing and financing activities				
Distribution of stock for directors' deferred stock units	$	25	$	36

See accompanying notes to unaudited consolidated interim financial statements.

Fort Orange Financial Corp. and Subsidiaries
Notes to Unaudited Consolidated Interim Financial Statements

September 30, 2010
(Unaudited)

(1) Organization

Fort Orange Financial Corp. (the "Holding Company") was formed as a Delaware corporation on March 8, 2006 to serve as the bank holding company for Capital Bank & Trust Company (the "Bank"). Effective December 1, 2006, after receiving the required regulatory approvals from the New York State Banking Department (the "Banking Department") and the Federal Reserve Bank of New York (the "FRB"), the Bank completed its reorganization into the holding company structure and became a wholly-owned subsidiary of Fort Orange Financial Corp. Each issued and outstanding share of common stock and preferred stock of the Bank was automatically converted into one share of common stock or preferred stock, respectively, of Fort Orange Financial Corp.

The Bank is a New York State-chartered financial institution that engages in commercial banking activities primarily in Albany and Saratoga counties and surrounding areas of New York State. The Bank's primary customers are small to mid-size businesses, professionals, such as doctors, attorneys and accountants, and high net worth individuals. The Bank's principal lending products are commercial real estate loans, construction and land loans, commercial loans, lines of credit and leases, residential real estate loans, home equity loans and lines of credit, and consumer installment loans and lines of credit. Deposit products include demand deposits, money market accounts, savings accounts and time deposits. The Bank is regulated by the Federal Deposit Insurance Corporation ("FDIC") and the Banking Department. The Holding Company is regulated by the FRB.

(2) Basis of Presentation

The accompanying unaudited consolidated interim financial statements of Fort Orange Financial Corp. and subsidiaries (collectively, the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10-01 of Regulation S-X. In the opinion of management, all normal recurring adjustments necessary for a fair presentation of the financial position and results of operations for the periods presented have been included. All significant intercompany balances and transactions have been eliminated in consolidation. Prior-period amounts are reclassified when necessary to conform with the current year's presentation. These reclassifications, if any, did not have a material effect on the operating results or financial position of the Company. The financial position and operating results of the Company as of and for the nine months ended September 30, 2010, are not necessarily indicative of the financial position and results of operations that may be expected in the future and should be read in conjunction with the Company's annual audited consolidated financial statements contained in this joint proxy statement / prospectus.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of September 30, 2010, for items that should potentially be recognized or disclosed in these unaudited consolidated interim financial statements. The evaluation was conducted through the date these financial statements were

issued.

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Fort Orange Financial Corp. and Subsidiaries
Notes to Unaudited Consolidated Interim Financial Statements

September 30, 2010
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(3) Stock Dividend

On April 8, 2010, the Company declared a 5% common stock dividend, which was distributed on May 14, 2010, to stockholders of record as of April 30, 2010. If the Company had accumulated profits (retained earnings), the Company would have transferred the fair market value of the shares issued from retained earnings to common stock and additional paid-in capital. Since the Company had an accumulated deficit at the date of the stock dividend, the par value of the shares issued was transferred from additional paid-in capital to common stock. All share and per share information has been retroactively adjusted to give effect to this stock dividend.

(4) Earnings Per Share

Basic earnings per share is calculated by dividing net income less dividends on convertible preferred stock (if any) by the weighted-average number of common shares outstanding during the period, including the stock units awarded under the Company's Stock Unit Plan for non-employee directors, which are considered to be contingently issuable shares.

Diluted earnings per share is computed in a manner similar to that of basic earnings per share except that the weighted-average number of common shares outstanding is increased to include the number of incremental common shares that would have been outstanding under the treasury stock method if all potentially dilutive common shares (such as convertible preferred stock, stock options and restricted stock) were issued or became vested during the reporting period.

The following table sets forth certain information regarding the calculation of basic and diluted earnings per share for the nine months ended September 30. All share and per share information has been retroactively adjusted to give effect to the 5% common stock dividend distributed on May 14, 2010.

	2010	2009
	(In thousands, except per share data)	
Net income	$ 930	$ 525
Weighted-average common shares outstanding, including stock units awarded under the Stock Unit Plan	3,710	3,717
Dilutive effect of outstanding stock options and stock awards	2	1
Weighted-average common shares outstanding, assuming dilution	3,712	3,718
Basic earnings per common share	$ 0.25	$ 0.14
Diluted earnings per common share	$ 0.25	$ 0.14

As of September 30, 2010, there were 285,711 stock options outstanding with a weighted-average exercise price of $5.70 that were excluded from the computation of diluted earnings per common share as their impact was

anti-dilutive. At that same date, there were also 51,043 nonvested stock awards outstanding with a weighted-average grant date fair value of $5.90 that were excluded from the computation of diluted earnings per common share as their impact was anti-dilutive.

(5) Comprehensive Income

Comprehensive income represents the sum of net income and items of other comprehensive income/loss, which are reported directly in stockholders' equity, net of tax, such as the change in the net unrealized gain or loss on securities available for sale. Accumulated other comprehensive income, which is a component of stockholders' equity, represents the net unrealized gain or loss on securities available for sale, net of tax.

Fort Orange Financial Corp. and Subsidiaries
Notes to Unaudited Consolidated Interim Financial Statements

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(Unaudited)

(6) Securities

The amortized cost, gross unrealized gains and losses and approximate fair value of securities at September 30, 2010 and December 31, 2009 are as follows:

	September 30, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	($ in thousands)			
Available for Sale:				
U.S. agency securities	$ 9,389	$ 133	$ —	$ 9,522
Agency mortgage-backed securities (1)	8,273	134	—	8,407
Agency collateralized mortgage obligations (1)	9,222	253	(3)	9,472
Private collateralized mortgage obligations (1)	954	26	—	980
Corporate debt securities	2,923	84	(1)	3,006
SBA guaranteed loan pools	2,683	1	(20)	2,664
Total securities available for sale	$ 33,444	$ 631	$ (24)	$ 34,051
Held to Maturity:				
U.S. agency securities	$ 4,218	$ 109	$ —	$ 4,327
Agency collateralized mortgage obligations (1)	649	11	—	660
Municipal securities	4,190	54	(17)	4,227
Total securities held to maturity	$ 9,057	$ 174	$ (17)	$ 9,214

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	($ in thousands)			
Available for Sale:				
Agency mortgage-backed securities (1)	$ 10,300	$ 246	$ (10)	$ 10,536
Agency collateralized mortgage obligations (1)	10,738	159	(41)	10,856
Private collateralized mortgage obligations (1)	1,273	—	(26)	1,247
SBA guaranteed loan pools	2,278	—	(14)	2,264
Total securities available for sale	$ 24,589	$ 405	$ (91)	$ 24,903
Held to Maturity:				

U.S. agency securities	$ 1,540	$ 58	$ —	$ 1,598
Agency collateralized mortgage obligations (1)	1,179	21	—	1,200
Total securities held to maturity	$ 2,719	$ 79	$ —	$ 2,798

(1) All agency mortgage-backed securities, agency collateralized mortgage obligations and private collateralized mortgage obligations are backed by residential mortgage loans as the underlying collateral.

Fort Orange Financial Corp. and Subsidiaries
Notes to Unaudited Consolidated Interim Financial Statements

September 30, 2010
(Unaudited)

The following table sets forth information with regard to securities with unrealized losses at September 30, 2010 and December 31, 2009, segregated according to the length of time the securities had been in a continuous unrealized loss position as of that date:

	September 30, 2010					
	Less Than 12 Months		12 Months or Greater		Total	
Security category	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	($ in thousands)					
Available for Sale:						
Agency collateralized mortgage obligations	$ 1,052	$ (3)	$ —	$ —	$ 1,052	$ (3)
Corporate debt securities	249	(1)	—	—	249	(1)
SBA guaranteed loan pools	2,059	(20)	—	—	2,059	(20)
Held to Maturity:						
Municipal securities	938	(17)	—	—	938	(17)
Total	$ 4,298	$ (41)	$ —	$ —	$ 4,298	$ (41)

	December 31, 2009					
	Less Than 12 Months		12 Months or Greater		Total	
Security category	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	($ in thousands)					
Available for Sale:						
Agency mortgage-backed securities	$ 1,025	$ (10)	$ —	$ —	$ 1,025	$ (10)
Agency collateralized mortgage obligations	2,967	(41)	—	—	2,967	(41)
Private collateralized mortgage obligations	781	(9)	466	(17)	1,247	(26)
SBA guaranteed loan pools	2,264	(14)	—	—	2,264	(14)
Total	$ 7,037	$ (74)	$ 466	$ (17)	$ 7,503	$ (91)

At September 30, 2010, the unrealized losses on the Company’s securities were caused primarily by changes in market interest rates and widening of sector spreads between the date the respective securities were purchased and September 30, 2010. The unrealized losses relate to eight individual securities, all of which have investment grade credit ratings from nationally recognized rating agencies (defined as bearing a credit quality

rating of “Baa” or higher from Moody’s or “BBB” or higher from Standard and Poor’s). Because the unrealized losses are related primarily to changes in market interest rates and widening of sector spreads and are not necessarily related to the underlying credit quality of the issuers of the securities, coupled with the fact that the Company does not intend to sell the securities and it is not more likely than not that the Company will be required to sell the securities before recovery of their amortized cost bases, which may be maturity, the Company does not consider any of these securities to be other-than-temporarily impaired at September 30, 2010.

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Notes to Unaudited Consolidated Interim Financial Statements

September 30, 2010
(Unaudited)

Shown below are the amortized cost and approximate fair value of debt securities as of September 30, 2010, by contractual maturity (excluding mortgage-backed securities, collateralized mortgage obligations and SBA guaranteed loan pools). Actual maturities will differ from contractual maturities because issuers may have the right to prepay obligations with or without prepayment penalties. In addition, issuers of certain securities may have the right to call obligations without prepayment penalties.

	Available for Sale		Held to Maturity	
	Amortized Cost	Approximate Fair Value	Amortized Cost	Approximate Fair Value
	($ in thousands)			
Due in one year or less	$ —	$ —	$ —	$ —
Due after one through five years	6,291	6,415	2,272	2,354
Due after five through ten years	6,021	6,113	5,033	5,065
Due after ten years	—	—	1,103	1,135
Total	$ 12,312	$ 12,528	$ 8,408	$ 8,554

The Company received $8.7 million and $9.5 million in proceeds from the sale of securities available for sale during the nine months ended September 30, 2010 and 2009, respectively, realizing gross gains of $280,000 and $360,000. There were no losses in either nine month period during 2010 or 2009.

(7) Fair Value Measurements and Fair Value of Financial Instruments

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The Company adopted the guidance in the Fair Value Measurements and Disclosures topic of FASB ASC effective January 1, 2008. This guidance defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. The guidance provides a consistent definition of fair value, which focuses on the exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in the valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions. Fair value measurements are not adjusted for transaction costs. The adoption of the guidance in the Fair Value Measurements and Disclosures topic of FASB ASC had no impact on the amounts reported in the consolidated financial statements. The primary effect of adopting this guidance was to expand the required disclosures pertaining to the methods used to determine fair values.

The guidance in the Fair Value Measurements and Disclosures topic of FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1

measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the guidance are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

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Notes to Unaudited Consolidated Interim Financial Statements

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(Unaudited)

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following table sets forth the Company's financial assets and liabilities that are measured at fair value on a recurring basis. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		($ in thousands)		
At September 30, 2010:				
Assets:				
Securities available for sale	$ 34,051	$ —	$ 34,051	$ —
At December 31, 2009:				
Assets:				
Securities available for sale	$ 24,903	$ —	$ 24,903	$ —

Fair values for securities are based on quoted market prices or dealer quotes, where available. Where quoted market prices are not available, fair values are based on quoted market prices of comparable instruments with similar characteristics. When necessary, the Company utilizes "matrix" pricing from a third party vendor to determine fair values. Matrix prices are indicative values computed primarily or exclusively using computerized models based on inputs such as Treasury yields, swap rates, spreads, prepayment projections and other assumptions believed to be applicable to the classes of securities being valued.

The fair value guidance also requires disclosure of assets and liabilities measured and recorded at fair value on a nonrecurring basis. In accordance with the provisions of the impaired loan guidance, the Company had impaired loans with a carrying value of approximately $1.5 million and $468,000 at September 30, 2010 and December 31, 2009, respectively, for which the allocated allowance for loan losses was approximately $164,000 and $185,000, respectively. The Company generally uses the fair value of the underlying collateral to estimate the allowance for loan losses allocated to impaired loans. Fair value is generally determined based upon independent third party appraisals of the collateral, or discounted cash flows based upon the expected proceeds. Based on the valuation techniques used, the fair value measurements for impaired loans are classified as Level 3.

The Company also has the option to measure eligible financial assets, financial liabilities and Company commitments at fair value (i.e., the "fair value option"), on an instrument-by-instrument basis, that are not otherwise permitted to be accounted for at fair value under other accounting standards. The election to use the

fair value option is available when an entity first recognizes a financial asset or financial liability or upon entering into a Company commitment. Subsequent changes in fair value must be recorded in earnings. There are also presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The fair value option does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value and does not eliminate disclosure requirements included in other accounting standards. As of September 30, 2010 and December 31, 2009, the Company had not elected the fair value option for any eligible items.

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Notes to Unaudited Consolidated Interim Financial Statements

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The Company is also required to disclose estimated fair values for its financial instruments. The definition of a financial instrument includes many of the assets and liabilities recognized in the Company's consolidated balance sheet, as well as certain off-balance sheet items.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected net cash flows, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the disclosed estimates of fair value.

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

Short-Term Financial Instruments
The fair value of certain financial instruments is estimated to approximate their carrying value because the remaining term to maturity or period to repricing of the financial instrument is less than 90 days. Such financial instruments include cash and cash equivalents, accrued interest receivable and accrued interest payable.

Securities Available for Sale and Securities Held to Maturity
Securities available for sale and securities held to maturity are financial instruments that are usually traded in broad markets. Fair values for securities are based on quoted market prices or dealer quotes, where available. Where quoted market prices are not available, fair values are based on quoted market prices of comparable instruments with similar characteristics. When necessary, the Company utilizes "matrix" pricing from a third party vendor to determine fair values. Matrix prices are indicative values computed primarily or exclusively using computerized models based on observable inputs such as Treasury yields, swap rates, spreads, prepayment projections and other assumptions believed to be applicable to the classes of securities being valued.

Federal Home Loan Bank of New York Stock
The fair value of Federal Home Loan Bank of New York stock is equal to its carrying amount (cost) since there is no readily available market value and the stock cannot be sold, but can be redeemed by the Federal Home Loan Bank of New York at cost.

Loans

For performing variable rate loans that reprice frequently, fair value is assumed to equal the carrying amount. Fair values for performing fixed rate loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms.

Estimated fair value for non-performing loans is based on estimated cash flows discounted using a rate commensurate with the risk associated with the estimated cash flows. Assumptions regarding credit risk, cash flows and discount rates are judgmentally determined using available market information and specific borrower information.

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Deposits
The estimated fair value of deposits with no stated maturity, such as non-interest-bearing deposits, NOW accounts, money market accounts and savings accounts, is regarded to be the amount payable on demand (carrying value). The estimated fair value of time deposit accounts is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits with similar remaining maturities. The fair value estimates for deposits do not include the benefit that results from the low-cost funding provided by the deposit liabilities compared with the cost of borrowing funds in the market.

Borrowings
The carrying amounts of repurchase agreements and other short-term borrowings approximate their fair values. Fair values for long-term borrowings (such as Federal Home Loan Bank of New York advances) are estimated using a discounted cash flow approach based on current market rates for similar borrowings.

Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates contained herein are not necessarily indicative of the amounts the Company could have realized in an actual sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective period-ends and have not been re-evaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each period-end.

Fort Orange Financial Corp. and Subsidiaries
Notes to Unaudited Consolidated Interim Financial Statements

September 30, 2010
(Unaudited)

The carrying amounts and estimated fair values of financial assets and liabilities as of September 30, 2010 and December 31, 2009 were as follows:

	September 30, 2010		December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	($ in thousands)			
Financial assets				
Cash and cash equivalents	$ 34,777	$ 34,777	$ 56,244	$ 56,244
Securities available for sale	34,051	34,051	24,903	24,903
Securities held to maturity	9,057	9,214	2,719	2,798
Federal Home Loan Bank of New York stock	1,697	1,697	1,883	1,883
Net loans receivable	186,487	198,038	196,462	205,302
Accrued interest receivable	1,255	1,255	1,041	1,041
Financial liabilities				
Deposits:				
Demand, NOW, money market and savings accounts	135,435	135,435	142,068	142,068
Time deposits	74,744	76,604	80,190	81,913
Borrowings	36,522	38,340	41,437	43,087
Accrued interest payable	329	329	522	522

The fair value of commitments to extend credit, unused lines of credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate commitments to extend credit and unused lines of credit, fair value also considers the difference between current levels of interest rates and the committed rates. Based upon the insignificant estimated fair values of commitments to extend credit, unused lines of credit and standby letters of credit, there are no significant unrealized gains or losses associated with these financial instruments.

(8) Guarantees

The Bank does not issue any guarantees that would require liability-recognition or disclosure, other than its standby letters of credit. Standby letters of credit are conditional commitments issued by the Company to guarantee payment on behalf of a customer and/or guarantee the performance of a customer to a third party. Standby letters of credit generally arise in connection with lending relationships. The credit risk involved in issuing these instruments is essentially the same as that involved in extending loans to customers. Contingent obligations under standby letters of credit totaled approximately $597,000 at September 30, 2010 and $961,000 at December 31, 2009 and represent the maximum potential future payments the Company could be required to make. Typically, these instruments have terms of twelve months or less and expire unused; therefore, the total

amounts do not necessarily represent future cash requirements. Each customer is evaluated individually for creditworthiness under the same underwriting standards used for commitments to extend credit and on-balance sheet instruments. Company policies governing loan collateral apply to standby letters of credit at the time of credit extension. Loan-to-value ratios will generally range from 50% for movable assets, such as inventory, to 100% for liquid assets, such as deposit accounts. The fair value of the Company's standby letters of credit at September 30, 2010 and December 31, 2009 was insignificant.

Fort Orange Financial Corp. and Subsidiaries
Notes to Unaudited Consolidated Interim Financial Statements

September 30, 2010
(Unaudited)

(9) Definitive Merger Agreement

On October 14, 2010, Fort Orange Financial Corp. entered into an Agreement and Plan of Merger (the "Merger Agreement") with Chemung Financial Corporation ("CFC"), parent company of Chemung Canal Trust Company ("Chemung Canal"). Under the terms of the Merger Agreement, CFC will acquire the Company for approximately $29.3 million, based upon CFC's closing stock price on October 14, 2010.

The Merger Agreement provides that each issued and outstanding share of the Company's common stock will be converted into the right to receive, at the election of the shareholder, (i) 0.3571 shares of CFC common stock, (ii) cash equal to $7.50 per share, or (iii) a combination of stock for 75% of the shareholder's Fort Orange stock and cash for 25% of the shareholder's Fort Orange stock, subject to proration procedures detailed in the Merger Agreement, which provide that the aggregate consideration paid by CFC will be CFC common stock for 75% of the aggregate Fort Orange common stock and cash for 25% of the aggregate Fort Orange common stock. The merger consideration may be adjusted downward based on certain assets quality indicators of the Company specified in the Merger Agreement and also if the stock price of CFC rises to more than $25.20 per share.

Completion of the transaction is subject to receipt of all necessary federal and state regulatory approvals, approval of the Company's and CFC's shareholders, and satisfaction of other customary closing conditions stated in the Merger Agreement. The merger is expected to be completed in the first quarter of 2011.

CFC, headquartered in Elmira, New York, was incorporated in 1985 as the parent holding company of Chemung Canal, a full-service community bank with full trust powers. Chemung Canal, which was established in 1833, currently operates through 23 full-service offices in Chemung, Broome, Schuyler, Steuben, Tioga and Tompkins counties in New York, as well as in Bradford County, PA. CFC has total assets of approximately $1.0 billion.

(10) Recent Accounting Pronouncements

ASU 2010-20, Receivables: Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (Topic 310), was issued in July 2010. This update is intended to provide additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses. The amendments in this update affect all entities with financing receivables, excluding short-term trade accounts receivable or receivables measured at fair value or lower of cost or fair value. The update requires an entity to disclose: 1) the nature of credit risk inherent in the entity's portfolio of financing receivables; 2) how that risk is analyzed and assessed in arriving at the allowance for credit losses; and 3) the changes and reasons for those changes in the allowance for credit losses. For non-public entities, such as the Company, the disclosures are effective for annual reporting periods ending on or after December 15, 2011. Implementing the guidance in this update will have a significant effect on the disclosures in our annual financial statements.

Fort Orange Financial Corp. and Subsidiaries
Notes to Unaudited Consolidated Interim Financial Statements

September 30, 2010
(Unaudited)

ASU 2010-18, Receivables: Effect of a Loan Modification When the Loan is Part of a Pool That Is Accounted for as a Single Asset (Topic 310), was issued in April 2010. As a result of the amendments in this update, modifications of loans that are accounted for within a pool under Subtopic 310-30 do not result in the removal of those loans from the pool even if the modification of those loans would otherwise be considered a troubled debt restructuring. An entity will continue to be required to consider whether the pool of assets in which the loan is included is impaired if expected cash flows for the pool change. Loans accounted for individually under Subtopic 310-30 continue to be subject to the troubled debt restructuring accounting provisions within Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors. The amendments in this update do not require an entity to make additional disclosures. The amendments in this update are effective for modifications of loans accounted for within pools under Subtopic 310-30 occurring in the first interim or annual period ending on or after July 15, 2010. The amendments are to be applied prospectively. Early application was permitted. Upon initial adoption of the guidance in this update, an entity may make a one-time election to terminate accounting for loans as a pool under Subtopic 310-30. This election may be applied on a pool-by-pool basis and does not preclude an entity from applying pool accounting to subsequent acquisitions of loans with credit deterioration. The adoption of this guidance did not have a material impact on the Company’s financial position or results of operations.

Independent Auditors' Report

To the Board of Directors and Stockholders
of Fort Orange Financial Corp. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Fort Orange Financial Corp. and Subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fort Orange Financial Corp. and Subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Syracuse, New York
February 27, 2010

Fort Orange Financial Corp. and Subsidiaries
Consolidated Balance Sheets

December 31, 2009 and 2008

	2009	2008
	($ in thousands, except per share data)	
Assets		
Cash and due from banks	$ 7,542	$ 871
Money market investments	2,000	1,007
Interest-bearing deposits at other banks	46,702	3,005
Total cash and cash equivalents	56,244	4,883
Securities available for sale, at fair value	24,903	25,813
Securities held to maturity (approximate fair value of $2,798 in 2009 and $3,614 in 2008)	2,719	3,586
Federal Home Loan Bank of New York (“FHLB”) stock, at cost	1,883	1,780
Loans receivable	198,575	211,432
Allowance for loan losses	(2,113)	(1,930)
Net loans receivable	196,462	209,502
Premises and equipment, net	875	1,131
Accrued interest receivable	1,041	1,028
Deferred taxes	654	393
Other assets	1,887	529
Total assets	$ 286,668	$ 248,645
Liabilities and Stockholders’ Equity		
Liabilities:		
Deposits:		
Demand	$ 23,177	$ 18,565
NOW accounts	42,743	20,192
Money market accounts	12,074	6,878
Savings accounts	64,074	53,750
Time deposits ($100,000 or more)	50,316	60,718
Other time deposits	29,874	27,498
Total deposits	222,258	187,601
Borrowings	41,437	38,504
Accrued interest payable	522	652
Other liabilities	921	1,025
Total liabilities	265,138	227,782
Commitments and contingent liabilities (note 13)		
Stockholders’ equity:		
	—	—

Preferred stock: Par value – $0.10; Authorized shares – 1,000,000; Issued and outstanding shares – None		
Common stock: Par value – $0.10; Authorized shares – 10,000,000; Issued shares – 3,564,242 in 2009 and 3,556,655 in 2008	357	356
Additional paid-in capital	22,362	22,310
Accumulated deficit	(1,211)	(1,981)
Treasury stock, at cost (36,989 shares in 2009 and 19,210 shares in 2008)	(196)	(115)
Directors' deferred stock units (5,485 units in 2009 and 6,630 units in 2008)	25	36
Accumulated other comprehensive income	193	257
Total stockholders' equity	21,530	20,863
Total liabilities and stockholders' equity	$ 286,668	$ 248,645

See accompanying notes to consolidated financial statements.

Fort Orange Financial Corp. and Subsidiaries
Consolidated Statements of Income

Years Ended December 31, 2009 and 2008

	2009	2008
	($ in thousands, except per share data)	
Interest, dividend and fee income:		
Loans:		
Commercial, commercial real estate and construction	$ 8,910	$ 8,896
Residential real estate	1,921	2,067
Home equity and consumer	247	269
Total interest and fees on loans	11,078	11,232
Securities available for sale	1,169	1,243
Securities held to maturity	114	1
Federal Home Loan Bank of New York stock	80	93
Federal funds sold	—	24
Money market investments	463	450
Interest-bearing deposits at other banks	14	4
Total interest, dividend and fee income	12,918	13,047
Interest expense:		
Deposits	4,260	5,270
Borrowings	1,175	1,186
Total interest expense	5,435	6,456
Net interest income	7,483	6,591
Provision for loan losses	1,405	455
Net interest income after provision for loan losses	6,078	6,136
Non-interest income:		
Service charges on deposit accounts	110	94
Gain on sale of securities	607	8
Net gain on lease termination and disposal of premises and equipment	121	—
Other income	78	66
Total non-interest income	916	168
Non-interest expenses:		
Salaries and benefits	2,954	2,800
Occupancy expense	592	633
Equipment expense	310	301
Information technology	251	199
Audit, tax preparation and loan review fees	175	172
Consulting and legal fees	234	279
FDIC deposit insurance premiums and assessments	432	140

Other expenses		762		762
Total non-interest expenses		5,710		5,286
Income before taxes		1,284		1,018
Income tax expense		514		408
Net income	$	770	$	610
Earnings per common share:				
Basic	$	0.22	$	0.17
Diluted	$	0.22	$	0.17

See accompanying notes to consolidated financial statements.

Fort Orange Financial Corp. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity

Years Ended December 31, 2009 and 2008

($ in thousands)	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Directors' Deferred Stock Units	Accumulated Other Comprehensive Income	Total	Comprehensive Income
Balance at December 31, 2007	$ 338	$ 22,214	$ (2,591)	$ —	$ 57	$ 16	$ 20,034	
Net income	—	—	610	—	—	—	610	$ 610
Other comprehensive income, net of tax:								
Increase in net unrealized holding gains on securities available for sale (pre-tax $412)	—	—	—	—	—	246	246	246
Reclassification adjustment for net gains on sales of securities available for sale (pre-tax $8)	—	—	—	—	—	(5)	(5)	(5)
Other comprehensive income, net of tax								241
Comprehensive income								$ 851
Expense related to directors' deferred stock units	—	—	—	—	36	—	36	
Distribution of directors' deferred stock units (7,040 shares)	1	53	—	3	(57)	—	—	
Vesting of employee stock awards (1,000 shares)	—	—	—	—	—	—	—	
Expense related to options and employee stock awards	—	60	—	—	—	—	60	
Distribution of 5% stock dividend (169,236 shares; 388	17	(17)	—	—	—	—	—	

treasury shares)								
Purchases of treasury stock (19,322 shares)	—	—	—	(118)	—	—	(118)	
Balance at December 31, 2008	$ 356	$ 22,310	$ (1,981)	$ (115)	$ 36	$ 257	$ 20,863	
Net income	—	—	770	—	—	—	770	$ 770
Other comprehensive loss, net of tax:								
Increase in net unrealized holding gains on securities available for sale (pre-tax $491)	—	—	—	—	—	308	308	308
Reclassification adjustment for net gains on sales of securities available for sale (pre-tax $607)	—	—	—	—	—	(372)	(372)	(372)
Other comprehensive loss, net of tax								(64)
Comprehensive income								$ 706
Expense related to directors' deferred stock units	—	—	—	—	25	—	25	
Distribution of directors' deferred stock units (6,630 shares)	—	(1)	—	37	(36)	—	—	
Vesting of employee stock awards (9,826 shares)	1	(15)	—	12	—	—	(2)	
Expense related to options and employee stock awards	—	68	—	—	—	—	68	
Purchases of treasury stock (26,648 shares)	—	—	—	(130)	—	—	(130)	
Balance at December 31, 2009	$ 357	$ 22,362	$ (1,211)	$ (196)	$ 25	$ 193	$ 21,530	

See accompanying notes to consolidated financial statements.

Fort Orange Financial Corp. and Subsidiaries
Consolidated Statements of Cash Flows

Years Ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities	($ in thousands)	
Net income	$ 770	$ 610
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,405	455
Depreciation and amortization expense on premises and equipment	220	238
Deferred tax benefit	(210)	(150)
Gain on sale of securities	(607)	(8)
Net (gain) loss on lease termination and disposal of premises and equipment	(121)	7
Net amortization of premiums and discounts on securities	91	—
Expense related to stock-based compensation	93	96
Net (increase) decrease in accrued interest receivable	(13)	154
Net increase in other assets	(1,358)	(14)
Net (decrease) increase in accrued interest payable	(130)	51
Net decrease in other liabilities	(104)	(114)
Net cash provided by operating activities	36	1,325
Cash flows from investing activities		
Purchases of securities available for sale	(22,057)	(13,713)
Proceeds from sales of securities available for sale	15,312	1,004
Proceeds from maturities and calls of securities available for sale	1,250	4,562
Proceeds from principal paydowns on securities available for sale	6,859	3,139
Purchases of securities held to maturity	(533)	(3,586)
Proceeds from principal paydowns on securities held to maturity	1,347	—
Purchases of Federal Home Loan Bank of New York stock	(2,824)	(7,526)
Redemptions of Federal Home Loan Bank of New York stock	2,721	7,044
Purchases of residential real estate loans	(6,783)	(8,585)
Net loans repaid by (made to) customers	18,418	(16,329)
Purchases of premises and equipment	(293)	(142)
Proceeds from lease termination and sales of premises and equipment	450	—
Net cash provided by (used in) investing activities	13,867	(34,132)
Cash flows from financing activities		
Net increase in deposits	34,657	5,626
Net (decrease) increase in overnight lines of credit and other short-term borrowings	(4,086)	3,858
Proceeds from FHLB long-term borrowings	9,250	9,000
Principal repayments of FHLB long-term borrowings	(2,231)	(1,206)
Purchases of treasury stock	(130)	(118)
Tax impact related to stock-based compensation	(2)	—
Net cash provided by financing activities	37,458	17,160

Net increase (decrease) in cash and cash equivalents		51,361		(15,647)
Cash and cash equivalents at beginning of year		4,883		20,530
Cash and cash equivalents at end of year	$	56,244	$	4,883
Supplemental cash flow information				
Interest paid	$	5,565	$	6,405
Income taxes paid	$	870	$	421
Supplemental disclosure of non-cash investing and financing activities				
Distribution of stock for directors’ deferred stock units	$	36	$	57

See accompanying notes to consolidated financial statements.

Fort Orange Financial Corp. and Subsidiaries
Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(1) Summary of Significant Accounting Policies

The accounting and reporting policies of Fort Orange Financial Corp. and subsidiaries (the "Company") conform to accounting principles generally accepted in the United States of America and reporting practices generally followed by the banking industry. The more significant policies are described below.

Organization and Principles of Consolidation
Fort Orange Financial Corp. (the "Holding Company") was formed as a Delaware corporation on March 8, 2006 to serve as the bank holding company for Capital Bank & Trust Company (the "Bank"). Effective December 1, 2006, after receiving the required regulatory approvals from the New York State Banking Department (the "Banking Department") and the Federal Reserve Bank of New York (the "FRB"), the Bank completed its reorganization into the holding company structure and became a wholly-owned subsidiary of Fort Orange Financial Corp. (the "Reorganization"). Each issued and outstanding share of common stock and preferred stock of the Bank was automatically converted into one share of common stock or preferred stock, respectively, of Fort Orange Financial Corp.

The Bank is a New York State-chartered financial institution that engages in commercial banking activities primarily in Albany and Saratoga counties and surrounding areas of New York State. The Bank's primary customers are small to mid-size businesses, professionals, such as doctors, attorneys and accountants, and high net worth individuals. The Bank's principal lending products are commercial real estate loans, construction and land loans, commercial loans, lines of credit and leases, residential real estate loans, home equity loans and lines of credit, and consumer installment loans and lines of credit. Deposit products include demand deposits, money market accounts, savings accounts and time deposits. The Bank is regulated by the Federal Deposit Insurance Corporation ("FDIC") and the Banking Department. The Holding Company is regulated by the FRB.

The consolidated financial statements include the accounts of the Holding Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation
The Company utilizes the accrual method of accounting for financial reporting purposes. Amounts in the prior year's consolidated financial statements have been reclassified whenever necessary to conform to the current year's presentation. Such reclassifications had no impact on net income.

Use of Estimates
The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the evaluation of other-than-temporary impairment of securities, and the valuation of deferred tax assets.

Cash and Cash Equivalents
For purposes of the consolidated statements of cash flows, cash and cash equivalents consists of cash on hand, due from banks, federal funds sold, short-term investments with an original maturity of 90 days or less (including money market investments), and interest-bearing deposits at other banks.

Securities
Management determines the appropriate classification of securities at the time of purchase. If management has the positive intent and ability to hold debt securities to maturity, they are classified as securities held to maturity and carried at cost, adjusted for amortization of premiums and accretion of discounts using an effective interest method. If securities are purchased for the purpose of selling them in the near term, they are classified as trading securities and are reported at fair value with unrealized holding gains and losses reflected in current earnings. All other debt and marketable equity securities are classified as securities available for sale and are reported at fair value, with net unrealized gains or losses reported, net of income taxes, in accumulated other comprehensive income or loss. At December 31, 2009 and 2008, and during the years then ended, the Company did not hold any securities considered to be trading securities.

Fort Orange Financial Corp. and Subsidiaries
Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Gains or losses on the disposition of securities are based on the net proceeds received and the adjusted carrying amount of the securities sold using the specific identification method. Declines in the fair value of available for sale and held to maturity securities below their cost that are deemed to be other-than-temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value, which may be maturity.

Federal Home Loan Bank of New York Stock
As a member of the Federal Home Loan Bank of New York (the “FHLB”), the Company is required to hold stock in the FHLB according to predetermined formulas set by the FHLB. FHLB stock is carried at cost since it has no readily available market value. The stock cannot be sold, but can be redeemed by the FHLB at cost. Dividends on FHLB stock are recorded when declared by the FHLB.

Loans
Loans are carried at the principal amount outstanding, net of unamortized deferred loan origination fees and costs and the allowance for loan losses. Nonrefundable loan fees and direct loan origination costs are deferred and amortized over the estimated life of the loan as an adjustment to the yield.

Loans are placed on non-accrual status when, in the judgment of management, the probability of collection of principal and/or interest is deemed to be insufficient to warrant further accrual. When a loan is placed on non-accrual status, previously accrued but unpaid interest is deducted from interest income. The Company generally does not accrue interest on loans that are 90 days or more past due for the payment of principal and/or interest unless active collection efforts and/or the value of the collateral, if any, indicate that full recovery is probable. Payments received on non-accrual loans are generally applied to reduce the unpaid principal balance, however, interest on non-accrual loans may also be recognized as payments are received. Loans are returned to accrual status when all contractual principal and interest payments are brought current and future payments are reasonably assured.

Loans are considered impaired when it is probable that the borrower will not repay the loan according to the original contractual terms of the loan agreement, or when a loan (of any loan type) is restructured in a troubled debt restructuring. Smaller balance, homogeneous loans that are collectively evaluated for impairment, such as residential real estate loans, home equity loans and lines of credit, and consumer loans and lines of credit, are specifically excluded from classification as impaired loans unless such loans are restructured in a troubled debt restructuring. The balance of impaired loans is generally the same as the balance of commercial, commercial real estate and construction loans on non-accrual status. The allowance for loan losses related to impaired loans is based on discounted cash flows using the loan’s initial effective interest rate or the fair value of the collateral for certain loans where repayment of the loan is expected to be provided solely by the underlying collateral (collateral dependent loans).

Allowance for Loan Losses
The allowance for loan losses is increased through a provision for loan losses charged to operations. Loans, or portions thereof, are charged against the allowance for loan losses when management believes that the collectability of all or a portion of the principal is unlikely. Subsequent recoveries, if any, are credited to the

allowance for loan losses when received.

The allowance is an amount that management believes will be necessary to absorb probable losses on existing loans. Management's evaluation of the allowance for loan losses is performed on a periodic basis. Historical loss rates are applied to existing loans with similar characteristics. The historical loss rates used to establish the allowance may be adjusted to reflect management's current assessment of various factors. The impact of economic conditions on the creditworthiness of the borrowers is considered, as well as changes in the experience, ability and depth of lending management and staff, changes in the composition and volume of the loan portfolio, trends in the volume of past due, non-accrual and classified loans, as well as other external factors, such as competition, legal developments and regulatory guidelines.

Fort Orange Financial Corp. and Subsidiaries
Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance for loan losses may be necessary based on changes in economic conditions. In addition, Federal and state bank regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance for loan losses based on their judgments about information available to them at the time of their examination, which may not be currently available to management.

Premises and Equipment
Premises and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the term of the related leases, including any probable renewals, or the estimated useful lives of the assets.

Foreclosed Real Estate and Repossessed Property
Foreclosed real estate, comprised of real estate acquired through foreclosure and in-substance foreclosures, and repossessed property are recorded at the fair value of the asset acquired less estimated disposal costs. A loan is categorized as an in-substance foreclosure when the Company has taken possession of the collateral, regardless of whether formal foreclosure proceedings have taken place. At the time of foreclosure or repossession, or when foreclosure occurs in-substance, the excess, if any, of the recorded investment in the loan over the fair value of the property received is charged to the allowance for loan losses. Subsequent declines in the value of foreclosed and repossessed property and net operating expenses are charged directly to other operating expenses. Properties are reappraised, as considered necessary by management, and written down to the fair value less the estimated cost to sell the property, if necessary.

Income Taxes
The Company accounts for income taxes in accordance with the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are recognized subject to management's judgment that those assets will more likely than not be realized. A valuation allowance is recognized if, based on an analysis of available evidence, management believes that all or a portion of the deferred tax assets will not be realized. Adjustments to increase or decrease the valuation allowance are charged or credited, respectively, to income tax expense/benefit. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Interest and penalties related to income taxes, if any, are recognized as a component of income tax expense.

On January 1, 2009, the Company adopted accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of reserves to maintain for uncertain tax positions. The impact of the adoption of this guidance was not significant.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Fort Orange Financial Corp. and Subsidiaries
Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Repurchase Agreements
The Company may enter into sales of securities under agreements to repurchase ("repurchase agreements"). The Company transfers the underlying securities to a third party custodian's account that explicitly recognizes the Company's interest in the securities. Provided the Company maintains effective control over the transferred securities, the repurchase agreements are accounted for as borrowings. The obligations to repurchase securities sold are reflected as a liability within borrowings in the consolidated balance sheet, while the securities underlying the agreements continue to be carried in the Company's securities portfolios.

Stock-Based Compensation
The Company has several stock-based compensation plans, which are more fully described in Note 10. The Company has also adopted a Stock Unit Plan for non-employee directors. Under the Stock Unit Plan, non-employee directors are awarded "stock units" for attendance at board and committee meetings. The stock units earned are immediately vested and can only be forfeited if the director is terminated for "cause" (as defined in the plan). Each stock unit is equivalent to one share of common stock; there is no option for a cash payment. The shares of stock earned in each calendar year are distributed to the directors in the subsequent calendar year.

The Company follows the guidance in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification TM ("ASC") section 718 (FASB ASC 718) in accounting for stock-based compensation. FASB ASC 718 requires an entity to recognize the expense of employee services received in share-based payment transactions and measure the expense based on the grant date fair value of the award. The expense is recognized over the period during which an employee is required to provide service in exchange for the award. Stock-based employee compensation expense is included in salaries and benefits in the consolidated statements of income, while stock-based compensation expense related to directors is included in other expenses.

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option valuation model using assumptions concerning expected volatility, expected dividend yield, expected term and a risk-free interest rate. Because the Company's stock options have characteristics significantly different from those of traded options for which the Black-Scholes model was developed, and because changes in the subjective input assumptions can materially affect the fair value estimates, the existing model, in management's opinion, does not necessarily provide a reliable single measure of the fair value of its stock options.

In determining the assumption for expected volatility, management considers both the historical volatility of the Company's stock, which is very thinly traded, as well as various published indices for publicly-traded financial institutions similar in size to the Company. The expected dividend yield is estimated based on the current dividend yield of the Company's stock, adjusted for any anticipated future changes over the expected term of the options. Historical option exercise and employee termination activity is used to estimate the expected term of the options granted and represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve for bonds approximating the expected term of the option at the grant date.

The following weighted-average assumptions were used for stock options granted during the year ended December 31, 2008 (no stock options were granted during 2009): expected volatility of 20.0%; no dividend yield; expected term of 7.4 years; and risk-free interest rate of 3.01%. The weighted-average fair value at the

grant date for the options granted during 2008 was $1.64.

The fair value of restricted (or nonvested) shares awarded, measured as of the grant date, is recognized and amortized on a straight-line basis to compensation expense over the vesting period of the awards, with the offsetting credit to additional paid-in capital.

The fair value of the stock units earned by the directors, measured as of the date of the meeting, is recorded as compensation expense, as the stock units are immediately vested and can only be forfeited if the director is terminated for “cause” (as defined in the plan).

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Stock Dividend
On April 29, 2008, the Company declared a 5% common stock dividend, which was distributed on May 30, 2008, to stockholders of record as of May 16, 2008. If the Company had accumulated profits (retained earnings), the Company would have transferred the fair market value of the shares issued from retained earnings to common stock and additional paid-in capital. Since the Company had an accumulated deficit at the date of the stock dividend, the par value of the shares issued was transferred from additional paid-in capital to common stock.

Earnings Per Share
Basic earnings per share is calculated by dividing net income less dividends on convertible preferred stock (if any) by the weighted-average number of common shares outstanding during the period, including the stock units awarded under the Stock Unit Plan, which are considered to be contingently issuable shares.

Diluted earnings per share is computed in a manner similar to that of basic earnings per share except that the weighted-average number of common shares outstanding is increased to include the number of incremental common shares that would have been outstanding under the treasury stock method if all potentially dilutive common shares (such as convertible preferred stock, stock options and restricted stock) were issued or became vested during the reporting period.

All share and per share information has been retroactively adjusted to give effect to the 5% common stock dividend distributed in May 2008.

Financial Instruments
In the normal course of business, the Company is a party to certain financial instruments with off-balance sheet risk, such as commitments to extend credit, unadvanced construction loans, unused lines of credit and standby letters of credit. The Company’s policy is to record such instruments when funded.

Comprehensive Income/Loss
Comprehensive income/loss represents the sum of net income and items of other comprehensive income/loss, which are reported directly in stockholders’ equity, net of tax, such as the change in the net unrealized gain or loss on securities available for sale. Accumulated other comprehensive income/loss, which is a component of stockholders’ equity, represents the net unrealized gain or loss on securities available for sale, net of tax.

Advertising
Advertising costs are expensed as incurred and totaled approximately $53,000 and $43,000 for the years ended December 31, 2009 and 2008, respectively.

Segment Reporting
The overwhelming majority of the Company’s operations are in the banking industry and include providing to its customers traditional banking services. The Company operates primarily in Albany and Saratoga counties and surrounding areas of New York State. Management makes operating decisions and assesses performance based on an ongoing review of its banking operations, which constitute the Company’s only reportable segment.

Subsequent Events

The Company has evaluated subsequent events through February 27, 2010, which is the date the consolidated financial statements were available to be issued.

(2) Preferred Stock

As of December 31, 2009, the Company had 1,000,000 shares of authorized preferred stock that may be issued by the Board of Directors from time to time in one or more series, with each series having the rights and privileges determined by the Board of Directors in their best judgment. There was no preferred stock outstanding during 2009 or 2008.

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(3) Earnings Per Share

The following table sets forth certain information regarding the calculation of basic and diluted earnings per share for the years ended December 31. All share and per share amounts have been retroactively adjusted to give effect to the 5% common stock dividend distributed in May 2008.

	2009	2008
	($ in thousands, except per share data)	
Net income	$ 770	$ 610
Weighted-average common shares outstanding, including stock units awarded under the Stock Unit Plan	3,538	3,549
Dilutive effect of outstanding stock options and stock awards	1	3
Weighted-average common shares outstanding, assuming dilution	3,539	3,552
Basic earnings per common share	$ 0.22	$ 0.17
Diluted earnings per common share	$ 0.22	$ 0.17

As of December 31, 2009, there were 276,909 stock options outstanding with a weighted-average exercise price of $5.98 that were excluded from the computation of diluted earnings per common share as the impact was anti-dilutive. At that same date, there were also 55,282 nonvested stock awards outstanding with a weighted-average grant date fair value of $6.19 that were excluded from the computation of diluted earnings per common share as the impact was anti-dilutive.

(4) Securities

The amortized cost, gross unrealized gains and losses and approximate fair value of securities at December 31, 2009 and 2008 are as follows:

	2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
		($ in thousands)		
Available for Sale:				
Agency mortgage-backed securities (1)	$ 10,300	$ 246	$ (10)	$ 10,536
Agency collateralized mortgage obligations (1)	10,738	159	(41)	10,856
Private collateralized mortgage obligations (1)	1,273	—	(26)	1,247
SBA guaranteed loan pools	2,278	—	(14)	2,264
Total securities available for sale	$ 24,589	$ 405	$ (91)	$ 24,903
Held to Maturity:				

U.S. agency securities	$ 1,540	$ 58	$ —	$ 1,598
Agency collateralized mortgage obligations (1)	1,179	21	—	1,200
Total securities held to maturity	$ 2,719	$ 79	$ —	$ 2,798

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	2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	($ in thousands)			
Available for Sale:				
U.S. agency securities	$ 1,249	$ 16	$ —	$ 1,265
Agency mortgage-backed securities (1)	16,605	373	(3)	16,975
Agency collateralized mortgage obligations (1)	5,646	131	—	5,777
Private collateralized mortgage obligations (1)	1,883	—	(87)	1,796
Total securities available for sale	$ 25,383	$ 520	$ (90)	$ 25,813
Held to Maturity:				
U.S. agency securities	$ 2,045	$ 32	$ —	$ 2,077
Agency collateralized mortgage obligations (1)	1,541	2	(6)	1,537
Total securities held to maturity	$ 3,586	$ 34	$ (6)	$ 3,614

(1) All agency mortgage-backed securities, agency collateralized mortgage obligations and private collateralized mortgage obligations are backed by residential mortgage loans as the underlying collateral.

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The following table sets forth information with regard to securities with unrealized losses at December 31, 2009 and 2008, segregated according to the length of time the securities had been in a continuous unrealized loss position as of that date:

	2009					
	Less Than 12 Months		12 Months or Greater		Total	
Security category	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	($ in thousands)					
Available for Sale:						
Agency mortgage-backed securities	$ 1,025	$ (10)	$ —	$ —	$ 1,025	$ (10)
Agency collateralized mortgage obligations	2,967	(41)	—	—	2,967	(41)
Private collateralized mortgage obligations	781	(9)	466	(17)	1,247	(26)
SBA guaranteed loan pools	2,264	(14)	—	—	2,264	(14)
Total	$ 7,037	$ (74)	$ 466	$ (17)	$ 7,503	$ (91)

	2008					
	Less Than 12 Months		12 Months or Greater		Total	
Security category	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	($ in thousands)					
Available for Sale:						
Agency mortgage-backed securities	$ 785	$ (3)	$ —	$ —	$ 785	$ (3)
Private collateralized mortgage obligations	1,531	(85)	265	(2)	1,796	(87)
Held to Maturity:						
Agency mortgage-backed securities	737	(6)	—	—	737	(6)
Total	$ 3,053	$ (94)	$ 265	$ (2)	$ 3,318	$ (96)

At December 31, 2009, the unrealized losses on the Company’s securities were caused primarily by changes in market interest rates and widening of sector spreads between the date the respective securities were purchased and December 31, 2009. The unrealized losses relate to eleven individual securities, all of which have the highest available credit rating from nationally recognized rating agencies. Because the unrealized losses are related primarily to changes in market interest rates and widening of sector spreads and are not necessarily related to the underlying credit quality of the issuers of the securities, coupled with the fact that the Company does not intend to sell the securities and it is not more likely than not that the Company will be required to sell the securities before recovery of their amortized cost bases, which may be maturity, the Company does not consider any of these securities to be other-than-temporarily impaired at December 31, 2009.

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Shown below are the amortized cost and approximate fair value of debt securities as of December 31, 2009, by contractual maturity (excluding mortgage-backed securities, collateralized mortgage obligations and SBA guaranteed loan pools). Actual maturities will differ from contractual maturities because issuers may have the right to prepay obligations with or without prepayment penalties. In addition, issuers of certain securities may have the right to call obligations without prepayment penalties.

	Available for Sale		Held to Maturity	
	Amortized Cost	Approximate Fair Value	Amortized Cost	Approximate Fair Value
	($ in thousands)			
Due in one year or less	$ —	$ —	$ —	$ —
Due after one through five years	—	—	1,540	1,598
Due after five through ten years	—	—	—	—
Due after ten years	—	—	—	—
Total	$ —	$ —	$ 1,540	$ 1,598

The Company received $15.3 million and $1.0 million in proceeds from the sale of securities available for sale during the years ended December 31, 2009 and 2008, respectively, realizing gains of $607,000 and $8,000. There were no losses in either 2009 or 2008.

Securities with a carrying value of $26.1 million and $29.4 million at December 31, 2009 and 2008, respectively, were pledged to secure public deposits, outstanding or available borrowings, and for other purposes as required by law.

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(5) Loans

A summary of net loans as of December 31 is as follows:

	2009	2008
	($ in thousands)	
Commercial	$ 69,003	$ 75,294
Commercial real estate	59,011	43,704
Construction and land	28,063	44,777
Residential real estate	34,993	41,473
Home equity	7,223	5,825
Consumer	282	359
Total loans	198,575	211,432
Allowance for loan losses	(2,113)	(1,930)
Net loans	$ 196,462	$ 209,502

For purposes of the table above, commercial real estate loans include those loans secured by real estate collateral where less than 50% of the underlying property securing the loan is owner-occupied. If a loan is secured by real estate collateral but the underlying property securing the loan is 50% or more owner-occupied, the loan is classified as a commercial loan.

Included in the loan balances in the table above were $105,000 and $175,000 of unamortized net deferred loan origination costs at December 31, 2009 and 2008, respectively.

At December 31, 2009, approximately $24.4 million of residential real estate loans and approximately $29.3 million of commercial real estate and commercial loans were pledged as collateral for outstanding or available FHLB borrowings.

Changes in the allowance for loan losses during the years ended December 31 were as follows:

	2009	2008
	($ in thousands)	
Allowance at beginning of year	$ 1,930	$ 1,715
Provision for loan losses	1,405	455
Loans charged-off	(1,281)	(300)
Recoveries of loans charged-off	59	60
Allowance at end of year	$ 2,113	$ 1,930

Total non-performing loans at December 31, 2009 and 2008 consisted solely of loans in non-accrual status and amounted to approximately $1.4 million and $787,000, respectively. At December 31, 2008, there were also loans totaling $870,000 that were greater than 90 days past due and still accruing interest (none at December 31, 2009). At both December 31, 2009 and 2008, there were no material commitments to extend further credit to borrowers with non-performing loans.

Contractual interest on the non-accrual loans noted above of approximately $90,000 and $64,000, was not recognized in interest income during the years ended December 31, 2009 and 2008, respectively. The amount of interest on the non-accrual loans noted above that was collected and recognized in interest income during the years ended December 31, 2009 and 2008, was not significant.

At December 31, 2009 and 2008, the recorded investment in loans that are considered to be impaired totaled approximately $468,000 and $597,000, respectively, for which the allocated allowance for loan losses was approximately $185,000 at December 31, 2009, and approximately $241,000 at December 31, 2008. There were no impaired loans at December 31, 2009 or 2008 that did not require an allocation of the allowance for loan losses. The average recorded investment in impaired loans during the years ended December 31, 2009 and 2008 was approximately $1.6 million and $899,000, respectively. The interest income accrued on those impaired loans or recognized using the cash basis of income recognition was not significant for the years ended December 31, 2009 or 2008.

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At December 31, 2009 and 2008, outstanding loans to directors, executive officers or their affiliates totaled $4.6 million and $4.3 million, respectively. During 2009, new loans or advances to such related parties amounted to $7.7 million and repayments amounted to $7.4 million. Loans made by the Company to directors, executive officers or their affiliates were made in the ordinary course of business, on substantially the same terms, including interest rates and collateralization, as those prevailing at the time for comparable transactions with other persons or entities. See also Notes 7 and 12 for additional related party disclosures.

(6) Premises and Equipment

A summary of premises and equipment at December 31 is as follows:

	2009	2008
	($ in thousands)	
Leasehold improvements	$ 914	$ 1,141
Furniture and equipment	951	987
Data processing equipment, including software	1,316	1,302
Total	3,181	3,430
Accumulated depreciation and amortization	(2,306)	(2,299)
Premises and equipment, net	$ 875	$ 1,131

Depreciation and amortization expense was $220,000 and $238,000 for the years ended December 31, 2009 and 2008, respectively.

(7) Deposits

A summary of time deposit maturities at December 31, 2009 is as follows:

	$100,000 and Over	Other Time Deposits
	($ in thousands)	
Years ending December 31:		
2010	$ 31,561	$ 17,523
2011	9,270	6,567
2012	1,995	2,080
2013	3,939	810
2014	3,351	2,894
Thereafter	200	—
Totals	$ 50,316	$ 29,874

At December 31, 2009, deposits from directors, executive officers or their affiliates totaled approximately $10.9 million. Deposits with directors, executive officers or their affiliates were accepted in the ordinary course of business, on substantially the same terms, including interest rates, as those prevailing at the time for comparable transactions with other persons or entities. See also Notes 5 and 12 for additional related party disclosures.

(8) Borrowings

The following is a summary of borrowings at December 31:

		2009		2008
		($ in thousands)		
FHLB overnight line of credit (variable rate)	$	—	$	5,840
Repurchase agreements (variable rate)		5,761		4,007
FHLB advances (fixed rate)		35,676		28,657
Total borrowings	$	41,437	$	38,504

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The following table sets forth certain information with respect to short-term lines of credit and repurchase agreements at and for the years indicated:

	2009		2008	
	($ in thousands)			
Short-Term Lines of Credit				
Balance at end of year	$ —		$ 5,840	
Maximum month-end balance	5,800		13,320	
Average balance during the year	1,279		2,400	
Weighted-average interest rate at end of year	—		0.44	%
Weighted-average interest rate during the year	0.47	%	1.82	%
Repurchase Agreements				
Balance at end of year	$ 5,761		$ 4,007	
Maximum month-end balance	5,761		6,182	
Average balance during the year	4,187		2,960	
Weighted-average interest rate at end of year	0.33	%	0.34	%
Weighted-average interest rate during the year	0.31	%	1.45	%

At December 31, 2009, the fair value of securities pledged under repurchase agreements totaled $9.7 million.

Certain of the Company's FHLB advances at December 31, 2009 are callable by the FHLB at one or more dates in the future. If an advance is called by the FHLB, the Company has the option to replace the called advance with a new advance at market terms or to repay the advance. The following table sets forth the contractual maturities of all FHLB advances and the amounts callable at the next call date for the callable FHLB advances at December 31, 2009:

	Contractual Maturity	Weighted-Average Rate	Next Call Date	Weighted-Average Rate
	($ in thousands)			
Years ending December 31:				
2010	$ 4,464	2.20 %	$ 14,000	3.45 %
2011	5,462	3.97	1,000	2.90
2012	7,250	3.51	—	—
2013	3,750	3.06	—	—
2014	5,750	3.63	—	—
Thereafter	9,000	3.38	—	—
Total fixed rate FHLB advances	$ 35,676	3.35 %	$ 15,000	3.41 %

At December 31, 2009, the Bank had available short-term lines of credit of $50.0 million with the FHLB, subject to the amount of available collateral. At December 31, 2009, there were no amounts outstanding against these lines of credit with the FHLB. All borrowings with the FHLB, including short-term lines of credit and longer-term advances, must be collateralized by securities, qualifying loans and/or FHLB stock under a blanket

pledge agreement with the FHLB. Based on the amount of specific collateral pledged, the Bank could have borrowed a maximum of $48.2 million from the FHLB as of December 31, 2009, of which $35.7 million was outstanding.

The Bank also has a $3.0 million unsecured line of credit available with a correspondent financial institution. The Holding Company has a $5.0 million secured line of credit available with a different financial institution. The Holding Company's line of credit is collateralized by its ownership in the Bank's stock. There were no advances outstanding on either of these lines of credit at December 31, 2009.

(9) Regulatory Matters

Regulations require banks to maintain a minimum leverage ratio of Tier 1 capital to total adjusted quarterly average assets of 4.0%, and minimum ratios of Tier 1 capital and total capital to risk-weighted assets of 4.0% and 8.0%, respectively.

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Under their prompt corrective action regulations, regulatory authorities are required to take certain supervisory actions (and may take additional discretionary actions) with respect to an undercapitalized institution. Such actions could have a direct material effect on an institution's financial statements. The regulations establish a framework for the classification of banks into five categories: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Generally, an institution is considered well-capitalized if it has a Tier 1 capital ratio of at least 5.0% (based on total adjusted quarterly average assets); a Tier 1 risk-based capital ratio of at least 6.0%; and a total risk-based capital ratio of at least 10.0%.

The foregoing capital ratios are based in part on specific quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the regulatory authorities about capital components, risk weightings and other factors.

As of December 31, 2009 and 2008, the Bank met the capital adequacy requirements noted above. Further, as of December 31, 2009, the Bank was categorized as a well-capitalized institution under the prompt corrective action regulations.

The following is a summary of actual capital amounts and ratios as of December 31, 2009 and 2008 for the Bank, compared to the standard requirements for minimum capital adequacy and for classification as well-capitalized.

			Required Amounts and Ratios			
	Actual Capital		Minimum Capital Adequacy		Classification as Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	($ in thousands)					
As of December 31, 2009:						
Tier 1 Capital (to Average Adjusted Total Assets)	$ 21,156	7.62 %	$ 11,099	4.00 %	$ 13,874	5.00 %
Tier 1 Capital (to Risk-Weighted Assets)	21,156	10.81 %	7,832	4.00 %	11,748	6.00 %
Total Capital (to Risk-Weighted Assets)	23,269	11.88 %	15,664	8.00 %	19,580	10.00 %
As of December 31, 2008:						
Tier 1 Capital (to Average Adjusted Total Assets)	$ 20,302	8.41 %	$ 9,658	4.00 %	$ 12,072	5.00 %
Tier 1 Capital (to Risk-Weighted Assets)	20,302	10.06 %	8,072	4.00 %	12,108	6.00 %

Total Capital (to Risk-Weighted Assets)	22,232	11.02 %	16,144	8.00 %	20,180	10.00 %

The ability of the Bank to pay dividends to the Holding Company is subject to various restrictions. Under New York State Banking Law, dividends may be declared and paid only from the Bank's net profits, as defined. The approval of the Superintendent of Banks of the State of New York (the "Superintendent") is required if the total of all dividends declared in any year will exceed the net profit for that year plus the retained net profits of the preceding two years. As of December 31, 2009, the Bank could have paid approximately $2.2 million in dividends to the Holding Company without the prior approval of the Superintendent.

In February 2006, the Federal Reserve Board (the "Board") approved a final rule that expands the definition of a small bank holding company ("SBHC") under the Board's Small Bank Holding Company Policy Statement (the "Policy Statement") and the Board's leverage and risk-based capital guidelines for bank holding companies. In its revisions to the Policy Statement, the Board raised the SBHC asset size threshold from $150 million to $500 million and amended the related qualitative criteria for determining eligibility as a SBHC for the purposes of the Policy Statement and the capital guidelines. The Policy Statement permits debt levels at SBHCs that are higher than what would typically be permitted for larger bank holding companies. Because SBHCs may, consistent with the Policy Statement, operate at a level of leverage that generally is inconsistent with the capital guidelines, the capital guidelines provide an exemption for SBHCs. Based on the eligibility criteria specified in the Policy Statement, management believes that the Holding Company currently qualifies as a SBHC and is exempt from the regulatory capital requirements administered by the federal banking agencies.

(10) Stock-Based Compensation and Employee Benefit Plans

Stock-Based Compensation
As of December 31, 2009, the Company has the following stock-based compensation plans which have been approved by the stockholders: the Fort Orange Financial Corp. 2007 Stock-Based Incentive Plan (the "FOFC 2007 Plan"); the 1996 Stock Option Plan for Key Employees (the "1996 Employee Plan"); the 1997 Stock Option Plan for Key Employees (the "1997 Employee Plan"); the 1996 Stock Option Plan for Non-Employee Directors (the "1996 Director Plan"); and the Stock Unit Plan for non-employee directors (the "Stock Unit Plan") (collectively, the "Stock Compensation Plans").

The total compensation cost that was charged against income for the Stock Compensation Plans was approximately $93,000 and $96,000 for the years ended December 31, 2009 and 2008, respectively. The total income tax benefit recognized in the consolidated statements of income for stock-based compensation arrangements was approximately $24,000 and $28,000 for the years ended December 31, 2009 and 2008, respectively.

As of December 31, 2009, there were 61,357 shares of authorized common stock reserved for issuance under the 1996 Employee Plan, the 1997 Employee Plan, and the 1996 Director Plan. The Company also has the alternative to fund option exercises under these plans with treasury stock. As of December 31, 2009, there were no shares available for future grant under these three plans. All options granted under these plans were non-qualified stock options. Each option entitles the holder to purchase one share of common stock at an exercise price equal to the estimated fair market value on the date of grant. Options expire ten years following the date of grant. The vesting provisions for options granted under the 1996 Employee Plan and the 1997 Employee Plan were determined by a committee of the Board of Directors at the date of grant. The options granted under the 1996 Director Plan vest over a three year period (40% after year one, 33% after year two, and 27% after year three).

Under the FOFC 2007 Plan, 315,000 shares of authorized common stock are reserved for issuance upon the exercise of stock options or the vesting of restricted stock ("stock awards") (of the 315,000 shares available, no more than 105,000 may be granted in the form of stock awards). The Company also has the alternative to fund the FOFC 2007 Plan with treasury stock. As of December 31, 2009, the Company had 23,704 shares available for future grant under the FOFC 2007 Plan. Options under the FOFC 2007 Plan may be either non-qualified stock options or incentive stock options. Each option entitles the holder to purchase one share of common stock at an exercise price greater than or equal to the estimated fair market value on the date of grant. Options expire no later than ten years following the date of grant. The vesting provisions for options and stock awards granted under the FOFC 2007 Plan are determined by a committee of the Board of Directors at the date of grant.

The vesting of all stock options and stock awards is immediately accelerated in the event of a change-in-control of the Company, as defined in the respective plans.

The primary objective of the Stock Compensation Plans is to enhance the Company's ability to attract and retain highly qualified officers, employees and directors, by providing such persons with stronger incentives to continue to serve the Company and to improve the business results and earnings of the Company.

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A summary of option activity under the Stock Compensation Plans as of December 31, 2009, and changes during the year then ended, is presented below:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value ($ in 000s)
Outstanding at December 31, 2008	308,251	$ 5.98		
Granted	—	—		
Exercised	—	—		
Forfeited, cancelled or expired	(31,342)	5.96		
Outstanding at December 31, 2009	276,909	$ 5.98	7.5	$ —
Exercisable at December 31, 2009	84,523	$ 5.70	5.5	$ —

There were no options exercised during either 2009 or 2008. The total remaining unrecognized compensation cost related to nonvested stock options at December 31, 2009 was approximately $310,000 (subject to actual forfeitures), which will be recognized over a weighted-average period of approximately 4.1 years.

A summary of restricted stock activity as of December 31, 2009, and changes during the year then ended, is presented below:

Restricted Stock	Shares	Weighted-Average Grant Date Fair Value
Nonvested at December 31, 2008	79,800	$ 5.84
Granted	—	—
Vested	(9,826)	6.00
Forfeited or cancelled	(4,006)	5.51
Nonvested at December 31, 2009	65,968	$ 5.84

The total fair value of restricted shares that vested during 2009 and 2008 was $45,000 and $7,000, respectively (calculated as of the vesting date). The total remaining unrecognized compensation cost related to nonvested stock awards at December 31, 2009 was approximately $372,000 (subject to actual forfeitures), which will be recognized over a weighted-average period of approximately 4.0 years.

During the years ended December 31, 2009 and 2008, 5,485 and 6,630 shares, respectively, were earned by directors under the Stock Unit Plan. The weighted-average fair value of the shares earned during the years ended December 31, 2009 and 2008 was $4.52 and $5.47, respectively. As of December 31, 2009, there were 5,485 shares that had been earned under the Stock Unit Plan, but not yet distributed.

401(k) Plan

The Company sponsors a defined contribution 401(k) plan covering substantially all employees meeting certain eligibility requirements. During 2009 and 2008, the Company matched 100% of an eligible employee's pre-tax contributions up to a maximum contribution by the Company of 4% of the employee's annual salary. The amount of 401(k) contribution expense was approximately $65,000 in each of the years ended December 31, 2009 and 2008, respectively.

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(11) Income Taxes

The components of income tax expense for the years ended December 31 are as follows:

	2009	2008
Current tax expense:	($ in thousands)	
Federal	$ 584	$ 453
State	140	105
Deferred tax benefit	(210)	(150)
Total income tax expense	$ 514	$ 408

The following is a reconciliation of the expected income tax expense and the actual income tax expense for the years ended December 31. The expected income tax expense has been computed by applying the statutory federal tax rate of 34% to income before taxes:

	2009	2008
	($ in thousands)	
Tax expense at statutory rates	$ 437	$ 346
State taxes, net of federal benefit	62	51
Other	15	11
Actual income tax expense	$ 514	$ 408

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31 are presented below:

	2009	2008
	($ in thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 660	$ 381
Compensation agreements	51	63
Depreciation	16	79
Other	48	43
Total deferred tax assets	775	566
Deferred tax liabilities:		
Bond discount accretion	—	(1)
Net unrealized gains on securities available for sale	(121)	(172)
Total deferred tax liabilities	(121)	(173)
Net deferred tax asset at end of year	$ 654	$ 393

Based on anticipated future taxable income, management believes it is more likely than not that the Company will realize its net deferred tax assets.

The Company files income tax returns in the U.S. federal jurisdiction and in New York State. With few exceptions, the Company is no longer subject to U.S. federal and New York State examinations by tax authorities for years before 2006. On February 9, 2010, the Company received notice from the Internal Revenue Service that they would be examining the Company's 2007 and 2008 U.S. federal income tax returns.

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Notes to Consolidated Financial Statements

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(12) Related Party Transactions

The Company has had, and may be expected to have in the future, transactions with directors, their immediate families and affiliated companies in which they are principals (commonly referred to as "related parties"). The Company believes that the transactions with the related parties have been conducted on market terms. A summary of non-loan/deposit transactions with related parties during the years ended December 31 is as follows:

	2009	2008
	($ in thousands)	
Occupancy-related	$ 360	$ 212
Advertising and public relations	$ 17	$ 17
Legal services	$ 46	$ 34

In addition, during 2009 and 2008, the Company purchased approximately $3.0 million and $7.0 million, respectively, of loans secured by residential real estate from a mortgage banker in which a director of the Company has an ownership interest. The Company believes the loan purchases were conducted on market terms and conditions. See also Notes 5 and 7 regarding loans to and deposits with related parties.

(13) Commitments and Contingent Liabilities

Off-Balance Sheet Financing and Concentrations of Credit
The Company is a party to certain financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include the Company's commitments to extend credit and unused lines of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated financial statements. The contract amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the commitments to extend credit and unused lines of credit is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making commitments as it does for on-balance sheet instruments.

Unless otherwise noted, the Company does not require collateral or other security to support off-balance sheet financial instruments with credit risk.

Contract amounts of financial instruments that represent credit risk as of December 31 are as follows:

	2009		
	Fixed	Variable	Total
	($ in thousands)		
Commitments to extend credit	$ 4,702	$ 1,320	$ 6,022
Commitments to purchase loans	—	83	83

Unadvanced construction and land loans	928	7,557	8,485
Unused lines of credit	964	28,558	29,522
Standby letters of credit	961	—	961
Total	$ 7,555	$ 37,518	$ 45,073

	2008		
	Fixed	Variable	Total
	($ in thousands)		
Commitments to extend credit	$ 3,288	$ —	$ 3,288
Commitments to purchase loans	133	—	133
Unadvanced construction and land loans	—	12,387	12,387
Unused lines of credit	635	26,516	27,151
Standby letters of credit	280	—	280
Total	$ 4,336	$ 38,903	$ 43,239

Commitments to extend credit, unadvanced construction and land loans and unused lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since certain commitments are expected to expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral, if any, required by the Company upon the extension of credit is based on management's credit evaluation of the customer.

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The Company enters into commitments to purchase residential real estate loans in the normal course of business. These commitments are contingent on a review of the loan files by Company personnel to ensure that the loans meet pre-designated underwriting criteria.

Commitments to extend credit and unused lines of credit may be written on a fixed-rate basis exposing the Company to interest rate risk given the possibility that market rates may change between commitment and actual extension of credit.

Standby letters of credit are conditional commitments issued by the Company to guarantee payment on behalf of a customer and/or guarantee the performance of a customer to a third party. Standby letters of credit generally arise in connection with lending relationships. The credit risk involved in issuing these instruments is essentially the same as that involved in extending loans to customers. Contingent obligations under the standby letters of credit represent the maximum potential future payments the Company could be required to make. Typically, these instruments have terms of twelve months or less and expire unused; therefore, the total amounts do not necessarily represent future cash requirements. Each customer is evaluated individually for creditworthiness under the same underwriting standards used for commitments to extend credit and on-balance sheet instruments. Company policies governing loan collateral apply to standby letters of credit at the time of credit extension. Loan-to-value ratios will generally range from 50% for movable assets, such as inventory, to 100% for liquid assets, such as deposit accounts. The fair value of the Company’s standby letters of credit at December 31, 2009 and 2008 was insignificant.

Concentrations of Credit
The Company conducts the majority of its business in Albany and Saratoga counties and surrounding areas of New York State. A substantial portion of its debtors’ ability to honor their loan contracts is dependent upon economic conditions in these areas.

Leases
The Company leases its branch locations and administrative offices under non-cancelable operating leases. In addition, periodically the Company may lease certain automobiles and office equipment. Total lease payments were $400,000 and $406,000 for the years ended December 31, 2009 and 2008, respectively. The future minimum payments by year and in the aggregate under non-cancelable operating leases as of December 31, 2009 are as follows:

Years ending December 31:		($ in thousands)
2010	$	435
2011		307
2012		269
2013		248
2014		227
Thereafter		400
Total	$	1,886

Reserve Requirement

The Company is required to maintain certain reserves of vault cash and/or deposits with the Federal Reserve Bank. The amount of this reserve requirement was approximately $994,000 at December 31, 2009.

Contingent Liabilities
In the ordinary course of business, there may be various legal proceedings pending against the Company. Based on consultation with outside counsel, management believes that the aggregate exposure, if any, arising from such litigation would not have a material adverse effect on the Company's consolidated financial statements.

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Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(14) Fair Value Measurements and Fair Value of Financial Instruments

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The Company adopted the guidance in the Fair Value Measurements and Disclosures topic of FASB ASC effective January 1, 2008. This guidance defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. The guidance provides a consistent definition of fair value, which focuses on the exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in the valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions. Fair value measurements are not adjusted for transaction costs. The adoption of the guidance in the Fair Value Measurements and Disclosures topic of FASB ASC had no impact on the amounts reported in the consolidated financial statements. The primary effect of adopting this guidance was to expand the required disclosures pertaining to the methods used to determine fair values.

The guidance in the Fair Value Measurements and Disclosures topic of FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the guidance are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

A financial instrument’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following table sets forth the Company’s financial assets and liabilities that are measured at fair value on a recurring basis. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

	Quoted Prices	Significant Other	Significant Unobservable

	Balance	in Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Inputs (Level 3)
		($ in thousands)		
At December 31, 2009:				
Assets:				
Securities available for sale	$ 24,903	$ —	$ 24,903	$ —
At December 31, 2008:				
Assets:				
Securities available for sale	$ 25,813	$ —	$ 25,813	$ —

Fair values for securities are based on quoted market prices or dealer quotes, where available. Where quoted market prices are not available, fair values are based on quoted market prices of comparable instruments with similar characteristics. When necessary, the Company utilizes “matrix” pricing from a third party vendor to determine fair values. Matrix prices are indicative values computed primarily or exclusively using computerized models based on inputs such as Treasury yields, swap rates, spreads, prepayment projections and other assumptions believed to be applicable to the classes of securities being valued.

The fair value guidance also requires disclosure of assets and liabilities measured and recorded at fair value on a nonrecurring basis. In accordance with the provisions of the impaired loan guidance, the Company had impaired loans with a carrying value of approximately $468,000 and $597,000 at December 31, 2009 and 2008, respectively, for which the allocated allowance for loan losses was approximately $185,000 and $241,000, respectively. The Company generally uses the fair value of the underlying collateral to estimate the allowance for loan losses allocated to impaired loans. Fair value is generally determined based upon independent third party appraisals of the collateral, or discounted cash flows based upon the expected proceeds. Based on the valuation techniques used, the fair value measurements for impaired loans are classified as Level 3.

The Company also has the option to measure eligible financial assets, financial liabilities and Company commitments at fair value (i.e., the “fair value option”), on an instrument-by-instrument basis, that are not otherwise permitted to be accounted for at fair value under other accounting standards. The election to use the fair value option is available when an entity first recognizes a financial asset or financial liability or upon entering into a Company commitment. Subsequent changes in fair value must be recorded in earnings. There are also presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The fair value option does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value and does not eliminate disclosure requirements included in other accounting standards. As of December 31, 2009 and 2008, the Company had not elected the fair value option for any eligible items.

The Company is also required to disclose estimated fair values for its financial instruments. The definition of a financial instrument includes many of the assets and liabilities recognized in the Company’s consolidated balance sheet, as well as certain off-balance sheet items.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company’s entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company’s financial instruments, fair value estimates are based on judgments regarding future expected net cash flows, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the disclosed

estimates of fair value.

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

Short-Term Financial Instruments
The fair value of certain financial instruments is estimated to approximate their carrying value because the remaining term to maturity or period to repricing of the financial instrument is less than 90 days. Such financial instruments include cash and cash equivalents, accrued interest receivable and accrued interest payable.

Fort Orange Financial Corp. and Subsidiaries
Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Securities Available for Sale and Securities Held to Maturity
Securities available for sale and securities held to maturity are financial instruments that are usually traded in broad markets. Fair values for securities are based on quoted market prices or dealer quotes, where available. Where quoted market prices are not available, fair values are based on quoted market prices of comparable instruments with similar characteristics. When necessary, the Company utilizes “matrix” pricing from a third party vendor to determine fair values. Matrix prices are indicative values computed primarily or exclusively using computerized models based on observable inputs such as Treasury yields, swap rates, spreads, prepayment projections and other assumptions believed to be applicable to the classes of securities being valued.

Federal Home Loan Bank of New York Stock
The fair value of Federal Home Loan Bank of New York stock is equal to its carrying amount (cost) since there is no readily available market value and the stock cannot be sold, but can be redeemed by the Federal Home Loan Bank of New York at cost.

Loans
For performing variable rate loans that reprice frequently, fair value is assumed to equal the carrying amount. Fair values for performing fixed rate loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms.

Estimated fair value for non-performing loans is based on estimated cash flows discounted using a rate commensurate with the risk associated with the estimated cash flows. Assumptions regarding credit risk, cash flows and discount rates are judgmentally determined using available market information and specific borrower information.

Deposits
The estimated fair value of deposits with no stated maturity, such as non-interest-bearing deposits, NOW accounts, money market accounts and savings accounts, is regarded to be the amount payable on demand (carrying value). The estimated fair value of time deposit accounts is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits with similar remaining maturities. The fair value estimates for deposits do not include the benefit that results from the low-cost funding provided by the deposit liabilities compared with the cost of borrowing funds in the market.

Borrowings
The carrying amounts of repurchase agreements and other short-term borrowings approximate their fair values. Fair values for long-term borrowings (such as Federal Home Loan Bank of New York advances) are estimated using a discounted cash flow approach based on current market rates for similar borrowings.

Management uses its best judgment in estimating the fair value of the Company’s financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates contained herein are not necessarily indicative of the amounts the Company could have realized in an actual sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective year-ends and have not been re-evaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each

year-end.

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The carrying amounts and estimated fair values of financial assets and liabilities as of December 31 were as follows:

	2009		2008	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	($ in thousands)			
Financial assets				
Cash and cash equivalents	$ 56,244	$ 56,244	$ 4,883	$ 4,883
Securities available for sale	24,903	24,903	25,813	25,813
Securities held to maturity	2,719	2,798	3,586	3,614
Federal Home Loan Bank of New York stock	1,883	1,883	1,780	1,780
Net loans receivable	196,462	205,302	209,502	220,772
Accrued interest receivable	1,041	1,041	1,028	1,028
Financial liabilities				
Deposits:				
Demand, NOW, money market and savings accounts	142,068	142,068	99,385	99,385
Time deposits	80,190	81,913	88,216	90,696
Borrowings	41,437	43,087	38,504	40,691
Accrued interest payable	522	522	652	652

The fair value of commitments to extend credit, unused lines of credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate commitments to extend credit and unused lines of credit, fair value also considers the difference between current levels of interest rates and the committed rates. Based upon the estimated fair value of commitments to extend credit, unused lines of credit and standby letters of credit, there are no significant unrealized gains or losses associated with these financial instruments.

(15) Partial Sale of Insurance Claim

In December 2006, the Company sold an undivided interest in a pending fidelity bond insurance claim to an unrelated third party (the “Purchaser”) for $250,000, which was included in non-interest income in the 2006 consolidated statement of income. To the extent that the Company receives any funds as a result of the claim or the related lawsuit against the insurance carrier, the Purchaser will receive the first $250,000, plus interest at an annualized rate of 8%. If the Company receives in excess of $1.0 million as a result of the claim or the related lawsuit, the Purchaser is entitled to an additional payment based on a pre-determined formula. If the Company receives no funds as a result of the claim or the related lawsuit, it has no obligation to the Purchaser. All costs and expenses incurred by the Company in pursuing the claim and the related lawsuit are to be paid by the Company, without offset or deduction from any amounts due to the Purchaser. As of December 31, 2009, the claim remains outstanding.

Unaudited Pro Forma Information Relating to Merger

The following unaudited pro forma condensed combined balance sheet as of September 30, 2010 and the unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2010 and for the year ended December 31, 2009 are based on the historical financial statements of Chemung Financial and Fort Orange after giving effect to the Merger. The Merger will be accounted for using the acquisition method of accounting in accordance with "Accounting Standards 805, Business Combinations" or (AS 805).

The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2010 and for the year end December 31, 2009 give effect to the Merger as of the beginning of all periods presented. The unaudited pro forma condensed combined balance sheet as of September 30, 2010 assumed that the Merger took place on September 30, 2010.

The unaudited condensed combined balance sheet and statement of operations as of and for the nine months ended September 30, 2010 were derived from Chemung Financial's unaudited condensed financial statements and Fort Orange's unaudited condensed financial statements as of and for the nine months ended September 30, 2010. The unaudited condensed statement of operations for the year ended December 31, 2009 was derived from Chemung Financial's and Fort Orange's audited statement of operations for the year ended December 31, 2009.

The value of Chemung Financial common stock issued in connection with the Merger will be based on the closing price, as defined in the Merger Agreement, of Chemung Financial common stock on the date the Merger is completed. For purposes of the pro forma financial information, the fair value of Chemung Financial common stock was based on its October 14, 2010 closing price of $21.50 per share, which is the day prior to the Merger announcement.

The unaudited pro forma condensed combined financial statements reflect management's best estimate of the fair value of the tangible and intangible assets acquired and liabilities assumed. As final valuations are performed, increases or decreases in the fair value of assets acquired and liabilities assumed will result in adjustments, which may be material, to the balance sheet and/or statement of operations.

As required, the unaudited pro forma condensed combined financial statements include adjustments which give effect to the events that are directly attributable to the acquisition, expected to have a continuing impact and are factually supportable. Hence any planned adjustments affecting the balance sheet, statements of operations or changes in common stock outstanding, subsequent to the assumed closing date are not included. Over the next several months it is anticipated that work will continue on preliminary plans to consolidate the operations of Chemung Financial and Fort Orange which we anticipate will result in cost savings not reflected in the unaudited pro forma condensed combined financial statements. For example, the pro forma adjustments do not include any staff reductions or anticipated savings from information technology and professional services redundancies.

The unaudited pro forma condensed combined financial statements are provided for informational purposes only and are subject to a number of uncertainties and assumptions and do not purport to represent what the companies' actual performance or financial position would have been had the acquisition occurred on the dates indicated and does not purport to indicate the financial position or results of operations as of any date or for any future period.

Please refer to the following information in conjunction with the accompanying notes to these pro forma financial statements and the historical financial statements and the accompanying notes thereto and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations Regarding Fort Orange" in this joint proxy statement/prospectus. Chemung Financial's "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the fiscal year ended December 31, 2009, as included in its Annual Report on

Form 10-K for the year ended December 31, 2009, as filed with the SEC on March 15, 2010 is hereby incorporated by reference.

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Explanation of Responses: 96

Chemung Financial Corporation

Unaudited Pro Forma Condensed Combined Balance Sheet
As of September 30, 2010
(In thousands)

	Historical					
	Chemung Financial Corporation & Subsidiaries	Fort Orange Financial Corp. & Subsidiaries	Combined Historical	Pro Forma Adjustments		Combined Pro Forma
Assets						
Cash and due from financial institutions	$ 22,243	$ 3,512	$ 25,755	$		$ 25,755
Interest-bearing deposits in other financial institutions	50,873	31,265	82,138	(723)	(A)	73,776
	—	—	—	(7,618)	(B)	—
Total cash and cash equivalents	73,116	34,777	107,893	(8,341)		99,552
Securities available for sale, at estimated fair value	245,939	34,051	279,990			279,990
Securities held to maturity	8,028	9,057	17,085			17,085
Federal Home Loan Bank and Federal Reserve Bank Stock	3,339	1,697	5,036			5,036
Loans, net of deferred origination fees and costs and unearned income	590,519	189,638	780,157	4,448	(C)	784,605
Allowance for loan losses	(9,660)	(3,151)	(12,811)	3,151	(C)	(9,660)
Loans, net	580,859	186,487	767,346	7,599		774,945
Loans held for sale	586	—	586			586
Premises and equipment	24,059	955	25,014			25,014
Goodwill	9,872	—	9,872	3,157	(D)	13,029
Other intangible assets	4,836	—	4,836	3,290	(E)	8,126
Bank owned life insurance	2,514	—	2,514			2,514
Other assets	19,552	3,848	23,400	(2,410)	(F)	20,990
Total assets	$ 972,700	$ 270,872	$ 1,243,572	$ 3,295		$ 1,246,867
Liabilities and Shareholders' Equity						
Deposits:						
Non-interest bearing	$ 190,125	$ 23,217	$ 213,342	$		$ 213,342
Interest bearing	613,386	186,962	800,348	2,150	(G)	802,498

Total deposits	803,511	210,179	1,013,690	2,150		1,015,840
Securities sold under agreements to repurchase	43,766	13,723	57,489			57,489
Federal Home Loan Bank term advances	20,000	22,799	42,799	2,509	(H)	45,308
Accrued interest payable	894	329	1,223			1,223
Dividends payable	878	—	878			878
Other liabilities	6,358	1,201	7,559	—		7,559
Total liabilities	875,407	248,231	1,123,638	4,659		1,128,297

Chemung Financial Corporation
Unaudited Pro Forma Condensed Combined Balance Sheet
As of September 30, 2010
(In thousands)

	Historical					
	Chemung Financial Corporation & Subsidiaries	Fort Orange Financial Corp. & Subsidiaries	Combined Historical	Pro Forma Adjustments		Combined Pro Forma
Shareholders' Equity						
Common stock	43	375	418	(365)	(I)	53
Additional paid-in capital	22,830	22,380	45,210	(688)	(I)	44,522
Retained earnings	92,241	(281)	91,960	281	(I)	91,816
				(425)	(A)	
Treasury stock	(20,121)	(205)	(20,326)	205	(I)	(20,121)
Accumulated other comprehensive income (loss)	2,300	372	2,672	(372)	(I)	2,300
Total shareholders' equity	97,293	22,641	119,934	(1,364)		118,570
Total liabilities and shareholders' equity	$ 972,700	$ 270,872	$ 1,243,572	$ 3,295		$ 1,246,867
Per Share Data:						
Book value per common share	$ 27.01	$ 6.11				$ 25.70
Tangible book value per common share	$ 22.92	$ 6.11				$ 21.11

Chemung Financial Corporation
Unaudited Pro Forma Condensed Combined Statement of Operations
For the Nine Months Ended September 30, 2010
(In thousands)

	Historical					
	Chemung Financial Corporation & Subsidiaries	Fort Orange Financial Corp. & Subsidiaries	Combined Historical	Pro Forma Adjustments		Combined Pro Forma
Interest income	$ 32,394	$ 10,136	$ 42,530	$ (814)	(C)	$ 41,716
Interest expense	6,421	3,239	9,660	(806)	(G)	8,358
	—	—	—	(627)	(H)	—
		—	—	131	(J)	—
Net interest income	25,973	6,897	32,870	488		33,358
Provision for loan losses	1,125	1,250	2,375	—		2,375
Net interest income after provision for loan losses	24,848	5,647	30,495	488		30,983
Noninterest income	12,907	441	13,348	—		13,348
Noninterest expense	27,544	4,573	32,117	449	(E)	32,566
Income before income taxes	10,211	1,515	11,726	39		11,765
Income tax expense	3,157	585	3,742	15		3,757
Net income	$ 7,054	$ 930	$ 7,984	$ 24		$ 8,008
Pro forma earnings per share:						
Basic	$ 1.96	$ 0.25				$ 1.74
Diluted	$ 1.96	$ 0.25				$ 1.74
Weighted average number of shares outstanding						
Basic	3,604,502	3,710,131		1,009,391		4,613,893
Diluted	3,604,502	3,711,607		1,009,391		4,613,893
Dividends per common share	$ 0.75	$ —				$ 0.75

Chemung Financial Corporation
Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2009
(In thousands)

	Historical					
	Chemung Financial Corporation & Subsidiaries	Fort Orange Financial Corp. & Subsidiaries	Combined Historical	Pro Forma Adjustments		Combined Pro Forma
Interest income	$ 44,490	$ 12,918	$ 57,408	$ (1,085)	(C)	$ 56,323
Interest expense	11,335	5,435	16,770	(1,075)	(G)	15,034
	—	—	—	(836)	(H)	—
	—	—	—	175	(J)	—
Net interest income	33,155	7,483	40,638	651		41,289
Provision for loan losses	2,450	1,405	3,855	—		3,855
Net interest income after provision for loan losses	30,705	6,078	36,783	651		37,434
Noninterest income	15,709	916	16,625	—		16,625
Noninterest expense	39,321	5,710	45,031	598	(E)	45,629
Income before income taxes	7,093	1,284	8,377	53		8,430
Income tax expense	1,860	514	2,374	21		2,395
Net income	$ 5,233	$ 770	$ 6,003	$ 32		$ 6,035
Pro forma earnings per share:						
Basic	$ 1.45	$ 0.21				$ 1.31
Diluted	$ 1.45	$ 0.21				$ 1.31
Weighted average number of shares outstanding						
Basic	3,603,129	3,714,709		1,009,391		4,612,520
Diluted	3,603,129	3,715,643		1,009,391		4,612,520
Dividends per common share	$ 1.00	$ —				$ $ 1.00

Notes to Unaudited Condensed Combined Pro Forma Financial Statements

Description of the Merger and Basis of Preparation.

The Merger.

On October 14, 2010, Chemung Financial Corporation ("Chemung Financial") entered into an Agreement and Plan of Merger ("Merger Agreement") to acquire Fort Orange Financial Corp. ("Fort Orange" or "FOFC") in a stock and cash transaction. If the Merger Agreement is approved and the merger is subsequently completed, Fort Orange will merge with and into Chemung Financial and cease to exist (the "Merger").

If the Merger Agreement is approved and the Merger is subsequently completed, the holders of Fort Orange common stock will be given the opportunity to receive, for their shares of Fort Orange common stock: (i) all cash in the amount of $7.50 per share, without interest ("Cash Consideration"); (ii) all Chemung Financial common stock, at an exchange ratio of 0.3571 of a share of Chemung Financial common stock for each share of Fort Orange common stock ("Stock Consideration") or (iii) a mix of Cash Consideration for 25% of their shares and Stock Consideration for 75% of their shares. The exchange ratio of 0.3571 share of Chemung Financial stock for one share of Fort Orange stock is subject to downward adjustment if the Chemung Financial common stock Closing Price at the time the Merger is completed exceeds $25.20 per share. In addition, the Cash Consideration of $7.50 per share and the Stock Consideration exchange ratio of 0.3571 are each subject to downward adjustment on a sliding scale as described in the Merger Agreement if the delinquent loans in the Fort Orange loan portfolio increase prior to completion of the Merger.

The total consideration to be paid by Chemung Financial for the Merger is subject to the requirement that 25% of the Fort Orange common stock be acquired for the Cash Consideration and that 75% be acquired for the Stock Consideration. This may cause Fort Orange Shareholders who elect either only Cash Consideration or only Stock Consideration for their shares to receive a mix of the two on a prorated basis in accordance with allocation provisions in the Merger Agreement.

The value of the Stock Consideration will fluctuate with the market price of Chemung Financial common stock. Based on the closing price of Chemung Financial common stock, as reported by the Over-the-Counter Bulletin Board (the "OTCBB"), on October 14, 2010, the last trading day before public announcement of the Merger Agreement, the aggregate value of the Stock Consideration and Cash Consideration represented approximately $7.63 in value for each share of Fort Orange common stock. You should obtain current stock price quotations for Chemung Financial and Fort Orange common stock. Chemung Financial common stock trades over-the-counter on the OTCBB under the symbol "CHMG.OB" and Fort Orange common stock trades over-the-counter on Pinksheets.com under the symbol "FOFC".

These pro forma financial statements are prepared based on the assumption that the consideration will be paid 75% in Chemung Financial common shares and 25% cash. Additional transaction costs to be incurred in the Merger are assumed to be $425 thousand for Chemung Financial. These costs are associated with legal, accounting, and due diligence fees directly related to the Merger and are not expected to have a continuing impact on operations and therefore have not been included in the unaudited condensed combined pro forma statement of operations. In connection with the Merger, Chemung Financial and Fort Orange have begun to further develop their preliminary plans to consolidate the operations of Chemung Financial and Fort Orange. Over the next several months, the specific details of these plans will be refined. Chemung Financial and Fort Orange are currently in the process of assessing the two companies' personnel, benefit plans, premises, equipment, computer systems and service contracts to determine where the company may take advantage of redundancies or where it will be beneficial or necessary to convert to one system. Certain decisions arising from these assessments may involve canceling contracts between either Chemung Financial and Fort Orange and certain service providers. The costs associated with such decisions will be recorded as

expense as incurred and have not been included in the pro forma adjustments to the unaudited pro forma condensed combined statement of operations.

Basis of Presentation.

The unaudited pro forma condensed combined financial statements have been prepared based on Chemung Financial's and Fort Orange's historical financial information. Certain disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted as permitted by SEC rules and regulations.

These unaudited pro forma condensed combined financial statements are not necessarily indicative of the results of operations that would have been achieved had the Merger actually taken place at the dates indicated and do not purport to be indicative of future financial condition or operating results.

The unaudited pro forma condensed combined financial statements give effect to the proposed Merger as if the Merger occurred on September 30, 2010 with respect to the balance sheet, and on January 1, 2010 and January 1, 2009 with respect to the statements of operations for the nine months ended September 30, 2010 and the year ended December 31, 2009, respectively. The unaudited pro forma condensed combined financial statements were prepared with Chemung Financial treated as the acquirer and Fort Orange as the acquiree under the acquisition method of accounting. Accordingly, the consideration paid by Chemung Financial to complete the Merger will be allocated to Fort Orange's assets and liabilities based upon their estimated fair values as of the date of completion of the Merger. The allocation is dependent upon certain valuations and other studies that have not been finalized at the time of the Merger announcement; however, preliminary valuations based on the fair value of the acquired assets and liabilities have been estimated and included in the unaudited pro forma condensed combined financial statements. At the time of closing the Merger, the allocation process will have progressed to a stage where there will be sufficient information to make a definitive allocation. As such, the fair values of Fort Orange's assets and liabilities will be finalized based upon their relative fair values as of the closing date. There can be no assurance that the final determination will not result in material changes.

Acquisition Method.

The unaudited pro forma condensed combined financial statements reflect the accounting for the transaction under the acquisition method in accordance with AS 805. Under the acquisition method, the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values, with any excess of the purchase price over the estimated fair value of the identifiable net assets acquired recorded as goodwill.

Chemung Financial will obtain a third party valuation for the assets acquired and liabilities assumed, and will refine fair value estimates when the valuation is completed as of the closing date. As a result of this acquisition, Chemung Financial will pay a premium in the transaction. Chemung Financial believes the premium to acquire Fort Orange is warranted as it allows Chemung Financial to gain market share and acquire loans and core deposits and franchise value while avoiding many of the costs associated with aggressive marketing, promotional pricing efforts, and de novo branching.

In accordance with AS 805, Chemung Financial will not recognize a separate loan loss reserve valuation allowance as of the acquisition date for the loans acquired. Instead, the loans are measured at their estimated acquisition date fair values and the effects of uncertainty about future cash flows are included in the fair value measure.

The total estimated purchase price of for the purpose of this pro forma financial information is $29.3 million. The following table provides the calculation and allocation of the purchase price used in the pro forma financial statements and a reconcilement of pro forma shares to be outstanding:

Summary of Purchase Price Calculation and Goodwill Resulting from Merger
And Reconciliation of Pro Forma Shares Outstanding at September 30, 2010

(Dollar amounts in thousands, except per share data)					September 30, 2010
Purchase Price Consideration - Common Stock					
Total Fort Orange shares outstanding	3,701,064				
Directors' deferred stock units	5,516				
Restricted stock shares (vest with change in control)	62,265				
Total Fort Orange shares		3,768,845			
Percentage of cash consideration		25	%		
Fort Orange shares exchanged for cash		942,211			
Purchase price per Fort Orange common share		$ 7.50			
Purchase price assigned to shares exchanged for cash				$	7,067
Total Fort Orange shares		3,768,845			
Percentage of stock consideration		75	%		
Fort Orange shares exchanged for stock		2,826,634			
Exchange ratio		0.3571			
Chemung Financial shares to be issued to Fort Orange shareholders		1,009,391			
Purchase price per Chemung Financial common share		$ 21.50			
					21,702
Total Fort Orange stock options to be settled for cash		285,711			
Purchase price per Fort Orange common share	$ 7.63				
Weighted average exercise price	$ 5.70				
Difference		$ 1.93			
Total payout related to outstanding stock options					551
Total purchase price				$	29,320
Net Assets Acquired:					
Fort Orange shareholders' equity		22,641			
Less: Fort Orange's goodwill and core deposit intangible		—			
		22,641			
Fort Orange transaction expenses prior to closing		(298	)		
Estimated adjustments to reflect assets acquired at fair value:					
Loans		4,448			
Allowance for loan losses		3,151			

Other intangible assets	3,290		
Deferred tax assets	(2,410)		
Estimated adjustments to reflect liabilities acquired at fair value:			
Time deposits	(2,150)		
Borrowings	(2,509)		
			26,163
Goodwill resulting from merger		$	3,157

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Reconcilement of Pro Forma Shares Outstanding		
Total Fort Orange shares	3,768,845	
Percentage of stock consideration	75	%
Fort Orange shares exchanged for stock	2,826,634	
Exchange ratio	0.3571	
Chemung Financial shares to be issued to Fort Orange shareholders	1,009,391	
Chemung Financial shares outstanding	3,602,635	
Pro Forma Chemung Financial shares outstanding	4,612,026	
Pro Forma % ownership by Fort Orange	22	%
Pro Forma % ownership by Chemung Financial	78	%

Pro Forma Adjustments and Assumptions.

A) Adjustment to reflect payment of various non-recurring items directly attributable to the closing of the transaction.

B) Adjustment to reflect the cash consideration paid out to Fort Orange shareholders who elected the Cash Consideration option and for stock options to be cashed out.

C) Adjustments to reflect the fair value of loans include:

Adjustment of $4.448 million to reflect fair values of loans based on current interest rates of similar loans and on the credit quality of the loan portfolio. The credit quality component was based on an analysis of the loan portfolio to identify loans which evidenced deterioration of credit quality since origination and which it was determined that it was probable, at acquisition, that the collection of all contractually required payments receivable would not be possible. The portion of the adjustment based on current interest rates will be recognized using a level yield method over the estimated life of the loans of seven years. This adjustment is expected to decrease pro forma pre-tax interest income by $1.085 million in the first full year following consummation.

Adjustment of $3.151 million to reflect the removal of the allowance for loan losses in connection with applying acquisition accounting under AS 805.

D) Adjustment to reflect the pro forma goodwill of $3.157 million, representing the excess of the purchase price over the fair value of net assets to be acquired.

E) Adjustment of $3.290 million to core deposit intangible to reflect the fair value of this asset and the related amortization adjustment based upon an expected life of ten years and using a level yield method. The amortization of the core deposit intangible is expected to increase pro forma pre-tax non-interest expense by $598 thousand in the first full year following consummation.

F) Adjustment to reflect the net deferred tax at a blended federal and state rate of 38.686% related to fair value adjustments on the balance sheet. It is noted that a tax benefit was not taken for certain Merger obligations and costs that were considered to be not tax deductible.

G) Adjustment of $2.150 million to reflect the fair values of interest-bearing time deposit liabilities based on current interest rates for similar instruments. This purchase price discount will be accreted as a reduction to interest expense using a level yield method over the estimated life of three years. This adjustment is expected to decrease pro forma

pre-tax interest expense by $1.075 million in the first full year following consummation.

H) Adjustment of $2.509 million to reflect the fair values of long-term debt which consists of FHLB advances at various terms and maturities. This purchase price discount will be accreted to income using a level yield method over the estimated life of three years. This adjustment is expected to decrease pro forma pre-tax interest expense by $836 thousand in the first full year following consummation.

I) Adjustments to reflect the issuance of common shares of Chemung Financial common stock with a par value of $0.01 per share in connection with the Merger and the elimination of Fort Orange equity accounts.

J) Adjustment to reflect the pro forma interest cost associated with funding the proposed transaction at 2.25%.

Comparative Pro Forma Per Share Data

	As of/For the Nine Months Ended September 30, 2010	As of/For the Year Ended December 31, 2009
Earning per common share:		
Basic		
Chemung Financial historical	$ 1.96	$ 1.45
Fort Orange historical	0.25	0.21
Pro forma combined	1.74	1.31
Pro forma equivalent of one Fort Orange common share	0.62	0.47
Diluted		
Chemung Financial historical	$ 1.96	$ 1.45
Fort Orange historical	0.25	0.21
Pro forma combined	1.74	1.31
Pro forma equivalent of one Fort Orange common share	0.62	0.47
Cash Dividends declared per common share:		
Chemung Financial historical	$ 0.75	$ 1.00
Fort Orange historical	—	—
Pro forma combined	0.75	1.00
Pro forma equivalent of one Fort Orange common share	0.27	0.36
Shareholders’ equity per common share:		
Chemung Financial historical	$ 27.01	$ 24.97
Fort Orange historical	6.11	5.80
Pro forma combined	25.70	23.83
Pro forma equivalent of one Fort Orange common share	9.18	8.51

Comparison of Shareholder Rights

Fort Orange is incorporated under the laws of the State of Delaware and Chemung Financial is incorporated under the laws of the State of New York. Upon completion of the Merger, the certificate of incorporation and bylaws of Chemung Financial in effect immediately prior to the Effective Time will be the certificate of incorporation and bylaws of the combined company. Consequently, the rights of Fort Orange shareholders who receive shares of Chemung Financial common stock as a result of the Merger will be governed by New York law, Chemung Financial's certificate of incorporation and Chemung Financial's bylaws. The following discussion summarizes certain material differences between the rights of holders of Fort Orange common stock and Chemung Financial common stock resulting from the differences in their governing documents and Delaware and New York law.

This discussion does not purport to be a complete statement of the rights of holders of Chemung Financial common stock under applicable New York law, Chemung Financial's certificate of incorporation and Chemung Financial's bylaws or the rights of holders of Fort Orange common stock under applicable Delaware law, Fort Orange's amended and restated certificate of incorporation, which we refer to as the certificate of incorporation of Fort Orange, and Fort Orange's bylaws and is qualified in its entirety by reference to the governing corporate documents of Chemung Financial and Fort Orange and applicable law. See "Where You Can Find More Information" beginning on page 1.

Board of Directors.

Fort Orange. The DGCL provides that the board of directors of a Delaware corporation must consist of one or more directors. The certificate of incorporation or bylaws of a corporation may fix the number of directors. Fort Orange's certificate of incorporation provides that the number of directors shall be no less than three (3) nor more than twenty (20). Fort Orange currently has seven (7) directors. Fort Orange's board of directors is divided into three classes, with each class comprising as near as possible to one-third of the total number of directors. One class is elected at each annual meeting for a three-year term.

Chemung Financial. New York law states that the board of directors must consist of one or more directors. The number of directors constituting the board may be fixed by the bylaws, or by action of the shareholders or of the board under the specific provisions of a bylaw adopted by the shareholders. Chemung Financial's current bylaws provide that the board of directors shall consist of fifteen (15) members. If the Merger is completed, Chemung Financial's board will be increased to seventeen (17) directors pursuant to the Merger Agreement. Chemung Financial's board of directors is divided into three classes, which shall be nearly as equal in number as possible. One class is elected at each annual meeting for a three-year term.

Removal of Directors.

Fort Orange. As described above under "Board of Directors," Fort Orange has a classified board of directors. Under the DGCL, unless the certificate of incorporation provides otherwise, in a corporation with a classified board of directors any director or the entire board of directors may be removed only for cause and by the holders of a majority of the shares then entitled to vote at an election of directors. Fort Orange's certificate of incorporation provides that a director may be removed prior to the expiration of his or her term only for cause and only upon the affirmative vote of at least 75% of the outstanding shares of voting stock. No director can be removed without cause.

Chemung Financial. As described above under "Board of Directors," Chemung Financial has a classified board of directors. New York law states that, subject to certain conditions, any or all of the directors may be removed for cause by vote of the shareholders, and, if the certificate of incorporation or the specific provisions of a bylaw adopted by the shareholders so provides, directors may be removed by action of the board of directors. Both the certificate of incorporation and the bylaws of Chemung Financial provide that any director or the entire board of directors of

Chemung Financial may be removed with or without cause at any time by the affirmative vote of at least 75% of the shares of Chemung Financial common stock outstanding.

Filling Vacancies on the Board of Directors.

Fort Orange. The DGCL and Fort Orange's certificate of incorporation provide that all vacancies, including vacancies resulting from newly created directorships due to an increase in the number of directors, may be filled only by a vote of a majority of directors then holding office, whether or not that number constitutes a quorum. Any director so elected shall serve for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor is elected and qualified.

Chemung Financial. Under New York law, vacancies occurring by reason of removal of directors without cause may be filled by vote of the board. Vacancies occurring on the board of directors by reason of the removal of directors with cause or newly created directorships may be filled only by vote of the shareholders unless the certificate of incorporation or bylaws provide otherwise. Pursuant to the certificate of incorporation and the bylaws of Chemung Financial, vacancies on the board of directors, whether caused by resignation, death, removal or otherwise, shall be filled by majority vote of the remaining directors. Pursuant to New York law, a director elected to fill a vacancy, unless elected by the shareholders, shall hold office until the next meeting of shareholders at which the election of directors is in the regular order of business, and until such director's successor has been elected and qualified.

Amendment of Certificate of Incorporation.

Fort Orange. Fort Orange's certificate of incorporation provides generally that any alteration, amendment, repeal or rescission of any provision of the certificate of incorporation may be made pursuant to the DGCL by the affirmative vote of a majority of the total votes eligible to be cast by the holders of all outstanding shares of capital stock entitled to vote thereon; provided, that any alteration, amendment, repeal or rescission of any provision of Article VII (Preemptive Rights), Article VIII (Cumulative Voting; Meetings of Shareholders), Article IX (Directors), Article X (Removal of Directors), Article XI (Certain Limitations on Voting Rights), Article XII (Approval of Business Combinations), Article XIII (Evaluation of Offers), Article XIV (Elimination of Directors' Liability), Article XV (Indemnification), Article XVI (Amendment of Bylaws) or Article XVII (Amendment of Certificate of Incorporation) require the affirmative vote of not less than 75% of the outstanding shares of Fort Orange common stock.

Chemung Financial. Under New York law, subject to limited exceptions, amendments to the certificate of incorporation must be approved by a vote of a majority of all outstanding shares entitled to vote on the proposed amendment, except that mergers and consolidations require the affirmative vote of at least 66 2/3% of the outstanding shares entitled to vote. The affirmative vote of at least 75% of the outstanding shares entitled to vote is require to authorize certain business combinations involving a 20% or more shareholder.

In addition, under Chemung Financial's certificate of incorporation, the affirmative vote of at least 75% of the outstanding voting stock is required to amend certain provisions of Chemung Financial's certificate of incorporation governing business combinations and other material transactions with a shareholder owning 10% or more of the outstanding voting stock of Chemung Financial and its dissolution at any time, when there is a 10% or more shareholder.

Amendment of Bylaws.

Fort Orange. Fort Orange's certificate of incorporation provides that the board of directors is authorized to make, alter, amend, rescind or repeal any of the bylaws. In addition, Fort Orange's certificate of incorporation provides that any bylaw may be altered, amended, rescinded or repealed in accordance with the terms of the bylaws by the holders of 75% of the outstanding capital stock.

Chemung Financial. New York law provides that the bylaws of a business corporation may be amended or repealed by a majority of the votes cast by all shares at the time entitled to vote generally in the election of directors; however, if so provided in the certificate of incorporation or a bylaw adopted by the shareholders, bylaws may also be adopted, amended or repealed by the board of directors by such vote as may be therein specified, but any bylaw adopted by the board of directors may be amended or repealed by the shareholders entitled to vote thereon, as described in the preceding sentence.

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Chemung Financial's bylaws provide that the bylaws may be amended, added to or repealed by the board of directors; provided, that any amendment or repeal of the provisions of Article III thereof (Directors) requires the affirmative vote of a majority of the entire board and any amendment or repeal of the provisions of Article VI, Section 1 (Issuance of Shares) requires the affirmative vote of 80% of the entire board. The bylaws may also be amended, added to or repealed by a majority vote of the shareholders entitled to vote generally in the election of directors; provided, that any amendment or repeal of the provisions of Article III thereof requires the affirmative vote of at least 75% of the issued and outstanding stock entitled to vote generally in the election of directors.

Notice of Shareholder Meetings.

Fort Orange. Under the DGCL, written notice of any shareholders' meeting must be given to each shareholder entitled to vote not less than 10 nor more than 60 days prior to the date of the meeting. Fort Orange's bylaws provide that written notice of any shareholders' meeting must be given not less than 10 nor more than 50 days before the meeting date.

Chemung Financial. Under the New York Business Corporation Law ("NYBCL"), written notice of any shareholders' meeting must be given to each shareholder entitled to vote not less than 10 nor more than 60 days before the meeting date; provided, that if notice is given by third class mail, such notice must be given not less than 24 nor more than 60 days prior to the meeting date. Chemung Financial's by laws provide that written notice of shareholders' meetings must be given not less than 10 nor more than 60 days prior to the meeting date.

Right to Call a Special Meeting of Shareholders.

Fort Orange. Under the DGCL, a special meeting of shareholders may be called by (i) the board of directors or (ii) any other person authorized to do so in the certificate of incorporation or the bylaws. Fort Orange's bylaws authorize the calling of a special meeting of shareholders by: (a) the chairman of the board; (b) the president; (c) one-third of the members of the board of directors; (d) a committee designated by the board of directors and delegated the power and authority to call such meetings; or (e) the holders of at least 25% of the outstanding voting shares.

Chemung Financial. Under New York law, a special meeting of shareholders may be called by (i) the person or persons authorized to do so by the certificate of incorporation or bylaws or (ii) the board of directors. Chemung Financial's bylaws authorize the calling of a special meeting of shareholders by the president or a majority of the board of directors.

Shareholder Nominations and Proposals.

Fort Orange. Fort Orange's bylaws require a shareholder who intends to nominate any person for election as director at any annual meeting to give notice to the secretary no less than 60 days prior to the anniversary of the previous annual meeting. Neither Fort Orange's certificate of incorporation nor its bylaws set forth provisions regarding the procedure for the submission of shareholder proposals in advance of shareholder meetings.

Chemung Financial. The bylaws of Chemung Financial require a shareholder who intends to nominate a candidate for election to the board of directors at an annual shareholders' meeting to give not less than 120 days' notice in advance of the mailing of the proxy statement for such annual shareholders' meeting to the secretary. In the event that the nomination is for election at other than an annual meeting, then reasonable notice must be given. This advance notice provision requires a shareholder who wishes to nominate any person for election as a director to provide certain information to Chemung Financial concerning the nominee and the proposing shareholder.

Indemnification of Officers, Directors and Employees.

Fort Orange. Under Section 145 of the DGCL, a corporation may indemnify a director, officer, employee or agent of the corporation (or a person who is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. In the case of an action brought by or in the right of a corporation, the corporation may indemnify a director, officer, employee or agent of the corporation (or a person who is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) against expenses (including attorneys' fees) actually and reasonably incurred by him if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification may be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent a court finds that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses as the court shall deem proper. The indemnification provisions of the DGCL require indemnification of a director or officer who has been successful on the merits in defense of any action, suit or proceeding that he was a party to by virtue of the fact that he is or was a director or officer of the corporation.

The certificate of incorporation of Fort Orange provides that Fort Orange shall indemnify, to the extent permitted therein, any person who is or was, or serves or has served at the request of Fort Orange as, a director officer, employee or agent of Fort Orange against expenses actually and reasonably incurred by such person. This indemnification is conditioned upon the director or officer having acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interest of Fort Orange and, with respect to any criminal proceeding, had no reasonable cause to believe that his or her conduct was unlawful. The certificate of incorporation also provides that Fort Orange shall indemnify any present or former director or officer of Fort Orange to the extent such person has been successful, on the merits or otherwise (including, without limitation, the dismissal of an action without prejudice), in defense of any action, suit or proceeding against all costs, charges and expenses actually and reasonably incurred by such person.

Chemung Financial. Under Section 722 of the NYBCL, a corporation may indemnify its directors and officers made, or threatened to be made, a party to any action or proceeding related to service as a director or officer, except for shareholder derivative suits, if the director or officer acted in good faith and for a purpose that he or she reasonably believed to be in, or, in the case of service to another corporation or enterprise, not opposed to, the best interests of the corporation and, in addition in criminal proceedings, had no reasonable cause to believe his or her conduct was unlawful. In the case of shareholder derivative suits, the corporation may indemnify a director or officer if he or she acted in good faith for a purpose that he or she reasonably believed to be in or, in the case of service to another corporation or enterprise, not opposed to the best interests of the corporation, except that no indemnification may be made in respect of (i) a threatened action, or a pending action that is settled or otherwise disposed of or (ii) any claim, issue or matter as to which such individual has been adjudged to be liable to the corporation, unless, and only to the extent, that the court in which the action was brought or, if no action was brought, any court of competent jurisdiction, determines, upon application, that, in view of all the circumstances of the case, the individual is fairly and reasonably entitled to indemnity for the portion of the settlement amount and expenses as the court deems proper.

Any individual who has been successful on the merits or otherwise in the defense of a civil or criminal action or proceeding will be entitled to indemnification. Except as provided in the preceding sentence, unless ordered by a court pursuant to Section 724 of the NYBCL, any indemnification under the NYBCL as described in the immediately preceding paragraph may be made only if, pursuant to Section 723 of the NYBCL, indemnification is authorized in the specific case and after a finding that the director or officer met the requisite standard of conduct by the disinterested directors if a quorum is available, or, if the quorum so directs or is unavailable, by (i) the board of directors upon the written opinion of independent legal counsel or (ii) the shareholders. Further, New York law permits a corporation to purchase directors and officers liability insurance.

Chemung Financial’s certificate of incorporation provides that any person made or threatened to be made a party to any action or proceeding, whether civil or criminal, by reason of the fact that he is or was a director or officer of Chemung Financial shall be indemnified by Chemung Financial against judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys’ fees actually and necessarily incurred as a result of such action or proceeding, or any appeal therein, to the fullest extent permitted by New York law.

Anti-Takeover Provisions.

Fort Orange. Under the DGCL, a corporation is prohibited from engaging in any business combination with an interested stockholder for a period of three years from the date on which the stockholder first becomes an interested stockholder unless:

> prior to the stockholder becoming an interested stockholder, the board of directors approves the business combination or the transaction in which the stockholder became an interested shareholder;

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upon the completion of the transaction in which the shareholder became an interested stockholder, the interested stockholder owns at least 85% of the voting stock of the corporation other than shares held by directors who are also officers and certain employee stock plans; or

the business combination is approved by the board of directors and by the affirmative vote of two-thirds of the outstanding voting stock not owned by the interested stockholder at a meeting.

The DGCL defines the term "business combination" to include transactions such as mergers, consolidations, transfers of 15% or more of the assets of the corporation or, with certain exceptions, transactions that result in stock of the corporation being issued or transferred to the interested stockholder. The DGCL defines the term "interested stockholder" generally as any person who (together with affiliates and associates) owns (or in certain cases, within the past three years owned) 15% or more of the outstanding voting stock of the corporation. A corporation can expressly elect not to be governed by the DGCL's business combination provisions in its certificate of incorporation or bylaws, but Fort Orange has not done so.

The certificate of incorporation of Fort Orange requires the approval of the holders of 75% of Fort Orange's outstanding shares of voting stock, to approve certain "business combinations" (as defined in Fort Orange's certificate of incorporation) and related transactions with a principal shareholder that would result in Fort Orange or its subsidiaries being merged into or with another corporation, a reorganization of Fort Orange or a sale by Fort Orange of all or a substantial part of its assets, or any reclassification of Fort Orange's securities or adoption of a plan of liquidation nor dissolution when there is a principal shareholder, except in cases where the proposed transaction has been approved in advance by two-thirds of the entire board of directors. The term "principal shareholder" refers to a shareholder who, individually or together with others as part of a group, as described in Rule 13d under the Securities Exchange Act of 1934, as amended (the "Exchange Act") owns or controls at least 10% of the outstanding shares of Fort Orange stock. In addition, Fort Orange's certificate of incorporation restricts a shareholder's ability to vote any shares held in excess of 10% of the total outstanding shares of Fort Orange stock.

Chemung Financial. Section 912 of the NYBCL generally provides that a New York corporation may not engage in a business combination with an interested shareholder for a period of five years following the interested shareholder's becoming such. Such a business combination would be permitted where it is approved by the board of directors before the interested shareholder's becoming such. Covered business combinations include certain mergers and consolidations, dispositions of assets or stock, plans for liquidation or dissolution, reclassifications of securities, recapitalizations and similar transactions. An interested shareholder is generally a shareholder owning at least 20% of a corporation's outstanding voting stock. In addition, New York corporations may not engage at any time with any interested shareholder in a business combination other than: (i) a business combination approved by the board of directors before the interested shareholder acquired a 20% or more interest in the corporation, or where the interested shareholder's acquisition of its 20% interest was approved in advance by the board of directors; (ii) a business combination approved by the affirmative vote of the holders of a majority of the outstanding voting stock not beneficially owned by the interested shareholder at a meeting called for that purpose no earlier than five years after the interested shareholder acquired its 20% interest; or (iii) a business combination in which the interested shareholder pays a formula price designed to ensure that all other shareholders receive at least the highest price per share that is paid by the interested shareholder and that meets certain other requirements.

A corporation may opt out of the interested shareholder provisions of Section 912 by expressly electing not to be governed by such provisions in its bylaws, provided, that any such provision must be approved by the affirmative vote of a majority of the outstanding voting stock of such corporation and is subject to further conditions. Chemung Financial's bylaws do not contain any provisions electing not to be governed by Section 912.

Chemung Financial's certificate of incorporation restricts Chemung Financial's ability to enter into certain business combinations or other material transactions with a major shareholder unless: (i) the transaction is approved by the board of directors prior to the major shareholder's becoming a major shareholder; (ii) the major shareholder obtained the approval of 75% of the entire Chemung Financial board of directors as required to become a major shareholder and the transaction is approved by a majority of the board of directors (including their designees) who were on the board prior to the major shareholder's becoming a major shareholder; or (iii) the transaction is approved by a majority of the outstanding voting shares held by shareholders who are not major shareholders. The term "major shareholder" refers to a shareholder who, together with its "affiliates" and "associates" (as defined in Rule 12b-2 under the Securities Act of 1933, as amended (the "Securities Act")) owns 10% or more of the outstanding voting stock of Chemung Financial.

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Shareholder Approval of a Merger.

Fort Orange. Under the DGCL, a merger must be approved by the board of directors and by a majority (unless the certificate of incorporation requires a higher percentage) of the outstanding stock of the corporation entitled to vote. However, no vote of shareholders of a constituent corporation surviving a merger is required (unless the corporation provides otherwise in its certificate of incorporation) if: (i) the merger agreement does not amend such constituent corporation's certificate of incorporation; (ii) each share of stock of such constituent corporation outstanding immediately before the merger is to be an identical outstanding or treasury share of the surviving corporation after the merger; and (iii) the number of shares to be issued by the surviving corporation in the merger does not exceed 20% of the shares of such constituent corporation outstanding immediately before the merger. Fort Orange's certificate of incorporation requires the affirmative vote of 75% of the outstanding shares of Fort Orange stock for approval of certain business combinations with a 10% shareholder, including a merger, consolidation, reorganization or sale of all or a substantial portion of Fort Orange's assets.

Chemung Financial. Under Section 903 of the NYBCL, the consummation by a corporation of a merger or consolidation requires the approval of the board of directors and (i) a majority of the votes of all outstanding shares entitled to vote thereon for corporations in existence on February 22, 1998 where the certificate of incorporation expressly provides therefor, or corporations incorporated after February 22, 1998, and (ii) two-thirds of the votes of all outstanding shares entitled to vote thereon, for all other corporations.

Because Chemung Financial was incorporated prior to February 22, 1998 and its certificate of incorporation does not provide for a majority of the votes to be sufficient for the approval of a merger, the vote of two-thirds of all outstanding shares of Chemung Financial are required for the approval of a merger. Chemung Financial's certificate of incorporation requires the affirmative vote of 75% of the outstanding Chemung Financial stock for approval of certain business combinations with 10% shareholders.

Shareholder Action Without A Meeting.

Fort Orange. Under the DGCL, unless otherwise provided in a corporation's certificate of incorporation, any action that may be taken at a meeting of shareholders may be taken without a meeting, without prior notice and without a vote if the holders of outstanding stock, having not less than the minimum number of votes that would be necessary to authorize such action, consent in writing. The certificate of incorporation of Fort Orange does not address shareholder action by written consent; therefore, most shareholder actions can be taken by less than unanimous written consent.

Chemung Financial. Under New York law, whenever shareholders are required or permitted to take any action by vote, such action may, in lieu of a meeting, be taken by unanimous written consent of holders of all outstanding shares entitled to vote on such action. If the certificate of incorporation so permits, any such action may be taken by written consent of the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Chemung Financial's certificate of incorporation does not address actions by written consent; therefore any such action can be taken only by unanimous written consent.

Dissenters' Rights.

Fort Orange. Under the DGCL, a shareholder of a corporation participating in certain major corporate transactions may, under varying circumstances, be entitled to appraisal rights pursuant to which the shareholder may receive cash in the amount of the fair market value of his or her shares in lieu of the consideration he or she would otherwise receive in the transaction. Unless a corporation's certificate of incorporation provides otherwise, these appraisal rights are not available:

with respect to the sale, lease or exchange of all or substantially all of the assets of the corporation;

with respect to a merger or consolidation by a corporation the shares of which either are listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or are held of record by more than 2,000 holders, if the terms of the merger or consolidation allow the shareholders to receive only shares of the surviving corporation or shares of any other corporation that either are listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or are held of record by more than 2,000 holders, plus cash in lieu of fractional shares; or

to shareholders of the corporation surviving a merger if no vote of the shareholders of the surviving corporation is required to approve the merger and if some other conditions are met.

Chemung Financial. Under New York law, shareholders may, under certain circumstances, exercise a right of dissent from certain limited corporate actions and obtain payment for the fair value of their shares. For example, subject to certain exceptions, dissenters' rights are available under New York law to any shareholder of a constituent corporation in the event of a merger if such shareholder is entitled to vote upon the merger or if the corporation is a subsidiary that is merged with its parent. One of the exceptions under New York law to the general rule described in the preceding sentence, that a shareholder has dissenters' rights with respect to a merger if such shareholder is entitled to vote upon the merger, is that, under New York law, a shareholder does not have dissenters' rights with respect to a merger if, on the record date, the stock held by such shareholder is listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. Neither Chemung Financial's certificate of incorporation nor its bylaws grant any dissenters' rights in addition to the statutorily prescribed rights.

Shareholders who desire to exercise their dissenters' rights must satisfy all of the conditions and requirements set forth in the NYBCL in order to maintain these rights and obtain any payment due in respect of the exercise of these rights.

Dividends.

Fort Orange. Fort Orange can pay dividends out of statutory surplus, or in case there is no such surplus, from net profits if, as and when declared by the board of directors. The holders of Fort Orange common stock will be entitled to receive and share equally in such dividends as may be declared by the board of directors out of funds legally available. If Fort Orange issues preferred stock, the holders of the preferred stock may have a priority over the holders of the common stock with respect to dividends.

Chemung Financial. Under New York law, a corporation may declare and pay dividends or make other distributions, except when the corporation is currently insolvent or would thereby be made insolvent, or when the declaration, payment or distribution would be contrary to any restrictions contained in the certificate of incorporation. Neither Chemung Financial's certificate of incorporation nor Chemung Financial's bylaws address dividends.

Description of Capital Stock of Fort Orange

Fort Orange's certificate of incorporation authorizes 10,000,000 shares of common stock, par value $.10 per share, and 1,000,000 shares of preferred stock, par value $.10 per share. As of February 9, 2011, the most recent practicable trading day before this joint proxy statement/prospectus was finalized, there were 3,742,303 shares of Fort Orange common stock issued, of which 3,702,312 were outstanding and 39,991 were held in treasury.

Description of Capital Stock of Chemung Financial

Chemung Financial is authorized to issue 10,000,000 shares of common stock, par value $0.01 per share. As of February 9, 2011, the most recent practicable trading day before this joint proxy statement/prospectus was finalized, there were 4,300,134 shares of Chemung Financial common stock issued, of which 3, 565,610 were outstanding and 734,524 were held in treasury. Chemung Financial has no authority to issue preferred stock. Each share of Chemung Financial common stock has the same relative rights as, and is identical in all respects with, each other share of common stock.

The common stock of Chemung Financial represents non-withdrawable capital, is not an account of an insurable type, and is not insured by the FDIC or any other government agency.

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Common Stock.

Dividends. Chemung Financial may pay dividends out of statutory surplus or from net earnings if, as and when declared by its board of directors. The payment of dividends by Chemung Financial is subject to limitations that are imposed by law and applicable regulation. The holders of common stock of Chemung Financial will be entitled to receive and share equally in dividends as may be declared by the board of directors of Chemung Financial out of funds legally available therefor.

Voting Rights. The holders of common stock of Chemung Financial have exclusive voting rights in Chemung Financial. They elect Chemung Financial's board of directors and act on other matters as are required to be presented to them under New York law, or as are otherwise presented to them by the board of directors. Generally, each holder of common stock is entitled to one vote per share and will not have any right to cumulate votes in the election of directors.

Liquidation. In the event of liquidation, dissolution or winding up of Chemung Financial, the holders of its common stock would be entitled to receive, after payment or provision for payment of all its debts and liabilities, all of the assets of Chemung Financial available for distribution.

Preemptive Rights. Holders of Chemung Financial common stock will not be entitled to preemptive rights with respect to any shares that may be issued. The common stock is not subject to redemption.

Certificate of Incorporation and Bylaws of Chemung Financial;
Certain Anti-Takeover Restrictions

The following discussion is a general summary of the material provisions of Chemung Financial's certificate of incorporation and bylaws and certain other regulatory provisions that may be deemed to have an "anti-takeover" effect. The following description of certain of these provisions is necessarily general and, with respect to provisions contained in Chemung Financial's certificate of incorporation and bylaws, reference should be made in each case to the document in question.

Chemung Financial's certificate of incorporation and bylaws contain certain provisions relating to corporate governance and rights of shareholders that might discourage future takeover attempts. As a result, shareholders who might desire to participate in such transactions may not have an opportunity to do so. In addition, these provisions will also render the removal of the board of directors or management of Chemung Financial more difficult.

The following description is a summary of the provisions of the certificate of incorporation and bylaws. See "Where You Can Find More Information" as to how to obtain a copy of these documents.

Directors.

The board of directors is divided as evenly as possible into three classes. One class is elected at each annual meeting of shareholders for a term of three years. Thus, it would take at least two annual elections to replace a majority of Chemung Financial's board of directors. Under the bylaws, only shareholders owning at least 1% or $2,000 in market value of shares entitled to vote for at least one year prior to and through the date of the meeting may submit a shareholder proposal for consideration at a shareholders' meeting. Further, the bylaws impose notice and information requirements in connection with the nomination by shareholders of candidates for election to the board of directors or the proposal by shareholders of business to be acted upon at an annual meeting of shareholders.

Restrictions on Call of Special Meetings.

Chemung Financial's bylaws provide that special meetings of shareholders can be called by the board of directors, the chairman of the board or the president. Neither the certificate of incorporation nor the bylaws authorize shareholders to call a special meeting.

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Restrictions on Removing Directors from Office.

The certificate of incorporation provides that directors can be removed with or without cause, but only by the affirmative vote of the holders of at least 75% of the outstanding common stock entitled to vote.

Restrictions on Certain Business Combinations.

The certificate of incorporation restricts Chemung Financial's ability to enter into certain business combinations or other material transactions with a major shareholder unless: (i) the transaction is approved by the board of directors prior to the major shareholder's becoming a major shareholder; (ii) the major shareholder obtained approval of 75% of the entire board of directors to become a major shareholder and the transaction is approved by a majority of the directors (including their designees) who were on the board prior to the major shareholder becoming a major shareholder; or (iii) the transaction is approved by a majority of the outstanding voting shares held by non-interested shareholders. The term "major shareholder" refers to a shareholder who, together with its "affiliates" and "associates" (as defined in Rule 12b-2 under the Securities Act), owns 10% or more of the outstanding voting stock of Chemung Financial or any affiliate or associate of such shareholder.

Amendments to Certificate of Incorporation and Bylaws.

Amendments to Chemung Financial's certificate of incorporation must be approved by Chemung Financial's board of directors and also by a majority of the outstanding shares of Chemung Financial's voting stock; provided, however, that approval by 75% of the outstanding voting stock is generally required to amend any of the following provisions:

provisions fixing the number, qualifications, retirement age or other restrictions with respect to directors;

provisions regarding the removal of directors or the filling of vacancies on the board;

provisions regarding the classes and terms of election of directors;

provisions regarding corporate action without a meeting, committees and compensation of directors;

provisions regarding interested directors; or

provisions regarding restrictions on business combination or similar material transaction with affiliated shareholders.

Chemung Financial's bylaws may be amended by the affirmative vote of at least 80% of the entire board of directors.

Change of Control Regulations.

The Change In Bank Control Act.

The Change in Bank Control Act provides that no person, acting directly or indirectly or through or in concert with one or more other persons, may acquire control of a bank holding company unless the Federal Reserve has been given 60 days prior written notice. For this purpose, the term "control" means the acquisition of the ownership, control or holding of the power to vote 25% or more of any class of a bank holding company's voting stock, and the term "person" includes an individual, corporation, partnership, and various other entities. In addition, an acquiring person is presumed to acquire control if the person acquires the ownership, control or holding of the power to vote of 10% or

more of any class of the holding company's voting stock if (a) the bank holding company's shares are registered pursuant to Section 12 of the Exchange Act or (b) no other person will own, control or hold the power to vote a greater percentage of that class of voting securities. Accordingly, the prior approval of the Federal Reserve would be required before any person could acquire 10% or more of the common stock of Chemung Financial.

The Bank Holding Company Act.

The Bank Holding Company Act provides that no company may acquire control of a bank directly or indirectly without the prior approval of the Federal Reserve. Any company that acquires control of a bank becomes a "bank holding company" subject to registration, examination and regulation by the Federal Reserve. Pursuant to federal regulations, the term "company" is defined to include banks, corporations, partnerships, associations, and certain trusts and other entities, and "control" of a bank is deemed to exist if a company has voting control, directly or indirectly of at least 25% of any class of a bank's voting stock, and may be found to exist if a company controls in any manner the election of a majority of the directors of the bank or has the power to exercise a controlling influence over the management or policies of the bank. In addition, a bank holding company must obtain Federal Reserve approval prior to acquiring voting control of more than 5% of any class of voting stock of a bank or another bank holding company.

The NYBCL.

As previously mentioned, the NYBCL contains provisions that restrict a corporation's ability to enter into business combinations with a holder of 10% or more of the corporation's outstanding voting stock for a period of five (5) years after the shareholder's acquisition of 20% or more of the corporation's voting stock, subject to certain exceptions as set forth in Section 712 of the NYBCL. See, Comparison of Shareholders' Rights – Anti-Takeover Provisions.

Experts

The consolidated financial statements of Chemung Financial incorporated herein by reference to the Annual Report on Form 10-K for the year ended December 31, 2009 have been so incorporated in reliance upon the report of Crowe Horwath LLP, an independent registered public accounting firm, given on the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Fort Orange Financial Corp. and subsidiaries as of December 31, 2009 and 2008, and for each of the two years in the period ended December 31, 2009 included in this joint proxy statement/prospectus have been audited by ParenteBeard LLC, an independent accounting firm, as indicated in their report with respect thereto, and is included herein in reliance upon the authority of said firm as experts in auditing and accounting in giving said report.

Legal Opinions

Hinman, Howard & Kattell, LLP and Hiscock & Barclay, LLP will deliver, at the Effective Time, their opinions to Fort Orange and Chemung Financial, respectively, as to certain matters addressed in the Merger Agreement.

Certain Beneficial Owners of Fort Orange Common Stock

Security Ownership of Certain Beneficial Owners.

To the best knowledge of Fort Orange, there are no beneficial owners of more than 5% of the outstanding shares of Fort Orange common stock as of February 9, 2011, other than those shares held by two (2) Fort Orange directors and its Chairman Emeritus, as described in the table below under "Security Ownership by Management."

Security Ownership by Management.

Direct and indirect ownership of common stock by each of the directors (including the Chairman Emeritus) , each of the named executive officers and by all directors and executive officers as a group is set forth in the following table as of February 9, 2011, together with the percentage of total shares outstanding represented by such ownership. For purposes of this table, beneficial ownership has been determined in accordance with the provisions of Rule 13d-3 under the Exchange Act, under which, in general, a person is deemed to be the beneficial owner of a security if he or she has or shares the power to vote or to direct the voting of the security or the power to dispose or to direct the disposition of the security, or if he or she has the right to acquire the beneficial ownership of the security within 60 days of February 9, 2011.

	Amount and Nature of Beneficial Ownership				
Name of Beneficial Owner	Shares Owned Directly and Indirectly (1)	Options Exercisable Within 60 Days (2)	Director Units Earned (3)	Total Beneficial Ownership	Percent of Class (4)
Directors					
Larry H. Becker (5)	167,657	826	914	169, 397	4.57 %
Peter D. Cureau	179,994	29,215	50	209, 259	5.61 %
Paul G. Kasselman	198,129	826	703	199, 658	5.39 %
Raymond J. Kinley, Jr.	40,720	—	751	41, 471	1.12 %
Eugene M. Sneeringer, Jr.(6)	149,679	826	1,332	151, 837	4.10 %
Edward P. Swyer	180,141	—	713	180, 854	4.88 %
Edward J. Trombly (7) (8)	44,934	—	485	45, 419	1.23 %
Francis H. Trombly, Jr., Chairman Emeritus (8)	204,803	—	433	205,2 36	5.54 %
Named Executive Officers					
Steven J. Owens	42,584	30,318	—	72,902	1. 9 5%
All Directors, including the Chairman Emeritus , and Executive Officers as a group (9 persons)	1,208,641	62,011	5,381	1,276,033	33. 85 %

(1) Includes shares for which the named person has (i) sole voting and investment power or (ii) shared voting and investment power with a spouse. This information has been provided by the directors and executive officers.

(2) Represents shares of stock that can be acquired upon the exercise of stock options within the 60 day period after February 9, 2011.

(3) Represents shares of stock that have been earned by the non-executive directors for board service, but have not yet been issued and distributed to the respective directors.

(4)

Assumes the exercise of outstanding options issued to each director and executive officer, and the inclusion of any director units earned but not yet distributed.

(5) Includes 139,550 shares beneficially owned by Mr. Becker that are held in the name of two other entities of which Mr. Becker is a 50% owner.

(6) Includes 26,581 shares owned by Mr. Sneeringer's spouse and 3,307 shares owned by Mr. Sneeringer's adult child, as to which Mr. Sneeringer disclaims beneficial ownership.

(7) Includes 31,500 shares held in a personal trust for which Mr. Trombly is the sole trustee.

(8) Francis H. Trombly, Jr. and Edward J. Trombly are brothers. Mr. Francis H. Trombly, Jr., as Chairman Emeritus, attends most board meetings and receives director units as compensation for his attendance, but does not have the ability to vote

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Executive and Director Compensation - Chemung Financial

The following tables summarize compensation information paid or earned by the current named executive officers ("NEOs") and/or directors of Chemung Financial and Chemung Canal for the fiscal year ended December 31, 2010. Except for salary, the compensation numbers provided in the Summary Compensation Table are preliminary and may be subject to adjustment upon completion of a full review by the Compensation and Personnel Committee of the Board of Directors of Chemung Financial. Adjusted numbers, if any, and a complete analysis of all compensation paid to NEOs and directors for the fiscal year ended December 31, 2010 will be disclosed in a subsequent Form 8-K filing, which Chemung Financial anticipates will be filed on or about February 28, 2011. The Form 8-K will also fully describe material changes, if any, to Chemung Financial's qualified and non-qualified retirement plans and to any contract or agreement with a NEO that provides for a payment upon termination of service or following a change in control.

Summary Compensation Table

Name and Principal Position	Year	Salary (1)	Bonus (1)	Stock Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value (4)	All Other Compensation (5)	Total
Ronald M. Bentley President & Chief Executive Officer	2010	$ 376,077	$ 95,000	$ 71,531 (2)	$ 18,850	$ 64,260	$ 21,515	$ 647,233
John R. Battersby Jr. Executive Vice President CFO & Treasurer	2010	$ 154,327	$ 35,000	$ 20,000 (3)		$ 83,776	$ 17,318	$ 310,421
James E. Corey III Executive Vice President	2010	$ 166,923	$ 30,000			$ 99,541	$ 6,862	$ 303,236
Melinda A. Sartori Executive Vice President	2010	$ 149,183	$ 25,000	$ 15,000 (3)		$ 47,623	$ 13,906	$ 250,712

Richard G. Carr Senior Vice President	2010	$ 130,154	$ 30,000	$ 15,000 (3)	$ 39,382	$ 15,846	$ 230,745

(1) The amounts shown for salary and bonus represent amounts earned in 2010.

(2) The awards to Mr. Bentley were fully vested upon grant and reflect the grant date fair value computed in accordance with FASB ASC Topic 718. The 2010 stock awards granted to Mr. Bentley include director fees in the amount of $16,531. See the table below captioned “Grants of Plan-Based Awards.”

(3) The amounts shown for Mr. Battersby, Mrs. Sartori and Mr. Carr represent shares granted under the Restricted Stock Plan, effective June 16, 2010, and reflect the grant date fair value computed in accordance with FASB ASC Topic 718. Twenty percent of the restricted stock awarded vests each year commencing with the first anniversary date of the award and is 100 percent vested on the fifth anniversary date.

(4) The amounts shown represent the aggregate change, from December 31, 2009 to December 31, 2010, in the present value of the named executive officers’ accumulated pension benefit from the Chemung Canal Trust Company Pension Plan and, for Mr. Bentley, from the Chemung Canal Trust Company Executive Supplemental Retirement Plan.

(5) Amounts shown include matching contributions made by Chemung Canal to the 401(k) Plan, dividends paid on restricted stock and perquisites, such as car and club memberships. The NEOs participate in certain group health, life, disability and medical reimbursement plans, not disclosed in the Summary Compensation Table, that are generally available to salaried employees and do not discriminate in scope, terms and operation. See the table below captioned “All Other Compensation Table.”

All Other Compensation Table

Name	401(k) Match	Dividends on Restricted Stock	Automobile	Club Memberships	Total
Ronald M. Bentley	$ 7,350		$ 2,350	$ 11,815	$ 21,515
John R. Battersby Jr.	$ 6,003	$ 236	$ 3,287	$ 7,792	$ 17,318
James E. Corey III	$ 6,180		$ 682		$ 6,862
Melinda A. Sartori	$ 5,470	$ 177	$ 898	$ 13,729	$ 13,906
Richard G. Carr	$ 4,969	$ 177		$ 15,672	$ 15,849

Grants of Plan-Based Awards

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock		Full Grant Date Fair Value of Stock Awards	
Ronald M. Bentley	01/15/10	741	(1)	$ 16,531	
	02/03/11	2,392	(2)	$ 55,000	
John R. Battersby Jr	12/15/10	942		$ 20,000	(3)
Melinda A. Sartori	12/15/10	706		$ 15,000	(3)
Richard G. Carr	12/15/10	706		$ 15,000	(3)

(1) Based on services as a member of the Chemung Financial Board of Directors during 2010. Under this arrangement an award was made to Mr. Bentley in an amount equal to the average base compensation received by non-employee directors of such board of directors during 2010.

(2) This grant was awarded to Mr. Bentley as part of a year-end bonus of $150,000, paid $95,000 in cash and $55,000 in Chemung Financial stock.

(3) These amounts represent the market value of $21.25, the closing price for Chemung Financial's common stock on December 15, 2010.

Outstanding Equity Awards at December 31, 2010

Name	Year	Number of Shares or Units of Stock That Have Not Vested		Market Value of Shares or Units of Stock That Have Not Vested (2)
John R. Battersby Jr.	2010	942	(1)	$ 20,000
Melinda A. Sartori	2010	706	(1)	$ 15,000
Richard G. Carr	2010	706	(1)	$ 15,000

(1) The shares will vest ratably over five years with 20% vested as of December 15, 2011; 40% vested as of December 15, 2012; 60% vested as of December 15, 013; 80% vested as of December 15, 2014; and 100%

vested as of December 15, 2015.

(2) These amounts represent the market value of $21.25, the closing price for Chemung Financial's common stock on December 15, 2010.

Director Compensation for Fiscal Year Ended December 31, 2010

Director	Fees Earned or Paid in Cash	Number of Shares Awarded (1)	Market Value of Shares	Total Award
Robert E. Agan	$ 15,700	704	$ 15,700	$ 31,400
David J. Dalrymple	$ 19,500	874	$ 19,500	$ 39,000
Robert H. Dalrymple	$ 15,900	713	$ 15,900	$ 31,800
Clover M. Drinkwater	$ 14,800	664	$ 14,800	$ 29,600
William D. Eggers	$ 18,600	834	$ 18,600	$ 37,200
Stephen M. Lounsberry III	$ 18,450	827	$ 18,450	$ 36,900
Thomas K. Meier	$ 15,000	673	$ 15,000	$ 30,000
Ralph H. Meyer	$ 19,150	859	$ 19,150	$ 38,300
John F. Potter	$ 15,850	711	$ 15,850	$ 31,700
Robert L. Storch	$ 14,500	650	$ 14,500	$ 29,000
Charles M. Streeter Jr.	$ 15,750	706	$ 15,750	$ 31,500
Richard W. Swan	$ 16,900	758	$ 16,900	$ 33,800
Jan P. Updegraff	$ 14,800	664	$ 14,800	$ 29,600

(1) Grant Date as of December 31, 2010

Certain Beneficial Owners of
Chemung Financial Common Stock

The following tables set forth, to the best knowledge and belief of Chemung Financial, certain information regarding the beneficial ownership of Chemung Financial common stock as of February 9, 2011 by (i) each person known to Chemung Financial to be the beneficial owner of more than 5% of the outstanding Chemung Financial common stock (other than by its directors and executive officers), (ii) each director and certain named executive officers of Chemung Financial and (iii) all of Chemung Financial's directors and executive officers as a group.

Security Ownership of Certain Beneficial Owners.

Persons and groups who beneficially own in excess of 5% of Chemung Financial common stock are required to file certain reports with Chemung Financial and with the SEC regarding such ownership. The following table summarizes certain information regarding persons whose beneficial ownership is in excess of 5% based on reports filed with the SEC.

Five Percent Shareholders:

	Amount and Nature of Beneficial Ownership				
Name of Beneficial Owner	Shares Owned Directly and Indirectly	Options Exercisable Within 60 Days	Director Units Earned	Total Beneficial Ownership	Percent of Class
Chemung Canal Trust Company One Chemung Canal Plaza Elmira, NY 14901	405,954	—	—	405,954 [1]	11. 39 %
Chemung Canal Trust Company Profit-Sharing, Savings and Investment Plan One Chemung Canal Plaza Elmira, NY 14901	188,826	—	—	188,826 [2]	5. 30 %

1 Held by Chemung Canal in various fiduciary capacities, either alone or with others. Includes 25,865 shares held with sole voting and dispositive powers and 380,089 shares held with shared voting power. There are 244, 695 shares held with shared dispositive powers. Shares held in a co-fiduciary capacity by Chemung Canal are voted by the co-fiduciary in the same manner as if the co-fiduciary were the sole fiduciary. Shares held by the Chemung Canal as sole trustee will be voted by Chemung Canal only if the trust instrument provides for voting of the shares at the direction of the grantor or a beneficiary and Chemung Canal actually receives voting instructions.

2 The Plan participants instruct Chemung Canal, as trustee, how to vote these shares. If a participant fails to instruct the voting of the shares, Chemung Canal votes these shares in the same proportion as it votes all of the shares for which it receives voting instructions. Plan participants have dispositive power over these shares subject to certain restrictions.

Security Ownership by Management.

Direct and indirect ownership of common stock by each of the directors, each of the named executive officers and by all executive officers as a group is set forth in the following table, as of February 9, 2011, together with the percentage of total shares outstanding represented by such ownership. For purposes of this table, beneficial ownership has been determined in accordance with the provisions of Rule 13d-3 under the Exchange Act, under which, in general, a person is deemed to be the beneficial owner of a security if he or she has or shares the power to vote or to direct the voting of the security or the power to dispose or to direct the disposition of the security, or if he or she has the right to acquire the beneficial ownership of the security within 60 days.

	Shares Owned		Percentage of Class	
Directors:				
Robert E. Agan	33,878		*	
Ronald M. Bentley	13,800		*	
David J. Dalrymple	350,874	3, 5	9.84	%
Robert H. Dalrymple	285,722	4, 5	8.01	%
Clover M. Drinkwater	7,174		*	
William D. Eggers	8, 048		*	
Stephen M. Lounsberry, III	14,473	6	*	
Thomas K. Meier	13,668	6	*	
Ralph H. Meyer	2,400	6	*	
John F. Potter	37,406	6, 7	1. 05	%
Robert L. Storch	1,048		*	
Charles M. Streeter, Jr.	15,678		*	
Richard W. Swan	84,259	8	2. 36	%
Jan P. Updegraff	9,002	9	*	
Named Executive Officers:				
John R. Battersby, Jr.	9,295	10	*	
James E. Corey III	5,214	11	*	
Melinda A. Sartori	4,243	11	*	
Richard G. Carr	4,375	11	*	
Directors and executive officers as a group (26 persons)	955,810	12	26.81	%

* Less than 1% based upon 3, 565,610 outstanding as of February 9, 2011.

3 Includes 6,915 shares held directly; 9,450 shares held in trust over which Mr. Dalrymple has voting and dispositive powers; 307,720 shares held by the Dalrymple Family Limited Partnership of which David J. Dalrymple and his spouse are general partners; and 33 1/3% of the 59,416 shares held by Dalrymple Holding Corporation, of which David J. Dalrymple is an officer, director and 33 1/3% shareholder.

4 Includes 241,675 shares held directly; 8,854 shares held in trust over which Mr. Dalrymple has voting and dispositive powers; and 33 1/3% of the 59,416 shares held by Dalrymple Holding Corporation of which Robert H. Dalrymple is an officer, director and 33 1/3% shareholder. Includes 8,704 shares held by Mr. Dalrymple’s spouse as to which he disclaims beneficial ownership.

5 Includes for both David J. Dalrymple and Robert H. Dalrymple 6,983 shares which represent in the aggregate 46.2% of the 30,230 shares held by Susquehanna Supply Company, a corporation in which each of David and

Robert Dalrymple has a 23.1% ownership interest.

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6 Excludes shares that Messrs. Lounsberry (11,215), Meier (5,653), Meyer (19,404) and Potter (22,514) have had credited to their accounts in memorandum unit form under the Company's Deferred Directors Fee Plan. The deferred fees held in memorandum unit form will be paid solely in shares of the Company's common stock pursuant to the terms of the Plan and the election of the Plan participants. Shares held in memorandum unit form under the Plan have no voting rights.

7 Includes 7,361 shares held by Mr. Potter's spouse, as to which he disclaims beneficial ownership.

8 Includes 11,700 shares owned by Swan & Sons-Morss Co., Inc. of which Mr. Swan is a director, and 33,255 shares held in four trusts over which Mr. Swan has voting and dispositive power. Includes 4,316 shares held in trust for the benefit of Mr. Swan, as income beneficiary, and 4,474 shares held by Mr. Swan's spouse, as to both of which Mr. Swan disclaims beneficial ownership.

9 Includes 2,697 shares owned by Mr. Updegraff's spouse, as to which he disclaims beneficial ownership.

10 Includes 4,399 shares owned by Mr. Battersby's spouse, as to which he disclaims beneficial ownership.

11 Includes all shares of common stock of the Company held for the benefit of each executive officer by the Bank, as trustee of the Bank's Profit Sharing, Savings and Investment Plan. Messrs. Battersby, Carr, Corey, and Mrs. Sartori have an interest in 3,954, 3,020, 3,214 and 3,537 shares, respectively.

12 Includes 27,815 shares owned by spouses of certain officers and directors of which such officers and directors disclaim beneficial ownership.

Other Matters

As of the date of this joint proxy statement/prospectus, neither the Chemung Financial nor the Fort Orange board of directors knows of any matters that will be presented for consideration at their respective special meetings other than as described in this document; however, if any other matter shall properly come before either the Chemung Financial special meeting or the Fort Orange special meeting or any adjournment or postponement thereof and shall be voted upon, the proposed proxies will be deemed to confer authority to the individuals named as authorized therein to vote the shares represented by the proxy as to any matters that fall within the purposes set forth in the notices of special meetings.

Fort Orange Annual Meeting Shareholder Proposals

If the Merger is completed, Fort Orange will cease to exist and there will be no future meetings of shareholders. If the Merger is not completed or if Fort Orange is otherwise required to do so under applicable law, Fort Orange will hold a 2011 annual meeting of shareholders. Any shareholder nominations or proposals for other business intended to be presented at Fort Orange's next annual meeting must be submitted to Fort Orange as set forth below.

Under Fort Orange's bylaws certain procedures are provided that a shareholder must follow to nominate persons for election as directors at an annual meeting of shareholders. These procedures provide that nominations for director nominees must generally be submitted in writing to the Corporate Secretary of Fort Orange at its principal address no later than 60 days prior to the anniversary date of the immediately preceding annual meeting.

Chemung Financial Annual Meeting Shareholder Proposals

Under Chemung Financial's bylaws, certain procedures are provided that a shareholder must follow to nominate persons for election as directors or to introduce an item of business at an annual meeting of shareholders. These procedures provide that nominations for director nominees and/or an item of business to be introduced at an annual meeting of shareholders must be submitted in writing to Chemung Financial's Executive Office, One Chemung Canal Plaza, P.O. Box 1522, Elmira, New York 14902, attention: Corporate Secretary, not later than 120 days prior to the anniversary date of the immediately preceding annual meeting. These procedures are not applicable to nominations made pursuant to the SEC's new proxy access rules, or shareholder proposals made pursuant to Exchange Act Rule 14a-8.

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Appraisal Rights

Under Delaware law, shareholders of Fort Orange have the right to dissent from the Merger and to receive, in lieu of the merger consideration described under "Merger Consideration" beginning on page 38, payment in cash for the fair value of their shares of Fort Orange common stock. Fort Orange shareholders electing to do so must comply with the provisions of Section 262 of the DGCL in order to perfect their rights of appraisal. Fort Orange shareholders who elect to exercise appraisal rights must not vote in favor of the proposal to adopt the Merger Agreement and must comply with the provisions of Section 262 of the DGCL, in order to perfect their rights. Strict compliance with the statutory procedures in Section 262 is required. Failure to follow precisely any of the statutory requirements will result in the loss of appraisal rights. A copy of the applicable Delaware statute is attached as Appendix G to this joint proxy statement/prospectus.

This section is intended as a brief summary of the material provisions of the Delaware statutory procedures that a shareholder must follow in order to seek and perfect appraisal rights. This summary, however, is not a complete statement of all applicable requirements, and it is qualified in its entirety by reference to Section 262 of the DGCL. The following summary does not constitute any legal or other advice, nor does it constitute a recommendation that Fort Orange shareholders exercise their appraisal rights under Section 262.

This section is intended as a brief summary of the material provisions of the Delaware statutory procedures that a shareholder must follow in order to seek and perfect appraisal rights. This summary, however, is not a complete statement of all applicable requirements but contains all material information regarding the exercise of appraisal rights. The following summary does not constitute any legal or other advice, nor does it constitute a recommendation that Fort Orange shareholders exercise their appraisal rights under Section 262.

Section 262 requires that where a merger agreement is to be submitted for adoption at a meeting of shareholders, the shareholders be notified that appraisal rights will be available not less than 20 days before the meeting to vote on the merger. A copy of Section 262 must be included with such notice. This joint proxy statement/prospectus constitutes Fort Orange's notice to its shareholders that appraisal rights are available in connection with the Merger, in compliance with the requirements of Section 262. If you wish to consider exercising your appraisal rights, you should carefully review the text of Section 262 contained in G to this joint proxy statement/prospectus. Failure to comply timely and properly with the requirements of Section 262 will result in the loss of your appraisal rights under the DGCL.

If you, as a record holder of Fort Orange common stock, elect to demand an appraisal of your shares of Fort Orange common stock, you must satisfy the following conditions:

If you elect to demand appraisal of your shares of Fort Orange common stock, you must satisfy each of the following conditions:

You must (i) hold shares of Fort Orange common stock on the date you make a demand for appraisal; (ii) deliver to Fort Orange a written demand for appraisal of your shares of Fort Orange common stock before the vote is taken to approve the proposal to adopt the Merger Agreement, which must reasonably and adequately inform Fort Orange of the identity of the holder of record of Fort Orange common stock who intends to demand appraisal of his, her or its shares of common stock; (iii) not vote or submit a proxy in favor of the proposal to adopt the Merger Agreement; and (iv) continuously hold your shares of Fort Orange common stock through the completion of the Merger. Further, submitting a blank proxy nullifies your right to an appraisal of your shares of Fort Orange common stock. All demands for appraisal should be addressed to Fort Orange Financial Corp., Attention: Corporate Secretary, 1375 Washington Avenue, Albany, New York 12206, and must be delivered before the vote is taken to approve the proposal to adopt the Merger Agreement at the special meeting, and should be executed by, or on behalf of, the record

holder of the shares of common stock.

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To be effective, a demand for appraisal by a shareholder of Fort Orange common stock must be made by, or in the name of, the registered shareholder, fully and correctly, as the shareholder's name appears on the shareholder's stock certificate(s) or in the transfer agent's records, in the case of uncertificated shares. The demand cannot be made by the beneficial owner if he or she does not also hold the shares of common stock of record. The beneficial holder must, in such cases, have the registered owner, such as a broker or other nominee, submit the required demand in respect of those shares of common stock. If you hold your shares of Fort Orange common stock through a bank, brokerage firm or other nominee and you wish to exercise appraisal rights, you should consult with your bank, broker or the other nominee to determine the appropriate procedures for the making of a demand for appraisal by the nominee.

If shares of common stock are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of a demand for appraisal should be made in that capacity. If the shares of common stock are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or for all joint owners. An authorized agent, including an authorized agent for two or more joint owners, may execute the demand for appraisal for a shareholder of record; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, he or she is acting as agent for the record owner. A record owner, such as a broker, who holds shares of common stock as a nominee for others, may exercise his or her right of appraisal with respect to the shares of common stock held for one or more beneficial owners, while not exercising this right for other beneficial owners. In that case, the written demand should state the number of shares of common stock as to which appraisal is sought. Where no number of shares of common stock is expressly mentioned, the demand will be presumed to cover all shares of common stock held in the name of the record owner.

If you fail to comply with the conditions described above to demand appraisal and the Merger is completed, you will be entitled to receive the merger consideration for your shares of Fort Orange common stock as provided for in the Merger Agreement, but you will have no appraisal rights with respect to your shares of Fort Orange common stock. A holder of shares of Fort Orange common stock wishing to exercise appraisal rights must be the record holder of the shares of common stock on the date the written demand for appraisal is made and must continue to be the record holder of the shares of common stock through the Effective Time, because appraisal rights will be lost if the shares of common stock are transferred prior to the Effective Time. Voting against or failing to vote for the proposal to adopt the Merger Agreement by itself does not constitute a demand for appraisal within the meaning of Section 262. A proxy that is submitted and does not contain voting instructions will, unless revoked, be voted in favor of the proposal to adopt the Merger Agreement, and it will constitute a waiver of the shareholder's right of appraisal and will nullify any previously delivered written demand for appraisal. Therefore, a Fort Orange shareholder who submits a proxy and who wishes to exercise appraisal rights must submit a proxy containing instructions to either vote against the proposal to adopt the Merger Agreement, or elect to abstain from voting on such proposal. The written demand for appraisal must be in addition to and separate from any proxy or vote on the proposal to adopt the Merger Agreement.

Within ten (10) days after the Effective Time, the surviving corporation in the Merger must give written notice that the Merger has become effective to each of Fort Orange shareholders who has properly filed a written demand for appraisal and who did not vote in favor of the proposal to adopt the Merger Agreement. At any time within 60 days after the Effective Time, any shareholder who has not commenced an appraisal proceeding or joined a proceeding as a named party may withdraw the demand and accept the cash and/or stock consideration specified by the Merger Agreement for that shareholder's shares of Fort Orange common stock by delivering to the surviving corporation a written withdrawal of the demand for appraisal. However, any such attempt to withdraw the demand made more than 60 days after the Effective Time will require written approval of the surviving corporation. Unless the demand is properly withdrawn by the shareholder within 60 days after the effective date of the Merger, no appraisal proceeding in the Delaware Court of Chancery will be dismissed as to any shareholder without the approval of the Delaware Court of Chancery, with such approval conditioned upon such terms as the Court deems just. If the surviving corporation does not approve a request to withdraw a demand for appraisal when that approval is required, or if the Delaware Court of Chancery does not approve the dismissal of an appraisal proceeding, the shareholder will be

entitled to receive only the appraised value determined in any such appraisal proceeding, which value could be less than, equal to or more than the consideration offered pursuant to the Merger Agreement.

Within 120 days after the Effective Time, but not thereafter, either the surviving corporation or any shareholder who has complied with the requirements of Section 262 and is entitled to appraisal rights under Section 262 may commence an appraisal proceeding by filing a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares of common stock held by all shareholders entitled to appraisal. Upon the filing of the petition by a shareholder, service of a copy of such petition shall be made upon the surviving corporation. The surviving corporation has no obligation to file such a petition, and holders should not assume that the surviving corporation will file a petition. Accordingly, the failure of a shareholder to file such a petition within the period specified could nullify the shareholder's previous written demand for appraisal. In addition, within 120 days after the Effective Time, any shareholder who has properly filed a written demand for appraisal and who did not vote in favor of the Merger Agreement, upon written request, will be entitled to receive from the surviving corporation, a statement setting forth the aggregate number of shares of common stock not voted in favor of the Merger Agreement and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. The statement must be mailed within 10 days after such written request has been received by the surviving corporation. A person who is the beneficial owner of shares of Fort Orange common stock held either in a voting trust or by a nominee on behalf of such person may, in such person's own name, file a petition or request from the surviving corporation such statement.

If a petition for appraisal is duly filed by a shareholder and a copy of the petition is delivered to the surviving corporation, then the surviving corporation will be obligated, within 20 days after receiving service of a copy of the petition, to file with the Delaware Register in Chancery a duly verified list containing the names and addresses of all shareholders who have demanded an appraisal of their shares of common stock and with whom agreements as to the value of their shares of common stock have not been reached. After notice to shareholders who have demanded appraisal, if such notice is ordered by the Delaware Court of Chancery, the Delaware Court of Chancery is empowered to conduct a hearing upon the petition and to determine those shareholders who have complied with Section 262 and who have become entitled to the appraisal rights provided by Section 262. The Delaware Court of Chancery may require shareholders who have demanded payment for their shares of common stock to submit their stock certificates to the Register in Chancery for notation of the pendency of the appraisal proceedings; and if any shareholder fails to comply with that direction, the Delaware Court of Chancery may dismiss the proceedings as to that shareholder.

After determination of the shareholders entitled to appraisal of their shares of Fort Orange common stock, the Delaware Court of Chancery will appraise the shares of Fort Orange common stock, determining their fair value as of the Effective Time after taking into account all relevant factors exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with interest, if any, to be paid upon the amount determined to be the fair value. When the value is determined, the Delaware Court of Chancery will direct the payment of such value upon surrender by those shareholders of the certificates representing their shares of Fort Orange common stock. Unless the Delaware Court of Chancery, in its discretion, determines otherwise for good cause shown, interest from the effective date of the Merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the Effective Time and the date of payment of the judgment.

You should be aware that an investment banking opinion as to fairness from a financial point of view is not necessarily an opinion as to fair value under Section 262. Although we believe that the per share merger consideration is fair, no representation is made as to the outcome of the appraisal of fair value as determined by the Court and Fort Orange shareholders should recognize that such an appraisal could result in a determination of a value higher or lower than, or the same as, the per share merger consideration. Moreover, we do not anticipate offering more than the per share merger consideration to any Fort Orange shareholder exercising appraisal rights and reserve the right to assert, in any appraisal proceeding, that, for purposes of Section 262, the “fair value” of a share of common stock is less than the per share merger consideration. In determining “fair value”, the Delaware Court is required to take into account all relevant factors. In Weinberger v. UOP, Inc., the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that “proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court” should be considered and that “[f]air price obviously requires consideration of all relevant factors involving the value of a company.” The Delaware Supreme Court has stated that in making this determination of fair value the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts which could be ascertained as of the date of the merger which throw any light on future prospects of the merged corporation. Section 262 provides that fair value is to be “exclusive of any element of value arising from the accomplishment or expectation of the merger.” In Cede & Co. v. Technicolor, Inc., the Delaware Supreme Court stated that such exclusion is a “narrow exclusion [that] does not encompass known elements of value,” but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In Weinberger, the Delaware Supreme Court construed Section 262 to mean that “elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered.”

Costs of the appraisal proceeding (which do not include attorneys’ fees or the fees and expenses of experts) may be determined by the Delaware Court of Chancery and imposed upon the surviving corporation and the shareholders participating in the appraisal proceeding by the Delaware Court of Chancery, as it deems equitable in the

circumstances. Upon the application of a shareholder, the Delaware Court of Chancery may order all or a portion of the expenses incurred by any shareholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts used in the appraisal proceeding, to be charged pro rata against the value of all shares of common stock entitled to appraisal. Any shareholder who demanded appraisal rights will not, after the Effective Time, be entitled to vote shares of Fort Orange common stock subject to that demand for any purpose or to receive payments of dividends or any other distribution with respect to those shares of Fort Orange common stock, other than with respect to payment as of a record date prior to the Effective Time. However, if no petition for appraisal is filed within 120 days after the Effective Time, or if the shareholder otherwise fails to perfect, successfully withdraws or loses such holder's right to appraisal, then the right of that shareholder to appraisal will cease and that shareholder will be entitled to receive the consideration described in the Merger Agreement (without interest) for his, her or its shares of Fort Orange common stock pursuant to the Merger Agreement.

In view of the complexity of Section 262 of the DGCL, Fort Orange shareholders who may wish to pursue appraisal rights should consult legal counsel and financial advisors.

Incorporation of Certain Documents By Reference

Included with this joint proxy statement/prospectus are copies of the Chemung Financial's Annual Report on Form 10-K for the year ended December 31, 2009 and Quarterly Report on form 10-Q for the quarter ended September 30, 2010.

The SEC allows Chemung Financial to incorporate certain information into this joint proxy statement/prospectus by reference to other information that has been filed with the SEC. Fort Orange does not file periodic reports with the SEC or any reports with any regulatory agency, other than call reports filed with the FDIC. The information incorporated by reference herein is deemed to be part of this joint proxy statement/prospectus, except for any information that is superseded by information in this joint proxy statement/prospectus. The documents that are incorporated by reference contain important information about Chemung Financial and Chemung Canal and you should read this joint proxy statement/prospectus together with any other documents incorporated by reference in this joint proxy statement/prospectus, including the Chemung Financial Annual Report on Form 10-K for the year ended December 31, 2009 and its Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, copies of which are included with this joint proxy statement /prospectus.

This joint proxy statement/prospectus incorporates by reference the following documents that have previously been filed with the SEC by Chemung Financial (File No. 0-13888):

Annual Report on Form 10-K for the year ended December 31, 2009, as filed March 15, 2010;

Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010 (filed May 10, 2010); June 30, 2010 (filed August 9, 2010) and September 30, 2010 (filed November 9, 2010);

Current Reports on Form 8-K filed February 2, 2010, April 29, 2010, May 11, 2010, July 12, 2010 (Form 8-K/A), July 26, 2010, October 20, 2010, October 26, 2010, October 28, 2010, November 23, 2010 , December 27, 2010 and February 3, 2011 (other than the portions of those documents not deemed to be filed); and

Form 14-A Definitive Proxy dated March 30, 2010; and

The description of Chemung Financial common stock set forth in the registration statement on Form 8-A filed pursuant to Section 12 of the Exchange Act, including any amendment or report filed with the SEC for the purpose of updating this description.

In addition, Chemung Financial is incorporating by reference any documents it may file under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, as amended after the date of this joint proxy statement/prospectus and prior to the date of the special meeting of Chemung Financial.

Chemung Financial files annual, quarterly and special reports, proxy statements and other business and financial information with the SEC. You may obtain the information incorporated by reference and any other materials Chemung Financial file with the SEC without charge by following the instructions in the section entitled "Where You Can Find More Information" on page 1.

Neither Chemung Financial nor Fort Orange has authorized anyone to give any information or make any representation about the Merger or its companies that is different from, or in addition to, that contained in this joint proxy statement/prospectus or in any of the materials that have been incorporated into this joint proxy statement/prospectus. Therefore, if anyone does give you information of this kind, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this joint proxy statement/prospectus or the solicitation of proxies is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this joint proxy statement/prospectus does not extend to you. The information contained in this joint proxy statement/prospectus speaks only as of the date of this document unless the information specifically indicates that another date applies.

Forward-Looking Statements

When we use words or phrases like “will probably result,” “we expect,” “will continue,” “we anticipate,” “estimate,” “project,” “plan”, “should cause,” or similar expressions in this report or in any press releases, public announcements, filings with the SEC, or other disclosures, we are making “forward-looking statements” as described in the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, (i) the financial condition, results of operations and business of Chemung Financial and Fort Orange; (ii) statements about the benefits of the Merger, including future financial and operating results, cost savings, enhancements to revenue and accretion to reported earnings that may be realized from the Merger; (iii) statements about our respective plans, objectives, expectations and intentions and other statements that are not historical facts.

These forward-looking statements are based on current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

general economic conditions in the areas in which Chemung Financial and Fort Orange operates including volatility and disruption in national and international financial markets;

Chemung Financial’s and Fort Orange’s businesses may not be combined successfully, or such combination may take longer to accomplish than expected;

delays or difficulties in the integration by Chemung Financial of recently acquired businesses;

the growth opportunities and cost savings from the Merger may not be fully realized or may take longer to realize than expected;

the risk that the Merger Agreement may be terminated in certain circumstances which would require Fort Orange to pay Chemung Financial a termination fee equal to 2.5% of the merger consideration;

operating costs, customer losses and business disruption following the Merger, including adverse effects of relationships with employees, may be greater than expected;

governmental approvals of the Merger may not be obtained, or adverse regulatory conditions may be imposed in connection with governmental approvals of the Merger;

adverse governmental or regulatory policies may be enacted;

the interest rate environment may change, causing margins to compress and adversely affecting net interest income;

the risks associated with continued diversification of assets and adverse changes to credit quality;

competition from other financial services companies in our markets; and

the risk that the continuing economic slowdown could adversely affect credit quality and loan originations.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in Chemung Financial reports filed with the SEC.

All subsequent written and oral forward-looking statements concerning the proposed transaction or other matters attributable to either of us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements above. Neither of Chemung Financial or Fort Orange undertakes any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date of this join proxy statement/ prospectus and both parties specifically disclaims such obligation.

Appendices

Appendix A1

AGREEMENT AND PLAN OF MERGER

DATED AS OF October 14, 2010

BY AND BETWEEN

CHEMUNG FINANCIAL CORPORATION

AND

FORT ORANGE FINANCIAL CORP.

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Explanation of Responses:

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Agreement and Plan of Merger

This Agreement and Plan of Merger, dated as of the 14th day of October, 2010 (“Agreement”), is entered into by and between Chemung Financial Corporation, a New York business corporation (“CFC”) and Fort Orange Financial Corp., a Delaware business corporation (“FOFC”).

Recitals

WHEREAS, the boards of directors of CFC and FOFC have determined that this Agreement and the business combination and related transactions contemplated hereby are advisable and in the best interests of their respective companies and shareholders and;

WHEREAS, the boards of directors of CFC and FOFC have approved this Agreement at duly convened meetings; and

WHEREAS, CFC owns all of the issued and outstanding capital stock of Chemung Canal Trust Company (“Chemung Bank”), and FOFC owns all of the issued and outstanding capital stock of Capital Bank & Trust Company (“Capital Bank”), and it is contemplated that, immediately following the Merger, Capital Bank will be merged with and into Chemung Bank with Chemung Bank as the surviving entity (the “Bank Merger”); and

WHEREAS, the parties intend that the Merger as defined herein shall qualify as a reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986 (the ”Code”) for federal income tax purposes; and

WHEREAS, as a condition and inducement to CFC’s willingness to enter into this Agreement, the directors of FOFC, except for Peter D. Cureau who has entered into the Voting Agreement dated as of the date hereof in the form attached hereto as Exhibit A, have entered into a Voting and Non-Competition Agreement dated as of the date hereof in the form attached hereto as Exhibit B;

NOW THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, and intending to be legally bound hereby, the parties agree as follows:

Article I
Definitions

1.1. Definitions.

As used in this Agreement, the following terms have the following meanings. References to Articles and Sections refer to Articles and Sections of this Agreement.

Acquisition Proposal means any proposal or offer with respect to any of the following (other than the transactions contemplated hereunder) involving FOFC: (i) any merger, consolidation, share exchange, business combination or other similar transactions; (ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition of assets and/or liabilities that constitute a substantial portion of net revenues, net income or assets of FOFC in a single transaction or series of transactions; (iii) any tender offer or exchange offer for 25% or more of the FOFC Common Stock or the filing of a registration statement under the Securities Act in connection therewith; or, (iv) any public announcement by any Person (which shall include any regulatory application or notice, whether in final or draft form) of a proposal, plan or intention to do any of the foregoing or any agreement to engage in any of the foregoing.

Affiliate means the Persons defined as such in Rule 144 promulgated by the SEC under the Securities Act.

Agreement means this Agreement and Plan of Merger.

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Articles of Merger means the documents attached as Exhibits C-1 and C-2 to this Agreement.

Bank Merger means the merger of Capital Bank with and into Chemung Bank, with Chemung Bank being the surviving bank.

Bank Plan of Merger means the agreement providing for the Bank Merger, attached as Exhibit D to this Agreement.

Bank Secrecy Act means the Bank Secrecy Act of 1970, as amended.

BHCA means the Bank Holding Company Act of 1956, as amended.

Capital Bank means Capital Bank & Trust Company, a New York chartered commercial bank and a wholly owned subsidiary of FOFC.

CFC means Chemung Financial Corporation, a New York corporation and registered financial holding company.

CFC Common Stock means the common stock of CFC, $.01 par value.

CFC Financials means (i) the audited consolidated financial statements of CFC for the three years ended December 31, 2009, 2008 and 2007; and (ii) the unaudited interim consolidated financial statements of CFC as of each calendar quarter in 2010 through and including September 30, 2010.

CFC Regulatory Reports means the Call Reports filed by Chemung Bank with the FDIC for each calendar quarter, beginning with the quarter ended December 31, 2009 through the Closing Date and the Form FR Y-6 filed by CFC with the FRB for 2009.

Chemung Bank means Chemung Canal Trust Company, a New York chartered commercial bank and a wholly owned Subsidiary of CFC.

Closing means the closing of the Merger, including execution and delivery of all of the documents and instruments required by this Agreement.

Closing Date means the date on which the Merger and the Bank Merger are consummated.

Closing Price means the average of the daily closing price of CFC Common Stock for the ten (10) trading days on which trades of CFC Common Stock occur immediately prior to the Closing Date, as reported on the OTC Bulletin Board.

Code means the Internal Revenue Code of 1986, as amended.

Confidentiality Agreement means the confidentiality agreement between CFC and FOFC dated September 8, 2010 attached as Exhibit E to this Agreement.

CRA means the Community Reinvestment Act of 1977, as amended.

DGCL means the Delaware General Corporation Law, as amended.

Dissenting Shares means any shares of FOFC Common Stock that are issued and outstanding immediately prior to the Effective Time and that are held by a FOFC shareholder who has not voted in favor of the Merger or consented

thereto in writing and who properly shall have demanded payment of the fair value of such shares in accordance with the DGCL.

DOJ means the United States Department of Justice.

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Effective Time means the date and time to be specified in the Articles of Merger, to be filed with the New York Secretary of State and the Delaware Secretary of State, which date shall be the Closing Date, or such later date and time as shall be specified as the Effective Time pursuant to the mutual agreement of CFC and FOFC and in accordance with the NYBCL.

ERISA means the Employee Retirement Income Security Act of 1974, as amended.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Exchange Agent means American Stock Transfer & Trust Company, the firm designated to effect the share exchanges provided for in this Agreement.

Exchange Ratio means 0.3571, subject to adjustment:

(a) pursuant to Section 2.5

(b) as follows: if the Closing Price is greater than $25.20, the Exchange Ratio shall be computed based upon a per share price for FOFC Common Stock of $9.00. For example, if the Closing Price is $27.50, the Exchange Ratio would be 0.3273.

FDIC means the Federal Deposit Insurance Corporation.

FinCen means the Financial Crimes Enforcement Network of the United States Department of the Treasury.

FOFC means Fort Orange Financial Corp., a Delaware business corporation and registered bank holding company.

FOFC Delinquent Loans means: (i) all loans with principal and/or interest that are 45-89 days past due; (ii) all loans with principal and/or interest that are at least 90 days past due and still accruing; (iii) all loans that are non-accruing; (iv) restructured and impaired loans; (v) OREO; and (vi) net charge-offs from the date of this Agreement through the last business day of the month prior to the Closing.

FOFC Financials means: (i) the audited consolidated financial statements of FOFC for the three years ended December 31, 2009, 2008 and 2007; and (ii) the unaudited interim consolidated financial statements of FOFC as of each calendar quarter in 2010 through and including September 30, 2010.

FOFC Stock Plans means the Capital Bank & Trust Company Stock Unit Plan for Non-Employee Directors, as amended, the Capital Bank & Trust Company 1996 Stock Option Plan for Non-Employee Directors, the Capital Bank & Trust Company 1996 Stock Option Plan for Key Employees, the Capital Bank & Trust Company 1997 Stock Option Plan, and the Fort Orange Financial Corp. 2007 Stock-Based Incentive Plan.

FOFC Regulatory Reports means the Call Reports filed by Capital Bank with the FDIC for each calendar quarter, beginning with the quarter ended December 31, 2009 through the Closing Date and the Form FR Y-6 filed by FOFC with the FRB for 2009.

FRB means the Board of Governors of the Federal Reserve System.

GAAP means generally accepted accounting principles as in effect in the United States at the relevant date and which are applied on a consistent basis.

GLBA means the Gramm-Leach-Bliley Act, as amended.

Governmental Entity means any federal or state court, administrative agency or commission or other governmental authority or instrumentality.

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Hazardous Materials means any hazardous waste, petroleum product, polychlorinated biphenyl, chemical, pollutant, contaminant, pesticide, radioactive substance, or other toxic material, or other material or substance regulated under any applicable Law.

Index means the average of the per share common stock prices of the common stock of the publicly traded banks headquartered in New York and Pennsylvania with total assets between $500 million and $4 billion listed on Exhibit F attached hereto.

Intellectual Property means all patents, copyrights, trade secrets, trade names, servicemarks, trademarks, domain names, software, or internet websites used in a party's business.

IRS means the Internal Revenue Service.

Joint Proxy Statement-Prospectus means the proxy statement/prospectus included in the Registration Statement on Form S-4 filed with the SEC and distributed to shareholders of CFC and FOFC in connection with the meetings of the shareholders of each of CFC and FOFC to approve the Merger.

Knowledge means a party's actual knowledge after reasonable inquiry, unless a different meaning, including, but not limited to, constructive knowledge, is expressed.

Law means any statute, law, ordinance, rule, regulation, order, permit, judgment, injunction, decree, case law and other rules of law enacted, promulgated or issued by any Governmental Entity.

Lien means any charge, mortgage, pledge, security interest, claim, lien or encumbrance.

Material Adverse Effect means with respect to CFC or FOFC, any effect that is material and adverse to its assets, financial condition or results of operations on a consolidated basis, provided, however, that Material Adverse Effect shall not be deemed to include: (i) any change in the value of the respective investment and loan portfolios of CFC or FOFC resulting from a change in interest rates generally; (ii) any change occurring after the date hereof in any federal or state law, rule or regulation or in GAAP, which change affects depository institutions generally; (iii) actions or omissions of a party taken with the prior informed written consent of the other party in contemplation of the transactions contemplated hereby; (iv) any change in general economic conditions affecting banks or their holding companies; (v) changes resulting from expenses incurred in connection with this Agreement; (vi) any decline in the aggregate deposits level of Capital Bank or Chemung Bank; and (vii) any information that is set forth on a disclosure schedule attached hereto.

Merger means the merger of FOFC with and into CFC with CFC as the surviving entity as provided in this Agreement.

Merger Consideration means the shares of CFC Common Stock issuable and the cash payable in connection with the Merger, as specified in Section 2.4 of this Agreement.

NYBCL means the New York Business Corporation Law, as amended.

NYSBD means the New York State Banking Department.

OFAC means the Office of Foreign Assets Control of the United States Department of the Treasury.

OREO means Other Real Estate Owned, reflected as such on an institution's books.

OTC Bulletin Board means the electronic quotation system in the United States that displays real-time quotes, last-sale prices, and volume information for over-the-counter equity securities that are not listed on the NASDAQ stock exchange or a national securities exchange.

Patriot Act means the USA Patriot Act, as amended.

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PBGC means the Pension Benefit Guaranty Corporation.

Person means an individual, corporation, partnership, bank, limited liability company, trust, association, unincorporated organization, other entity or group (as defined in Section 13(d)(3) of the Exchange Act).

Registration Statement means a registration statement to be filed with the SEC on Form S-4 with respect to the issuance of CFC Common Stock in the Merger.

Regulatory Authority means any banking agency or department of any federal or state government, including, without limitation, the FRB, the FDIC and the NYSBD.

SEC means the United States Securities and Exchange Commission.

Securities Act means the Securities Act of 1933, as amended.

Subsidiary means with respect to any party, any Person which is consolidated with such party for financial reporting purposes.

Superior Competing Proposal means any unsolicited bona fide written proposal made by any Person to acquire, directly or indirectly, including pursuant to a tender offer, exchange offer, merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction, for consideration consisting of cash and/or securities, more than 50% of the combined voting power of the shares of FOFC Common Stock then outstanding or all or substantially all of the assets of FOFC and otherwise: (i) on terms which the FOFC board of directors determines in good faith, after consultation with its financial advisor, to be more favorable from a financial point of view to FOFC's shareholders than the transaction contemplated by this Agreement; and (ii) that constitutes a transaction that, in the FOFC board of directors' good faith judgment, is reasonably likely to be consummated on the terms set forth, taking into account all legal, financial, regulatory and other aspects of such proposal.

Surviving Corporation means CFC, as the surviving corporation in the Merger.

Tax(es) means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premises, windfall profits, environmental (including taxes under Section 59A of the Code), customs duties, franchise, profits, withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alterations or add-on minimum, estimated or other tax of any kind whatsoever, including any interest, penalty or additions thereto, whether disputed or not and including any obligations to indemnify or otherwise assume or succeed to the tax liability of any other Person.

Voting Agreement means the agreement attached as Exhibit A to this Agreement.

Voting and Non-Competition Agreement means the agreement attached as Exhibit B to this Agreement.

Article II
The Merger

2.1. The Merger.

Upon the terms and subject to the conditions set forth in this Agreement, FOFC will merge with and into CFC (the "Merger") at the Effective Time. At the Effective Time, the separate corporate existence of FOFC shall cease. CFC shall be the Surviving Corporation in the Merger and shall continue to be governed by the NYBCL and its name and

separate corporate existence, with all of its rights, privileges, immunities, powers and franchises, shall continue unaffected by the Merger.

2.2. Effective Time.

CFC shall file the Articles of Merger in the form attached to this Agreement as Exhibit C-1, with the New York Secretary of State pursuant to the NYBCL and FOFC shall file the Articles of Merger in the form attached to this Agreement as Exhibit C-2, with the Delaware Secretary of State pursuant to the DGCL. The Merger shall become effective upon such filing or at such later date or time as the parties may agree and specify in the Articles of Merger. The date and time the Merger becomes effective shall be the “Effective Time”.

2.3. Effects of the Merger.

The Merger will have the effects set forth in the NYBCL and the DGCL. Without limiting the generality of the foregoing, and subject thereto, from and after the Effective Time, CFC shall possess all of the assets, properties, rights, privileges, powers and franchises of FOFC and be subject to all of the debts, liabilities and obligations of FOFC.

2.4. Merger Consideration.

Subject to the provisions of this Agreement, at the Effective Time, automatically by virtue of the Merger and without any action on the part of any Person, each share of FOFC Common Stock issued and outstanding immediately prior to the Effective Time shall be converted at the election of the holder thereof, in accordance with the election and allocation procedures set forth in this Section 2.4, into either: (i) shares of CFC Common Stock based upon the Exchange Ratio; (ii) cash, at the rate of $7.50 for each share of FOFC Common Stock; or (iii) a combination of such shares of CFC Common Stock and cash (the shares of CFC Common Stock issuable and the cash payable in connection with the Merger sometimes being referred to as the “Merger Consideration”).

(a) FOFC’s shareholders shall have the following choices in connection with the exchange of their FOFC Common Stock pursuant to the Merger:

(i) At the option of each holder of FOFC Common Stock, all of such holder’s FOFC Common Stock shall be converted into the right to receive the number of shares of CFC Common Stock that is equal to the number of shares of FOFC Common Stock held by such holder times the Exchange Ratio (the “All Stock Election”), provided that:

(A) Fractional shares will not be issued and cash, payable by check, will be paid in lieu thereof; and

(B) After giving effect to Section 2.4(a)(i),(ii) and (iii), in no event shall, in the aggregate, more than seventy five percent (75%) of FOFC Common Stock issued and outstanding immediately prior to the Effective Time be converted into and become shares of CFC Common Stock; or

(ii) At the option of each holder of FOFC Common Stock, all of such holder’s FOFC Common Stock shall be converted into the right to receive cash, payable by check, in an amount equal to the number of shares of FOFC Common Stock held by such holder times $7.50 (the “All Cash Election”), provided that:

(A) After giving effect to Section 2.4(a)(i),(ii) and (iii), in no event shall, in the aggregate, more than twenty five percent (25%) of FOFC Common Stock issued and outstanding immediately prior to the Effective Time be either Dissenting Shares or be converted into and become cash; or

(iii) At the option of each holder of FOFC Common Stock, seventy five percent (75%) of such holder’s aggregate number of shares of FOFC Common Stock (the “Stock Portion”) shall be converted into the right to receive such number of shares of CFC Common Stock equal to the number of shares of FOFC Common Stock in the Stock Portion times the Exchange Ratio, and twenty five percent (25%) of such holder’s aggregate number of shares of FOFC Common Stock (the “Cash Portion”) shall be converted into the right to receive cash, payable by check, in an amount equal to the number of shares of FOFC Common Stock in the Cash Portion times $7.50 (the “Mixed Election”), provided that:

(A) Fractional shares will not be issued and cash, payable by check, will be paid in lieu thereof as provided in Section 2.4; and

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Explanation of Responses:

(B) After giving effect to Section 2.4(a)(i),(ii) and (iii), in no event shall, in the aggregate, more than seventy five percent (75%) of FOFC Common Stock issued and outstanding immediately prior to the Effective Time be converted into and become shares of CFC Common Stock;

(C) After giving effect to Section 2.4(a)(i),(ii) and (iii), in no event shall, in the aggregate, more than twenty five percent (25%) of FOFC Common Stock issued and outstanding immediately prior to the Effective Time be either Dissenting Shares or be converted into and become cash; or

(b) If no election is validly made by a holder by the Election Deadline pursuant to Section 2.4(c), all of such holder's shares of FOFC Common Stock shall be converted into the right to receive CFC Common Stock as set forth in Section 2.4(a)(i), cash as set forth in Section 2.4(a)(ii), or any combination of CFC Common Stock and cash as determined by CFC; provided, however, that no fractional shares shall be issued and cash will be paid in lieu thereof as provided in Section 2.4(h). Such shares of FOFC Common Stock shall be allocated by CFC on a pro rata basis among non-electing holders based upon the number of shares of FOFC Common Stock for which an election has not been received by the Election Deadline in order to achieve the overall ratio of seventy five percent (75%) of FOFC Common Stock to be converted into CFC Common Stock and twenty five percent (25%) of FOFC Common Stock to be converted into cash after taking into account Dissenting Shares. Notice of such allocation shall be provided promptly to each holder whose shares of FOFC Common Stock are allocated pursuant to this Section 2.4(b).

(c) An election form and other appropriate transmittal materials in such form as the parties shall mutually agree (the "Election Form") shall be mailed to shareholders of FOFC prior to the Election Period. The "Election Period" shall be the period of time to which the parties shall agree, within which FOFC shareholders may validly elect the form of Merger Consideration set forth in Section 2.4(a) (the "Election") that they will receive, occurring between: (i) the date of the mailing of the Joint Proxy Statement-Prospectus for the special meeting of shareholders of FOFC at which this Agreement and the Merger is presented for approval; and (ii) the Closing Date. The "Election Deadline" shall be the time, specified by CFC after consultation with FOFC, at close of business local time on the last day of the Election Period. An Election shall be considered to have been validly made by a holder of FOFC Common Stock only if: (i) the Exchange Agent shall have received an Election Form properly completed and executed by such holder, accompanied by a certificate or certificates representing the shares of FOFC Common Stock as to which such Election is being made, duly endorsed in blank or otherwise in form acceptable for transfer on the books of FOFC, or containing an appropriate guaranty of delivery in the form customarily used in transactions of this nature from a member of a national securities exchange or a member of the Financial Industry Regulatory Authority or a commercial bank or trust company in the United States; and (ii) such Election Form and such certificate(s) or such guaranty of delivery shall have been received by the Exchange Agent prior to the Election Deadline.

(d) Any holder of FOFC Common Stock may at any time prior to the Election Deadline revoke an election and either: (i) submit a new Election Form in accordance with the procedures in Section 2.4(c); or (ii) withdraw the certificate(s) for FOFC Common Stock deposited therewith by providing written notice that is received by the Exchange Agent by 5:00 p.m., local time for the Exchange Agent, on the business day prior to the Election Deadline. In the event of the termination of this Agreement, the Exchange Agent shall return any certificates deposited by the holder of FOFC Common Stock to such holder at the address and to the Person set forth in the Election Form.

(e) If more than twenty five percent (25%) of the total number of shares of FOFC Common Stock issued and outstanding constitute Dissenting Shares or, at the Election Deadline, have been deposited for exchange with cash pursuant to the All Cash Election or the Mixed Election and not withdrawn pursuant to Section 2.4(d), CFC will cause to be eliminated by the Exchange Agent, from the shares deposited pursuant to the All Cash Election, subject to the limitations described in Section 2.4(e)(iv), a sufficient number of such shares so that the total number of shares remaining on deposit for exchange into cash pursuant to the All Cash Election and the Mixed Election, when added to the number of Dissenting Shares, does not exceed twenty five percent (25%) of the shares of FOFC Common Stock issued and outstanding on the Election Deadline. The holders of FOFC Common Stock who have made the Mixed Election shall not be required to have more than seventy five percent (75%) of their shares of FOFC Common Stock converted into CFC Common Stock. After giving effect to Section 2.4(b), such elimination will be effected as follows:

(i) Subject to the limitations described in Section 2.4(e)(iv), CFC will eliminate or cause to be eliminated from the shares deposited pursuant to the All Cash Election, and will add or cause to be added to the shares deposited for CFC Common Stock pursuant to the All Stock Election, on a pro rata basis in relation to the total number of shares deposited pursuant to the All Cash Election minus the number of shares so deposited by the holders described in Section 2.4(e)(iv), such number of whole shares of FOFC Common Stock on deposit for cash pursuant to the All Cash Election as may be necessary so that the total number of shares remaining on deposit for cash pursuant to All Cash Election or the Mixed Election, when added to the number of Dissenting Shares, is equal, as nearly as practicable, to twenty five percent (25%) of the shares of FOFC Common Stock issued and outstanding immediately prior to the Effective Time;

(ii) All shares of FOFC Common Stock that are eliminated pursuant to Section 2.4(e)(iv) from the shares deposited for cash pursuant to All Cash Election shall be converted into CFC Common Stock as provided by Section 2.4(a)(i);

(iii) Notice of such allocation shall be provided promptly to each holder whose shares of FOFC Common Stock are eliminated from the shares on deposit for exchange with cash pursuant to Section 2.4(e)(i); and

(iv) Notwithstanding the foregoing, the holders of one hundred (100) or fewer shares of FOFC Common Stock of record on the date of this Agreement who have elected the All Cash Election shall not be required to have any of their shares of FOFC Common Stock converted into CFC Common Stock.

(f) If fewer than twenty five percent (25%) of the total number of shares of FOFC Common Stock issued and outstanding have, at the Election Deadline, been deposited for cash pursuant to the All Cash Election or the Mixed Election and not withdrawn pursuant to Section 2.4(d), CFC will promptly add, or cause to be added by the Exchange Agent, to such deposited shares, a sufficient number of shares of FOFC Common Stock deposited for shares of CFC Common Stock pursuant to the All Stock Election so that the total number of shares of FOFC Common Stock on deposit for cash pursuant to the All Cash Election or the Mixed Election immediately prior to the Effective Time, when added to the number of Dissenting Shares, is not less than twenty five percent (25%) of the shares of FOFC Common Stock issued and outstanding immediately prior to the Effective Time. The holders of FOFC Common Stock who have elected to have their shares converted pursuant to the Mixed Election shall not be required to have more than twenty five percent (25%) of their shares of FOFC Common Stock converted into cash. After giving effect to Section 2.4(b), such addition will be effected as follows:

(i) CFC will cause to be added to the shares deposited for cash pursuant to the All Cash Election or the Mixed Election, and will eliminate or cause to be eliminated from the shares deposited for CFC Common Stock pursuant to the All Stock Election, on a pro rata basis in relation to the total number of shares of FOFC Common Stock deposited for shares of CFC Common Stock pursuant to the All Stock Election, such number of whole shares of FOFC Common Stock not then on deposit for cash as may be necessary so that the number of shares remaining on deposit for

exchange with cash, when added to the number of Dissenting Shares, is equal, as nearly as practicable, to twenty five percent (25%) of the shares of FOFC Common Stock issued and outstanding immediately prior to the Effective Time;

(ii) All shares of FOFC Common Stock that are added pursuant to Section 2.4(f)(i) to the shares deposited for cash shall be converted into cash as provided by Section 2.4(a)(ii); and

(iii) Notice of such allocation shall be provided promptly to each holder whose shares of FOFC Common Stock are added to the shares on deposit for cash pursuant to Section 2.4(f).

(g) If, subsequent to the date of this Agreement but prior to the Effective Time, the outstanding shares of CFC Common Stock or FOFC Common Stock shall be increased, decreased, changed into or exchanged for a different number of shares, in each case by reason of any stock split, recapitalization, or other similar change, the Exchange Ratio shall be adjusted proportionately.

(h) No certificates or scrip representing less than one share of CFC Common Stock shall be issued upon the surrender for exchange of a certificate or certificates which immediately prior to the Effective Time represented outstanding shares of FOFC Common Stock. In lieu of any such fractional share, each holder of such shares who would otherwise have been entitled to a fraction of a share of CFC Common Stock, upon surrender of certificates representing shares of FOFC Common Stock for exchange, shall be paid upon such surrender cash (without interest) in an amount equal to such fraction multiplied by the Closing Price.

2.5. Adjustment to Merger Consideration.

The Merger Consideration shall be subject to adjustment as provided in this Section 2.5. As determined on the Closing Date, if the FOFC Delinquent Loans at the end of the month immediately preceding the Closing are: (i) less than $6.5 million, the Exchange Ratio shall be 0.3571 and the cash component of the Merger Consideration shall be $7.50; (ii) $6.5 million or greater, but less than $8.5 million, the Exchange Ratio shall be 0.3524 and the cash component of the Merger Consideration shall be $7.40; (iii) $8.5 million or greater, but less than $10.5 million, the Exchange Ratio shall be 0.3476 and the cash component of the Merger Consideration shall be $7.30; or (iv) $10.5 million or greater, CFC may at its election (A) terminate this Agreement pursuant to Section 6.1(h); or (B) proceed with the transaction in which event the Exchange Ratio shall be 0.3429 and the cash component of the Merger Consideration shall be $7.20.

2.6. Exchange Procedures.

(a) As soon as practicable after the Effective Time, CFC shall reserve for issuance and cause to be deposited with American Stock Transfer & Trust Company (the “Exchange Agent”), for exchange in accordance with this Article II, certificates representing the aggregate number of shares of CFC Common Stock and cash, by wire transfer of immediately available funds, into which the outstanding shares of FOFC Common Stock shall be converted pursuant to Section 2.4. As soon as practicable after the Effective Time, CFC shall cause the Exchange Agent to mail to all holders of record of FOFC Common Stock, excluding any holders of Dissenting Shares, letters of transmittal specifying the procedures for delivery of such holders’ certificates formerly representing FOFC Common Stock to the Exchange Agent in exchange for new certificates of CFC Common Stock and cash in lieu of fractional shares issuable pursuant to this Article II. A letter of transmittal will be deemed properly completed only if accompanied by certificates representing all shares of FOFC Common Stock to be converted thereby.

(b) As soon as practicable, after surrender to the Exchange Agent of the certificates of FOFC Common Stock in accordance with the instructions of the letter of transmittal, the Exchange Agent shall distribute to the former holders of shares of FOFC Common Stock a certificate representing the number of shares of CFC Common Stock, and a check for cash payable in the Merger (including cash in lieu of fractional shares, if any), that such holder is entitled to receive pursuant to this Agreement. In no event shall the holder of any such surrendered certificates be entitled to receive interest on any stock or cash to be received in the Merger. If any certificate surrendered for exchange is to be issued in a name other than that in which the surrendered certificate is issued, the certificate so surrendered shall be properly endorsed and otherwise in proper form for transfer and the Person requesting such exchange shall affix any required stock transfer tax stamps to the certificate or provide funds for their purchase or establish to the satisfaction of the Exchange Agent that such taxes are not payable.

(c) At and after the Effective Time, each certificate of FOFC Common Stock (except as set forth in Section 2.10 with respect to Dissenting Shares) shall represent only the right to receive the Merger Consideration. No dividends or

other distributions declared after the Effective Time with respect to CFC Common Stock shall be paid to the holder of any unsurrendered certificate formerly representing shares of FOFC Common Stock until such holder shall surrender such certificate in accordance with this Section. After the surrender of a certificate in accordance with this Section 2.5, the record holder thereof shall be entitled to receive any such dividends or other distributions, without any interest thereon, which theretofore have become payable with respect to shares of CFC Common Stock.

(d) At the Effective Time, the stock transfer books of FOFC shall be closed and no transfer of FOFC Common Stock shall thereafter be made or recognized. If, after the Effective Time, certificates representing such shares are presented for transfer, they shall be cancelled and exchanged for the Merger Consideration as provided in this Section 2.6. CFC and the Exchange Agent shall be entitled to rely upon FOFC's stock transfer books to establish the identity of those Persons entitled to receive the Merger Consideration, which books shall be conclusive with respect thereto. In the event of a dispute with respect to ownership of stock represented by any certificate for shares of FOFC Common Stock, CFC and the Exchange Agent shall be entitled to deposit any Merger Consideration represented thereby in escrow with an independent third party and thereafter be relieved with respect to any claims thereto.

(e) In the event any certificate shall have been lost, stolen, destroyed or mutilated, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen, destroyed or mutilated and, if required by CFC, the making of an indemnity agreement in a form reasonably requested by CFC and/or the posting by such Person of a bond in such amount as CFC may reasonably direct as indemnity against any claim that may be made against it with respect to such certificate, the Exchange Agent will issue in exchange for such lost, stolen, destroyed or mutilated certificate the Merger Consideration deliverable in respect thereof pursuant to this Agreement.

(f) Neither CFC nor FOFC shall be liable to any holder of shares of FOFC Common Stock for any Merger Consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. After the first anniversary of the Effective Time, CFC shall be entitled to instruct the Exchange Agent to release to CFC all of the shares of CFC Common Stock and cash then remaining undistributed to former shareholders of FOFC. Thereafter and until such time as any remaining undistributed shares of CFC Common Stock and cash are delivered to a public official pursuant to any applicable property, escheat or similar law, CFC shall deliver certificates representing an appropriate number of shares of CFC Common Stock and/or a check for cash in lieu of fractional shares, if any, to such former shareholders of FOFC who present either to the Exchange Agent or CFC: (i) certificates representing FOFC Common Stock; (ii) the accompanying letter of transmittal; and (iii) other related documents.

2.7. Effect of the Merger on Shares of CFC Common Stock and FOFC Common Stock.

At the Effective Time, each share of CFC Common Stock issued and outstanding immediately prior to the Effective Time shall remain an issued and outstanding share of common stock of the Surviving Corporation and shall not be affected by the Merger. Each share of FOFC Common Stock held in treasury by FOFC or owned by any Subsidiary of FOFC, CFC or any Subsidiary of CFC (in each case other than in a fiduciary capacity) immediately prior to the Effective Time shall be cancelled without any exchange or conversion thereof and no payment or distribution shall be made with respect thereto.

2.8. Directors of Surviving Corporation After Effective Time; Advisory Board.

(a) Subject to Section I, immediately after the Effective Time, until their respective successors are duly elected or appointed and qualified, the directors of the Surviving Corporation shall consist of the directors of CFC serving immediately prior to the Effective Time, plus two directors of FOFC or Capital Bank serving immediately prior to the Effective Time, as selected solely in the discretion of CFC. The Bank Plan of Merger also shall provide for the selection of such directors to serve as directors of Chemung Bank.

(b) Promptly following the Effective Time, CFC shall cause to be formed a Capital District Advisory Board (the "Advisory Board") and invite each member of FOFC's and Capital Bank's respective board of directors who was formerly serving as a non-employee director immediately prior to the Effective Time of the Merger (other than Peter D. Cureau and members who are elected to CFC's and Chemung Bank's board of directors pursuant to Section 2.8(a)) to serve on the Advisory Board. The Advisory Board shall be comprised of such FOFC directors who accept the invitation to serve thereon. The purpose and function of the Advisory Board will be to advise Chemung Bank on

deposit, lending and financial services activities in FOFC's former market area and to insure a smooth transition of business relationships in connection with the Merger and the continued development of business relationships throughout such market area. Each member of the Advisory Board shall be paid for each meeting he or she actually attends, in consideration for his or her services on the Advisory Board. The term of the Advisory Board shall be for a three (3) year period following the Effective Time.

2.9. Certificate of Incorporation and ByLaws.

The certificate of incorporation and the bylaws of CFC, as in effect immediately prior to the Effective Time, shall be the certificate of incorporation and bylaws of the Surviving Corporation until thereafter amended in accordance with applicable Law.

2.10. Treatment of Stock Options and Restricted Stock.

(a) Each option to purchase shares of FOFC Common Stock issued by FOFC and outstanding at the Effective Time pursuant to the FOFC Stock Plans (each, a "FOFC Option"), whether or not such FOFC Option is exercisable at the Effective Time, shall cease to be outstanding and shall be converted into the right to receive in cash, an aggregate amount equal to the product of: (i) the number of shares of FOFC Common Stock subject to unexercised FOFC Options (both vested and unvested); and (ii) the difference, if any, between (x) the sum of: (1) 75% of the product of the Exchange Ratio and the Closing Price, and (2) 25% of $7.50, and (y) the applicable exercise price per share under the FOFC Options.

(b) Each outstanding restricted stock award which is unvested immediately prior to the Effective Time, shall vest and be free of any restrictions as of the Effective Time in accordance with the terms of the applicable FOFC Stock Plans and be exchanged for Merger Consideration as provided in Section 2.4.

2.11. Dissenters' Rights.

Notwithstanding any other provision of this Agreement to the contrary, shares of FOFC Common Stock that are outstanding immediately prior to the Effective Time and which are held by shareholders who shall have not voted in favor of the Merger or consented thereto in writing and who properly shall have demanded payment of the fair value for such shares in accordance with the DGCL (collectively, the "Dissenters' Shares") shall not be converted into or represent the right to receive the Merger Consideration. Such shareholders instead shall be entitled to receive payment of the fair value of such shares held by them in accordance with the provisions of the DGCL, except that all Dissenters' Shares held by shareholders who shall have failed to perfect or who effectively shall have withdrawn or otherwise lost their rights as dissenting shareholders under the DGCL shall thereupon be deemed to have been converted into and to have become exchangeable, as of the Effective Time, for the right to receive, without any interest thereon, the Merger Consideration upon surrender in the manner provided in Section 2.5 of the certificate(s) that, immediately prior to the Effective Time, evidenced such shares. FOFC shall give CFC: (i) prompt notice of any written demands for payment of the fair value of any shares of FOFC Common Stock, attempted withdrawals of such demands and any other instruments served pursuant to the DGCL and received by FOFC relating to shareholders' dissenters' rights; and (ii) the opportunity to participate in all negotiations and proceedings with respect to demands under the DGCL consistent with the obligations of FOFC thereunder. FOFC shall not, except with the prior written consent of CFC: (i) make any payment with respect to such demand; (ii) offer to settle or settle any demand for payment of fair value; or (iii) waive any failure to timely deliver a written demand for payment of fair value or timely take any other action to perfect payment of fair value rights in accordance with the DGCL.

2.12. Bank Merger.

Concurrently with or as soon as practicable after the execution and delivery of this Agreement, Capital Bank and Chemung Bank shall enter into the Plan of Bank Merger, pursuant to which Capital Bank will merge with and into Chemung Bank in the Bank Merger. The parties intend that the Bank Merger will become effective simultaneously with or immediately following the Effective Time.

2.13. Alternative Structure.

Notwithstanding any provision of this Agreement to the contrary, CFC may, subject to the filing of all necessary applications and the receipt of all required regulatory approvals, modify the structure of the transactions contemplated hereby, and the parties shall enter into such alternative transactions, so long as: (i) there are no adverse federal or state income tax consequences to any of the shareholders, directors or officers of FOFC as a result of such modification; (ii) the Merger Consideration is not thereby changed or reduced in amount because of such modification; (iii) such modification will not be likely to materially delay or jeopardize receipt of any required regulatory approvals; (iv) it does not result in any representation or warranty of any party set forth in this Agreement becoming incorrect in any material respect; and (v) it does not diminish the benefits of any officer, director or employee of FOFC pursuant to this Agreement.

2.14. Absence of Control.

Subject to any specific provisions of this Agreement, it is the intent of the parties hereto that CFC by reason of this Agreement shall not be deemed (until consummation of the transactions contemplated hereby) to control, directly or indirectly, FOFC or to exercise, directly or indirectly, a controlling influence over the management or policies of FOFC.

Article III
Representations and Warranties of FOFC

FOFC hereby makes the following representations and warranties to CFC, each of which is being relied upon by CFC as a material inducement to enter into and perform this Agreement. All of the disclosure schedules of FOFC referenced below and thereby required of FOFC pursuant to this Agreement, which disclosure schedules shall be cross-referenced to the specific sections and subsections of this Agreement and delivered herewith, are referred to herein as the "FOFC Disclosure Schedule."

3.1. Capitalization.

(a) The authorized capital stock of FOFC consists of 10,000,000 shares of FOFC Common Stock, par value $.10 per share, of which, as of the date hereof, 3,742,303 shares are issued 3, 702, 312 are outstanding and 39,991 shares are held in treasury and 1,000,000 shares of preferred stock, par value $.10 per share, none of which are issued or outstanding. As of the date hereof, except for FOFC Common Stock to be issued pursuant to FOFC Stock Plans, no shares of FOFC Common Stock or preferred stock are reserved for issuance. All outstanding shares of FOFC Common Stock have been duly authorized and validly issued and are fully paid and non-assessable, with no personal liability attaching to the ownership thereof. None of the shares of FOFC Common Stock has been issued in violation of the preemptive rights of any Person.

(b) Section 3.1 of the FOFC Disclosure Schedule sets forth a complete and accurate list of all outstanding options for and rights to receive FOFC Common Stock, including the names of the holders thereof, and to the extent applicable, dates of grant, exercise prices, dates of vesting, dates of termination, shares subject to each option and right and whether stock appreciation, limited or other similar rights were granted in connection therewith. Except as set forth therein, there are no authorized, issued or outstanding options or other rights with respect to the FOFC Common Stock or preferred stock.

3.2. Corporate Organization.

(a) FOFC is a duly organized corporation, validly existing and in good standing under the Laws of Delaware, with full corporate power and authority to carry on its business as now conducted and is duly licensed or qualified to do business in the states of the United States and foreign jurisdictions where its ownership or leasing of property or the conduct of its business requires such qualification, except where the failure to be so licensed or qualified would not have a Material Adverse Effect on FOFC. FOFC is registered as a bank holding company under the BHCA. The certificate of incorporation and by-laws of FOFC, copies of which are attached as Section 3.2(a) of the FOFC Disclosure Schedule, are true, correct and complete copies of such documents as in effect as of the date of this Agreement. Capital Bank is the only Subsidiary of FOFC that qualifies as a "Significant Subsidiary," as such term is defined in Regulation S-X, promulgated by the SEC.

(b) Capital Bank is a commercial bank, duly organized and validly existing and in good standing under the Laws of New York. The deposit accounts of Capital Bank are insured by the FDIC through the Deposit Insurance Fund to the fullest extent permitted by law, and all premiums and assessments required in connection therewith have been paid by

Capital Bank. Capital Bank has the corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted and is duly licensed or qualified to do business in each jurisdiction in which the nature of any business conducted by it or the character or the location of any properties or assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified would not have a Material Adverse Effect on Capital Bank. The organization
certificate and by-laws of Capital Bank, copies of which are attached as Section 3.2(b) of the FOFC Disclosure Schedule, are true, correct and complete copies of such documents as in effect as of the date of this Agreement.

(c) Except for Capital Bank and Capital Reprise LLC, FOFC does not own, directly or indirectly, 5% or more of the outstanding capital stock or other voting securities of any corporation, bank or other organization; and, with respect to Capital Bank, FOFC owns 2,656,370 shares of common stock of Capital Bank, constituting 100% of all of the outstanding capital stock of Capital Bank. The outstanding shares of common stock of Capital Bank have been duly authorized and validly issued and are fully paid and (except as provided by applicable Law) non-assessable. All such shares are directly or indirectly owned by FOFC, with no personal liability attaching to the ownership thereof. There are no authorized, issued or outstanding options or other rights with respect to the Capital Bank common stock. Except for the pledge of shares to Pioneer Savings Bank as collateral for a line of credit facility, such shares are free and clear of all Liens. None of the shares of Capital Bank common stock has been issued in violation of the preemptive rights of any Person.

(d) No bonds, debentures, notes or other indebtedness having the right to vote on any matters on which shareholders of FOFC may vote are issued or outstanding.

3.3. Authority; No Violation.

(a) FOFC has full corporate power and authority to execute and deliver this Agreement and, subject to receipt of the required regulatory and shareholder approvals specified herein, to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and thereby have been duly and validly approved by the board of directors of FOFC. The board of directors of FOFC has directed that this Agreement and the transactions contemplated hereby be submitted to FOFC's shareholders for approval at a special meeting of such shareholders and, except for the adoption of this Agreement by the requisite vote of FOFC's shareholders, no other corporate proceedings on the part of FOFC (except for matters related to setting the date, time, place and record date for the special meeting) are necessary to approve this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by FOFC and will constitute valid and binding obligations of FOFC, enforceable against FOFC in accordance with its terms, except as enforcement may be limited by general principles of equity, and by bankruptcy, insolvency and similar Laws affecting creditors' rights and remedies generally.

(b) Capital Bank has full corporate power and authority to execute and deliver the Bank Merger Agreement and, subject to receipt of the required regulatory and shareholder approvals specified herein, to consummate the transactions contemplated thereby. The execution and delivery of the Bank Merger Agreement and the consummation of the transactions contemplated thereby have been duly and validly approved by the board of directors of Capital Bank and by FOFC as the sole shareholder of Capital Bank. No other corporate proceedings on the part of Capital Bank will be necessary to consummate the transactions contemplated thereby. The Bank Merger Agreement, upon execution and delivery by Capital Bank, will be duly and validly executed and delivered by Capital Bank and will constitute a valid and binding obligation of Capital Bank, enforceable against Capital Bank in accordance with its terms, except as enforcement may be limited by general principles of equity and by bankruptcy, insolvency and similar Laws affecting creditors' rights and remedies generally.

(c) Neither the execution and delivery of this Agreement by FOFC or the Bank Merger Agreement by Capital Bank, nor the consummation by FOFC or Capital Bank, as the case may be, of the transactions contemplated hereby or thereby, nor compliance by FOFC or Capital Bank with any of the terms or provisions hereof or thereof, will: (i) violate any provision of the certificate of incorporation or by-laws of FOFC; or (ii) assuming that the consents and approvals referred to in Section 3.4 are duly obtained, (x) violate any Laws applicable to FOFC or any of its properties or assets, or (y) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any Lien upon, any of the properties or assets of FOFC under any of the terms, conditions or provisions of

any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which FOFC is a party, or by which it or any of its properties or assets may be bound or affected.

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3.4. Consents and Approvals.

(a) Except for: (i) the filing of applications, notices or waiver requests, as applicable, as to the Merger and the Bank Merger with the FRB, the FDIC and the NYSBD, as well as any other applications and notices required by Laws related to the Merger or the Bank Merger, and approval of the foregoing applications and notices; (ii) the approval of this Agreement by the requisite vote of the shareholders of CFC and FOFC; (iii) the filing of the Articles of Merger with the New York Secretary of State and the Delaware Secretary of State; (iv) such consents, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable Laws including, if applicable, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended and the securities or antitrust Laws of any foreign country; and (v) such filings, authorizations or approvals as may be set forth in Section 3.4 of the FOFC Disclosure Schedule, no consents or approvals of or filings or registrations with any Governmental Entity, or with any third party are necessary in connection with: (1) the execution and delivery by FOFC of this Agreement; (2) the consummation by FOFC of the Merger and the other transactions contemplated hereby; (3) the execution and delivery by Capital Bank of the Bank Merger Agreement; and (4) the consummation by Capital Bank of the Bank Merger and the transactions contemplated thereby, except in each case, for such consents, approvals or filings, the failure of which to obtain will not have a Material Adverse Effect on the ability of FOFC to consummate the transactions contemplated hereby.

(b) FOFC hereby represents to CFC that it has no Knowledge of any reason why approval or effectiveness of any of the applications, notices or filings referred to in Section 3.4(a) cannot be obtained or granted on a timely basis and that it will promptly notify CFC should it acquire such Knowledge.

3.5. Regulatory Filings.

FOFC and Capital Bank have filed all reports required by Laws to be filed with any Regulatory Authority, and such reports were prepared in accordance with the applicable Laws and instructions in existence as of the date of filing of such reports in all material respects, and none of the reports contain any untrue statement of a material fact. FOFC is not required to file any reports, schedules, registration statements or proxy statements with the SEC under the Securities Act or the Exchange Act and will promptly inform CFC if it becomes subject to such requirements prior to the Effective Time.

3.6. Agreements with Regulatory Agencies.

Except as set forth in Section 3.6 of the FOFC Disclosure Schedule, neither of FOFC or Capital Bank is subject to any cease-and-desist or other order issued by, or is a party to any written agreement, consent agreement or memorandum of understanding with, or has adopted any board resolutions at the request of, any Regulatory Authority that restricts the conduct of its business or that in any manner relates to its capital adequacy, its credit policies, its earnings, its asset quality, its management or its business, nor has FOFC or Capital Bank been advised by any Governmental Entity that it is considering issuing or requesting any such agreement or action.

3.7. Compliance with Applicable Laws.

Except as set forth in Section 3.7 of the FOFC Disclosure Schedule, each of FOFC and Capital Bank has complied in all material respects with all Laws applicable to it or to the operation of its business. Neither FOFC nor Capital Bank has received any notice of any material alleged or threatened claim, violation, or liability under any such Laws that have not heretofore been cured and for which there is no remaining liability.

3.8. Legal Proceedings.

Except as set forth in Section 3.8 of the FOFC Disclosure Schedule: i) neither FOFC nor Capital Bank is a party to any, and there are no pending, or to the Knowledge of FOFC, threatened, legal, administrative, arbitration or other proceedings, claims, actions or governmental or regulatory investigations of any nature against FOFC or Capital Bank in which, to the Knowledge of FOFC, there is a reasonable probability of any material recovery against or other material effect upon FOFC or Capital Bank or which challenge the validity or propriety of the transactions contemplated by this Agreement or the Bank Merger Agreement; and ii) there is no injunction, order, judgment, decree, or regulatory restriction imposed upon FOFC, Capital Bank or their respective assets.

3.9. Securities Registration.

FOFC and Capital Bank are not under any obligation to register any of their securities under the Securities Act or any state securities laws.

3.10. Financial Statements; Books and Records.

FOFC has delivered to CFC the FOFC Regulatory Reports and the FOFC Financials, all of which fairly present in all material respects, the consolidated financial position of FOFC and Capital Bank as of the dates indicated and the consolidated results of operations, changes in shareholders' equity and, in the case of the audited financial statements, cash flows of FOFC and Capital Bank for the periods then ended and each such financial statement has been or will be, as the case may be, prepared in conformity with GAAP, as applicable, applied on a consistent basis. The FOFC Financials reflecting information after the date of this Agreement will fairly present in all material respects, the consolidated financial position of FOFC and Capital Bank as of the dates indicated and the consolidated results of operations, changes in shareholders' equity and, in the case of the audited financial statements, cash flows of FOFC and Capital Bank for the periods then ended and each such financial statement has been or will be, as the case may be, prepared in conformity with GAAP as applicable, applied on a consistent basis. The books and records of FOFC and Capital Bank fairly reflect in all material respects the transactions to which it is a party or by which its properties are subject or bound. Such books and records have been properly kept and maintained and are in compliance with all applicable Laws and accounting requirements in all material respects. The minute books of FOFC and Capital Bank contain records which are accurate in all material respects regarding all corporate actions of each of their respective shareholders and boards of directors (including committees of their respective boards of directors) set forth therein.

3.11. Tax Matters.

(a) FOFC and Capital Bank have timely filed federal income tax returns for the five (5) years ended through December 31, 2009, and have timely filed, or caused to be filed, all other federal, state, local and foreign tax returns (including, without limitation, estimated tax returns, returns required under Sections 1441-1446 and 6031-6060 of the Code and the regulations thereunder and any comparable state, foreign and local Laws, any other information returns, withholding tax returns, FICA and FUTA returns and back up withholding returns required under Section 3406 of the Code and any comparable state, foreign and local Laws and all applicable information reporting requirements under Part III, Subchapter A of Chapter 61 of the Code and similar applicable state and local information reporting requirements, required to be filed with respect to FOFC or Capital Bank. All taxes due in respect of the periods covered by such tax returns have been paid or adequate reserves have been established for the payment of such taxes and such reserves are reflected on the FOFC Financials, and as of the Closing Date, all taxes due in respect of any subsequent periods (or portions thereof) ending on or prior to the Closing Date will have been paid or adequate reserves will have been established for the payment thereof. Except as set forth in Section 3.11(a) of the FOFC Disclosure Schedule, no material: (i) audit examination; (ii) deficiency; or (iii) refund litigation with respect to such returns or periods has been proposed, asserted or assessed or is pending. To the best of their Knowledge, neither FOFC nor Capital Bank will have any liability for any such taxes in excess of the amounts so paid or reserves or accruals so established.

(b) Except as set forth in Section 3.11.(b) the FOFC Disclosure Schedule, all federal, state and local (and, if applicable, foreign) tax returns filed by FOFC since December 2007, are complete and accurate in all material respects. Neither FOFC nor Capital Bank is delinquent in the payment of any material Tax, assessment or governmental charge, and none of them has requested any extension of time within which to file any tax returns in respect of any fiscal year or portion thereof which have not since been filed. No material deficiencies for any Tax, assessment or governmental charge have been proposed, asserted or assessed (tentatively or otherwise) against FOFC or Capital Bank, which have not been settled and paid. There are currently no agreements in effect with respect to

FOFC or Capital Bank to extend the period of limitations for the assessment or collection of any Tax.

(c) Neither the transactions contemplated hereby nor the termination of the employment of any employees of FOFC or Capital Bank prior to or following consummation of the transactions contemplated hereby could result in FOFC or Capital Bank making or being required to make any "excess parachute payment" as that term is defined in Section 280G of the Code. Except as set forth in Section 3.11(c) of the FOFC Disclosure Schedule, neither FOFC nor Capital Bank is a party to any agreement, arrangement, or plan that has resulted, or would result, individually or in the aggregate, in connection with this Agreement, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code.

(d) Except as set forth in Section 3.11(d) of the FOFC Disclosure Schedule, neither FOFC nor Capital Bank is a party to any agreement providing for the allocation or sharing of, or indemnification for, Taxes.

(e) To their Knowledge, neither FOFC nor Capital Bank is required to include in income any adjustment in any taxable period ending after the date hereof pursuant to Section 481(a) of the Code.

(f) Except as set forth in Section 3.11(f) of the FOFC Disclosure Schedule, neither FOFC nor Capital Bank has entered into any agreement with any taxing authority that will bind CFC or Chemung Bank after the Closing Date.

3.12. Undisclosed Liabilities.

Neither FOFC nor Capital Bank has any liability (contingent or otherwise), excluding contractually assumed contingencies of the nature required to be disclosed in a balance sheet (including the notes thereto) prepared in accordance with GAAP, except: (i) as disclosed in the FOFC Regulatory Reports, FOFC Financial Statements or as provided to CFC in connection with its due diligence inquiry; (ii) for liabilities incurred in the ordinary course of business subsequent to the date hereof consistent with past practice that, either alone or when combined with all similar liabilities, have not had, and would not reasonably be expected to have, a Material Adverse Effect on FOFC; (iii) for liabilities incurred in connection with this Agreement and the transactions contemplated hereby; or (iv) as set forth in Section 3.12 of the FOFC Disclosure Schedule.

3.13. Properties and Assets.

(a) Section 3.13 of the FOFC Disclosure Schedule lists: (i) all real property owned by FOFC and Capital Bank; (ii) each real property lease, sublease or installment purchase arrangement to which FOFC's or Capital Bank is a party; (iii) a description of each contract for the purchase, sale, or development of real estate to which FOFC or Capital Bank is a party; and (iv) all items of FOFC or Capital Bank's tangible personal property and equipment with a book value of $25,000 or more or having any annual lease payment of $10,000 or more. Except as set forth in Section 3.13 of the FOFC Disclosure Schedule, FOFC and Capital Bank have good and marketable title free and clear of all Liens on all of the properties and assets, real and personal, which, individually or in the aggregate, are material to the business of FOFC and Capital Bank taken as a whole, and which are reflected on the FOFC Financials, except: (i) Liens for Taxes not yet due and payable; (ii) pledges to secure deposits and other Liens incurred in the ordinary course of banking business; (iii) such imperfections of title, easements and encumbrances, if any, as are not material in character, amount or extent; and (iv) the pledge of all of the outstanding shares of the common stock of Capital Bank to Pioneer Savings Bank as collateral for a line of credit facility. All leases pursuant to which FOFC or Capital Bank, as lessee, leases real and personal property which, individually or in the aggregate, are material to the business of FOFC and Capital Bank taken as a whole, are assignable, valid and enforceable in accordance with their respective terms, except where the failure of such lease or leases to be valid and enforceable would not, individually or in the aggregate, have a Material Adverse Effect on FOFC. All leases pursuant to which FOFC or Capital Bank, as lessee, leases real and personal property which, individually or in the aggregate, are material to the business of FOFC and Capital Bank taken as a whole, are valid and binding in accordance with their respective terms with respect to the Surviving Corporation and enforceable by the Surviving Corporation, except where the failure of such lease or leases to be valid, binding and enforceable would not, individually or in the aggregate, have a Material Adverse Effect on FOFC.

(b) Neither FOFC nor Capital Bank has experienced any material uninsured damage or destruction with respect to such properties. All properties and assets used by FOFC and Capital Bank are in good operating condition and repair suitable for the purposes for which they are currently utilized and comply in all material respects with all Laws relating thereto now in effect or, to FOFC's Knowledge, scheduled to become effective. FOFC and Capital Bank enjoy peaceful and undisturbed possession under all leases for the use of all property under which they are the lessees. Neither FOFC nor Capital Bank is in material default with respect to any such lease, and there has occurred no

default, or event, which with the lapse of time or the giving of notice, or both, would constitute a material default, by FOFC or Capital Bank under any such lease. There are no Laws, conditions of record, or other impediments which interfere with the intended use by FOFC or Capital Bank of any of the property owned, leased, or occupied by them.

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3.14. Insurance.

Section 3.14 of the FOFC Disclosure Schedule contains a true, correct and complete list of all insurance policies and bonds maintained by FOFC and Capital Bank, including the name of the insurer, the policy number, the type of policy and any applicable deductibles, and all such insurance policies and bonds are in full force and effect and have been in full force and effect since their respective dates of inception. As of the date hereof, neither FOFC nor Capital Bank has received any notice of cancellation or amendment of any such policy or bond or is in default under any such policy or bond; no coverage thereunder is being disputed and all material claims thereunder have been filed in a timely fashion. The existing insurance carried by FOFC and Capital Bank is and will continue to be, in respect of the nature of the risks insured against and the amount of coverage provided, sufficient for compliance by FOFC and Capital Bank with all requirements of Law and agreements to which FOFC or Capital Bank is subject or is a party, and is, to FOFC's Knowledge, substantially similar in kind and amount to that customarily carried by parties similarly situated who own properties and engage in businesses substantially similar to that of FOFC and Capital Bank.

3.15. Reserves.

To FOFC's Knowledge, all reserves or other allowances for possible losses reflected in the FOFC Financials comply in all material respects with all Laws and are adequate under GAAP. Neither FOFC nor Capital Bank has been notified by any Regulatory Authority or FOFC's independent auditor, in writing or otherwise, that such reserves are inadequate or that the practices and policies of FOFC or Capital Bank in establishing such reserves and in accounting for delinquent and classified assets generally fail to comply with applicable accounting or regulatory requirements, or that any Regulatory Authority or FOFC's independent auditor believes such reserves to be inadequate or inconsistent with the historical loss experience of FOFC or Capital Bank. FOFC has previously furnished to CFC a complete list of all extensions of credit and OREO that have been classified by any Regulatory Authority as other loans specially mentioned, substandard, doubtful, loss, classified or criticized, credit risk assets, concerned loans or words of similar import. FOFC agrees to update such list no less frequently than monthly after the date of this Agreement until the earlier of the Closing Date or the date that this Agreement is terminated in accordance with Article VI. All OREO held by FOFC or Capital Bank is being carried net of reserves at the lower of cost or net realizable value.

3.16. Loans.

(a) To FOFC's Knowledge, all loans owned by FOFC or Capital Bank, or in which FOFC or Capital Bank has an interest: (i) comply in all material respects with all Laws, including, but not limited to, applicable usury statutes, fair lending laws and regulations, the Truth in Lending Act, the Equal Credit Opportunity Act, and the Real Estate Settlement Procedures Act, and other applicable consumer protection Laws thereunder; and (ii) have been made or acquired in accordance with board of director-approved loan policies and all of such loans are presently collectable, except to the extent reserves have been made against such loans in the FOFC Financials.

(b) To FOFC's Knowledge, each of FOFC and Capital Bank holds mortgages contained in its loan portfolio for its own benefit to the extent of its interest shown therein; such mortgages evidence Liens having the priority indicated by the terms of such mortgages, including the associated loan documents, subject, as of the date of recordation or filing of applicable security instruments, only to such exceptions as are discussed in attorneys' opinions regarding title or in title insurance policies in the mortgage files relating to the loans secured by real property or are not material as to the collectability of such loans; and all loans owned by FOFC and Capital Bank are with full recourse to the borrowers (except as set forth at Section 3.16(b) of the FOFC Disclosure Schedule), and each of FOFC and Capital Bank has taken no action which would result in a waiver or negation of any rights or remedies available against the borrower or guarantor, if any, on any loan. All applicable remedies against all borrowers and guarantors are enforceable except as may be limited by bankruptcy, insolvency, moratorium or other similar Laws affecting creditors' rights and except as may be limited by the exercise of judicial discretion in applying principles of equity. Except as set forth at Section

3.16(b) of the FOFC Disclosure Schedule, all loans purchased or originated by FOFC or Capital Bank and subsequently sold have been sold without recourse to FOFC or Capital Bank and without any liability under any yield maintenance or similar obligation. True, correct and complete copies of loan delinquency reports as of August 31, 2010, prepared by FOFC and Capital Bank, which reports include all loans delinquent or otherwise in default, have been furnished to CFC. True, correct and complete copies of the currently effective lending policies and practices of FOFC and Capital Bank also have been furnished to CFC.

(c) Except as set forth at Section 3.16(c) of the FOFC Disclosure Schedule, to FOFC's Knowledge, each outstanding loan participation sold by FOFC or Capital Bank was sold with the risk of non-payment of all or any portion of that underlying loan to be shared by each participant proportionately to the share of such loan represented by such participation without any recourse of such other lender or participant to FOFC or Capital Bank for payment or repurchase in excess thereof. FOFC and Capital Bank have properly fulfilled in all material respects the contractual responsibilities and duties in any loan in which it acts as the lead lender or servicer and has complied in all material respects with its duties as required under applicable Laws.

(d) FOFC and Capital Bank have properly perfected all security interests, Liens, or other interests in any collateral securing any loans made by them.

(e) Section 3.16(e) of the FOFC Disclosure Schedule sets forth a list of all loans or other extensions of credit to all directors, officers and employees, or any other Person covered by FRB Regulation O. All such loans: (i) were made in the ordinary course of business; (ii) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other Persons; and (iii) did not involve more than the normal risk of collectability or present other unfavorable features. No such loan is presently in default.

3.17. Investment Securities.

(a) Except for Liens disclosed on Section 3.17(a) of the FOFC Disclosure Schedule and except for restrictions that exist for securities that are classified as "held to maturity", none of the investment securities held by FOFC is subject to any restriction (contractual or statutory) that would materially impair the ability of the entity holding such investment freely to dispose of such investment at any time.

(b) Except as disclosed on Section 3.17(b) of the FOFC Disclosure Schedule, FOFC is not a party to and has not agreed to enter into an exchange-traded or over-the-counter equity, interest rate, foreign exchange or other swap, forward, future, option, cap, floor or collar or any other contract that is a derivative contract (including various combinations thereof) or owns securities that: (i) are referred to generically as "structured notes," "high risk mortgage derivatives," "capped floating rate notes" or "capped floating rate mortgage derivatives" or (ii) are likely to have changes in value as a result of interest or exchange rate changes that significantly exceed normal changes in value attributable to interest or exchange rate changes.

3.18. Deposits.

Except as set forth in Section 3.18 of the FOFC Disclosure Schedule, none of the deposits of Capital Bank is a "brokered deposit" as defined in the FDIC regulations (12 CFR Section 337.6(a)(2)).

3.19. Labor Matters.

With respect to their employees, neither FOFC nor Capital Bank is a party to any labor agreement with any labor organization, group or association and has not engaged in any unfair labor practice. FOFC and Capital Bank have not experienced any attempt by organized labor or its representatives to make FOFC or Capital Bank conform to demands of organized labor relating to their employees or to enter into a binding agreement with organized labor that would cover the employees of FOFC or Capital Bank. There is no unfair labor practice charge or other complaint by any employee or former employee of FOFC or Capital Bank against any of them pending before any Governmental Entity arising out of FOFC's or Capital Bank's activities, which charge or complaint: (i) has a reasonable probability of an unfavorable outcome; and (ii) in the event of an unfavorable outcome would, individually or in the aggregate, have a Material Adverse Effect on FOFC. There is no labor strike or labor disturbance pending or threatened against any of them; and neither FOFC nor Capital Bank has experienced a work stoppage or other labor difficulty. FOFC and

Capital Bank are in material compliance with all applicable Laws respecting employment, retention of independent contractors, employment practices, terms and conditions of employment and wages and hours.

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3.20. Employee Benefit Plans.

(a) FOFC Disclosure Schedule 3.20(a) hereto sets forth a true and complete list of: (i) each employment agreement or change in control agreement (whether written or oral) FOFC or Capital Bank has entered into with any employee, director or officer of FOFC or Capital Bank; and (ii) each pension, retirement, stock option, stock purchase, stock ownership, savings, stock appreciation right, profit sharing, deferred compensation, consulting, bonus, group insurance, severance and other benefit plans, contracts agreements and arrangements, including, but not limited to "employee benefit plans (within the meaning of Section 3(3) of ERISA), incentive policies, insurance contracts, plans and arrangements and all trust agreements related thereto, sponsored, maintained or adopted by FOFC or Capital Bank (hereinafter, a "Plan") with respect to any present or former directors, officers or employees of FOFC and/or Capital Bank.

(b) Except as set forth on FOFC Disclosure Schedule 3.20(b), with respect to each of the FOFC or Capital Bank Plans, FOFC has made available to CFC true and complete copies of each of the following documents: (i) the Plan and related documents (including all amendments thereto); (ii) the most recent annual reports, financials, and actuarial reports, if any; (iii) the most recent summary plan description, together with each summary of material modifications, required under ERISA with respect to such Plan; and (iv) the most recent determination letter received from the IRS with respect to each Plan that is intended to be qualified under the Code.

(c) No liability under Title IV of ERISA has been incurred by FOFC or any entity which is treated as a single employer with FOFC for purposes of Code Section 414 (an "ERISA Affiliate") since the effective date of ERISA that has not been satisfied in full, and no condition exists that presents a material risk to FOFC or any ERISA Affiliate of FOFC of incurring a liability under such Title, other than liability for premium payments to the Pension Benefit Guaranty Corporation, which premiums have been or will be paid when due.

(d) Neither FOFC nor any ERISA Affiliate of FOFC, nor any of the Plans, nor any trust created thereunder, nor any trustee or administrator thereof has engaged in a prohibited transaction (within the meaning of Section 406 of ERISA and Section 4975 of the Code) in connection with which FOFC or any ERISA Affiliate of FOFC could, either directly or indirectly, incur a material liability or cost.

(e) Full payment has been made, or will be made in accordance with Section 404(a)(6) of the Code, of all amounts that FOFC or any ERISA Affiliate of FOFC is required to pay under Section 412 of the Code or under the terms of the Plans.

(f) Except as set forth on FOFC Disclosure Schedule 3.20(f), there has been no Material Adverse Effect in the funded status of any FOFC Plan that is subject to Title IV of ERISA since the inception of such FOFC Plan. No reportable event under Section 4043 of ERISA has occurred or will occur with respect to any FOFC Plan on or before the Closing Date other than any reportable event occurring by reason of the transactions contemplated by this Agreement or a reportable event for which the requirement of notice to the PBGC has been waived.

(g) None of the Plans is a "multiemployer pension plan," as such term is defined in Section 3(37) of ERISA, a "multiple employer welfare arrangement," as such term is defined in Section 3(40) of ERISA, or a single employer plan that has two or more contributing sponsors, at least two of whom are not under common control, within the meaning of Section 4063(a) of ERISA.

(h) Except as set forth on FOFC Disclosure Schedule 3.20(h)(1), a favorable determination letter has been issued by the IRS with respect to the each of the Plans that is intended to be "qualified" within the meaning of Section 401(a) of the Code to the effect that such plan is so qualified and each such FOFC Plan satisfies the requirements of Section 401(a) of the Code in all material respects. Each of the FOFC Plans that is intended to satisfy the requirements of

Section 125 or 501(c)(9) of the Code satisfies such requirements in all material respects. To FOFC's best Knowledge and except as set forth on Schedule 3.20(h)(2), each of the Plans has been operated and administered in all material respects in accordance with its terms and applicable laws, including but not limited to ERISA and the Code.

(i) There are no actions, suits or claims pending, or, to the Knowledge of FOFC, threatened (other than routine claims for benefits) against any Plan, the assets of any Plan or against FOFC or any ERISA Affiliate of FOFC with respect to any Plan. There is no judgment, decree, injunction, rule or order of any court, governmental body, commission, agency or arbitrator outstanding against or in favor of any Plan or any fiduciary thereof (other than rules of general applicability). To the Knowledge of FOFC, there are no pending or threatened audits, examinations or investigations by any governmental body, commission or agency involving any Plan.

(j) Except as contemplated by this Agreement and as set forth on FOFC Disclosure Schedules 3.20(a) and 3.20(j), the consummation of the transactions contemplated by this Agreement will not: (i) entitle any current or former employee or director of FOFC or any ERISA Affiliate of FOFC to severance pay, accrued sick pay, unemployment compensation or any similar payment; (ii) accelerate the time of payment or vesting, or increase the amount, of any compensation due to any such current or former employee or director; (iii) renew or extend the term of any agreement regarding compensation for any such current or former employee or director; or (iv) result in a “change in control” or the occurrence of any other event specified in the agreements which would entitle any party to such agreements to any payment thereunder.

(k) Each Plan which is subject to the health care continuation requirements of Part 6 of Subtitle B of Title I of ERISA or Section 4980B of the Code (“COBRA”) has been administered in material compliance with such requirements.

(l) To the Knowledge of FOFC, each Plan has been operated and administered in all material respects in accordance with its terms and applicable Laws, including, but not limited to, ERISA, the Code, the Securities Act, the Age Discrimination in Employment Act, COBRA, the Health Insurance Portability and Accountability Act of 1996 and any rules or regulations promulgated thereunder.

3.21. Environmental Matters.

(a) Each of FOFC and Capital Bank is in material compliance with all applicable Laws relating to pollution or protection of the environment (including without limitation, Laws relating to emissions, discharges, releases and threatened releases of Hazardous Materials, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials).

(b) There is no suit, claim, action, proceeding, investigation or notice pending or, to the Knowledge of FOFC and Capital Bank, threatened (or past or present actions or events that could form the basis of any such suit, claim, action, proceeding, investigation or notice), in which FOFC or Capital Bank has been or, with respect to threatened suits, claims, actions, proceedings, investigations or notices, may be, named as a defendant: (x) for alleged material noncompliance (including by any predecessor), with any environmental law, rule or regulation; or (y) relating to any material release or threatened release into the environment of any Hazardous Material, occurring at or on a site owned, leased or operated by FOFC or Capital Bank, or to the Knowledge of FOFC, relating to any material release or threatened release into the environment of any Hazardous Material, occurring at or on a site not owned, leased or operated by FOFC or Capital Bank.

(c) During FOFC’s or Capital Bank’s ownership or operation of any of their properties, there has not been any material release of Hazardous Materials in, on, under or affecting any such property.

(d) To the Knowledge of FOFC and Capital Bank, neither of them has made or participated in any loan to any Person who is subject to any suit, claim, action, proceeding, investigation or notice, pending or threatened, with respect to: (i) any alleged material noncompliance as to any property securing such loan with any environmental Law; or (ii) the release or the threatened release into the environment of any Hazardous Material at a site owned, leased or

operated by such Person on any property securing such loan.

3.22. Internal Controls.

(a) FOFC and Capital Bank maintain a standard system of accounting established and administered in accordance with GAAP and applicable Laws. FOFC is not required to implement or maintain disclosure controls and procedures as defined in Rule 13a-15(e) of the Exchange Act.

(b) Neither FOFC nor Capital Bank, or any of their respective directors or officers, or, to their Knowledge, any of their respective employees, accountants or auditors, has received or otherwise had or obtained Knowledge of any complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices and procedures of FOFC or Capital Bank, or their respective internal accounting controls. There have been no internal investigations regarding accounting or revenue recognition discussed with, reviewed by, or initiated at the direction of, the chief executive officer, chief financial officer, general counsel, the board of directors of FOFC or Capital Bank or any committee thereof.

(c) No attorney representing FOFC or Capital Bank, whether or not employed by FOFC or Capital Bank, has reported evidence of a material violation of securities Laws, breach of fiduciary duty or similar violation by FOFC or Capital Bank or any of their respective officers, directors, employees or agents to the board of directors of FOFC or Capital Bank, to any committee thereof or to any director or officer of FOFC or Capital Bank.

(d) To the Knowledge of FOFC, no employee of FOFC or Capital Bank has provided or is providing information to any law enforcement agency regarding the commission or possible commission of any crime or the violation or possible violation of any applicable Law. To the Knowledge of FOFC, neither FOFC nor Capital Bank nor any of their respective officers, employees, contractors, subcontractors or agents has discharged, demoted, suspended, threatened, harassed or in any other manner discriminated against an employee of FOFC or Capital Bank in the terms and conditions of employment because of any act of such employee described in 18 U.S.C. Section 1514A(a).

3.23. Intellectual Property.

(a) Except as set forth in Section 3.23 of the FOFC Disclosure Schedule, FOFC or Capital Bank owns the entire right, title and interest in and to, or has valid licenses or otherwise has the required legal rights with respect to, all of the Intellectual Property necessary in all material respects to conduct the business and operations of FOFC and Capital Bank, as presently conducted. None of such Intellectual Property is subject to any outstanding order, decree, judgment, stipulation, settlement, or Liens. Upon consummation of the transactions contemplated by this Agreement, CFC and Chemung Bank will be entitled to continue to use all such Intellectual Property, without the payment of any fees, licenses or other payments (other than ongoing payments required under license agreements for software used by FOFC or Capital Bank in previously disclosed amounts, consistent with past practice).

(b) The conduct of the business and operations of FOFC and Capital Bank does not infringe or otherwise conflict with the rights of any Person in respect of any patents, copyrights, trade secrets, trade names, servicemarks, trademarks, domain names, software, or internet websites. None of the Intellectual Property is being infringed or otherwise used or being made available for use by any Person without a license or permission from FOFC or Capital Bank.

3.24. Material Contracts.

(a) Except as disclosed in Section 3.24 of the FOFC Disclosure Schedule, neither FOFC nor Capital Bank is a party to, or is bound by: (i) any material contract as defined in Item 601(b)(10) of Regulation S-K of the SEC or any other material contract or similar arrangement whether or not made in the ordinary course of business (other than loans or loan commitments and funding transactions in the ordinary course of business of Capital Bank) including, but not limited to any contract arrangement, commitment or understanding (whether written or oral) with respect to the employment of any officer, director, employee or consultant of FOFC or Capital Bank, or any agreement restricting the nature or geographic scope of its business activities in any material respect; or (ii) any agreement, indenture or other instrument relating to the borrowing of money by FOFC or Capital Bank or the guarantee by FOFC or Capital Bank of any such obligation, other than instruments relating to transactions entered into in the customary course of business.

(b) Neither FOFC nor Capital Bank, nor to their Knowledge, any of their counter-parties, is in default under any material agreement, commitment, arrangement, lease, insurance policy or other instrument, whether entered into in the ordinary course of business or otherwise and whether written or oral, and there has not occurred any event that, with the lapse of time or giving of notice or both, would constitute such a default, except for such defaults which would not, individually or in the aggregate, have a Material Adverse Effect on FOFC.

3.25. Absence of Certain Changes or Events.

Except for entering into this Agreement and except as set forth in FOFC Disclosure Schedule 3.25 (in each case, identified by the appropriate paragraph of this Section 3.25), since December 31, 2009:

(a) FOFC and Capital Bank have conducted their respective businesses only in the ordinary and usual course of such businesses consistent with their past practices;

(b) there has not been any event or occurrence that has had, or is reasonably expected to have, a Material Adverse Effect on FOFC or Capital Bank;

(c) FOFC and Capital Bank have not declared, paid or set aside any dividends or distributions with respect to the FOFC Common Stock;

(d) except for supplies or equipment purchased in the ordinary course of business, neither FOFC nor Capital Bank has made any capital expenditures exceeding individually or in the aggregate $50,000;

(e) there has not been any write-down or specific reserve established by Capital Bank in excess of $250,000 with respect to any of its loans or OREO;

(f) there has not been any sale, assignment or transfer of any assets by FOFC or Capital Bank in excess of $50,000 other than in the ordinary course of business;

(g) there has been no increase in the salary, compensation, pension or other benefits payable or to become payable by FOFC or Capital Bank to any of their respective directors, officers or employees, other than in conformity with the policies and practices of such entity in the usual and ordinary course of its business;

(h) Except as set forth in Section 3.25(h) of the FOFC Disclosure Schedule, neither FOFC nor Capital Bank has paid or made any accrual or arrangement for payment of bonuses or special compensation of any kind or any severance or termination pay to any of their directors, officers or employees; and

(i) there has been no change in any accounting principles, practices or methods of FOFC or Capital Bank other than as required by GAAP.

3.26. Affiliate Transactions.

(a) All “covered transactions” between FOFC and Capital Bank and an “Affiliate” within the meaning of Sections 23A and 23B of the Federal Reserve Act and the FRB regulations thereunder have been in compliance with such provisions.

(b) Except as set forth in FOFC Disclosure Schedule 3.26(b), neither FOFC nor Capital Bank is a party to any transaction (including any loan or other credit accommodation) with any Affiliate of FOFC or Capital Bank. All such transactions set forth therein: (i) were made in the ordinary course of business; (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other Persons; and (c) did not involve more than the normal risk of collectability or present other unfavorable features. No loan or credit accommodation to any Affiliate of FOFC or Capital Bank is presently in default or, during the three-year period prior to the date of this Agreement, has been in default or has been restructured, modified or extended. Neither FOFC nor Capital Bank has been notified that principal and interest with respect to any such loan or other credit accommodation will not be paid when due. No Regulatory Authority has informed FOFC or Capital Bank

that the loan grade classification accorded such loan or credit accommodation by FOFC or Capital Bank is inappropriate.

3.27. Material Interests of Certain Persons.

Except as set forth in FOFC Disclosure Schedule 3.27, no current or former officer or director of FOFC or Capital Bank, or any family member or Affiliate of any such Person, has any material interest, directly or indirectly, in any contract or property (real or personal), tangible or intangible, used in or pertaining to the business of FOFC or Capital Bank.

3.28. Anti-Takeover Provisions.

No provisions of FOFC's organizational documents and no state anti-takeover Law, including, but not limited to "fair price," "moratorium," "control share acquisition" or similar Laws:(i) applies to the Merger, the Agreement or the Bank Plan of Merger; (ii) prohibits or restricts the ability of FOFC or Capital Bank to perform their respective obligations under this Agreement, or their respective ability to consummate the transactions contemplated hereby; (iii) would have the effect of invalidating or voiding this Agreement, the Bank Plan of Merger or the Merger; or (iv) would subject CFC or Chemung Bank to any material impediment or condition in connection with the exercise of any of its rights under this Agreement, the Bank Plan of Merger or the Merger.

3.29. Fees.

Neither FOFC nor Capital Bank, nor any of their respective officers, directors or employees, has employed any broker, finder or financial advisor or incurred any liability for any fees or commissions in connection with the transactions contemplated herein or the Bank Plan of Merger, except for FOFC's retention of FinPro to perform certain financial advisory services.

3.30. Fairness Opinion.

FOFC has received the opinion of FinPro to the effect that, as of the date hereof, the Merger Consideration is fair, from a financial point of view, to FOFC and its shareholders.

3.31. Bank Secrecy Act and CRA Compliance.

(a) Except as set forth in Section 3.31 of the FOFC Disclosure Schedule, FOFC is not aware of, has not been advised of, and has no reason to believe in, the existence of any facts or circumstances which would cause it or Capital Bank to be deemed to be: (i) operating in violation of the Bank Secrecy Act or the Patriot Act and the regulations promulgated thereunder, the regulations promulgated and administered by OFAC, any order issued with respect to anti-money laundering by the DOJ or FinCEN, any order issued by OFAC, or any other applicable anti-money laundering laws; or (ii) not in satisfactory compliance with the applicable privacy and customer information requirements contained in any privacy, data protection or security breach notification Laws, including, without limitation, the GLBA and the provisions of the information security program adopted pursuant to 12 CFR. Part 40. FOFC is not aware of any facts or circumstances which would cause it to believe that any non-public customer information has been disclosed to or accessed by an unauthorized third Person in a manner which would cause it or Capital Bank to undertake any remedial action. FOFC or Capital Bank has adopted and implemented an anti-money laundering program that contains adequate and appropriate customer identification and verification procedures that comply with all applicable Laws.

(b) Capital Bank has received a rating of "Outstanding" in its most recent examination or interim review with respect to the CRA. FOFC is not aware of, has not been advised of, and has no reason to believe that any facts or circumstances exist that would cause Capital Bank: (i) to be deemed not to be in satisfactory compliance in any material respect with the CRA, and the regulations promulgated thereunder, or to be assigned a CRA rating of lower than "satisfactory" by any Regulatory Authority.

3.32. Tax Treatment of the Merger.

FOFC has no Knowledge of any fact or circumstance relating to it that would prevent the transactions contemplated by this Agreement from qualifying as a reorganization under Section 368 of the Code with respect to the portion of the Merger Consideration consisting of shares of CFC Common Stock, such that the exchange of CFC Common Stock for

FOFC Common Stock and cash will not give rise to a Tax recognition event for the shareholders of FOFC with respect to such portion of the merger consideration comprised of CFC Common Stock.

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3.33. FOFC Information.

The information relating to FOFC and Capital Bank provided herein and to be provided by FOFC to be contained in the Joint Proxy Statement-Prospectus do not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein or therein, in light of the circumstances in which they are made, not misleading. The Joint Proxy Statement-Prospectus (except for the portions thereof relating solely to CFC and Chemung Bank, as to which FOFC makes no representation or warranty) will comply in all material respects with the provisions of applicable Laws.

3.34. Trust Powers.

Capital Bank does not exercise trust powers or act as a fiduciary, trustee, agent, custodian, personal representative, guardian, conservator or investment advisor with respect to assets held other than acting as a trustee or custodian with respect to IRA accounts related to insured deposits or as trustee or custodian for other insured deposits held.

3.35. Indemnification.

Except as set forth in FOFC Disclosure Schedule 3.35 and except as provided in FOFC's indemnification agreement with FinPro, or the organizational documents of FOFC and Capital Bank, neither FOFC nor Capital Bank is a party to any indemnification agreement with any of its present, past or future directors, officers, employees, agents or other Persons who serve or served in any other capacity with any other enterprise at the request of FOFC or Capital Bank and, except as set forth in FOFC Disclosure Schedule 3.35, to FOFC's Knowledge, there are no claims for which any Person would be entitled to indemnification by FOFC or Capital Bank under their organizational documents, applicable Laws or any indemnification agreements or understandings.

3.36. Voting and Non-Competition Agreement.

(a) Each director of FOFC, except for Peter D. Cureau, has delivered to CFC, concurrently with the execution of this Agreement, the Voting and Non-Competition Agreement in the form of Exhibit B hereto. To FOFC's best Knowledge, the Voting and Non-Competition Agreement has been duly and validly executed and delivered by each Person that is a party thereto and constitutes the valid and binding obligation of such Person, enforceable against such Person in accordance with its terms, except as enforcement may be limited by general principles of equity, whether applied in a court of law or a court of equity and by bankruptcy, insolvency and similar Laws affecting creditors' rights and remedies generally.

(b) Peter D. Cureau, has delivered to CFC, concurrently with the execution of this Agreement, the Voting Agreement. To FOFC's best Knowledge, the Voting Agreement has been duly and validly executed and delivered by Peter D. Cureau and constitutes his valid and binding obligation, enforceable against him in accordance with its terms, except as enforcement may be limited by general principles of equity, whether applied in a court of law or a court of equity and by bankruptcy, insolvency and similar Laws affecting creditors' rights and remedies generally.

3.37. Information Security

FOFC and Capital Bank have taken reasonable precautions to safeguard the information technology networks and systems utilized in the operation of its business, including the implementation of procedures to ensure that such information technology systems are materially free from disabling codes or instructions, timers, copy protection devices, "back door", "time bomb", "Trojan horse:, "worm", "virus" or other software routines or hardware components that in each case permits unauthorized access or the unauthorized disablement or unauthorized erasure of data or other software by a third party, and to the Knowledge of FOFC and Capital Bank, to date there have been no successful

unauthorized intrusions or breaches of the security of the information technology systems.

Article IV
Representations And Warranties of CFC

CFC hereby makes the following representations and warranties to FOFC, each of which is being relied upon by FOFC as a material inducement to enter into and perform this Agreement. All of the disclosure schedules of CFC referenced below and thereby required of CFC pursuant to this Agreement, which disclosure schedules shall be cross-referenced to the specific sections and subsections of this Agreement and delivered herewith, are referred to herein as the “CFC Disclosure Schedule.”

4.1. Capitalization.

The authorized capital stock of CFC consists of 10,000,000 shares of common stock, par value $.01 per share, of which, as of the date hereof, 4,300,134 shares are issued, 3,512,925 shares are outstanding and 787,209 shares are held in treasury. Except for shares reserved in connection with CFC director compensation, as set forth in CFC Disclosure Schedule 4.1, as of the date hereof, no shares of CFC Common Stock are reserved for issuance. All outstanding shares of CFC Common Stock have been duly authorized and validly issued and are fully paid and non-assessable, with no personal liability attaching to the ownership thereof. There are no authorized, issued or outstanding options or other rights with respect to the CFC Common Stock. None of the shares of CFC Common Stock has been issued in violation of the preemptive rights of any Person.

4.2. Corporate Organization.

(a) CFC is a duly organized corporation, validly existing and in good standing under the laws of New York, with full corporate power and authority to carry on its business as now conducted and is duly licensed or qualified to do business in the states of the United States and foreign jurisdictions where its ownership or leasing of property or the conduct of its business requires such qualification, except where the failure to be so licensed or qualified would not have a Material Adverse Effect on CFC. CFC is registered as a financial holding company under the BHCA. The certificate of incorporation and by-laws of CFC, copies of which are attached as Section 4.2(a) of the CFC Disclosure Schedule, are true, correct and complete copies of such documents as in effect as of the date of this Agreement. Chemung Bank is the only Subsidiary of CFC that qualifies as a "Significant Subsidiary," as such term is defined in Regulation S-X, promulgated by the SEC.

(b) Chemung Bank is a commercial bank, duly organized and validly existing and in good standing under the laws of New York. Chemung Bank has the corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted and is duly licensed or qualified to do business in each jurisdiction in which the nature of any business conducted by it or the character or the location of any properties or assets owned or leased by it makes such licensing or qualification necessary. The organization certificate and by-laws of Chemung Bank, copies of which are attached in Section 4.2(b) of the CFC Disclosure Schedule, are true, correct and complete copies of such documents as in effect as of the date of this Agreement.

4.3. Authority; No Violation.

(a) CFC has full corporate power and authority to execute and deliver this Agreement and, subject to receipt of the required regulatory approvals specified herein, to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and thereby have been duly and validly approved by the board of directors of CFC. The board of directors of CFC has directed that this Agreement and the transactions contemplated hereby be submitted to CFC's shareholders for approval at a special meeting of such shareholders and, except for the adoption of this Agreement by the requisite vote of CFC's shareholders, no other corporate proceedings on the part of CFC (except for matters related to setting the date, time, place and record date for the special meeting) will be necessary to consummate the transactions contemplated thereby. This Agreement has been duly and validly executed and delivered by CFC and will constitute valid and binding obligations of CFC, enforceable against CFC in accordance with its terms, except as enforcement may be limited by general principles of equity, and by bankruptcy, insolvency and similar Laws affecting creditors' rights and remedies generally.

(b) Chemung Bank has full corporate power and authority to execute and deliver the Bank Merger Agreement and, subject to receipt of the required regulatory approvals specified herein, to consummate the transactions contemplated thereby. The execution and delivery of the Bank Merger Agreement and the consummation of the transactions

contemplated thereby have been duly and validly approved by the board of directors of Chemung Bank and by CFC as the sole shareholder of Chemung Bank. No other corporate proceedings on the part of Chemung Bank will be necessary to consummate the transactions contemplated thereby. The Bank Merger Agreement, upon execution and delivery by Chemung Bank, will be duly and validly executed and delivered by Chemung Bank and will constitute a valid and binding obligation of Chemung Bank, enforceable against Chemung Bank in accordance with its terms, except as enforcement may be limited by general principles of equity and by bankruptcy, insolvency and similar Laws affecting creditors' rights and remedies generally.

(c) Neither the execution and delivery of this Agreement by CFC or the Bank Merger Agreement by Chemung Bank, nor the consummation by CFC or Chemung Bank, as the case may be, of the transactions contemplated hereby or thereby, nor compliance by CFC or Chemung Bank with any of the terms or provisions hereof or thereof, will: (i) violate any provision of the certificate of incorporation or by-laws of CFC; or (ii) violate any Laws applicable to CFC or any of its properties or assets; or (iii) violate, conflict with, or result in a breach of, any provision of or the loss of any benefit under, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any Lien upon, any of the properties or assets of CFC under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which CFC is a party, or by which it or any of its properties or assets may be bound or affected.

4.4. Regulatory Filings.

CFC and Chemung Bank have filed all reports required by Laws to be filed with any Regulatory Authority, and such reports were prepared in accordance with the applicable Laws and instructions in existence as of the date of filing of such reports in all material respects, and none of the reports contain any untrue statement of a material fact. CFC is not aware of any reason why any of the required regulatory approvals to be obtained in connection with the Merger or the Bank Merger should not be granted by such Regulatory Authorities or why such regulatory approvals should be conditioned on any requirement which would be a significant impediment to CFC’s ability to carry on its business.

4.5. CFC Information.

The information relating to CFC and Chemung Bank provided herein and to be provided by CFC to be contained in the Joint Proxy Statement-Prospectus, does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein or therein, in light of the circumstances in which they are made, not misleading. The Joint Proxy Statement-Prospectus (except for the portions thereof relating solely to FOFC and Capital Bank, as to which CFC makes no representation or warranty) will comply in all material respects with the provisions of applicable Laws.

4.6. Consents.

Except for consents and approvals of, or filings with, Regulatory Authorities, no consents or approvals of, or filings or registrations with, any Governmental Entity are necessary in connection with the execution and delivery of this Agreement by CFC or the consummation of the transactions contemplated by this Agreement.

4.7. Compliance with Applicable Laws.

Except as set forth in Section 4.7 of the CFC Disclosure Schedule, each of CFC and Chemung Bank has complied in all material respects with all Laws applicable to it or to the operation of its business. Neither CFC nor Chemung Bank has received any notice of any material alleged or threatened claim, violation, or liability under any such Laws that have not heretofore been substantially cured and for which there is no remaining material liability.

4.8. Legal Proceedings.

Except as set forth in Section 4.8 of the CFC Disclosure Schedule: (i) neither CFC nor Chemung Bank is a party to any, and there are no pending, or to the Knowledge of CFC, threatened, legal, administrative, arbitration or other proceedings, claims, actions or governmental or regulatory investigations of any nature against CFC or Chemung Bank in which, to the Knowledge of CFC, there is a reasonable probability of any material recovery against or other

Material Adverse Effect upon CFC or Chemung Bank or which challenge the validity or propriety of the transactions contemplated by this Agreement or the Bank Merger Agreement; and (ii) there is no injunction, order, judgment, decree, or regulatory restriction imposed upon CFC, Chemung Bank or their respective assets.

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4.9. Tax Treatment.

As of the date of this Agreement, CFC knows of no reason relating to it which would reasonably cause it to believe that the Merger will not qualify as a reorganization under Section 368(a) of the Code.

4.10. Merger Consideration; Adequate Resources.

CFC will have, at the Effective Time, unissued shares of CFC Common Stock and shares of Common Stock held in its treasury, that are not reserved for any other purpose, sufficient to issue the number of shares of CFC Common Stock contemplated by Article II, and a sufficient amount of cash to pay the amount contemplated by Article II.

4.11. Financial Statements; Books and Records.

CFC has delivered to FOFC the CFC Regulatory Reports and the CFC Financials, all of which fairly present in all material respects, the consolidated financial position of CFC and Chemung Bank as of the dates indicated and the consolidated results of operations, changes in shareholders' equity and, in the case of the audited financial statements, cash flows of CFC and Chemung Bank for the periods then ended and each such financial statement has been or will be, as the case may be, prepared in conformity with GAAP, as applicable, applied on a consistent basis. The CFC Financials, reflecting information after the date of this Agreement will fairly present in all material respects, the consolidated financial position of CFC and Chemung Bank as of the dates indicated and the consolidated results of operations, changes in shareholders' equity and, in the case of the audited financial statements, cash flows of CFC and Chemung Bank for the periods then ended and each such financial statement has been or will be, as the case may be, prepared in conformity with GAAP as applicable, applied on a consistent basis. The books and records of CFC and Chemung Bank fairly reflect in all material respects the transactions to which it is a party or by which its properties are subject or bound. Such books and records have been properly kept and maintained and are in compliance with all applicable Laws and accounting requirements in all material respects. The minute books of CFC and Chemung Bank contain records which are accurate in all material respects regarding all corporate actions of each of their respective shareholders and boards of directors (including committees of their respective boards of directors) set forth therein.

4.12. Undisclosed Liabilities.

Neither CFC nor Chemung Bank has any liability (contingent or otherwise), excluding contractually assumed contingencies of the nature required to be disclosed in a balance sheet (including the notes thereto) prepared in accordance with GAAP, except: (i) as disclosed in the CFC Regulatory Reports, CFC Financial Statements or as provided to FOFC in connection with its due diligence inquiry; (ii) for liabilities incurred in the ordinary course of business subsequent to the date hereof consistent with past practice that, either alone or when combined with all similar liabilities, have not had, and would not reasonably be expected to have, a Material Adverse Effect on CFC; and (iii) for liabilities incurred in connection with this Agreement and the transactions contemplated hereby; or (iv) as set forth in Section 4.12 of the CFC Disclosure Schedule.

4.13. Reserves.

To the Knowledge of CFC, all reserves or other allowances for possible losses reflected in the CFC Financials comply in all material respects with all Laws and are adequate under GAAP. Neither CFC nor Chemung Bank has been notified by any Regulatory Authority or CFC's independent auditor, in writing or otherwise, that such reserves are inadequate or that the practices and policies of CFC or Chemung Bank in establishing such reserves and in accounting for delinquent and classified assets generally fail to comply with applicable accounting or regulatory requirements, or that any Regulatory Authority or CFC's independent auditor believes such reserves to be inadequate or inconsistent with the historical loss experience of CFC or Chemung Bank. CFC has previously furnished to FOFC a complete list

of all extensions of credit and OREO that have been classified by any Regulatory Authority as other loans specially mentioned,, substandard, doubtful, loss, classified or criticized, credit risk assets, concerned loans or words of similar import. CFC agrees to update such list no less frequently than monthly after the date of this Agreement until the earlier of the Closing Date or the date that this Agreement is terminated in accordance with Article VI. All OREO held by CFC or Chemung Bank is being carried net of reserves at the lower of cost or net realizable value.

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4.14. Loans.

(a) To CFC's Knowledge, all loans owned by CFC or Chemung Bank, or in which CFC or Chemung Bank has an interest: (i) comply in all material respects with all Laws, including, but not limited to, applicable usury statutes, fair lending laws and regulations, the Truth in Lending Act, the Equal Credit Opportunity Act, and the Real Estate Settlement Procedures Act, and other applicable consumer protection Laws thereunder; and (ii) have been made or acquired in accordance with board of director-approved loan policies and all of such loans are presently collectable, except to the extent reserves have been made against such loans in the CFC Financials.

(b) To CFC's Knowledge, each of CFC and Chemung Bank holds mortgages contained in its loan portfolio for its own benefit to the extent of its interest shown therein; such mortgages evidence Liens having the priority indicated by the terms of such mortgages, including the associated loan documents, subject, as of the date of recordation or filing of applicable security instruments, only to such exceptions as are discussed in attorneys' opinions regarding title or in title insurance policies in the mortgage files relating to the loans secured by real property or are not material as to the collectability of such loans; and all loans owned by CFC and Chemung Bank are with full recourse to the borrowers (except as set forth at Section 4.14(b) of the CFC Disclosure Schedule), and each of CFC and Chemung Bank has taken no action which would result in a waiver or negation of any rights or remedies available against the borrower or guarantor, if any, on any loan. All applicable remedies against all borrowers and guarantors are enforceable except as may be limited by bankruptcy, insolvency, moratorium or other similar Laws affecting creditors' rights and except as may be limited by the exercise of judicial discretion in applying principles of equity. Except as set forth at Section 4.14(b) of the CFC Disclosure Schedule, all loans purchased or originated by CFC or Chemung Bank and subsequently sold have been sold without recourse to CFC or Chemung Bank and without any liability under any yield maintenance or similar obligation. True, correct and complete copies of loan delinquency reports as of August 31, 2010, prepared by CFC and Chemung Bank, which reports include all loans delinquent or otherwise in default, have been furnished to FOFC. True, correct and complete copies of the currently effective lending policies and practices of CFC and Chemung Bank also have been furnished to FOFC.

(c) Except as set forth at Section 4.14(c) of the CFC Disclosure Schedule, to CFC's Knowledge each outstanding loan participation sold by CFC or Chemung Bank was sold with the risk of non-payment of all or any portion of that underlying loan to be shared by each participant proportionately to the share of such loan represented by such participation without any recourse of such other lender or participant to CFC or Chemung Bank for payment or repurchase in excess thereof. CFC and Chemung Bank have properly fulfilled in all material respects the contractual responsibilities and duties in any loan in which it acts as the lead lender or servicer and has complied in all material respects with its duties as required under applicable Laws.

(d) CFC and Chemung Bank have properly perfected all security interests, Liens, or other interests in any collateral securing any loans made by them.

(e) Section 4.14(e) of the CFC Disclosure Schedule sets forth a list of all loans or other extensions credit to all directors, officers and employees, or any other Person covered by FRB Regulation O. All such loans: (i) were made in the ordinary course of business; (ii) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other Persons; and (iii) did not involve more than the normal risk of collectability or present other unfavorable features. No such loan is presently in default.

4.15. Investment Securities.

(a) Except for restrictions that exist for securities that are classified as "held to maturity," pledges to secure public deposits and securities pledged under repurchase agreements, none of the investment securities held by CFC is subject to any restriction (contractual or statutory) that would materially impair the ability of the entity holding such

investment freely to dispose of such investment at any time.

(b) Except as set forth at Section 4.15(b) of the CFC Disclosure Schedule, CFC is not a party to and has not agreed to enter into an exchange-traded or over-the-counter equity, interest rate, foreign exchange or other swap, forward, future, option, cap, floor or collar or any other contract that is a derivative contract (including various combinations thereof) or owns securities that: (i) are referred to generically as “structured notes,” “high risk mortgage derivatives,” “capped floating rate notes” or “capped floating rate mortgage derivatives” or (ii) are likely to have changes in value as a result of interest or exchange rate changes that significantly exceed normal changes in value attributable to interest or exchange rate changes.

4.16. Environmental Matters.

(a) Each of CFC and Chemung Bank is in material compliance with all applicable Laws relating to pollution or protection of the environment (including without limitation, Laws relating to emissions, discharges, releases and threatened releases of Hazardous Materials, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials).

(b) There is no suit, claim, action, proceeding, investigation or notice pending or, to the Knowledge of CFC and Chemung Bank, threatened (or past or present actions or events that could form the basis of any such suit, claim, action, proceeding, investigation or notice), in which CFC or Chemung Bank has been or, with respect to threatened suits, claims, actions, proceedings, investigations or notices, may be, named as a defendant: (x) for alleged material noncompliance (including by any predecessor), with any environmental Law; or (y) relating to any material release or threatened release into the environment of any Hazardous Material, occurring at or on a site owned, leased or operated by CFC or Chemung Bank, or to the Knowledge of CFC, relating to any material release or threatened release into the environment of any Hazardous Material, occurring at or on a site not owned, leased or operated by CFC or Chemung Bank.

(c) During CFC's or Chemung Bank's ownership or operation of any of their properties, there has not been any material release of Hazardous Materials in, on, under or affecting any such property.

(d) To the Knowledge of CFC and Chemung Bank, neither of them has made or participated in any loan to any Person who is subject to any suit, claim, action, proceeding, investigation or notice, pending or threatened, with respect to: (i) any alleged material noncompliance as to any property securing such loan with any environmental Law; or (ii) the release or the threatened release into the environment of any Hazardous Material at a site owned, leased or operated by such Person on any property securing such loan.

4.17. Absence of Certain Changes or Events.

Except for entering into this Agreement and as set forth in CFC Disclosure Schedule 4.17 (in each case, identified by the appropriate paragraph of this Section 4.17), since December 31, 2009:

(a) CFC and Chemung Bank have conducted their respective businesses only in the ordinary and usual course of such businesses consistent with their past practices;

(b) there has not been any event or occurrence that has had, or is reasonably expected to have, a Material Adverse Effect on CFC or Chemung Bank;

(c) there has been no change in any accounting principles, practices or methods of CFC or Chemung Bank other than as required by GAAP;

(d) except for supplies or equipment purchased in the ordinary course of business, neither CFC nor Chemung Bank has made any capital expenditures exceeding individually or in the aggregate $50,000; and

(e) there has not been any write-down or specific reserve established by Chemung Bank in excess of $250,000 with respect to any of its loans or OREO.

4.18. Bank Secrecy Act and CRA Compliance.

(a) Except as set forth in Section 4.18 of the CFC Disclosure Schedule, CFC is not aware of, has not been advised of, and has no reason to believe in, the existence of any facts or circumstances which would cause it or Chemung Bank to be deemed to be: (i) operating in violation of the Bank Secrecy Act or the Patriot Act and the regulations promulgated thereunder, the regulations promulgated and administered by OFAC, any order issued with respect to anti-money laundering by the DOJ or FinCEN, any order issued by OFAC, or any other applicable anti-money laundering Laws; or (ii) not in satisfactory compliance with the applicable privacy and customer information requirements contained in any privacy, data protection or security breach notification Laws, including, without limitation, the GLBA and the provisions of the information security program adopted pursuant to 12 CFR. Part 40. CFC is not aware of any facts or circumstances which would cause it to believe that any non-public customer information has been disclosed to or accessed by an unauthorized third Person in a manner which would cause it or Chemung Bank to undertake any remedial action. CFC or Chemung Bank has adopted and implemented an anti-money laundering program that contains adequate and appropriate customer identification and verification procedures that comply with all applicable Laws.

(b) Chemung Bank has received a rating of "Outstanding" in its most recent examination or interim review with respect to the CRA. CFC is not aware of, has not been advised of, and has no reason to believe that any facts or circumstances exist that would cause Chemung Bank: (i) to be deemed not to be in satisfactory compliance in any material respect with the CRA, and the regulations promulgated thereunder; or to be assigned a CRA rating of lower than "satisfactory" by any Regulatory Authority.

4.19. Tax Treatment of the Merger.

CFC has no Knowledge of any fact or circumstance relating to it that would prevent the transactions contemplated by this Agreement from qualifying as a reorganization under Section 368 of the Code with respect to the portion of the Merger Consideration consisting of shares of CFC Common Stock, such that the exchange of CFC Common Stock for FOFC Common Stock and cash will not give rise to a Tax recognition event for the shareholders of FOFC with respect to such portion of the merger consideration comprised of CFC Common Stock.

Article V
Covenants of the Parties

5.1. Conduct of FOFC Business.

From the date of this Agreement to the Effective Time, FOFC will conduct its business and engage in transactions, including extensions of credit, only in the ordinary course and consistent with past practice and policies, except as otherwise required by this Agreement or with the written consent of CFC. FOFC will use commercially reasonable efforts, and will cause Capital Bank to use commercially reasonable efforts to: (i) preserve its business; (ii) maintain good relationships with employees; and (iii) preserve for itself the good will of vendors, depositors, borrowers and other customers of FOFC and Capital Bank with whom business relationships exist. From the date hereof to the Effective Time, except as otherwise consented to or approved by CFC in writing or as permitted or required by this Agreement or applicable Laws, FOFC will not, and will cause Capital Bank to not:

(a) change any provision of its certificate of incorporation or by-laws;

(b) change the number of authorized or issued shares of FOFC Common Stock or preferred stock or issue or grant any option, warrant, call, commitment, subscription, right or agreement of any character relating to its authorized or issued capital stock or any securities convertible into shares of such stock, or split, combine or reclassify any shares of capital stock, or declare, set aside or pay any dividend or other distribution in respect of capital stock, or redeem or otherwise acquire any shares of FOFC Common Stock;

(c) grant any severance or termination pay (other than pursuant to policies, written agreements or practices of FOFC in effect on the date hereof and provided to CFC prior to the date hereof) to, or enter into or amend any employment agreement with, or increase the compensation of, any employee, officer or director of FOFC, except for routine periodic increases, individually and in the aggregate, in accordance with past practice or hire any employee other than the hiring of at-will employees at an annual rate of salary not to exceed $50,000 to fill vacancies that may arise from time to time in the ordinary course of business;

(d) merge or consolidate FOFC or Capital Bank with any other corporation or depository institution, sell or lease all or any substantial portion of the assets or business of FOFC or Capital Bank, make any acquisition of all or any substantial portion of the business or assets of another Person other than in connection with the collection of any loan or credit arrangement between Capital Bank and any other parties, enter into a purchase and assumption transaction with respect to deposits and liabilities; or file an application for a certificate of authority to establish a new branch office;

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Explanation of Responses:

(e) sell, gift, transfer, hypothecate, pledge, encumber or otherwise dispose of the FOFC Common Stock or preferred stock or the common stock of Capital Bank or any asset, property or business of FOFC or Capital Bank (other than in connection with deposits, repurchase agreements, FOFC acceptances, "treasury tax and loan" accounts established in the ordinary course of business and transactions in "federal funds") other than in the ordinary course of business consistent with past practice, or modify in any material way the manner in which FOFC or Capital Bank has heretofore conducted its business or enter into any new line of business, incur or guaranty any indebtedness for borrowed money except in the ordinary course of business consistent with past practice;

(f) take any action which would result in any of the representations and warranties of FOFC set forth in this Agreement becoming untrue as of any date after the date hereof or in any of the conditions set forth in Article VII hereof not being satisfied;

(g) waive, release, grant or transfer any rights of value or modify or change in any material respect any existing agreement to which FOFC or Capital Bank is a party, other than in the ordinary course of business, consistent with past practice;

(h) implement any pension, retirement, profit sharing, bonus, welfare benefit or similar plan or arrangement that was not in effect on the date of this Agreement, or amend any existing plan or arrangement except to the extent such amendments do not result in an increase in cost or as are required under applicable Law

(i) compromise, extend or restructure any loan with an unpaid principal balance exceeding $250,000 without CFC's consent, provided however that with respect to such compromise, extension or restructure, CFC shall inform FOFC of its consent or objection within five (5) business days after FOFC's request for such consent. Failure of CFC to respond to such request within such time shall be deemed the granting of CFC consent;

(j) sell, exchange or otherwise dispose of any investment securities prior to scheduled maturity or loans that are held for sale;

(k) purchase any security for its investment portfolio not rated "A" or higher by either Standard & Poor's Corporation or Moody's Investor Services, Inc.;

(l) except consistent with past practice, make any loan or other credit facility commitment (including without limitation, lines of credit and letters of credit) to any Affiliate, or compromise, extend, renew or modify any such commitment outstanding;

(m) except consistent with past practice, enter into, renew, extend or modify any other transaction with any Affiliate;

(n) enter into any interest rate swap or similar commitment, derivative security, collateralized debt obligation or any other commitment, agreement or arrangement which is not consistent with past practice and which increases FOFC's or Capital Bank's credit or interest rate risk over the levels existing at the date hereof;

(o) change its accounting method, practice or principles of accounting except as may be required by GAAP or by a Regulatory Authority;

(p) except for accepting deposits and selling certificates of deposit in the ordinary course of business, enter into any contract for an amount in excess of $25,000;

(q) make any capital expenditure in excess of $25,000;

(r) enter into any new line of business;

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(s) take any action that is intended or may reasonably be expected to result in any of its representations and warranties set forth in this Agreement being or becoming untrue or materially misleading or in any of the conditions to the Merger not being satisfied, or in a violation of any provision of this Agreement or the Bank Merger Agreement, except, in every case, as may be required by applicable Laws; or

(t) agree to do any of the foregoing.

5.2. Access; Confidentiality.

(a) From the date of this Agreement through the Effective Time, FOFC and CFC shall afford the other and its accountants, counsel and other authorized agents and representatives, complete access to its and Capital Bank's and Chemung Bank's properties, assets, books and records and personnel, at reasonable hours and after reasonable notice, and the officers of FOFC and CFC respectively, will furnish any party making such investigation with such financial and operating data and other information with respect to the businesses, properties, assets, books and records and personnel as the party making such investigation shall from time to time reasonably request. CFC and FOFC shall conduct such investigations and discussions hereunder in a manner so as not to interfere unreasonably with normal operations and customer and employee relationships.

(b) CFC shall receive notice of all meetings of the FOFC and Capital Bank board of directors and any committees thereof. FOFC and Capital Bank shall promptly furnish to CFC true copies of the minutes of all such meetings except for the portion of the minutes which shall relate to the Merger or a Superior Competing Proposal. CFC will hold all such information in confidence to the extent required by, and in accordance with, the provisions of the Confidentiality Agreement.

(c) If this Agreement is terminated, CFC and FOFC, upon the written request of the other party within thirty (30) days after such termination, will destroy or return all documents and records obtained from the other or their respective representatives during the course of any investigation and will cause all information with respect to FOFC or CFC obtained pursuant to this Agreement or preliminarily thereto to be kept confidential, except to the extent such information becomes public through no fault of the party which has obtained such information or any of its respective representatives or agents and except to the extent disclosure of any such information is legally required. CFC and FOFC shall give prompt notice to the other of any contemplated disclosure where such disclosure is so legally required.

5.3. Further Actions of FOFC and CFC.

(a) CFC and FOFC will prepare all applications and notices and make all filings for and use their best commercially reasonable efforts to obtain as promptly as practicable after the date hereof, all necessary permits consents, approvals, waivers and authorizations of all Regulatory Authorities necessary or advisable to consummate the transactions contemplated by this Agreement.

(b) FOFC and CFC will furnish the other with all information concerning it as may be necessary or advisable in connection with any application, notice or other filing made by or on behalf of the requesting party to any Regulatory Authority in connection with the transactions contemplated by this Agreement.

(c) Prior to the filing thereof, FOFC and CFC will furnish to the other and afford the other a reasonable opportunity to examine and comment thereon, a true and complete copy of all applications, notices and other filings with Regulatory Authorities concerning the Merger, the Bank Merger and this Agreement.

(d) Except for those items deemed confidential by Regulatory Authorities, CFC and FOFC will promptly furnish to each other copies of written communications to or received from any Regulatory Authority in respect of the transactions contemplated hereby. If FOFC, Capital Bank, CFC or Chemung Bank believe that a document or information is confidential under applicable Laws, and such document or information would be otherwise disclosable under this Section 5.2(d), the party possessing such document or information shall promptly and in good faith seek approval or non-objection to such disclosure from the appropriate Regulatory Authority.

(e) FOFC and CFC shall deliver to the other as soon as practicable after the end of each month and each fiscal quarter prior to the Effective Time, commencing with the month ended September 30, 2010, an unaudited consolidated balance sheet as of such date and related unaudited consolidated statements of income for the period then ended, which financial statements shall be prepared in accordance with GAAP, consistently applied and shall fairly reflect its consolidated financial condition and consolidated results of operations for the periods then ended, which financial statements may be included respectively in the FOFC and CFC Regulatory Reports delivered pursuant hereto.

(f) CFC and FOFC shall each approve the Bank Plan of Merger as sole shareholder of its Subsidiary bank and obtain the approval of, and cause the execution and delivery of, the Bank Plan of Merger, and any amendment thereof requested by CFC, in its discretion, to comply with regulatory requirements, by its Subsidiary bank.

(g) From the date of this Agreement through the Effective Time, FOFC and CFC each shall: i) maintain insurance in such amounts as are reasonable to cover such risks as are customary in relation to the character and location of its properties and the nature of its business; ii) maintain, books of account and records in accordance with past practice and those principles used in preparing the financial statements heretofore delivered; and iii) file all federal, state, and local tax returns required to be filed by them and pay all Taxes shown to be due on such returns on or before the date such payment is due.

(h) CFC and FOFC shall meet on a regular basis to discuss and plan for the conversion of FOFC and Capital Bank's data processing and related electronic informational systems to those used by CFC and Chemung Bank, which planning shall include, but not be limited to, discussion of the possible termination by FOFC of third-party service provider arrangements effective at the Closing Date or at a date thereafter, non-renewal of personal property leases and software licenses used by FOFC or Capital Bank in connection with its systems operations, retention of outside consultants and additional employees to assist with the conversion.

(i) CFC shall file current reports on Form 8-k as required under the Exchange Act in connection with this Agreement, the Merger and the transactions contemplated hereby.

5.4. Subsequent Events.

Until the Effective Time, each party will immediately advise the other party of any fact or occurrence, or any pending or threatened occurrence of which it obtains knowledge and which (if existing and known at the date of the execution of this Agreement) would have been required to be set forth or disclosed in or pursuant to this Agreement, which (if existing and known at any time prior to or at the Effective Time) would make the performance by a party of a covenant contained in this Agreement impossible or make such performance materially more difficult than in the absence of such fact or occurrence, or which (if existing and known at the time of the Effective Time) would cause a condition to a party's obligation under this Agreement not to be fully satisfied.

5.5. Employee Matters.

(a) Subject to a pre-Closing evaluation of personnel records, CFC and Chemung Bank shall offer to retain all of Capital Bank's branch employees, and John Kite and Robert Luther. Other FOFC and Capital Bank employees whose positions might be eliminated or whose responsibilities might be materially changed as a result of the Merger will be considered for open positions within CFC and Chemung Bank as set forth in this Section 5.5. Following the execution of this Agreement, CFC shall notify the President of FOFC or his designee of employment opportunities that become available at CFC or Chemung Bank. Within five (5) business days of such notice, FOFC shall notify the CFC Director of Human Resources of individuals who have an interest in applying for the open position(s). These individuals will be given first opportunity to fill the open position(s), provided they qualify for the position(s). In the event that CFC does not receive notification within the five (5) business days, or determines that the applicant is not qualified, it will offer the open position(s) to other candidates. In the event that a FOFC employee is selected for the open position, FOFC and CFC shall mutually agree on a date the employee will assume his/her new job duties.

(b) CFC will pay to Capital Bank employees who are not parties to employment, severance, change of control or like agreements and whose employment is terminated other than for cause within six (6) months of the Closing Date, a cash severance benefit equal to two (2) weeks of salary for each year of service, with a minimum benefit equal to three (3) months salary. CFC and Chemung Bank intend to honor all of FOFC's and Capital Bank's existing employment,

severance, change of control and like agreements such as directors' deferred compensation plans, SERPs and split dollar insurance policies. Notwithstanding anything contained therein or in this Agreement, no payment shall be made under any employment, retention bonus, deferred compensation, change of control and severance contract or plan that would constitute a "parachute payment" (as such term is defined in Section 280G of the Code) or that would be prohibited by any Regulatory Authority to which FOFC or Capital Bank is subject.

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(c) After the Effective Time, employees of FOFC and Capital Bank who become employed by CFC or Chemung Bank will be eligible for employee benefits that CFC or Chemung Bank, as the case may be, provides to its employees generally and, except as otherwise required by this Agreement, on substantially the same basis as is applicable to such employees, provided that nothing in this Agreement shall require any duplication of benefits. CFC or Chemung Bank will: (i) give credit to employees of FOFC and Capital Bank with respect to the satisfaction of the limitations as to pre-existing condition exclusions, evidence of insurability requirements and waiting periods for participation and coverage that are applicable under the employee welfare benefit plans (within the meaning of Section 3(1) of ERISA) of CFC or Chemung Bank, equal to the credit that any such employee had received as of the Effective Time towards the satisfaction of any such limitations and waiting periods under the comparable employee welfare benefit plans of FOFC and Capital Bank and to waive preexisting condition limitations to the same extent waived under the corresponding plan; and (ii) CFC or Chemung Bank will treat, and cause its applicable benefit plans to treat, the service of the FOFC employees with FOFC or Capital Bank as service rendered to CFC or Chemung Bank, as applicable: (i) for purposes of eligibility to participate and vesting, but not for benefit accrual under any defined benefit plan (including minimum pension amount) attributable to any period before the Effective Time; and (ii) for vacation and sick leave benefits. Benefits under CFC pension plans, if any, shall be determined solely with reference to service with CFC.

5.6. Resignation.

FOFC shall obtain and deliver to CFC at the Closing, evidence reasonably satisfactory to CFC of the resignation, effective as of the Effective Time, of the directors of FOFC and Capital Bank.

5.7. Publicity.

Except as otherwise required by applicable Laws, so long as this Agreement is in effect, neither FOFC nor CFC shall issue or cause the publication of any press release or other public announcement with respect to, or otherwise make any public statement concerning, the transactions contemplated by this Agreement or the transactions contemplated hereby, without the consent of the other party, which consent shall not be unreasonably withheld. FOFC and CFC shall cooperate to prepare a joint press release announcing the signing of this Agreement and the transactions contemplated hereunder.

5.8. Section 16 Matters.

Prior to the Effective Time, CFC shall take all such steps as may be required to cause any acquisitions of CFC Common Stock resulting from the transactions contemplated by this Agreement by each director or officer of FOFC who becomes subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to CFC to be exempt under Rule 16b-3 promulgated under the Exchange Act. FOFC agrees to promptly furnish CFC with all requisite information necessary for CFC to take the actions contemplated by this Section 5.8.

5.9. Indemnification.

(a) From and after the Effective Time through the sixth anniversary of the Effective Time, CFC agrees to indemnify and hold harmless each present and former director and officer of FOFC and Capital Bank and each officer or employee of FOFC and Capital Bank that is serving or has served as a director or officer of another entity expressly at FOFC's or Capital Bank's request or direction (each, an "Indemnified Party"), against any costs or expenses (including reasonable attorneys' fees), judgments, fines, amounts paid in settlement, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of matters existing or occurring at or prior to the Effective Time (including the transactions contemplated by this Agreement), whether asserted or claimed prior to, at or after the Effective Time, as they are from

time to time incurred, in each case to the fullest extent such Person would have been indemnified or have the right to advancement of expenses pursuant to FOFC's certificate of incorporation and bylaws as in effect on the date of this Agreement and to the fullest extent permitted by law.

Any Indemnified Party wishing to claim indemnification under this Section 5.9, upon learning of any such claim, action, suit, proceeding or investigation, shall promptly notify CFC thereof, but the failure to so notify shall not relieve CFC of any liability it may have hereunder to such Indemnified Party if such failure does not materially and substantially prejudice CFC. CFC shall use its reasonable best efforts to maintain FOFC's existing directors' and officers' liability insurance policy or provide a policy providing comparable coverage and amounts to the Persons currently covered by FOFC's existing policy for a period of 6 years after the Effective Time; provided, however, that in no event shall CFC be obligated to expend, in order to maintain or provide such insurance coverage an amount in the aggregate in excess of 150% of the amount of the annual premiums paid by FOFC as of the date hereof for such insurance ("Maximum Insurance Amount"); provided further, that if the amount of the premiums necessary to maintain or procure such insurance coverage exceeds the Maximum Insurance Amount, CFC shall obtain the most advantageous coverage obtainable for a premium equal to the Maximum Insurance Amount.

(b) In the event CFC or any of its successors or assigns: (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger; or (ii) transfers or conveys all or substantially all of its properties and assets to any Person, then, and in each such case, to the extent necessary, proper provision shall be made so that the successors and assigns of CFC assume the obligations set forth in this Section 5.9.

5.10. Exclusivity/Competing Proposals.

(a) FOFC shall not, and shall not permit any Affiliate of FOFC or any officer, director or employee of any of them, or any investment banker, attorney, accountant or other representative retained by FOFC or any FOFC Affiliate to, directly or indirectly, solicit, encourage, or initiate discussions or negotiations with, or respond to requests for information, inquiries, or other communications from, any Person other than CFC concerning the fact of, or the terms and conditions of, this Agreement, or concerning any acquisition of FOFC or Capital Bank or any assets or business thereof (except that FOFC officers and directors may respond to inquiries from analysts, Regulatory Authorities and holders of FOFC Common Stock in the ordinary course of business); and FOFC shall notify CFC immediately if any such discussions or negotiations are sought to be initiated with FOFC by any Person other than CFC or if any such requests for information, inquiries, proposals or communications are received from any Person other than CFC. If, and only to the extent that: (i) the FOFC board of directors reasonably determines in good faith, after consultation with its outside counsel, that such action would be required in order for the directors of FOFC to comply with their respective fiduciary duties under applicable Laws in response to a bona fide, written Acquisition Proposal not solicited in violation of this Section 5.10 that the FOFC Board believes is a Superior Competing Proposal; and (ii) FOFC provides notice to CFC of its decision to take such action in accordance with the requirements of Section 5.10(b), FOFC may: (a) furnish information with respect to FOFC to any Person making such Acquisition Proposal pursuant to a customary confidentiality agreement (as determined by FOFC after consultation with its outside counsel) on terms substantially similar to the terms contained in the Confidentiality Agreement; (b) participate in discussions or negotiations regarding an Acquisition Proposal; and (c) authorize any statement or recommendation in support of such an Acquisition Proposal; and (d) withhold, withdraw, amend or modify the recommendation for FOFC shareholder approval of the Merger and the Bank Merger. No Acquisition Proposal shall be considered a Superior Competing Proposal unless, during the three (3) day period following FOFC's notification to CFC of the Superior Competing Proposal, FOFC and its advisors shall have negotiated in good faith with CFC to make adjustments in the terms and conditions of this Agreement such that the Acquisition Proposal would no longer constitute a Superior Competing Proposal, and such negotiations fail to result in the necessary adjustments to this Agreement

(b) FOFC shall notify CFC promptly (but in no event later than 24 hours) after receipt of any Acquisition Proposal, or any material modification of or material amendment to any Acquisition Proposal, or any request for nonpublic information relating to FOFC or for access to the properties, books, or records of FOFC by any Person that informs the FOFC board of directors or a member of senior management of FOFC that it is considering making, or has made,

an Acquisition Proposal. Such notice to CFC shall be made orally and in writing, and shall indicate the identity of the Person making the Acquisition Proposal or intending to make or considering making an Acquisition Proposal or requesting non-public information or access to the books and records of FOFC, and the material terms of any such Acquisition Proposal and any modification or amendment to such Acquisition Proposal. FOFC shall keep CFC fully informed, on a current basis, of any material changes in the status and any material changes or modifications in the terms of any such Acquisition Proposal, indication or request. FOFC also shall promptly, and in any event within twenty-four (24) hours, notify CFC, orally and in writing, if it enters into discussions or negotiations concerning any Acquisition Proposal in accordance with Section 5.10(a).

5.11. Registration of CFC Common Stock.

(a) As promptly as reasonably practicable following the date hereof, CFC shall prepare and file with the SEC a registration statement on Form S-4 with respect to the issuance of CFC Common Stock in the Merger. FOFC will furnish to CFC the information required to be included in the Registration Statement with respect to its business and affairs and shall have the right to review and consult with CFC and approve the form of, and any characterizations of such information included in, the Registration Statement prior to its being filed with the SEC. CFC shall use reasonable best efforts to have the Registration Statement declared effective by the SEC and to keep the Registration Statement effective as long as is necessary to consummate the Merger and the transactions contemplated hereby. CFC and FOFC will each use reasonable best efforts to cause the Joint Proxy Statement-Prospectus to be mailed to the shareholders of CFC and FOFC as promptly as practicable after the Registration Statement is declared effective under the Securities Act. CFC will advise FOFC, promptly after it receives notice thereof, of the time when the Registration Statement has become effective, the issuance of any stop order, the suspension of the qualification of the CFC Common Stock issuable in connection with the Merger for offering or sale in any jurisdiction, or any request by the SEC for amendment of the Joint Proxy Statement-Prospectus or the Registration Statement. If at any time prior to the Effective Time any information relating to CFC or FOFC, or any of their respective Affiliates, officers or directors, should be discovered by CFC or FOFC which should be set forth in an amendment or supplement to any of the Registration Statement or the Joint Proxy Statement-Prospectus so that any of such documents would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the party which discovers such information shall promptly notify the other party hereto and, to the extent required by Law, an appropriate amendment or supplement describing such information shall be promptly filed by CFC with the SEC and disseminated by FOFC to the shareholders of FOFC.

(b) CFC shall also take any action required to be taken under any applicable state securities Laws in connection with the Merger and each of FOFC and CFC shall furnish all information concerning it and the holders of FOFC Common Stock as may be reasonably requested in connection with any such action.

(c) Prior to the Effective Time, CFC shall notify the OTC Bulletin Board of the additional shares of CFC Common Stock to be issued by CFC in exchange for the shares of FOFC Common Stock.

5.12. Shareholder Meetings.

(a) FOFC will submit to its shareholders this Agreement and any other matters required to be approved or adopted by FOFC shareholders in order to carry out the intentions of this Agreement. In furtherance of that obligation, FOFC will take, in accordance with applicable Law and its certificate of incorporation and bylaws, all action necessary to call, give notice of, convene and hold a meeting of its shareholders (the “FOFC Shareholder Meeting”) as promptly as practicable for the purpose of considering and voting on approval and adoption of this Agreement and the transactions provided for in this Agreement. FOFC’s board of directors will use all reasonable best efforts to obtain from its shareholders a vote approving this Agreement. Except as provided in this Agreement: (i) FOFC’s board of directors shall recommend to its shareholders approval of this Agreement; (ii) the Joint Proxy Statement-Prospectus shall include a statement to the effect that FOFC’s board of directors has recommended that its shareholders vote in favor of the approval of this Agreement; and (iii) neither FOFC’s board of directors nor any committee thereof shall withdraw, amend or modify, or propose or resolve to withdraw, amend or modify, the recommendation of FOFC’s board of directors that its shareholders vote in favor of approval of this Agreement or make any statement in connection with the FOFC Shareholder Meeting inconsistent with such recommendation (collectively, a “FOFC Change in Recommendation”). Notwithstanding the foregoing if: (i) FOFC has complied in all material respects with its obligations under Section 5.10; (ii) FOFC (a) has received an unsolicited bona fide written Acquisition Proposal from a third party that FOFC’s board of directors concludes in good faith constitutes a Superior Competing Proposal after

giving effect to all of the adjustments that may be offered by CFC pursuant to clause (c) below; (b) FOFC has notified CFC, at least five (5) business days in advance, of it is intention to effect a FOFC Change in Recommendation, specifying the material terms and conditions of any such Superior Competing Proposal and furnishing to CFC a copy of the relevant proposed transaction documents, if such exist, with the Person making such Superior Competing Proposal; and (c) during the period of not less than five(5) business days following FOFC's delivery of the notice referred to in clause b above and prior to effecting such FOFC Change in Recommendation, has negotiated, and has used reasonable best efforts to cause its financial and legal advisors to negotiate, with CFC in good faith (to the extent that CFC desires to negotiate) to make such adjustments in the terms and conditions of this Agreement so that such Acquisition Proposal ceases to constitute a Superior Competing Proposal; and (d) FOFC's board of directors, after consultation with and based on the advice of counsel, determines in good faith that it would result in a violation of its fiduciary duties under applicable law to recommend this Agreement, then in submitting the Agreement to shareholders at the FOFC Shareholder Meeting, it may submit the Agreement without recommendation, or following submission of the Agreement to shareholders it may withdraw, amend or modify its recommendation, in which case the board of directors may communicate the basis for its lack of a recommendation, or the withdrawal, amendment or modification of its recommendation, to the shareholders in the Joint Proxy Statement-Prospectus or an appropriate amendment or supplement thereto to the extent required by Law.

(b) CFC will submit to its shareholders this Agreement and any other matters required to be approved or adopted by shareholders in order to carry out the intentions of this Agreement. In furtherance of that obligation, CFC will take, in accordance with applicable Law and its certificate of incorporation and bylaws and Regulation 14A (including Rules 14a and 14b thereunder) under the Exchange Act, all action necessary to call, give notice of, convene and hold a meeting of its shareholders (the "CFC Shareholder Meeting") as promptly as practicable for the purpose of considering and voting on approval and adoption of this Agreement and the transactions provided for in this Agreement. CFC's board of directors will use all reasonable best efforts to obtain from its shareholders a vote approving this Agreement. Except as provided in this Agreement: (i) CFC's board of directors shall recommend to its shareholders approval of this Agreement; (ii) the Joint Proxy Statement-Prospectus shall include a statement to the effect that CFC's board of directors have recommended that its shareholders vote in favor of the approval of this Agreement; and (iii) neither CFC's board of directors nor any committee thereof shall withdraw, amend or modify, or propose or resolve to withdraw, amend or modify, the recommendation of CFC's board of directors that its shareholders vote in favor of approval of this Agreement or make any statement in connection with the CFC Shareholder Meeting inconsistent with such recommendation.

5.13. No Market Manipulation

From the date of this Agreement until the Effective Time or this Agreement terminates: (a) CFC and FOFC and their Affiliates shall not directly or indirectly purchase, or sell, any shares of CFC Common Stock or any security measured by reference to CFC Common Stock, except pursuant to employee or director stock option plans and defined contribution plans established under Section 401(k) of the Code; and (b) CFC and FOFC shall not, directly or indirectly, purchase or sell any security on the Index, or any security measured by reference to any security on the Index.

Article VI
Termination

6.1. Termination.

This Agreement may be terminated on or at any time prior to the Closing Date, whether before or after approval by the shareholders of FOFC and CFC:

(a) by the mutual written consent of the parties; or

(b) by CFC or FOFC if there shall have been any material breach of any obligation of CFC, on the one hand, or FOFC, on the other hand, and such breach cannot be, or shall not have been, remedied within fifteen business (15) days after receipt by such other party of notice in writing specifying the nature of such breach and requesting that it be remedied; or

(c) if the Effective Time shall not have occurred prior to October 31, 2011 (or December 31, 2011 if the reason the Effective Time has not occurred is due to the fact that the parties have not received approval from the Regulatory Authorities)despite prompt and diligent actions by the parties, or any required waiting period shall have not yet expired or been terminated); provided, however, that the right to terminate this Agreement under this Section 6.1(c) shall not be available to a party whose action or failure to act has been a principal cause of or resulted in the failure of the Effective Time to occur on or before such date; or

(d) if either party has been informed in writing by a Regulatory Authority whose approval or consent has been requested that such approval or consent will not be granted, unless such non-approval or non-consent shall be due to the failure of the party seeking to terminate this Agreement to perform or observe its agreements set forth herein

required to be performed or observed by such party on or before the Closing Date; or

(e) by CFC: (i) if FOFC fails to hold the FOFC Shareholder Meeting to vote on the Agreement within the time frame set forth in Section 5.12(a); or (ii) if FOFC's board of directors either (x) fails to recommend, or fails to continue its recommendation, that the shareholders of FOFC vote in favor of the adoption of this Agreement; or (y) modifies, withdraws or changes in any manner adverse to CFC its recommendation that the shareholders of FOFC vote in favor of the adoption of this Agreement; or

(f) by FOFC, at any time prior to the FOFC Shareholders Meeting held to vote on the adoption and approval of the Merger, in order to concurrently enter into an acquisition agreement or similar agreement with respect to a Superior Competing Proposal which has been received by FOFC and the FOFC board of directors in compliance with Section 5.10; or

(g) by FOFC: (i) if CFC fails to hold the CFC Shareholder Meeting to vote on the Agreement within the time frame set forth in Section 5.12(b); or (ii) if CFC's board of directors either: (i) fails to recommend, or fails to continue its recommendation, that the shareholders of CFC vote in favor of the adoption of this Agreement; or (ii) modifies, withdraws or changes in any manner adverse to FOFC its recommendation that the shareholders of CFC vote in favor of the adoption of this Agreement; or

(h) by CFC, pursuant to Section 2.5; or

(i) by FOFC if: i) on the Closing Date, the Closing Price is less than $17.85 per share; and ii) during the period between the public announcement of this Agreement and the Merger and the Closing Date, the per share price of CFC's Common Stock shall have underperformed the Index by 20%. As used in this Section, the term "underperformed" means that the per share price of CFC Common Stock declined by more than an additional 20% over the performance of the Index during such period. For example, if the Index declined 15% during the period, CFC Common Stock must have declined by more than 35% to constitute underperformance.

6.2. Effect of Termination.

If this Agreement is terminated pursuant to Section 6.1, this Agreement shall forthwith become void other than (Sections 5.2(c), 6.3, 8.2, 8.3, 8.4, 8.11, 8.12 and 8.13) and there shall be no further liability on the part of CFC or FOFC to the other, except for any liability of CFC or FOFC under such sections of this Agreement and except for any liability arising out of any uncured breach of any covenant or other agreement contained in this Agreement or any breach of a representation or warranty.

6.3. Termination Fee.

(a) If CFC or FOFC terminates this Agreement under Section 6.1(f), by reason of FOFC having agreed to enter into a Superior Competing Proposal, FOFC shall pay CFC a termination fee in an amount equal to 2.5% of the Merger Consideration, the value of which shall be computed as if the Closing occurred on the date of the termination. Amounts payable under this Section 6.3, shall be paid without setoff, by wire transfer of immediately available funds, to an account specified by CFC, not later than three (3) business days following the adoption by the FOFC board of directors of a resolution approving or adopting a Superior Competing Proposal. FOFC acknowledges that the expense payment and termination fee contained in this Section 6.3 is an integral part of the transactions contemplated hereby and that, without these provisions, CFC would not enter into this Agreement.

(b) The parties agree that the termination fee is fair and reasonable in the circumstances. If a court of competent jurisdiction shall nonetheless, by a final, nonappealable judgment, determine that the amount of any such termination fee exceeds the maximum amount permitted by law, then the amount of such termination fee shall be reduced to the maximum amount permitted by law in the circumstances, as determined by such court of competent jurisdiction.

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Article VII
Conditions

7.1. Conditions to FOFC's Obligations.

The obligations of FOFC hereunder shall be subject to satisfaction at or prior to the Closing Date of each of the following conditions, unless waived by FOFC pursuant to Section 8.6:

(a) All action required to be taken by or on the part of, CFC and Chemung Bank to authorize the execution, delivery and performance of this Agreement and the Bank Plan of Merger, respectively, and the consummation of the transactions contemplated hereby and thereby, shall have been duly and validly taken by CFC and Chemung Bank and FOFC shall have received certified copies of the resolutions evidencing such authorizations;

(b) The obligations of CFC required by this Agreement to be performed by CFC at or prior to the Closing Date shall have been duly performed and complied with in all material respects and the representations and warranties of CFC set forth in this Agreement shall be true and correct in all material respects, as of the date of this Agreement, and as of the Closing Date as though made on and as of the Closing Date, except as to any representation or warranty which: (i) specifically relates to an earlier date; or (ii) where the facts which cause the failure of any representation or warranty to be so true and correct would not, either individually or in the aggregate, constitute a Material Adverse Effect on the assets, business, financial condition or results of operation of CFC and Chemung Bank taken as a whole;

(c) FC and FOFC shall have received all approvals of Regulatory Authorities of the Merger and the Bank Merger; and all notice and waiting periods required under applicable Law shall have expired or been terminated;

(d) There shall not be in effect any order, decree or injunction of a Governmental Entity which enjoins or prohibits consummation of the Merger or the Bank Merger;

(e) CFC shall have delivered to FOFC a certificate, dated the Closing Date and signed, without personal liability, by its president, to the effect that the conditions set forth in subsections (a) through (d) of this Section 7.1 have been satisfied, to the best Knowledge of the president;

(f) FOFC shall have received an opinion of Hinman, Howard & Kattell, LLP, counsel to CFC, dated the Closing Date, in form and substance reasonably satisfactory to FOFC and its counsel;

(g) This Agreement shall have been approved in accordance with applicable Law by the holders of the outstanding shares of FOFC Common Stock entitled to vote thereon; and

(h) CFC shall have provided evidence to FOFC of satisfactory insurance coverage for the directors and officers of FOFC and Capital Bank as required by Section 5.9(a).

7.2. Conditions to CFC's Obligations.

The obligations of CFC hereunder shall be subject to satisfaction at or prior to the Closing Date of each of the following conditions, unless waived by CFC pursuant to Section 8.6:

(a) All action required to be taken by, or on the part of, FOFC and Capital Bank to authorize the execution, delivery and performance of this Agreement and the Bank Plan of Merger, respectively, and the consummation of the transactions contemplated hereby and thereby, shall have been duly and validly taken by FOFC and Capital Bank and CFC shall have received certified copies of the resolutions evidencing such authorizations;

(b) The obligations of FOFC required by this Agreement to be performed by FOFC at or prior to the Closing Date shall have been duly performed and complied with in all material respects and the representations and warranties of FOFC set forth in this Agreement shall be true and correct in all material respects, as of the date of this Agreement, and as of the Closing Date as though made on and as of the Closing Date, except as to any representation or warranty which: (i) specifically relates to an earlier date; or (ii) where the facts which cause the failure of any representation or warranty to be so true and correct would not, either individually or in the aggregate, constitute a Material Adverse Effect on the assets, business, financial condition or results of operation of FOFC and Capital Bank taken as a whole;

(c) CFC and FOFC shall have received all approvals of Regulatory Authorities of the Merger and the Bank Merger; and all notice and waiting periods required under applicable Law shall have expired or been terminated;

(d) There shall not be in effect any order, decree or injunction of a Governmental Entity which enjoins or prohibits consummation of the Merger or the Bank Merger;

(e) FOFC shall have delivered to CFC a certificate, dated the Closing Date and signed, without personal liability, by its president, to the effect that the conditions set forth in subsections (a) through (d) of this Section 7.2 have been satisfied, to the best Knowledge of the president;

(f) CFC shall have received an opinion of Hiscock & Barclay, LLP, counsel to FOFC, dated the Closing Date, in form and substance reasonably satisfactory to CFC and its counsel;

(g) No order, decree, memorandum, restriction, or enforcement proceeding to which FOFC or Capital Bank or any of their Affiliates are subject, which have been issued, administered, supervised or prosecuted by any Regulatory Authority, shall be enforced against CFC or Chemung Bank as successors by merger;

(h) There shall be in full force and effect a valid, enforceable lease for Capital Bank's Wolf Road branch providing for a lease term extending up through and including December 31, 2011 and granting to the tenant two (2) one year renewal options at an annual rent of no more than $114,240.00;

(i) FOFC and Capital Bank on the one hand, and Peter D. Cureau shall have entered into a settlement and release agreement satisfactory to CFC; attached hereto as Exhibit G.

(j) Peter D. Cureau shall have executed the Voting Agreement; and

(k) The shares of CFC Common Stock issued in exchange for shares of FOFC Common Stock shall be approved for quotation on the OTC Bulletin Board.

(l) The Registration Statement shall have become effective under the Securities Act and no stop order suspending the effectiveness of the Registration Statement shall have been issued and be in effect and no proceedings for that purpose shall have been initiated by the SEC and not withdrawn.

(m) CFC shall have received an estoppel certificate, in the form attached hereto as Exhibit H, executed by the landlord for each of Capital Bank's branch offices.

Article VIII
Other Matters

8.1. Closing.

The Closing will take place at 10:00 a.m. at the offices of Hinman, Howard & Kattell, LLP, counsel to CFC, on a date specified by the parties, which shall be no later than three (3) business days after the satisfaction or waiver of all conditions precedent specified under Sections 7.1 and 7.2 (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the fulfillment or waiver of those conditions), or on such other date, place and time as the parties may agree. Alternatively, the parties may agree that the Closing shall occur without their or their counsel's physical presence in the same location, through the transmission and execution of documents and instruments using electronic media, including, but not limited to, e-mail and telefacsimile. Digital signatures produced by such means shall have the same force and effect as handwritten signatures. If the parties elect to use this method for

the Closing, following the Closing, they shall promptly execute handwritten documents and instruments and exchange the signature pages thereof so that each party shall have a complete set(s) of manually signed documents memorializing the Closing.

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8.2. Expenses.

Each party hereto shall bear and pay all costs and expenses incurred by it in connection with the transactions contemplated hereby, including fees and expenses of its own financial consultants, accountants and counsel, except that CFC and FOFC each shall bear and pay 50% of all printing and mailing costs and filing fees associated with the Registration Statement and the Joint Proxy Statement-Prospectus and any amendment or supplement thereto.

8.3. Survival of Representations, Warranties and Covenants.

All representations, warranties and covenants in this Agreement or in any instrument delivered pursuant hereto shall expire on, and be terminated and extinguished at, the Effective Time other than covenants that by their terms are to survive or be performed after the Effective Time; provided, that no such representations, warranties or covenants shall be deemed to be terminated or extinguished so as to deprive CFC or FOFC (or any director, officer or controlling Person thereof) of any defense in law or equity which otherwise would be available against the claims of any Person, including, without limitation, any shareholder or former shareholder of either CFC or FOFC, the aforesaid representations, warranties and covenants being material inducements to the consummation by CFC and FOFC of the Transactions.

8.4. Assignment/Limitation of Benefits.

Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns. This Agreement is not intended to confer upon any Person other than the parties hereto any rights or remedies hereunder, and the covenants, undertakings and agreements set out herein shall be solely for the benefit of, and shall be enforceable only by, the parties hereto and their permitted assigns.

8.5. Entire Agreement; No Third Party Beneficiaries.

This Agreement, including the documents and other writings referred to herein or delivered pursuant hereto, contains the entire agreement and understandings of the parties with respect to its subject matter. This Agreement supersedes all prior arrangements and understandings between the parties, both written or oral with respect to its subject matter and is not intended to confer upon any Person other than the parties any rights or remedies hereunder.

8.6. Amendment, Extension and Waiver.

This Agreement may be amended by the parties hereto, by action taken or authorized by their respective boards of directors, at any time before or after approval of the matters presented in connection with the Merger by the parties' shareholders, but, after any such approval, no amendment shall be made which by applicable Law requires further approval by such shareholders without such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto. At any time prior to the Effective Time, the parties hereto, by action taken or authorized by their respective board of directors, may, to the extent legally allowed: (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto; (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto; and (iii) waive compliance with any of the terms or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party, but such waiver or failure to insist on strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

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8.7. Notices.

All notices or other communications hereunder shall be in writing and shall be deemed given if delivered personally, mailed by prepaid registered or certified mail (return receipt requested), sent by recognized overnight delivery service guaranteeing next day delivery or sent by e-mail with following confirmation copy by any of the foregoing means, addressed as follows:

If to CFC, to:

Chemung Financial Corporation
One Chemung Canal Plaza
Elmira, New York 14902-1522
Attention: Ronald M. Bentley, President & CEO
Phone: (607) 737-3900
Fax: (607) 735-2050
Email: rbentley@chemungcanal.com

With a copy to:

Hinman, Howard & Kattell, LLP
106 Corporate Park Drive, Suite 317
White Plains, New York 10604
Attention: Clifford S. Weber, Esq.
Phone: (914) 694-4102
Fax: (914) 694-4510
Email: cweber@hhk.com

If to FOFC, to:

Capital Bank & Trust Company
1375 Washington Avenue
Albany, New York 12206
Attention: Eugene M. Sneeringer, Jr., Chairman
Phone: (518) 434-3166
Fax: (518) 434-9997
Email: esneeringer@smprtitle.com

With a copy to:

Hiscock & Barclay, LLP
One Park Place
300 South State Street
Syracuse, New York 13202
Attention: George S. Deptula, Esq.
Phone: (315) 425-2725
Fax: (315) 425-8545
Email: gdeptula@hblaw.com

Notwithstanding the foregoing, if this Agreement requires the prior consent or approval of CFC to an action to be taken by FOFC or Capital Bank, whether or not this Agreement requires such consent or approval to be in writing, such requirement shall be deemed satisfied if the consent or approval is set forth in an e-mail.

8.8. Captions and Headings.

The captions and headings contained in this Agreement are for reference purposes only and are not part of this Agreement.

8.9. Counterparts.

This Agreement may be executed in any number of counterparts and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

8.10. Severability.

If any provision of this Agreement or the application thereof to any Person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provisions to other Persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by Law.

8.11. Governing Law/Jurisdiction/Venue.

This Agreement shall be governed by, and construed in accordance with, the Laws of the State of New York, without regard to choice of law provisions thereof, except to the extent that federal Law applies. Any action arising under or concerning this Agreement shall be commenced in a court of competent jurisdiction in the State of New York, and the parties hereby consent to the jurisdiction of such courts.

8.12. Interpretation.

Each party acknowledges that it has been represented by counsel of its choice in connection with the preparation and negotiation of this Agreement and the transactions contemplated thereby. The parties therefore agree that this Agreement shall not be construed more strictly against or in favor of one party as compared with the other party.

8.13. Waiver of Jury Trial.

Each party irrevocably waives any and all right to trial by jury with respect to any action, claim or other proceeding arising out of or relating to this Agreement or the transactions contemplated thereby.

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Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

CHEMUNG FINANCIAL CORPORATION

By: /s/ Ronald M. Bentley
Ronald M. Bentley
President and Chief Executive Officer

FORT ORANGE FINANCIAL CORP.

By: /s/ Peter D. Cureau
Peter D. Cureau
President and Chief Executive Officer

Appendix A2

First Amendment
to the
Agreement and Plan Of Merger

This First Amendment, dated as of December 28, 2010 (this "Amendment"), amends the Agreement and Plan of Merger, dated as of October 14, 2010 by and between Chemung Financial Corporation, a New York business corporation ("CFC") and Fort Orange Financial Corp., a Delaware business corporation ("FOFC") (the "Agreement").

WHEREAS, Section 8.6 of the Agreement provides, among other things, that the Agreement may be amended by written agreement executed on behalf of the parties; and

WHEREAS, the parties desire to amend the Agreement as set forth in this Amendment.

NOW, THEREFORE, in consideration of the premises, and of the mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Section 2.5 of the Agreement is hereby amended and restated as follows in its entirety:

"The Merger Consideration shall be subject to adjustment as provided in this Section 2.5.

(a) As determined on the Closing Date, if the Closing Price is $25.20 or less and if the FOFC Delinquent Loans at the end of the month immediately preceding the Closing are: (i) less than $6.5 million, the Exchange Ratio shall be 0.3571 and the cash component of the Merger Consideration shall be $7.50; (ii) $6.5 million or greater, but less than $8.5 million, the Exchange Ratio shall be 0.3524 and the cash component of the Merger Consideration shall be $7.40; (iii) $8.5 million or greater, but less than $10.5 million, the Exchange Ratio shall be 0.3476 and the cash component of the Merger Consideration shall be $7.30; or (iv) $10.5 million or greater, CFC may at its election (A) terminate this Agreement pursuant to Section 6.1(h); or (B) proceed with the transaction in which event the Exchange Ratio shall be 0.3429 and the cash component of the Merger Consideration shall be $7.20.

(b) As determined on the Closing Date, if the Closing Price is greater than $25.20 and if the FOFC Delinquent Loans at the end of the month immediately preceding the Closing are: (i) less than $6.5 million, the Exchange Ratio shall be 100% of the Exchange Ratio as adjusted pursuant to paragraph (b) of the definition of Exchange Ratio in Article I of this Agreement (the "Adjusted Exchange Ratio") and the cash component of the Merger consideration shall be $7.50; (ii) $6.5 million or greater, but less than $8.5 million, the Exchange Ratio shall be 98.67% of the Adjusted Exchange Ratio and the cash component of the Merger Consideration shall be $7.40; (iii) $8.5 million or greater, but less than $10.5 million, the Exchange Ratio shall be 97.34% of the Adjusted Exchange Ratio and the cash component of the Merger Consideration shall be $7.30; or (iv) $10.5 million or greater, CFC may at its election (A) terminate this Agreement pursuant to Section 6.1(h); or (B) proceed with the transaction in which event the Exchange Ratio shall be 96.02% of the Adjusted Exchange Ratio and the cash component of the Merger Consideration shall be $7.20."

2. Section 6.1(h) of the Agreement is hereby amended and restated to read as follows in its entirety:

“(h) by CFC: i) pursuant to Section 2.5; or ii) if FOFC enters into an acquisition agreement or similar agreement with respect to a Superior Competing Proposal;”

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3. Section 2.4(a)(iii)(A) is hereby amended and restated to read as follows in its entirety:

"(A) Fractional shares will not be issued and cash, payable by check, will be paid in lieu thereof as provided in Section 2.4(h); and"

4. Section 2.6(c) is hereby amended and restated to read as follows in its entirety:

"(c) At and after the Effective Time, each certificate of FOFC Common Stock (except as set forth in Section 2.11 with respect to Dissenting Shares) shall represent only the right to receive the Merger Consideration. No dividends or other distributions declared after the Effective Time with respect to CFC Common Stock shall be paid to the holder of any unsurrendered certificate formerly representing shares of FOFC Common Stock until such holder shall surrender such certificate in accordance with this Section. After the surrender of a certificate in accordance with this Section 2.6, the record holder thereof shall be entitled to receive any such dividends or other distributions, without any interest thereon, which theretofore have become payable with respect to shares of CFC Common Stock."

5. Section 2.8(a) is hereby amended and restated to read as follows in its entirety:

"(a) Immediately after the Effective Time, until their respective successors are duly elected or appointed and qualified, the directors of the Surviving Corporation shall consist of the directors of CFC serving immediately prior to the Effective Time, plus two directors of FOFC or Capital Bank serving immediately prior to the Effective Time, as selected solely in the discretion of CFC. The Bank Plan of Merger also shall provide for the selection of such directors to serve as directors of Chemung Bank."

6. Section 2.11 is hereby amended and restated to read as follows in its entirety:

"Notwithstanding any other provision of this Agreement to the contrary, shares of FOFC Common Stock that are outstanding immediately prior to the Effective Time and which are held by shareholders who shall have not voted in favor of the Merger or consented thereto in writing and who properly shall have demanded payment of the fair value for such shares in accordance with the DGCL (collectively, the "Dissenters' Shares") shall not be converted into or represent the right to receive the Merger Consideration. Such shareholders instead shall be entitled to receive payment of the fair value of such shares held by them in accordance with the provisions of the DGCL, except that all Dissenters' Shares held by shareholders who shall have failed to perfect or who effectively shall have withdrawn or otherwise lost their rights as dissenting shareholders under the DGCL shall thereupon be deemed to have been converted into and to have become exchangeable, as of the Effective Time, for the right to receive, without any interest thereon, the Merger Consideration upon surrender in the manner provided in Section 2.6 of the certificate(s) that, immediately prior to the Effective Time, evidenced such shares. FOFC shall give CFC: (i) prompt notice of any written demands for payment of the fair value of any shares of FOFC Common Stock, attempted withdrawals of such demands and any other instruments served pursuant to the DGCL and received by FOFC relating to shareholders' dissenters' rights; and (ii) the opportunity to participate in all negotiations and proceedings with respect to demands under the DGCL consistent with the obligations of FOFC thereunder. FOFC shall not, except with the prior written consent of CFC: (i) make any payment with respect to such demand; (ii) offer to settle or settle any demand for payment of fair value; or (iii) waive any failure to timely deliver a written demand for payment of fair value or timely take any other action to perfect payment of fair value rights in accordance with the DGCL."

7. Except as specifically amended by this Amendment, the Agreement shall remain in full force and effect. This Amendment shall be construed as one with the Agreement, and the Agreement shall, where the context requires, be read and construed so as to incorporate this Amendment.

8. This Amendment shall be governed by and construed in accordance with the Agreement.

9. All capitalized terms not defined herein shall have the meanings ascribed to such terms in the Agreement. Except for the provisions of this Amendment, the terms and conditions of the Agreement shall remain unchanged.

10. This Amendment may be executed in any number of separate counterparts, each such counterpart will be deemed to be an original instrument and all such counterparts will together constitute the same agreement. The execution and delivery of this Amendment may be effected by electronic means such as e-mail.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their duly authorized officers as of the day and year first written above.

CHEMUNG FINANCIAL CORPORATION

By: /s/ Ronald M. Bentley
Ronald M. Bentley
President and Chief Executive Officer

FORT ORANGE FINANCIAL CORP.

By: /s/ Peter D. Cureau
Peter D. Cureau
President and Chief Executive Officer

Appendix B

voting agreement

WHEREAS, Chemung Financial Corporation ("CFC"), and Fort Orange Financial Corp. ("FOFC") have entered into an Agreement and Plan of Merger dated as of October 14, 2010 (the "Merger Agreement"), pursuant to which, subject to the terms and conditions set forth therein: (a) FOFC will merge with and into CFC, with CFC surviving the merger (the "Merger"); and (b) shareholders of FOFC will receive Merger Consideration, as defined in the Merger Agreement, from CFC in exchange for each share of FOFC Common Stock outstanding on the Closing Date; and

WHEREAS, as a condition to its execution and delivery to FOFC of the Merger Agreement, CFC has requested that the undersigned, Peter D. Cureau ("Cureau"), execute and deliver to CFC this Voting Agreement;

NOW THEREFORE, the undersigned, in order to induce CFC to execute and deliver the Merger Agreement to FOFC, and intending to be legally bound, hereby agrees to the terms and conditions of this Voting Agreement.

1. Attendance at Meetings/Voting of Shares

(a) Cureau shall attend and be present, in person or by valid proxy, at all meetings of shareholders of FOFC called to vote for approval of the Merger so that all shares of FOFC Common Stock over which the Cureau or members of his immediate family now have sole or shared voting power will be counted for the purpose of determining the presence of a quorum at such meetings and to vote, or cause to be voted, all such shares: (i) in favor of approval and adoption of the Merger Agreement and the transactions contemplated thereby (including any amendments or modifications of the terms thereof approved by the FOFC Directors); and (ii) against approval or adoption of any other merger, business combination, recapitalization, partial liquidation or similar transaction involving FOFC, or any other action that would result in a material breach of any covenant, representation or warranty or any other obligation or agreement of FOFC contained in the Merger Agreement. As to immediate family members, Cureau will use his best efforts to cause the shares to be present and voted in accordance with (i) and (ii) above.

(b) Cureau will not make any public statements with respect to the Merger contrary to or inconsistent with the statements made by FOFC in support of the Merger or the FOFC Board of Directors recommendation to its shareholders to vote in favor of the Merger.

2. No Disposition of Stock

Cureau shall not, prior to the meeting at which FOFC shareholders vote on the Merger Agreement (as such meeting may be adjourned), sell, transfer, gift, assign, encumber, create any third party rights in, or otherwise dispose of any of FOFC Common Stock except for transfers to charities, charitable trusts, or other charitable organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, lineal descendants or a spouse, or to a trust or other entity for the benefit of one or more of the foregoing persons, providing that the transferee agrees in writing to be bound by the terms of this Voting Agreement.

3. Stock Ownership

As of the date hereof, the number of shares of FOFC's Common Stock beneficially owned (as defined under Rule 13d-3 of the Securities Exchange Act of 1934) by Cureau, excluding shares beneficially owned in a fiduciary capacity, is listed on Exhibit A hereto. These shares are, and any additional shares of FOFC's Common Stock acquired by Cureau, after the date hereof and prior to the Effective Time will be, owned beneficially by Cureau. As of the date hereof, the shares listed on Exhibit A hereto constitute all of the shares of FOFC Common Stock held of record, beneficially owned by or for which voting power or disposition power is held or shared by the Cureau. Cureau will have at all times through the Effective Time sufficient rights and powers over the voting and his obligation under this Voting Agreement. Cureau has good title to the shares listed on Exhibit A hereto, free and clear of any liens, and he will have good title to such shares and any additional shares of FOFC's Common Stock acquired by him after the date hereof and prior to the Effective Time, free and clear of any liens. This Voting Agreement is not in any way intended to affect the exercise by Cureau of his fiduciary responsibility with respect to any such securities.

4. No Inconsistent Agreements

Except for actions taken in furtherance of this Voting Agreement, while this Voting Agreement remains in effect, Cureau shall not: (i) enter into any voting agreement or voting trust with respect to FOFC shares he owns beneficially or of record; or (ii) grant any proxy, consent or power of attorney with respect to such shares which would be inconsistent with or violate Section 1.

5. No Violation

The execution and delivery of this Voting Agreement by Cureau does not, and his performance of his obligations hereunder will not: (i) to his knowledge, conflict with or violate any law, ordinance or regulation of any governmental authority applicable to or to which he or any of his assets or properties is bound; or (ii) conflict with, result in any breach of, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, acceleration or cancellation of, or require payment under, or result in the creation of any liens on the properties or assets of Cureau.

6. Fiduciary Responsibility and Duties of Cureau

This Voting Agreement relates solely to the capacity of Cureau as a FOFC shareholder and owner of FOFC Common Stock and is not in any way intended to affect the exercise of Cureau's responsibilities and fiduciary duties as a director or officer of FOFC or any of its Affiliates. Notwithstanding the foregoing, Cureau acknowledges and agrees that the exercise of Cureau's responsibilities and fiduciary duties as a director or officer of FOFC shall not, in any respect, affect or alter, or be deemed to permit a Cureau to terminate or circumvent his obligation to comply with the terms of this Voting Agreement (including, without limitation, Cureau's obligations under Section 2 hereof), nor shall the exercise of any such responsibilities and fiduciary duties by Cureau affect any of CFC's rights hereunder.

7. Termination

This Agreement shall terminate upon the termination of the Merger Agreement pursuant to Section 6.1 thereof.

8. Miscellaneous

(a) Capacity

Cureau represents that that he has the capacity to enter into this Voting Agreement and that it is a valid and binding obligation enforceable against him in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting creditors' rights and general equitable principles.

(b) Capitalized Terms

Capitalized terms used in this Voting Agreement shall have the meanings ascribed to them in the Merger Agreement.

(c) Termination

The obligations set forth herein shall terminate concurrently with any termination of the Merger Agreement.

(d) Governing Law

This Voting Agreement shall be construed in accordance with the laws of the State of New York, without regard to conflict of laws principles.

(e) Counterparts

This Voting Agreement may be executed in two or more counterparts, each of which shall be deemed to constitute an original, but all of which together shall constitute one and the same Voting Agreement.

The undersigned, intending to be legally bound hereby, has executed this Voting Agreement as of the date indicated below.

/s/ Peter Cureau Date October 14, 2010
Peter Cureau

EXHIBIT A

Cureau's Beneficial Stock Ownership

	Shares
Cureau	179,994
Total	179,994

Appendix C

VOTING AND NON-COMPETITION AGREEMENT

WHEREAS, Chemung Financial Corporation ("CFC"), and Fort Orange Financial Corp. ("FOFC") have entered into an Agreement and Plan of Merger dated as of October 14, 2010 (the "Merger Agreement"), pursuant to which, subject to the terms and conditions set forth therein: (a) FOFC will merge with and into CFC, with CFC surviving the merger (the "Merger"); and (b) shareholders of FOFC will receive Merger Consideration, as defined in the Merger Agreement, from CFC in exchange for each share of FOFC Common Stock outstanding on the Closing Date; and

WHEREAS, as a condition to its execution and delivery to FOFC of the Merger Agreement, CFC has requested that the undersigned, being directors of FOFC ("FOFC Directors"), execute and deliver to CFC this Voting and Non-Competition Agreement;

NOW THEREFORE, each of the undersigned, in order to induce CFC to execute and deliver the Merger Agreement to FOFC, and intending to be legally bound, hereby agree to the terms and conditions of this Voting and Non-Competition Agreement.

1. Attendance at Meetings/Voting of Shares

(a) The FOFC Directors shall attend and be present, in person or by valid proxy, at all meetings of shareholders of FOFC called to vote for approval of the Merger so that all shares of FOFC Common Stock over which the FOFC Directors or members of their immediate family now have sole or shared voting power will be counted for the purpose of determining the presence of a quorum at such meetings and to vote, or cause to be voted, all such shares: (i) in favor of approval and adoption of the Merger Agreement and the transactions contemplated thereby (including any amendments or modifications of the terms thereof approved by the FOFC Directors); and (ii) against approval or adoption of any other merger, business combination, recapitalization, partial liquidation or similar transaction involving FOFC, or any other action that would result in a material breach of any covenant, representation or warranty or any other obligation or agreement of FOFC contained in the Merger Agreement. As to immediate family members, the FOFC Directors will use their best efforts to cause the shares to be present and voted in accordance with (i) and (ii) above.

(b) The FOFC Directors will not make any public statements with respect to the Merger contrary to or inconsistent with the statements made by FOFC in support of the Merger or the FOFC Board of Directors recommendation to its shareholders to vote in favor of the Merger.

2. No Disposition of Stock

The FOFC Directors shall not, prior to the meeting at which FOFC shareholders vote on the Merger Agreement (as such meeting may be adjourned), sell, transfer, gift, assign, encumber, create any third party rights in, or otherwise dispose of any of FOFC Common Stock except for transfers to charities, charitable trusts, or other charitable organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, lineal descendants or a spouse, or to a trust or other entity for the benefit of one or more of the foregoing persons, providing that the transferee agrees in writing to be bound by the terms of this Voting and Non-Competition Agreement.

3. Stock Ownership

As of the date hereof, the number of shares of FOFC's Common Stock beneficially owned (as defined under Rule 13d-3 of the Securities Exchange Act of 1934) by each FOFC Director, excluding shares beneficially owned in a fiduciary capacity, is listed on Exhibit A hereto. These shares are, and any additional shares of FOFC's Common Stock acquired by the FOFC Directors, after the date hereof and prior to the Effective Time will be, owned beneficially by the FOFC Directors. As of the date hereof, the shares listed on Exhibit A hereto constitute all of the shares of FOFC Common Stock held of record, beneficially owned by or for which voting power or disposition power is held or shared by the FOFC Directors. The FOFC Directors will have at all times through the Effective Time sufficient rights and powers over the voting and disposition of such shares to comply with their obligations under this Voting and Non-Competition Agreement. The FOFC Directors have good title to the shares listed on Exhibit A hereto, free and clear of any liens, and they will have good title to such shares and any additional shares of FOFC's Common Stock acquired by them after the date hereof and prior to the Effective Time, free and clear of any liens. This Voting and Non-Competition Agreement is not in any way intended to affect the exercise by a FOFC Director of his fiduciary responsibility with respect to any such securities.

4. No Inconsistent Agreements

Except for actions taken in furtherance of this Voting and Non-Competition Agreement, while this Voting and Non-Competition Agreement remains in effect, the FOFC Directors shall not: (i) enter into any voting agreement or voting trust with respect to FOFC shares they own beneficially or of record; or (ii) grant any proxy, consent or power of attorney with respect to such shares which would be inconsistent with or violate Section 1.

5. No Violation

The execution and delivery of this Voting and Non-Competition Agreement by the FOFC Directors does not, and their performance of their obligations hereunder will not: (i) to their knowledge, conflict with or violate any law, ordinance or regulation of any governmental authority applicable to or to which they or any of their assets or properties is bound; or (ii) conflict with, result in any breach of, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, acceleration or cancellation of, or require payment under, or result in the creation of any liens on the properties or assets of the FOFC Directors.

6. Fiduciary Responsibility and Duties of FOFC Directors

This Voting and Non-Competition Agreement relates solely to the capacity of the FOFC Directors as FOFC shareholders and owners of FOFC Common Stock and is not in any way intended to affect the exercise of the FOFC Directors' responsibilities and fiduciary duties as a director or officer of FOFC or any of its Affiliates. Notwithstanding the foregoing, the FOFC Directors acknowledge and agree that the exercise of the FOFC Directors' responsibilities and fiduciary duties as a director or officer of FOFC shall not, in any respect, affect or alter, or be deemed to permit a FOFC Director to terminate or circumvent such FOFC Director's obligation to comply with the terms of this Voting and Non-Competition Agreement (including, without limitation, the FOFC Director's obligations under Section 2 hereof), nor shall the exercise of any such responsibilities and fiduciary duties by a FOFC Director affect any of CFC's rights hereunder.

7. Non-Competition

(a) Beginning at the Effective Time and ending on the second anniversary of the Closing Date (the "Non-Competition Period"), the FOFC Directors shall not, directly or indirectly, alone or as a partner: (i) serve as an officer, director, owner, trustee, employee or consultant of any Person; or (ii) own, manage, control, operate, or otherwise invest, participate or engage in, any business or other enterprise that in any way competes with the business of FOFC or Capital Bank as conducted immediately prior to the Closing Date.

(b) During the Non-Competition Period, the FOFC Directors shall not knowingly or intentionally, directly or indirectly, either for himself or any other Person, solicit or induce, or attempt to solicit or induce, any individual who is, at such time, an employee or independent contractor of CFC or Chemung Bank to terminate his, her, or its relationship with CFC or Chemung Bank or in any way interfere with or disrupt CFC's or Chemung Bank's relationship with any of its employees or independent contractors; provided, however, that the foregoing provision shall not preclude the FOFC Directors and their Affiliates from: (i) making good faith generalized solicitations for employees through advertisements or search firms and hiring any persons through such solicitations; provided, that the FOFC Directors and their Affiliates do not encourage or advise such firm to approach any such employee and such searches are not targeted or focused CFC's or Chemung Bank's employees, or (ii) responding to or hiring any employee of CFC or Chemung Bank who contacts the FOFC Directors or their Affiliates at his or her own initiative without any prior direct or indirect encouragement or solicitation.

8. Miscellaneous

a. Capacity

Each FOFC Director represents that that he or she has the capacity to enter into this Voting and Non-Competition Agreement and that it is a valid and binding obligation enforceable against him or her in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting creditors' rights and general equitable principles.

b. Capitalized Terms

Capitalized terms used in this Voting and Non-Competition Agreement shall have the meanings ascribed to them in the Merger Agreement.

c. Termination

The obligations set forth herein shall terminate concurrently with any termination of the Merger Agreement.

d. Governing Law

This Voting and Non-Competition Agreement shall be construed in accordance with the laws of the State of New York, without regard to conflict of laws principles.

e. Counterparts

This Voting and Non-Competition Agreement may be executed in two or more counterparts, each of which shall be deemed to constitute an original, but all of which together shall constitute one and the same Voting and Non-Competition Agreement.

The undersigned, constituting all of the FOFC Directors, intending to be legally bound hereby, have executed this Voting and Non-Competition Agreement as of the date(s) indicated below.

/s/ Larry H. Becker — Date October 14, 2010
Larry H. Becker

/s/ Paul G. Kasselman — Date October 14, 2010
Paul G. Kasselman

/s/ Raymond J. Kinley, Jr. — Date October 14, 2010
Raymond J. Kinley, Jr.

/s/ Eugene M. Sneeringer, Jr. — Date October 14, 2010
Eugene M. Sneeringer, Jr.

/s/ Edward P. Swyer — Date October 14, 2010
Edward P. Swyer

/s/ Edward J. Trombly — Date October 14, 2010
Edward J. Trombly

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EXHIBIT A

FOFC Directors' Beneficial Stock Ownership

Director	Shares
Larry H. Becker	167,657
Paul G. Kasselman	198,129
Raymond J. Kinley, Jr.	40,720
Eugene M. Sneeringer, Jr.	149,679
Edward P. Swyer	180,141
Edward J. Trombly	44,934
Total	**781,260**

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Appendix D

AGREEMENT

This AGREEMENT (the "Agreement") is entered into and effective as of October 20, 2010 by and among PETER D. CUREAU, an individual residing at 60 Esopus Drive, Clifton Park, New York 12065 (the "Executive"), CAPITAL BANK & TRUST COMPANY, a banking company organized and existing under the laws of the State of New York (the "Bank"), and FORT ORANGE FINANCIAL CORP., a corporation incorporated under the laws of the State of Delaware (the "Parent"). Bank and Parent both have their principal place of business at 1375 Washington Avenue, Albany, New York 12206 and are sometimes collectively referred to herein as the "Bank Parties".

R E C I T A L S

A. Executive has been employed as President and Chief Executive Officer of each of Bank and Parent pursuant to that certain Executive Employment Agreement, dated as of January 1, 2008, by and between Executive and Bank (the "Employment Agreement").

B. The Employment Agreement provides that its stated expiration date of December 31, 2010 will be automatically extended for an additional term unless the Executive notifies the Bank Parties or the Bank Parties notify the Executive that they have elected that the term of the Employment Agreement not be extended.

C. Pursuant to the Employment Agreement, the Boards of Directors of the Bank Parties (the "Boards") have notified the Executive that the Bank Parties have elected not to extend the term of the Employment Agreement.

D. Subsequent to the determination by the Boards not to extend the Employment Agreement, a director of the Parent was contacted by a representative of Chemung Financial Corporation ("CFC") and discussions ensued regarding the possible acquisition of the Parent by CFC.

E. On September 8, 2010, a nonbinding letter of intent (the "LOI") was entered into by CFC and the Parent.

F. If the acquisition contemplated in the LOI takes place, it will occur after the Employment Agreement and the Executive's employment has terminated.

G. The Employment Agreement has certain "Change in Control" provisions in it which would become ineffective at the termination of Executive's employment on December 31, 2010.

H. The Executive and the Bank Parties have agreed that should the Parent be acquired by CFC as outlined in the LOI, Executive will be afforded some of the "Change in Control" benefits provided for in the Employment Agreement.

NOW, THEREFORE in consideration of the above premises, mutual promises, covenants, agreements, representations and warranties contained in this Agreement, the parties hereto agree as follows:

1. Termination of Employment; Service on Board of Directors.

(a) The parties acknowledge and agree that Executive's employment with Bank Parties shall terminate on December 31, 2010 (the "Separation Date"). Bank Parties acknowledge and agree that Executive shall continue to receive all payments, benefits, compensation and have all other rights as are contemplated under the Employment Agreement until and including the Separation Date.

(b) Unless removed pursuant to applicable by-laws, Executive shall continue to serve as a member of the board of directors of each of Bank Parties until the date that the closing of the acquisition of the Parent by CFC occurs (the "Closing Date").

2. Condition to Agreement.

The Executive and the Bank Parties agree that, except for the benefits payable pursuant to Sections 3(f) and 3(g) below, this Agreement and performance of the parties hereunder are expressly conditioned and contingent on the Parent being acquired by CFC and if said acquisition does not occur on or before June 30, 2011, this Agreement shall automatically terminate and Executive shall have no rights or claims hereunder.

3. Payments and Benefits.

Subject to the provisions of Section 7 of this Agreement relating to Sections 409A and 280G of the Internal Revenue Code of 1986, the Bank Parties shall pay to Executive the following:

(a) Severance Payment. Bank Parties shall pay to Executive $375,000.00 on the Closing Date, subject to the prior receipt by the Bank Parties and the Resulting Entity of an effective release from Executive, as described in Section 5 of this Agreement.

(b) Payment Associated with Insurance Claim Recovery. In the event that the Bank Parties obtain a settlement or other recovery payments in connection with an action (the "Action") pending in Supreme Court, Albany County titled Capital Bank & Trust Company v. Gulf Insurance Company, Index Number 3803-05 brought by the Bank to recover losses resulting from the criminal acts of a former employee, the Bank Parties shall make a lump sum payment to Executive as reflected on the table set forth below:

Recovery Amount (defined below)	Payment to Executive
Less than $1 million	10% of Recovery Amount
Between $1 million and $1.49 million	12.5% of Recovery Amount
$1.49 million or more	15% of Recovery Amount

The Recovery Amount shall be the gross amount recovered minus sums due pursuant to an agreement dated December 15, 2007 between the Bank and David G. Ashton III ("Ashton") (the "Ashton Agreement") pursuant to which Ashton acquired a portion of the Bank's claim.The lump sum payment to be paid to Executive as contemplated in this Section 3(b) shall be made no later than thirty (30) days following receipt of the proceeds of the Action. The foregoing payment amount shall not be reduced by any compensation that the Executive may receive for other employment with another employer.

The Bank Parties shall have sole and absolute discretion as to every aspect of the pursuit of the Action, including, inter alia, the conduct of any settlement negotiations and any decision to accept less than the full amount claimed, except that the Bank Parties shall have no authority to change the terms of this Agreement with respect to this issue, except as may be required pursuant to the Ashton Agreement.

(c) Option Securities Held by Executive. Bank Parties acknowledge and agree that, notwithstanding anything to the contrary stated in agreements which set forth the terms and conditions associated with options to purchase the stock of Parent that have been issued to Executive (the "Executive Stock Options"):

(i) Vested Stock Options. With respect to those Executive Stock Options in which Executive is fully vested, Executive shall be entitled to exercise, and Parent shall honor and accept such exercise of, such stock options.

(ii) Unvested Stock Options. With respect to those Executive Stock Options in which Executive is not fully vested, the Executive shall become fully vested in all unvested Executive Stock Options on the Closing Date.

(iii) Restricted Stock Grants. Parent shall make a grant of stock (the "Stock Grant") of the Parent's common stock in an amount of shares equal to all prior unvested restricted stock grants made to Executive during his employment (the "Unvested Restricted Stock"). Bank Parties and Executive agree that the Stock Grant shall be made in full on the Closing Date.

(d) Removal of Restrictions. Subject to applicable law, the Parent shall, effective on the Closing Date, cause all restrictions to be removed from all stock of the Parent that is being held in Executive's name by the transfer agent or any other party. The Parent shall also provide any letters and opinions reasonably needed to present to any party to remove such restrictions.

(e) Exercise. The Executive shall be permitted at exercise to make a cashless exercise of all options and restricted stock granted to him heretofore and in this Agreement.

(f) Performance Bonus. The Executive shall, no later then thirty (30) days following the Separation Date, receive his 2010 performance bonus of Twenty Five Thousand Dollars ($25,000.00). This shall be shall be paid within thirty (30) days of the Separation Date irrespective of whether the Closing occurs or not.

(g) Expense Reimbursement. The Executive shall be reimbursed for separation expenses in the amount of Ten Thousand Dollars ($10,000.00). This shall be shall be paid within thirty (30) days of the Separation Date irrespective of whether the Closing occurs or not.

4. Release from Restrictive Covenants; Additional Releases.

(a) Bank Parties acknowledge and agree that on the Separation Date, Executive shall be released from, and shall not be obligated to comply with, the terms and conditions of Section 6.1 of the Employment Agreement. Further, each of Bank Parties waive any and all claims against Executive that may arise as a result of Executive's failure to comply with the terms of Section 6.1 of the Employment Agreement. It is expressly understood and agreed, however, that Executive shall adhere to all confidentiality obligations set forth in the Employment Agreement.

(b) Executive agrees that in consideration for the payments and other benefits he will receive under this Agreement, he shall hereby release the Bank Parties from all liability, in accordance with the provisions of subparagraphs (c), (d) and (e) below, and shall execute a similar release on the Separation Date and an additional release in favor of the entity resulting from any assimilation of the Parent into CFC (the "Resulting Entity"), without revocation thereof, no later than twenty-one days after the Closing Date and no payment or benefit hereunder shall be provided to Executive prior to the Bank Parties' or Resulting Entity's, as applicable, receipt of such release and the expiration of any period of revocation provided for in the release.

(c) Executive shall forever release for himself and his agents, representatives, attorneys, insurers, predecessors, successors and assigns (collectively, the "Executive Parties") from ANY AND ALL RIGHTS, CLAIMS, DEMANDS, CAUSES OF ACTION, OBLIGATIONS, DAMAGES, PENALTIES, FEES, COSTS, EXPENSES AND LIABILITIES OF ANY NATURE WHATSOEVER, WHICH THE EXECUTIVE HAS HAD OR MAY HAVE AGAINST the Bank PARTIES IN CONNECTION WITH ANY CAUSE OR MATTER WHATSOEVER, WHETHER KNOWN OR UNKNOWN TO THE PARTIES AS OF THE SEPARATION DATE AND INCLUDING WITHOUT LIMITATION, ALL MATTERS RELATING TO EXECUTIVE'S EMPLOYMENT AGREEMENT AND HIS EMPLOYMENT WITH BANK PARTIES AND THE TERMINATION OF SUCH EMPLOYMENT AND HIS SERVICE ON THE BOARD OF DIRECTORS OF BANK AND PARENT, SPECIFICALLY INCLUDING BUT NOT LIMITED TO ANY CLAIM ARISING PRIOR TO AND INCLUDING THE DATE THIS AGREEMENT IS EXECUTED UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT (ADEA) AS AMENDED BY THE OLDER WORKERS BENEFIT PROTECTION ACT (OWBPA) OR ANY CLAIM OF DISCRIMINATION IN EMPLOYMENT UNDER ANY OTHER FEDERAL, STATE OR LOCAL LAW OR ANY CLAIMS OR OBLIGATIONS ATTENDANT TO THE EMPLOYMENT AGREEMENT, EXCEPT FOR OBLIGATIONS OWED UNDER THIS AGREEMENT AND THOSE CONTINUING OBLIGATIONS UNDER THE EMPLOYMENT AGREEMENT THAT REMAIN IN PLACE UNTIL THE SEPARATION DATE.

(d) Waiver of Rights. Executive agrees that the consideration he is receiving under this Agreement to waive his rights or claims under ADEA and/or OWBPA is over and above anything of value to which he is already entitled under any agreement with the Bank Parties or the Resulting Entity under any applicable policy, plan or practice of the Bank Parties, the Resulting Entity or otherwise.

(e) Effective Date; Revocation. Executive hereby agrees and acknowledges that he has been advised by the Bank Parties to consult with an attorney prior to executing this Agreement and has been offered a period of at least twenty-one (21) days within which to consider the terms of this Agreement. For a period of seven (7) days following execution, Executive may revoke this Agreement and this Agreement shall not become effective or enforceable until the said revocation period has expired.

5. Public Statements; Disparaging Comments; References and Recommendations.

(a) Executive and Bank Parties will refrain from making any public statements or comments, whether orally, in writing or transmitted electronically, about, concerning, or in any way related to the other party that may, directly or indirectly, have a material adverse effect upon the other party's business, prospects, reputation, or goodwill. Notwithstanding the foregoing, these restrictions shall not apply to any information that the parties are required to disclose in connection with any legal or regulatory proceedings or the prospective acquisition of the Parent by CFC.

(b) Executive will refrain from making any disparaging comments, either directly or indirectly, about or in any way related to Bank and/or Parent, including without limitation their respective businesses or their respective business prospects, either publicly or privately; provided, however, that these restrictions shall not apply to any information that Executive is required to disclose in connection with any legal or regulatory proceedings.

6. Miscellaneous Provisions.

(a) Assignment. This Agreement shall not be assignable, in whole or in part, without the written consent of all parties hereto; provided, however, that the Bank Parties may assign this Agreement to any successor to all or substantially all of the assets of the Bank Parties, including but not limited to the Resulting Entity.

(b) Governing Law. This Agreement is made under and shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of laws provisions thereof.

(c) Prior Agreements. This Agreement contains the entire agreement of the parties relating to the subject matter hereof.

(d) Successors and Assigns. This Agreement shall extend to and be binding upon the Executive, his legal representatives, heirs and distributees and upon Bank and Parent and their respective successors and permitted assigns.

(e) Amendments. No amendment or modification of this Agreement shall be effective unless in writing and signed by the parties hereto.

(f) Waiver. No term or condition of the Agreement shall be waived, nor shall there be any estoppel to enforce any provisions of this Agreement, except by a statement, in writing, signed by the party against whom enforcement of the waiver or estoppel is sought. Any written waiver shall not be a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived, and shall not constitute a waiver of such term or condition for the future or as to any act other than specifically waived.

(g) Severability. To the extent any provision of this Agreement shall be invalid or unenforceable, it shall be considered modified to the extent necessary to become valid and enforceable or, if such modification is impracticable, deleted from this Agreement, and the remainder of such provision and of this Agreement shall be unaffected and shall continue in full force and effect.

(h) Headings. The section headings of this Agreement are solely for the convenience of reference and shall not control the meaning or interpretation of any provisions in this Agreement.

(i) Notice. All notices required or permitted hereunder shall be in writing and may be personally delivered or mailed by registered or certified mail, postage prepaid or forwarded by any nationally recognized overnight courier service or transmitted by facsimile with a copy set first class mail, to such address as may be from time to time designated by the respective parties. Notice shall be effective upon receipt.

(j) Counterparts. This Agreement may be executed in one or more counterparts, each of which, when executed and delivered shall be an original, but such counterparts shall together constitute one and the same instrument.

(k) Further Assurances. At any time or from time to time after the date hereof, the parties agree to cooperate with each other, and at the request of any other party, to execute and deliver any further instruments or documents and to take all such further action as the other party may reasonably request in order to evidence or effectuate the consummation of the transactions contemplated hereby and to otherwise carry out the intent of the parties hereunder.

7. Restrictions on Timing of Distributions; Modifications of Payments by Bank Parties and Resulting Entity.

(a) Notwithstanding any provision of this Agreement to the contrary, if Executive is considered a Specified Employee (as defined in Section 409A of the Code) at separation from service (as defined below) other than on account of death or disability, in accordance with Section 409A of the Code, all payments hereunder, other than those that are deemed "separation pay" under Treas. Reg. §1.409A-1(b)(9), that are made upon separation from service may not commence earlier than six (6) months after the date of separation from service. Therefore, in the event this provision is applicable to Executive, any distribution which would otherwise be paid to Executive within the first six months following separation from service shall be accumulated and paid to Executive in a lump sum on the first day of the seventh month following separation from service.

(b) With respect to the payment of all benefits under Section 3 of this Agreement (excepting payments under subparagraph (b) thereof), whether a separation from service takes place is determined based on the facts and circumstances surrounding the termination of Executive's employment and whether the Bank Parties or the Resulting Entity, as the case may be, intended for Executive to provide significant services to either the Bank Parties or the Resulting Entity following such termination of employment. A change in the Executive's employment status will not be considered a separation from service if:

(i) Executive continues to provide services as an employee of either the Bank Parties or the Resulting Entity at an annual rate that is twenty percent (20%) or more of the services rendered, on average, during the immediately preceding three full calendar year of employment and the annual remuneration for such services is twenty percent (20%) or more of the average annual remuneration earned during the final three full calendar years of employment, or.

(ii) Executive continues to provide services to the Bank Parties or the Resulting Entity in a capacity other than as an employee of the Bank Parties or the Resulting Entity at an annual rate that is fifty percent (50%) or more of the services rendered, on average, during the immediately preceding three full calendar years of employment, and the annual remuneration for such services is fifty percent (50%) or more of the average annual remuneration earned during the final three full calendar years of employment.

(c) In the event that any payments or benefits (excluding payments that may be made pursuant to Section 3(b) of this Agreement) received or to be received by Executive (the "Total Payments") in connection with a Change in Control or Executive's separation from service with the Bank Parties or the Resulting Entity (whether or not such payments or benefits are provided pursuant to the terms of this Agreement, or any other plan, arrangement or agreement with the Bank Parties or the Resulting Entity) are "parachute payments" within the meaning of Section 280G of the Code and subject to the excise tax imposed by Section 4999 of the Code, then the benefit or payment shall be adjusted by an amount, such that the Total Payments do not exceed 2.99 of the "base amount" as defined in Section 280G(b)(3) of the Code (the "Payment Cap"). Executive hereby acknowledges and agrees that for purposes of this subparagraph (c) the Total Payments shall be treated as parachute payments within the meaning of Section 280G of the Code, and all parachute payments in excess of the base amount shall be treated as subject to the excise tax, and thus subject to modification up to the Payment Cap, unless, and except to the extent that, in the good faith judgment of the Resulting Entity, there is a reasonable basis to conclude that any amount or benefit paid or distributed to the Executive by the Bank Parties and/or the Resulting Entity, or under any other plan, arrangement, or agreement, either do not constitute parachute payments or represent reasonable compensation for services actually rendered (within the meaning of Section 280G(b)(4)(B) of the Code) in excess of the portion of the base amount allocable to such Total Payments, or such parachute payments are otherwise not subject to the excise tax.

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IN WITNESS WHEREOF, this Agreement has been duly authorized, approved, executed and delivered by the undersigned as of the date and year first written above.

EXECUTIVE:

/s/ Peter D. Cureau
Peter D. Cureau

BANK:

CAPITAL BANK & TRUST COMPANY

By: /s/ Eugene M. Sneeringer, Jr
Name: Eugene M. Sneeringer, Jr.
Title: Chairman of the Board

PARENT:

FORT ORANGE FINANCIAL CORP.

By: /s/ Eugene M. Sneeringer, Jr
Name: Eugene M. Sneeringer, Jr.
Title: Chairman of the Board

FIRST AMENDMENT
TO
AGREEMENT

THIS AMENDMENT AGREEMENT (the "First Amendment") is made effective as of the 28th day of December, 2010, by and among the parties signing below.

RECITALS

WHEREAS, Capital Bank & Trust Company (the "Bank"), Fort Orange Financial Corp. (the "Parent") and Peter D. Cureau (the "Executive") are parties to a certain Agreement dated October 20, 2010 (the "Agreement"); and

WHEREAS, parties desire to amend certain sections of the Agreement as set forth below.

NOW, THEREFORE, in consideration of the above premises, mutual promises, covenants, agreements, representations and warranties contained in the Agreement and this First Amendment, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Amendment of Section 3(c). Section 3(c) of the Agreement is hereby amended and restated by deleting current Section 3(c) in its entirety and replacing Section 3(c) with a new Section 3(c) to read in its entirety as follows:

(c) Stock Options and Restricted Stock Awards Held by Executive. Bank Parties acknowledge and agree that stock options to purchase the stock of Parent were issued to Executive and were outstanding as of October 14, 2010 (the "Executive Stock Options") and that the Executive Stock Options which have not otherwise been exercised by Executive as of the Closing Date, whether or not such Executive Stock Options were vested (the "Unexercised Options") will have expired prior to the Closing Date in accordance with the terms of any and all applicable stock or options plans sponsored by Parent. Bank Parties hereby agree that, on the Closing Date and in lieu of any other payment, or right, with respect to such Unexercised Options, Executive shall receive a cash payment in an aggregate amount determined in accordance with the following formula, which formula is based on Section 2.10 of the Agreement and Plan of Merger Dated as of October 14, 2010 By and Between Chemung Financial Corporation and Fort Orange Financial Corp. (the "Merger Agreement"):

the product of: (i) the number of shares of common stock of Parent subject to the Unexercised Options; and (ii) the difference, if any, between (x) the sum of: (1) 75% of the product of the Exchange Ratio (as defined in the Merger Agreement) and the Closing Price (as defined in the Merger Agreement), and (2) 25% of $7.50, and (y) the applicable exercise price per share of common stock of Parent under the terms of the Unexercised Options.

In addition, on the Closing Date, Parent shall make a grant of stock (the "Stock Grant") of the Parent's common stock in an amount of shares equal to all unvested restricted stock awards held by the Executive as of the Separation Date (the "Unvested Restricted Stock"), which Unvested Restricted Stock shall lapse and be forfeited by Executive as of the Separation Date in accordance with the terms of any and all applicable stock plans sponsored by Parent. Bank Parties and Executive agree that the Stock Grant shall be made in full on the Closing Date, shall be free of any restrictions as provided in Section 3(d) below, and shall be exchanged for the Merger Consideration as defined and provided for in Section 2.4 of the Merger Agreement.

2. Amendment of Section 3(e). Section 3(e) of the Agreement is hereby amended and restated by deleting current Section 3(e) in its entirety and replacing Section 3(e) with a new Section 3(e) to read in its entirety as follows:

(e) Intentionally Omitted.

3. Ratification. The Agreement, except as specifically modified and amended herein, is hereby ratified and confirmed in all respects.

4. Miscellaneous.

(a) Governing Law. This First Amendment shall be construed and enforced in accordance with the laws of the State of New York (exclusive of said State's conflicts of laws provisions).

(b) Amendments. Any amendments to this First Amendment shall be in writing and executed by each of the parties hereto.

(c) Entire Agreement. This First Amendment contains the entire understanding of the parties and supersedes any prior written or oral agreements between the parties respecting the subject matter of this First Amendment.

(d) Counterpart Execution. This First Amendment may be executed in multiple counterparts each of which shall be deemed an original and shall become effective when the separate counterparts have been exchanged among the parties. Facsimile and electronic signatures shall be deemed original signatures for all purposes of this First Amendment.

(e) Successor and Assigns. This First Amendment shall inure to the benefit of and be binding upon the transfers, successors, assigns, heirs, beneficiaries, executors, administrators, agents and representatives of the parties.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment effective as of the day and year first above written.

/s/ Peter D. Cureau
Peter D. Cureau

CAPITAL BANK & TRUST COMPANY

By: /s/ Eugene M. Sneeringer, Jr.
Name: Eugene M. Sneeringer, Jr.
Title: Chairman of the Board

FORT ORANGE FINANCIAL CORP.

By: /s/ Eugene M. Sneeringer, Jr
Name: Eugene M. Sneeringer, Jr.
Title: Chairman of the Board

Appendix E

October 14, 2010

Board of Directors
Fort Orange Financial Corp.
Capital Bank & Trust Company
1375 Washington Avenue
Albany, NY 12206

Dear Board Members:

You have requested FinPro, Inc.'s ("FinPro") written opinion, as an independent financial advisor to Fort Orange Financial Corp. ("FOFC"), as to the fairness, from a financial point of view, to FOFC and its stockholders of the consideration as proposed in the Agreement and Plan of Merger by and between Chemung Financial Corporation ("CFC") and FOFC dated October 14, 2010 (the "Agreement"), pursuant to which FOFC and its wholly-owned subsidiary Capital Bank & Trust Company ("Capital") will merge with CFC and its wholly-owned subsidiary Chemung Canal Trust Company ("Chemung").

Pursuant to the Agreement, FOFC stockholders shall receive 0.3571 shares of CFC, $7.50 per share in cash or some combination of the two. The consideration mix is 75% CFC stock and 25% cash. FOFC shareholders have the right to elect to receive all CFC stock, all cash or a mixture of stock and cash subject to the overall consideration mix. The merger consideration may be adjusted downward by as much as $0.30 per share in the event that FOFC impaired loans (as defined in the Agreement) exceed specified levels. Additionally, in the event that CFC's Closing Price (as defined in the Agreement) exceeds $25.20 per share the exchange ratio is floating and uses a $9.00 per share price for the stock portion of the merger consideration. The merger consideration is $29.3 million for all outstanding FOFC stock based upon CFC closing price of $21.50 on October 12, 2010.

In general, FinPro provides investment banking and consulting services to the bank and thrift industry, including appraisals and valuations of bank and thrift institutions and their securities in connection with mergers, acquisitions and other securities transactions. FinPro has knowledge of and experience with the New York bank and thrift market and financial institutions operating in this market. FOFC's Board chose FinPro because of its expertise, experience and familiarity with the bank and thrift industry.

FOFC retained FinPro to advise the Board of Directors of FOFC in connection with its merger and acquisition activities. Pursuant to its engagement, FinPro will be paid a fee for rendering its fairness opinion relating to the merger. FinPro acted as financial advisor to FOFC in connection with the merger and will receive total fees equal to $290,000 with respect to the transaction, a large portion of which is contingent upon the consummation of the merger. Additionally, FOFC has agreed to reimburse FinPro for its out-of-pocket expenses and has agreed to indemnify FinPro and certain related persons against certain liabilities possibly incurred in connection with the services performed. In the ordinary course of their own investment portfolio management, FinPro principals may purchase bank stock securities for their own long-term personal investment. In the scenario that a FinPro principal owns stock in a client, the principal will be recused from deal negotiation and the issuance of a written or oral fairness opinion.

FinPro has provided professional services to FOFC in the past, and has been paid for those services. Aggregate revenue received for services to FOFC is immaterial relative to FinPro's annual gross revenue. FinPro has never provided professional services to CFC.

E-1

In connection with its opinion, FinPro reviewed and considered, among other things:

- the Agreement, the exhibits, and the Disclosure Schedules thereto;
- historic changes in the market for bank stocks;
- trends and changes in the financial condition and results from operations of FOFC and CFC beginning with the 2005 fiscal year end;
- the most recent annual report to stockholders of FOFC and CFC;
- the most recent earnings releases for FOFC;
- the most recent 10-K of CFC;
- the quarterly reports on Form 10-Q of CFC; and
- the most recent audited financial statements of FOFC and CFC.

FinPro also had discussions with the management of FOFC regarding its financial results and has analyzed the most current financial data available for FOFC, Capital, Chemung, and CFC. In addition, FinPro considered financial studies, analyses and investigations and economic and market information that it deemed relevant. FinPro also considered the potential pro forma financial impact of the acquisition.

FinPro considered certain financial data of FOFC and compared that data to other comparable banks and their holding companies that were recently merged or acquired. Furthermore, FinPro considered the financial terms of the business combinations involving these banks and their holding companies.

FinPro did not independently verify the financial data provided by, or on behalf of, FOFC or CFC, but instead relied upon and assumed the accuracy and completeness of the data provided.

In reaching its opinion, FinPro took into consideration the financial benefits of the proposed transaction to FOFC stockholders. Based on all factors deemed relevant and assuming the accuracy and completeness of the information and data provided by FOFC, it is FinPro’s opinion as of this date, the merger consideration to be paid by CFC pursuant to the Agreement, subject to the terms, conditions, and qualifications therein, is fair, from a financial point of view, to FOFC and its stockholders.

Respectfully Submitted,

FinPro, Inc.
Liberty Corner, New Jersey

Appendix F

INVESTMENT BANKING GROUP

October 14, 2010

Board of Directors
Chemung Financial Corporation
One Chemung Canal Plaza
P.O. Box 1522
Elmira, NY 14901

Ladies and Gentlemen:

Chemung Financial Corporation ("Chemung") and Fort Orange Financial Corp. ("Fort Orange") have entered into an Agreement and Plan of Merger, dated as of October 14, 2010 (the "Agreement"), pursuant to which Fort Orange will be merged with and into Chemung (the "Merger"), with Chemung as the surviving entity. Under the terms of the Agreement, at the Effective Time and as a result of the Merger, each share of Fort Orange common stock (the "Fort Orange Common Stock") issued and outstanding immediately prior to the Effective Time will be converted into the right to receive, at the election of the holder thereof: (i) 0.3571 shares (the "Exchange Ratio") of Chemung common stock (the "Chemung Common Stock"), (ii) $7.50 in cash, without interest (the "Cash Consideration" or (iii) a combination of such shares of Chemung Common Stock and cash (and together with the Exchange Ratio and the cash, the "Merger Consideration"). The Merger Consideration is subject to adjustments related to increases in the share price of Chemung Common Stock and certain other adjustments as further described in the Agreement. Cash will be paid in lieu of fractional shares. Capitalized terms used herein without definition shall have the meanings assigned to them in the Agreement. The other terms and conditions of the Merger are more fully set forth in the Agreement. You have requested our opinion as to the fairness, from a financial point of view, of the Merger Consideration to Chemung.

Sandler O'Neill & Partners, L.P., as part of its investment banking business, is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions. In connection with this opinion, we have reviewed, among other things: (i) the Agreement; (ii) certain publicly available financial statements and other historical financial information of Chemung that we deemed relevant; (iii) certain publicly available financial statements and other historical financial information of Fort Orange that we deemed relevant; (iv) internal financial projections for Chemung for the years ending December 31, 2010 through 2013 and an estimated growth and performance rate for the years thereafter in each case as provided by, and reviewed with, senior management of Chemung; (v) internal financial projections for Fort Orange for the year ending December 31, 2010 as provided by senior management of Fort Orange and as adjusted by senior management of Chemung and a long-term estimated growth rate for the years thereafter as provided by the senior management of Chemung; (vi) the pro forma financial impact of the Merger on Chemung, based on assumptions relating to transaction expenses, purchase accounting adjustments and cost savings determined by the senior management of Chemung; (vii) the publicly reported historical price and trading activity for Chemung's and Fort Orange's common stock, including a comparison of certain financial and stock market information for Chemung and Fort Orange and similar publicly available information for certain other companies the securities of which are publicly traded; (viii) the financial terms of certain recent business combinations in the commercial banking industry, to the extent publicly available; (ix) the current market environment generally and the banking environment in particular; and (x) such other information, financial studies, analyses and investigations and financial, economic and market criteria as we considered relevant. We also discussed with certain members of senior management of Chemung the business, financial condition, results of operations and prospects of Chemung and held similar discussions with certain members of senior management of Fort Orange regarding the business, financial condition, results of operations and prospects of Fort Orange.

+ Sandler O’Neill+
+ Partners, L.P. www.SANDLERONEILL.com
919 Third
Avenue, 6th
Floor, New
York, NY 10022
T: (212)
466-7700 F:
(212) 466-7711

In performing our review, we have relied upon the accuracy and completeness of all of the financial and other information that was available to us from public sources or that was provided to us by Chemung and Fort Orange or their respective representatives and have assumed such accuracy and completeness for purposes of rendering this opinion. We have further relied on the assurances of management of Chemung and Fort Orange that they are not aware of any facts or circumstances that would make any of such information inaccurate or misleading. We have not been asked to and have not undertaken an independent verification of any of such information and we do not assume any responsibility or liability for the accuracy or completeness thereof. We did not make an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Chemung and Fort Orange or any of their subsidiaries, or the collectibility of any such assets, nor have we been furnished with any such evaluations or appraisals. We did not make an independent evaluation of the adequacy of the allowance for loan losses of Chemung and Fort Orange nor have we reviewed any individual credit files relating to Chemung and Fort Orange. We have assumed, with your consent, that the respective allowances for loan losses for both Chemung and Fort Orange are adequate to cover such losses.

With respect to the internal financial projections for Chemung as provided by the senior management of Chemung and the internal financial projections for Fort Orange as provided by the senior management of Fort Orange and adjusted by senior management of Chemung and in each case used by us in our analyses, Chemung's and Fort Orange's respective managements confirmed to us that they reflected the best currently available estimates and judgments of the respective future financial performances of Chemung and Fort Orange, respectively, and we assumed that such performances would be achieved. With respect to the projections of transaction expenses, purchase accounting adjustments and cost savings determined by and reviewed with the senior management of Chemung, management confirmed to us that they reflected the best currently available estimates and judgments of such management and we assumed that such performances would be achieved. We express no opinion as to such financial projections or the assumptions on which they are based. We have also assumed that there has been no material change in Chemung's and Fort Orange's assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to us. We have assumed in all respects material to our analysis that Chemung and Fort Orange will remain as going concerns for all periods relevant to our analyses, that all of the representations and warranties contained in the Agreement and all related agreements are true and correct, that each party to the agreements will perform all of the covenants required to be performed by such party under the agreements and that the conditions precedent in the agreements are not waived. Finally, with your consent, we have relied upon the advice Chemung has received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the Merger and the other transactions contemplated by the Agreement.

Our opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof could materially affect this opinion. We have not undertaken to update, revise, reaffirm or withdraw this opinion or otherwise comment upon events occurring after the date hereof. We are expressing no opinion herein as to what the value of Chemung's common stock will be when issued to Fort Orange's shareholders pursuant to the Agreement or the prices at which Chemung's or Fort Orange's common stock may trade at any time.

We have acted as Chemung's financial advisor in connection with the Merger and will receive a fee for our services, a substantial portion of which is contingent upon consummation of the Merger. We will also receive a fee for this fairness opinion. Chemung has also agreed to indemnify us against certain liabilities arising out of our engagement.

In the ordinary course of our business as a broker-dealer, we may purchase securities from and sell securities to Chemung and Fort Orange and their affiliates. We may also actively trade the equity or debt securities of Chemung and Fort Orange or their affiliates for our own account and for the accounts of our customers and, accordingly, may at any time hold a long or short position in such securities.

Our opinion is directed to the Board of Directors of Chemung in connection with its consideration of the Merger and is directed only to the fairness, from a financial point of view, of the Merger Consideration to Chemung and does not address the underlying business decision of Chemung to engage in the Merger, the relative merits of the Merger as compared to any other alternative business strategies that might exist for Chemung or the effect of any other transaction in which Chemung might engage. Our opinion is not to be quoted or referred to, in whole or in part, in a registration statement, prospectus, proxy statement or in any other document, nor shall this opinion be used for any other purposes, without our prior written consent. This opinion has been approved by Sandler O'Neill's fairness opinion committee and does not address the amount of compensation to be received in the Merger by any Chemung officer, director or employee.

Based upon and subject to the foregoing, it is our opinion, as of the date hereof, that the Merger Consideration is fair to Chemung from a financial point of view.

Very truly yours,

Appendix G

CHAPTER 1. DELAWARE GENERAL CORPORATION LAW

Subchapter IX. Merger, Consolidation or Conversion

§ 262. Appraisal rights [Effective Aug. 2, 2010]

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to § 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder's shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word "stockholder" means a holder of record of stock in a corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words; and the words "depository receipt" mean a receipt or other instrument issued by a depository representing an interest in 1or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to § 251 (other than a merger effected pursuant to § 251(g) of this title), § 252, § 254, § 255, § 256, § 257, § 258, § 263 or § 264 of this title:

(1) Provided, however, that no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of the meeting of stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a national securities exchange or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in § 251(f) of this title.

(2) Notwithstanding paragraph (1) of this subsection, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to §§ 251, 252, 254, 255, 256, 257, 258, 263 and 264 of this title to accept for such stock anything except:

a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;

b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or held of record by more than 2,000 holders;

c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a. and b. of this paragraph; or

d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a., b. and c. of this paragraph.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under § 253 or § 267 of this title is not owned by the parent immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for notice of such meeting (or such members who received notice in accordance with § 255(c) of this title) with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) of this section that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section and, if 1 of the constituent corporations is a nonstock corporation, a copy of § 114 of this title. Each stockholder electing to demand the appraisal of such stockholder’s shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of such stockholder’s shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder’s shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to § 228, § 253, or § 267 of this title, then either a constituent corporation before the effective date of the merger or consolidation or the surviving or resulting corporation within 10 days thereafter shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section and, if 1 of the constituent corporations is a nonstock corporation, a copy of § 114 of this title. Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder's shares. If such notice did not notify stockholders of the effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder's shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be not more than 10 days prior to the date the notice is given, provided, that if the notice is given on or after the effective date of the merger or consolidation, the record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) of this section hereof and who is otherwise entitled to appraisal rights, may commence an appraisal proceeding by filing a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party shall have the right to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) of this section hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after such stockholder's written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) of this section hereof, whichever is later. Notwithstanding subsection (a) of this section, a person who is the beneficial owner of shares of such stock held either in a voting trust or by a nominee on behalf of such person may, in such person's own name, file a petition or request from the corporation the statement described in this subsection.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After the Court determines the stockholders entitled to an appraisal, the appraisal proceeding shall be conducted in accordance with the rules of the Court of Chancery, including any rules specifically governing appraisal proceedings. Through such proceeding the Court shall determine the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. Unless the Court in its discretion determines otherwise for good cause shown, interest from the effective date of the merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, proceed to trial upon the appraisal prior to the final determination of the stockholders entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted such stockholder’s certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of such stockholder's demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just; provided, however that this provision shall not affect the right of any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation within 60 days after the effective date of the merger or consolidation, as set forth in subsection (e) of this section.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

8 Del. C. 1953, § 262; 56 Del. Laws, c. 50; 56 Del. Laws, c. 186, § 24; 57 Del. Laws, c. 148, §§ 27-29; 59 Del. Laws, c. 106, § 12; 60 Del. Laws, c. 371, §§ 3-12; 63 Del. Laws, c. 25, § 14; 63 Del. Laws, c. 152, §§ 1, 2; 64 Del. Laws, c. 112, §§ 46-54; 66 Del. Laws, c. 136, §§ 30-32; 66 Del. Laws, c. 352, § 9; 67 Del. Laws, c. 376, §§ 19, 20; 68 Del. Laws, c. 337, §§ 3, 4; 69 Del. Laws, c. 61, § 10; 69 Del. Laws, c. 262, §§ 1-9; 70 Del. Laws, c. 79, § 16; 70 Del. Laws, c. 186, § 1; 70 Del. Laws, c. 299, §§ 2, 3; 70 Del. Laws, c. 349, § 22; 71 Del. Laws, c. 120, § 15; 71 Del. Laws, c. 339, §§ 49-52; 73 Del. Laws, c. 82, § 21; 76 Del. Laws, c. 145, §§ 11-16; 77 Del. Laws, c. 14, §§ 12, 13; 77 Del. Laws, c. 253, §§ 47-50; 77 Del. Laws, c. 290, §§ 16, 17.;

Appendix H

Certificate of Merger

Of

Fort Orange Financial Corp.

And

Chemung Financial Corporation

Into

Chemung Financial Corporation

Under Section 904 of the Business Corporation Law

The undersigned Ronald M. Bentley, President and CEO of Chemung Financial Corporation, and Peter D. Cureau, President and CEO of Fort Orange Financial Corp., hereby certify that:

FIRST: The names of the constituent corporations to the merger are Fort Orange Financial Corp., a Delaware business corporation and Chemung Financial Corporation, a New York business corporation. The surviving constituent corporation is Chemung Financial Corporation.

SECOND: Fort Orange Financial Corp. has one class of common stock entitled to vote, 10,000,000 shares of which are authorized, 3,742,303 shares of which are issued and 3,702,312 shares of which are outstanding, and one class of preferred stock, 1,000,000 of which are authorized and none of which are issued. Chemung Financial Corporation has one class of common stock entitled to vote, 10,000,000 shares of which are authorized, 4,300,134 shares of which are issued and 3,512,925 shares of which are outstanding.

THIRD: Chemung Financial Corporation's certificate of incorporation was filed by the New York Department of State on January 2, 1985. Fort Orange Financial Corp.'s certificate of incorporation was filed with the Delaware Secretary of State on March 8, 2006. No application for authority to do business in the State of New York of Fort Orange Financial Corp. was filed by the New York Department of State.

FOURTH: No amendment or change in the certificate of incorporation of the surviving corporation is to be effected by such merger.

FIFTH: The merger was authorized by the board of directors of each corporation, followed by approval of the shareholders of Chemung Financial Corporation entitled to vote thereon at a special meeting held for that purpose on _____ and by approval of the shareholders of Fort Orange Financial Corp. entitled to vote thereon at a special meeting held for that purpose on _____.

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IN WITNESS WHEREOF, each of the constituent corporations has caused this certificate to be signed by its President & CEO on _____.

CHEMUNG FINANCIAL
CORPORATION

By:
Name: Ronald M. Bentley
Title: President & CEO

FORT ORANGE
FINANCIAL CORP.

By:
Name: Peter D. Cureau
Title: President & CEO

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Certificate of Merger

Of

Fort Orange Financial Corp.

Into

Chemung Financial Corporation

Under Section 252 of the Delaware General Corporation Law

It is hereby certified that:

FIRST: The names of the constituent corporations to the merger are Fort Orange Financial Corp., a Delaware business corporation and Chemung Financial Corporation, a New York business corporation.

SECOND: The Agreement and Plan of Merger has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations pursuant to subsection (c) of Section 252 of the Delaware General Corporation Law.

THIRD: The name of the surviving constituent corporation is Chemung Financial Corporation.

FOURTH: The certificate of incorporation of the surviving corporation shall be its certificate of incorporation.

FIFTH: The executed Agreement and Plan of Merger is on file at One Chemung Canal Plaza, Elmira, New York 14901, an office of the surviving corporation.

SIXTH: A copy of the Agreement and Plan of Merger will be furnished by the surviving corporation on request, without cost, to any stockholder of any constituent corporation.

SEVENTH: The surviving corporation agrees that it may be served with process in the State of Delaware in any proceeding for enforcement of any obligation of any constituent corporation of the State of Delaware, as well as enforcement of any obligation of the surviving corporation arising from this merger, including any suit or other

proceeding to enforce the rights of any stockholders as determined in appraisal proceedings pursuant to the provisions of Section 262 of the Delaware General Corporation Law, and irrevocably appoints the Secretary of State of Delaware as its agent to accept services of process in any such suit or proceeding. The Secretary of State shall mail any such process to the surviving corporation at One Chemung Canal Plaza, Elmira, New York 14901.

IN WITNESS WHEREOF, said surviving corporation has caused this certificate to be signed by an authorized officer on _____.

CHEMUNG FINANCIAL
CORPORATION

By:
Name: Ronald M. Bentley
Title: President & CEO

Appendix I

BANK PLAN OF MERGER

THIS PLAN OF MERGER ("Plan of Merger") dated as of October 14, 2010, is made and entered by and between Chemung Canal Trust Company, a New York chartered commercial bank (“Chemung Bank”) and Capital Bank & Trust Company, a New York chartered commercial bank ("Capital Bank").

Recitals

WHEREAS, Capital Bank is a wholly-owned subsidiary of Fort Orange Financial Corp, a Delaware corporation ("FOFC"), and has authorized capital stock consisting of i) 3,500,000 shares of common stock, par value $4.00 per share ("Capital Bank Common Stock"), of which at the date hereof 2,656,370 shares are issued and outstanding; and ii) 300,000 shares of preferred stock, par value $25.00 per share, none of which are outstanding; and

WHEREAS, Chemung Bank is a wholly-owned subsidiary of Chemung Financial Corporation, a New York corporation ("CFC") and has authorized capital stock of 700,000 shares of common stock, par value $15.00 per share ("Chemung Bank Common Stock"), of which at the date hereof 431,498 shares are issued and outstanding; and

WHEREAS, the respective Boards of Directors of Capital Bank and Chemung Bank deem the merger of Capital Bank with and into Chemung Bank, pursuant to the terms and conditions set forth or referred to herein, to be desirable and in the best interests of the respective banks and their respective stockholders and have adopted resolutions approving this Plan of Merger; and

WHEREAS, the respective Boards of Directors of CFC and FOFC have approved an Agreement and Plan of Merger dated as of October14, 2010 (the "Parent Merger Agreement"), pursuant to which FOFC will be merged with and into CFC;

NOW THEREFORE, in consideration of the mutual promises, representations and covenants herein contained, Capital Bank and Chemung Canal Bank, intending to be legally bound hereby, agree:

ARTICLE I

THE MERGER

Subject to the terms and conditions of this Plan of Merger and in accordance with the applicable law, at the Effective Time (as that term is defined in Article V hereof): i) Capital Bank shall merge with and into Chemung Bank; ii) the separate existence of Capital Bank shall cease; iii) and Chemung Bank shall be the surviving corporation (such transaction referred to herein as the "Merger" and Chemung Bank, as the surviving corporation in the Merger, referred to herein as the "Surviving Bank").

ARTICLE II

CHARTER AND BY-LAWS

On and after the Effective Time, the charter and by-laws of Chemung Bank, as in effect immediately prior to the Effective Time shall automatically be and remain the charter and by-laws of Chemung Bank, as the Surviving Bank, until thereafter altered, amended or repealed.

ARTICLE III

BOARD OF DIRECTORS AND OFFICERS

K.1 Board of Directors

On and after the Effective Time, the Board of Directors of Chemung Bank as the Surviving Bank, shall consist of those persons holding such office immediately prior to the Effective Time except for such other directors of Capital Bank as shall be designated as a director of the Surviving Bank as Chemung Bank shall designate in its sole discretion. Each such director shall hold office until his or her successor is elected and qualified or otherwise in accordance with the charter and by-laws of the Surviving Bank.

K.2 Officers

On and after the Effective Time, the officers of Chemung Bank duly elected and holding office immediately prior to such Effective Time shall be the officers of Chemung Bank as the Surviving Bank, except for such officers of Capital Bank as shall be designated as officers of the Surviving Bank as Chemung Bank shall designate in its sole discretion.

ARTICLE IV

CONVERSION OF SHARES

4.1 Chemung Bank Stock

Each share of Chemung Bank Common Stock issued and outstanding immediately prior to the Effective Time shall, on and after the Effective Time, continue to be issued and outstanding as a share of common stock of the Surviving Bank.

4.2 Capital Bank Stock

Each share of Capital Bank Common Stock issued and outstanding immediately prior to the Effective Time shall, on the Effective Time, be cancelled, and no cash, stock or other property shall be delivered in exchange therefor.

ARTICLE V

EFFECTIVE TIME OF THE MERGER

Subject to the terms and upon satisfaction of all requirements of law and the conditions specified in this Plan of Merger and in the Parent Merger Agreement, including without limitation receipt of the approval of the Board of Governors of the Federal Reserve System and the New York Banking Department, the Merger shall become effective, and the Effective Time of the Merger (the "Effective Time") shall occur, at such time and date as the parties hereto shall agree, but the Effective Time shall not occur prior to the Effective Time of the merger of FOFC with and into CFC, as provided in the Parent Merger Agreement.

ARTICLE VI

EFFECT OF THE MERGER

On the Effective Time: i) the separate existence of Capital Bank shall cease; ii) the principal and branch offices of Capital Bank shall become authorized branch offices of the Surviving Bank; and iii) all of the property (real, personal and mixed), rights, powers, duties and obligations of Capital Bank shall be taken and deemed to be transferred to and vested in the Surviving Bank, without further act or deed, as provided by applicable laws and regulations.

ARTICLE VII

CONDITIONS PRECEDENT

The obligations of Capital Bank and Chemung Bank to effect the Merger shall be subject to the satisfaction, unless duly waived by the party permitted to do so, of the conditions precedent set forth in the Agreement.

ARTICLE VIII

TERMINATION

This Plan of Merger shall terminate upon any termination of the Agreement in accordance with its terms; provided, however, that any such termination of this Plan of Merger shall not relieve any party hereto from liability on account of a breach by such party of any of the terms hereof or thereof.

ARTICLE IX

MISCELLANEOUS

10.1 Notices

Any notice or other communication required or permitted under this Plan of Merger shall be given, and shall be effective, in accordance with the provisions of the Agreement.

10.2 Captions

The headings of the several Articles herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or

interpretation of, this Plan of Merger.

10.3 Counterparts

This Plan of Merger may be executed in several counterparts, each of which shall be deemed the original, but all of which together shall constitute one and the same instrument.

10. 4 Governing Law

This Plan of Merger shall be governed by and construed in accordance with the laws of the State of New York without regard to the conflict of laws principles thereof.

10.5 Amendment

The respective Boards of Directors of the parties hereto may amend this Plan of Merger at any time prior to consummation of the Merger, by a duly authorized written instrument.

[Signature page follows]

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IN WITNESS WHEREOF, each party has caused this Plan of Merger to be executed on its behalf by its duly authorized officers, all as of the day and year first written above.

CHEMUNG CANAL TRUST
COMPANY

By: /s/ Ronald M. Bentley
Ronald M. Bentley
President & Chief Executive Officer

CAPITAL BANK & TRUST
COMPANY

By: /s/ Peter D. Cureau
Peter D. Cureau
President & Chief Executive Officer

SCHEDULE 1

to Plan of Merger

between

Chemung Canal Trust Company

And

Capital Bank & Trust Company

The Capital Bank & Trust offices that will be retained as branches by Chemung Canal Trust Company in the Merger are:

Albany

145 Wolf Road

Albany, NY 12205

Clifton Park

7 Southside Dr.

Clifton Park, NY 12065

Latham

594 Loudon Road

Latham, NY 12110

Slingerlands

1365 New Scotland Road

Slingerlands, NY 12159

Part II
Information Not Required in Prospectus

Item 20. Indemnification of Directors and Officers

Under Section 722 of the NYBCL, a corporation may indemnify its directors and officers made, or threatened to be made, a party to any action or proceeding related to service as a director or officer, except for shareholder derivative suits, if the director or officer acted in good faith and for a purpose that he or she reasonably believed to be in, or, in the case of service to another corporation or enterprise, not opposed to the best interests of the corporation, and, in addition in criminal proceedings, had no reasonable cause to believe his or her conduct was unlawful. In the case of shareholder derivative suits, the corporation may indemnify a director or officer if he or she acted in good faith for a purpose that he or she reasonably believed to be in, or, in the case of service to another corporation or enterprise, not opposed to the best interests of the corporation, except that no indemnification may be made in respect of (i) a threatened action, or a pending action that is settled or otherwise disposed of or (ii) any claim, issue or matter as to which such individual has been adjudged to be liable to the corporation, unless and only to the extent that the court in which the action was brought or, if no action was brought, any court of competent jurisdiction, determines, upon application, that, in view of all the circumstances of the case, the individual is fairly and reasonably entitled to indemnity for the portion of the settlement amount and expenses as the court deems proper.

Any individual who has been successful on the merits or otherwise in the defense of a civil or criminal action or proceeding will be entitled to indemnification. Except as provided in the preceding sentence, unless ordered by a court pursuant to Section 724 of the NYBCL, any indemnification under the NYBCL as described in the immediately preceding paragraph may be made only if, pursuant to Section 723 of the NYBCL, indemnification is authorized in the specific case and after a finding that the director or officer met the requisite standard of conduct by the disinterested directors if a quorum is available, or, if the quorum so directs or is unavailable, by (i) the board of directors upon the written opinion of independent legal counsel or (ii) the shareholders. Further, New York law permits a corporation to purchase directors and officers insurance.

Chemung Financial's certificate of incorporation provides that any person made or threatened to be made a party to any action or proceeding, whether civil or criminal, by reason of the fact that he is or was a director or officer of Chemung Financial shall be indemnified by Chemung Financial against judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees actually and necessarily incurred as a result of such action or proceeding, or any appeal therein, to the fullest extent permitted by New York law.

As permitted by Section 722 of the NYBCL, Section 9 of the certificate of incorporation of Chemung Financial provides:

"9. Indemnification.

Every person who is or was, or whose testator or intestate was, a director or officer of the Corporation, or of any Corporation which he served as such at the request of the Corporation, shall be indemnified by the Corporation to the fullest extent permitted by law against all expenses and liabilities reasonably incurred by or imposed upon him, in

connection with any proceeding to which he may be made, or threatened to be made, a party, or in which he may become involved by reason of his or his testator's or intestate's being or having been a director or officer of the Corporation, or of such other Corporation, whether or not he is a director or officer of Corporation or such other Corporation at the time the expenses or liabilities are incurred."

Chemung Financial has purchased insurance on behalf of any person who is or was a director, officer, employee or agent of Chemung Financial, or is or was serving at the request of Chemung Financial as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not Chemung Financial would have the power to indemnify him against such liability under the provisions of Chemung Financial's certificate of incorporation.

Item 21. Exhibits and Financial Statement Schedules

(a) Exhibits

2.1 Agreement and Plan of Merger by and between Chemung Financial Corporation and Fort Orange Financial Corp. dated as of October 14, 2010 (included as Appendix A1 to the joint proxy statement/prospectus contained in this Registration Statement) , and certain exhibits thereto which are included as Exhibit 2.2, 99.7, 99.8, 99.9, 99.11 and 99.12 to this joint proxy statement/prospectus contained in this Registration Statement. Three exhibits are omitted : (i) a Confidentiality Agreement between Chemung Financial and Fort Orange dated September 8, 2010; (ii) an index showing the average per share common stock prices of the common stock of publicly traded banks headquartered in New York and Pennsylvania with total assets between $500 million and $4 billion; and (iii) a form of estoppel certificate signed by the landlord for each of Capital Bank's branch offices.

The schedules to the Agreement and Plan of Merger which have been omitted pursuant to Item 601(b)(2) of Regulation S-K are: (i) outstanding options for Fort Orange common stock; (ii) articles of incorporation and bylaws of Fort Orange; (iii) organization certificate and bylaws of Capital Bank; (iv) a tax sharing agreement dated December 1, 2006 by and between Capital Bank and Fort Orange; (v) real property leases to which Fort Orange or Capital Bank is a party; (vi) a complete list of fixed assets at September 30, 2010; (vii) schedule of insurance policies maintained by Fort Orange and Capital Bank; (viii) list of Regulation O loans at September 30, 2010; (ix) list of pledged securities at September 30, 2010; (x) list of investment securities held by Fort Orange; (xi) list of Capital Bank brokered deposits at September 30, 2010; (xii) a change in control severance agreement dated October 9, 2008 between Capital Bank and each of Melissa L. Clement and John T. Kite (both non-executive officers); (xiii) Capital Bank Stock Unit Plan for Non-Employee Directors, as amended on March 12, 2002; (xiv) Capital Bank 1996 Stock Option Plans for New Employees Directors and for Key Employees; (xv) Capital Bank 1997 Stock Option Plan; (xvi) Fort Orange 2007 Stock-Based Incentive Plan; Capital Bank Profit Sharing and 401(K) Plan as amended; (xvii) Capital Bank Profit Sharing and 401(K) Plan and Cafeteria Plan; (xviii) Special Bonus Agreement dated November 30, 2006 relative to a pending Fidelity bond claim; (xix) settlement agreement and release between William Hazlett and Capital Bank dated October 3, 2001. Other schedules omitted include a network service agreement, internet banking agreement, payment services agreement and a website hosting agreement. Chemung Financial agrees to furnish copies of such omitted exhibits and schedules to the Securities and Exchange Commission upon request.

2.2 First Amendment dated December 28, 2010 to Agreement and Plan of Merger by and between Chemung Financial Corporation and Fort Orange Financial Corp. dated as of October 14, 2010 (included as Appendix A2 to the joint proxy statement/prospectus contained in this Registration Statement).

3.1 Certificate of Incorporation of Chemung Financial Corporation dated December 20, 1984 (as incorporated by reference to Exhibit 3.1 to Registrant's Form 10-K for the year ended December 31, 2007 and filed with the SEC on March 13, 2008).

3.2 Certificate of Amendment to the Certificate of Incorporation of Chemung Financial Corporation, dated March 28, 1988, (as incorporated by reference to Exhibit 3.4 to Registrant's Form 10-K for the year ended December 31, 2007 and filed with the SEC on March 13, 2008).

3.3 Certificate of Amendment to the Certificate of Incorporation of Chemung Financial Corporation, dated May 13, 1998, (as incorporated by reference to Exhibit 3.4 to Registrant's Form 10-K for the year ended December 31, 2005 and filed with the SEC on March 15, 2006.

3.4 Amended and Restated Bylaws of Chemung Financial Corporation, as amended to October 21, 2009 (incorporated by reference to Exhibit 3.1 to Registrant's Form 10-Q for the quarter ended September 30, 2009 and filed with the SEC on November 9, 2009).

4.1 Specimen Stock Certificate of Chemung Financial Corporation (as incorporated by reference to Exhibit 4.1 to Registrant's Form 10-K for the year ended December 31, 2002 and filed with the SEC on March 24, 2003).

5.1	Opinion of Hinman, Howard & Kattell, LLP as to the legality of the securities being issued . *
8.1	Opinion of Hiscock & Barclay, LLP as to tax matters *
23.1	Consent of Crowe Horwath LLP *
23. 2	Consent of ParenteBeard LLC *
23. 3	Consent of Hinman, Howard & Kattell, LLP (included in Exhibit 5.1)
23.4	Consent of Hiscock & Barclay, LLP (included in Exhibit 8.1)
24.1	Power of Attorney of Directors and Officers of Chemung Financial Corporation* *
99.1	Form of Proxy Card of Chemung Financial Corporation * *
99.2	Form of Proxy Card of Fort Orange Financial Corp. * *
99.3	Fairness Opinion of FinPro, Inc. (included as Appendix E to the joint proxy statement/prospectus contained in this Registration Statement).
99.4	Fairness Opinion of Sandler O'Neill & Partners, L.P. (included as Appendix F to this joint proxy statement/prospectus contained in this Registration Statement).
99.5	Consent of FinPro, Inc. *
99.6	Consent of Sandler O'Neill & Partners, L.P. *
99.7	Voting Agreement executed by Peter D. Cureau dated as of October 14, 2010 (included as Appendix B to the joint proxy statement/prospectus contained in this Registration Statement).
99.8	Voting and Non-Competition Agreement executed by Fort Orange Financial Corp. directors (other than Peter D. Cureau (included as Appendix C to the joint proxy statement/prospectus contained in this Registration Statement)with Exhibit A thereto.
99.9	Agreement by Peter D. Cureau dated as of October 20, 2010 and First Amendment to the Agreement by Peter D. Cureau dated December 28, 2010 (included as Appendix D to the joint proxy statement/prospectus contained in this Registration Statement).
99.10	Executive Employment Agreement between Capital Bank & Trust Company and Steven J. Owens, with First Amendment thereto both dated as of January 1, 2011 . *
99.11	Articles of Merger which includes the Delaware Certificate of Merger of Fort Orange into Chemung Financial and New York Certificate of Merger of Fort Orange and Chemung Financial into Chemung Financial (included as Appendix H to the joint proxy statement / prospectus contained in this Registration Statement).
99.12	Bank Plan of Merger dated as of October 14, 2010 by and between Chemung Canal Trust Company and Capital Bank & Trust Company (included as Appendix I to the joint proxy statement / prospectus contained

in this Registration Statement).

* Previously filed.
** Filed herewith.

Item 22. Undertakings

(a) The undersigned registrant hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or most recent post-effective amendment thereof) which individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in the volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent not more than a 20 percent change in the maximum offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) that, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be a bona fide offering thereof.

(3) to remove from registration, by means of a post-effective amendment, any of the securities being registered which remain unsold at the termination of the offering.

(b) (1) The undersigned registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other Items of the applicable form.

(2) The registrant undertakes that every prospectus (i) that is filed pursuant to paragraph (1) immediately preceding, or (ii) that purports to meet the requirements of section 10(a)(3) of the Securities Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for the purposes of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) For purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(d) The registrant hereby undertakes to deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Exchange Act; and, where interim financial information required to be presented by Article 3 of Regulation S-X are not set forth in the prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

(e) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(f) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11 or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(g) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of, and included in the registration statement when it became effective.

Signatures

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Elmira, New York, on February 11 , 2011.

CHEMUNG FINANCIAL CORPORATION

By: /s/ Ronald M. Bentley
Ronald M. Bentley
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Ronald M. Bentley Ronald M. Bentley	President, Chief Executive Officer and Director (Principal Executive Officer)	February 11 , 2011
/s/ John R. Battersby, Jr. John R. Battersby, Jr.	Chief Financial Officer Treasurer (Principal Financial and Accounting Officer)	February 11 , 2011
* Robert E. Agan	Director	February 11 , 2011
* Ronald H. Dalrymple	Director	February 11 , 2011
* David J. Dalrymple	Director	February 11 , 2011
* Clover M. Drinkwater	Director	February 11 , 2011
* William D. Eggers	Director	February 11 , 2011
* Stephen M. Lounsberry III	Director	February 11 , 2011
* Thomas K. Meier	Director	February 11 , 2011
* Ralph H. Meyer	Director	February 11 , 2011
*		

John F. Potter Director February 11 , 2011

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Signatures	Title	Date
* Robert L. Storch	Director	February 11 , 2011
* Charles M. Streeter, Jr.	Director	February 11 , 2011
* Richard W. Swan	Director	February 11 , 2011
* Jan P. Updegraff	Director	February 11 , 2011
*/s/ Ronald M. Bentley Ronald M. Bentley Attorney-in-fact	Director	February 11 , 2011

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Exhibit Index

Number	Description
2.1	Agreement and Plan of Merger by and between Chemung Financial Corporation and Fort Orange Financial Corp. dated as of October 14, 2010 (included as Appendix A1 to the joint proxy statement/prospectus contained in this Registration Statement), and certain exhibits thereto which are included as Exhibit 2.2, 99.7, 99.8, 99.9, 99.11 and 99.12 to this joint proxy statement/prospectus contained in this Registration Statement. Three exhibits are omitted : (i) a Confidentiality Agreement between Chemung Financial and Fort Orange dated September 8, 2010; (ii) an index showing the average per share common stock prices of the common stock of publicly traded banks headquartered in New York and Pennsylvania with total assets between $500 million and $4 billion; and (iii) a form of estoppel certificate signed by the landlord for each of Capital Bank's branch offices. The schedules to the Agreement and Plan of Merger which have been omitted pursuant to Item 601(b)(2) of Regulation S-K are: (i) outstanding options for Fort Orange common stock; (ii) articles of incorporation and bylaws of Fort Orange; (iii) organization certificate and bylaws of Capital Bank; (iv) a tax sharing agreement dated December 1, 2006 by and between Capital Bank and Fort Orange; (v) real property leases to which Fort Orange or Capital Bank is a party; (vi) a complete list of fixed assets at September 30, 2010; (vii) schedule of insurance policies maintained by Fort Orange and Capital Bank; (viii) list of Regulation O loans at September 30, 2010; (ix) list of pledged securities at September 30, 2010; (x) list of investment securities held by Fort Orange; (xi) list of Capital Bank brokered deposits at September 30, 2010; (xii) a change in control severance agreement dated October 9, 2008 between Capital Bank and each of Melissa L. Clement and John T. Kite (both non-executive officers); (xiii) Capital Bank Stock Unit Plan for Non-Employee Directors, as amended on March 12, 2002; (xiv) Capital Bank 1996 Stock Option Plans for New Employees Directors and for Key Employees; (xv) Capital Bank 1997 Stock Option Plan; (xvi) Fort Orange 2007 Stock-Based Incentive Plan; Capital Bank Profit Sharing and 401(K) Plan as amended; (xvii) Capital Bank Profit Sharing and 401(K) Plan and Cafeteria Plan; (xviii) a certain Special Bonus Agreement dated November 30, 2006 relative to a pending Fidelity bond claim; (xix) settlement agreement and release between William Hazlett and Capital Bank dated October 3, 2001. Other schedules omitted include a network service agreement, internet banking agreement, payment services agreement and a website hosting agreement. Chemung Financial agrees to furnish copies of such omitted exhibits and schedules to the Securities and Exchange Commission upon request.
2.2	First Amendment dated December 28, 2010 to Agreement and Plan of Merger by and between Chemung Financial Corporation and Fort Orange Financial Corp. dated as of October 14, 2010 (included as Appendix A2 to the joint proxy statement/prospectus contained in this Registration Statement).
3.1	Certificate of Incorporation of Chemung Financial Corporation dated December 20, 1984 (as incorporated by reference to Exhibit 3.1 to Registrant's Form 10-K for the year ended December 31, 2007 and filed with the SEC on March 13, 2008).
3.2	Certificate of Amendment to the Certificate of Incorporation of Chemung Financial Corporation, dated March 28, 1988, (as incorporated by reference to Exhibit 3.4 to Registrant's Form 10-K for the year ended December 31, 2007 and filed with the SEC on March 13, 2008).
3.3	Certificate of Amendment to the Certificate of Incorporation of Chemung Financial Corporation, dated May 13, 1998, (as incorporated by reference to Exhibit 3.4 to Registrant's Form 10-K for the year ended December 31, 2005 and filed with the SEC on March 15, 2006.

3.4 Amended and Restated Bylaws of Chemung Financial Corporation, as amended to October 21, 2009 (incorporated by reference to Exhibit 3.1 to Registrant's Form 10-Q for the quarter ended September 30, 2009 and filed with the SEC on November 9, 2009).

4.1 Specimen Stock Certificate of Chemung Financial Corporation (as incorporated by reference to Exhibit 4.1 to Registrant's Form 10-K for the year ended December 31, 2002 and filed with the SEC on March 24, 2003).

5.1 Opinion of Hinman, Howard & Kattell, LLP as to the legality of the securities being issued * (to be filed by amendment) * *

8.1 Opinion of Hiscock & Barclay, LLP as to tax matters * *

23.1 Consent of Crowe Horwath LLP *

23. 2 Consent of ParenteBeard LLC *

23. 3 Consent of Hinman, Howard & Kattell, LLP (included in Exhibit 5.1)

23.4 Consent of Hiscock & Barclay, LLP (included in Exhibit 8.1)

24.1 Power of Attorney of Directors and Officers of Chemung Financial Corporation* *

99.1 Form of Proxy Card of Chemung Financial Corporation * *

99.2 Form of Proxy Card of Fort Orange Financial Corp. * *

99.3 Fairness Opinion of FinPro, Inc. (included as Appendix E to the joint proxy statement/prospectus contained in this Registration Statement).

99.4 Fairness Opinion of Sandler O'Neill & Partners, L.P. (included as Appendix F to this joint proxy statement/prospectus contained in this Registration Statement).

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