

CHEMUNG FINANCIAL CORP  
Form DEFA14A  
April 04, 2005

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

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Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to 240.14a-12

**Chemung Financial Corporation**  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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CHEMUNG FINANCIAL CORPORATION

One Chemung Canal Plaza

Elmira, New York 14901

Notice of 2005 Annual Meeting of Shareholders

and

Proxy Statement

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Subsidiaries: Chemung Canal Trust  
Company  
  
CFS Group, Inc.

April 1, 2005

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Chemung Financial Corporation to be held at the Holiday Inn Elmira - Riverview, 760 East Water Street, Elmira, New York on Wednesday, May 11, 2005, at 2:00 p.m.

The primary business of the meeting will be to consider and vote upon the election of five directors and to transact any other business that may come before the meeting.

The formal Notice of Annual Meeting and Proxy Statement containing further information pertinent to the business of the meeting are set forth on the following pages. During the meeting, members of management will review the Corporation's operations during the past year and will be available to respond to questions.

Your vote is important no matter how many shares you own. Whether or not you plan to attend the Annual Meeting,

please indicate your vote by using the enclosed proxy card or by voting by telephone or via the Internet as soon as possible.

Sincerely,

/s/Jan P. Updegraff

Jan P. Updegraff  
President and  
Chief Executive Officer

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CHEMUNG FINANCIAL CORPORATION

One Chemung Canal Plaza  
Elmira, New York 14901

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
Wednesday, May 11, 2005

To Our Shareholders:

Notice is hereby given that the 2005 Annual Meeting of the Shareholders of Chemung Financial Corporation will be held at the Holiday Inn Elmira - Riverview, 760 East Water Street, Elmira, New York, on Wednesday, May 11, 2005, at 2:00 p.m., for the following purposes:

1. To elect five directors for a term of three years expiring in 2008, and one director for a term of two years expiring in 2007.
2. To consider and transact such other business as may properly come before the meeting or any adjournment thereof.

The close of business on March 23, 2005 has been fixed as the record date for the determination of the shareholders entitled to notice of and to vote at the meeting.

By Order of the Board of Directors

Jane H. Adamy

Secretary

Dated: April 1, 2005

Elmira, New York

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CHEMUNG FINANCIAL CORPORATION

One Chemung Canal Plaza, Elmira, New York 14901



PROXY STATEMENT



Time and Place of the Meeting

We are providing this proxy statement in connection with the solicitation of proxies by the Board of Directors for use at the Annual Meeting of Shareholders (the "Annual Meeting") of Chemung Financial Corporation ("Chemung Financial" or "Corporation") to be held on Wednesday, May 11, 2005 at 2:00 P.M., at the Holiday Inn Elmira - Riverview, 760 East Water Street, Elmira, New York.

This Proxy Statement and the accompanying Proxy and Notice of Annual Meeting of Shareholders are being mailed to shareholders on or about April 1, 2005. In the proxy statement, the "Bank" refers to Chemung Canal Trust Company, Chemung Financial's subsidiary bank.

Shareholders Entitled to Vote

The record date for the meeting is March 23, 2005. Only shareholders of record at the close of business on that date are entitled to notice of and to vote at the meeting.

On record date there were 3,640,050 shares of common stock outstanding. Each share of common stock is entitled to one vote on each matter that properly comes before the meeting.

Proxies and Voting Procedures

Each proxy submitted will be voted as directed. However, if a proxy does not specify how it is to be voted, it will be voted as the Board recommends -that is, FOR the election of the six nominees for director named in the proxy statement. Abstentions are voted neither "for" nor "against," but are counted in the determination of a quorum. The Board of Directors knows of no other business to be brought before the Annual Meeting but if any other matters are properly presented at the meeting for consideration, the persons named as proxies will have discretion to vote on those matters according to their best judgment.

We are offering three alternative ways to vote your shares:

To Vote by Mail

- To vote by mail please sign, date and mail your proxy card in the envelope provided as soon as possible.

To Vote by Telephone

- If you wish to vote by telephone, call toll-free 1-800-776-9437 and follow the instructions. Have your proxy card available when you call.

To Vote by Internet

- If you wish to use the Internet, you can access the web page at [www.voteproxy.com](http://www.voteproxy.com) and follow the on-screen instructions. Have your proxy card available when you access the web page.

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The deadline for telephone and Internet voting is 11:59 p.m. Eastern Daylight Time on May 10, 2005.

A shareholder may revoke a proxy vote at any time before it is voted by delivering written notice of revocation to the Secretary of the Corporation or by delivering a later dated proxy or by voting in person at the annual meeting.

Required Vote

There are no cumulative voting rights. Nominees for director will be elected by a plurality of votes cast at the annual meeting by holders of common stock present in person or represented by proxy and entitled to vote on such election. Any other matter requires the affirmative vote of a majority of the votes cast at the meeting, except as otherwise provided in the Corporation's Certificate of Incorporation or Bylaws. Only shares affirmatively voted in favor of a nominee will be counted toward the achievement of a plurality. Votes withheld (including broker non-votes) and abstentions are counted as present for the purpose of determining a quorum but are not counted as votes cast.

ELECTION OF DIRECTORS

The bylaws of the Corporation provide that the directors shall be classified into three classes as equal in number as possible, with one class to be elected each year for a term of three years. Currently, the Board of Directors is composed of thirteen members.

Nominees

Unless otherwise indicated in the enclosed proxy, the persons named in such proxy intend to nominate and vote FOR the election of the five nominees to serve for three years, and one nominee to serve for two years, or until their respective successors have been duly elected and qualified. All the nominees currently serve as directors on the Board of Directors. The Board of Directors is not aware that any nominee named in this proxy statement will be unable or unwilling to accept nomination or election. Should any nominee for the office of director become unable to accept nomination or election, the persons named in the proxy will vote for the election of such other persons, if any, as the Board of Directors may recommend.

The names and ages of persons nominated by the Board of Directors, their principal occupations and business experience for the past five years, and certain other information are set forth below.

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Nominees for Director to be elected to serve until the 2008 Annual Meeting

Name of Nominee	Information Regarding Nominee
Robert E. Agan	Mr. Agan, age 66, has served as a director since 1986. He retired June 1, 2001 as Chairman of the Board and Chief Executive Officer of Hardinge Inc., a worldwide machine tool manufacturer.
Stephen M. Lounsberry III	Mr. Lounsberry, age 51, has served as a director since 1995. He is President of Applied Technology Manufacturing, a manufacturer of machined industrial and railroad component parts.
Thomas K. Meier	Dr. Meier, age 64, has served as a director since 1988. He is President of Elmira College.
Charles M. Streeter, Jr.	Mr. Streeter, age 65, has served as a director since 1985. He retired December 31, 2002 as President of Streeter Associates, Inc., a general building contractor.
Nelson Mooers van den Blink	Mrs. Van den Blink, age 70, has served as a director since 1985. She is Chairman of the Board, Chief Executive Officer and Treasurer of The Hilliard Corporation, a motion control equipment, oil reclaimer and filter manufacturer.

Nominee for Director to be elected to serve until the 2007 Annual Meeting

Clover M. Drinkwater	Ms. Drinkwater, age 59, has served as a director since January 2005. She is Partner at the law firm of Sayles & Evans.
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The Board of Directors recommends a vote "FOR" all nominees.

Continuing Directors

The following information is provided with respect to directors who will continue to serve as directors of the Corporation until the expiration of their terms at the times indicated.

Directors to serve until the 2006 Annual Meeting

Name of Director	Information Regarding Director
David J. Dalrymple	Mr. Dalrymple, age 51, has served as a director since 1993. He is President of Dalrymple Holding Corporation, parent company for several construction materials and highway construction companies. Mr. Dalrymple is the brother of Robert H. Dalrymple, also a director of the Corporation.
William D. Eggers	Mr. Eggers, age 61, has served as a director since 2002. He is Senior Vice President and General Counsel of Corning Incorporated, a diversified manufacturing company.
John F. Potter	Mr. Potter, age 59, has served as a director since 1991. He is President of Seneca Beverage Corporation, a wholesale distributor of beer and water products.
Jan P. Updegraff	Mr. Updegraff, age 62, has served as a director since 1996. He is President and Chief Executive Officer of the

Corporation and the Bank.

Directors to serve until the 2007 Annual Meeting

Name of Director	Information Regarding Director
Robert H. Dalrymple	Mr. Dalrymple, age 54, has served as a director since 1995. He is Secretary and Vice President of Dalrymple Holding Corporation, parent company for several construction materials and highway construction companies. Mr. Dalrymple is the brother of David J. Dalrymple, also a director of the Corporation.
Ralph H. Meyer	Mr. Meyer, age 65, has served as a director since 1985. He retired on August 1, 1998 as President and Chief Executive Officer of Guthrie Healthcare System, a vertically integrated health care delivery system.
Richard W. Swan	Mr. Swan, age 56, has served as a director since 1985. He is President of Swan & Sons-Morss Co., Inc., an insurance brokerage agency.

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## STOCK OWNERSHIP

### Stock Ownership of Significant Shareholders, Directors and Executive Officers

The following table provides certain information regarding the ownership of the outstanding shares of Chemung Financial Corporation as of March 23, 2005, based on information available to the Corporation. Information is included for: 1) owners of more than 5% of the common stock, 2) directors and nominees for directors, 3) named executive officers listed in the Summary Compensation Table and 4) executive officers and directors as a group. Unless otherwise indicated, each of the beneficial owners named below has sole voting and investment authority with respect to the shares listed.

Number of Shares Beneficially Owned	Percentage of Shares
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Name of Beneficial Owner		Beneficially Owned
Five Percent Shareholders:		
Chemung Canal Trust Company One Chemung Canal Plaza Elmira, NY 14901	398,920 1	10.9%
Chemung Canal Trust Company Profit-Sharing, Savings and Investment Plan One Chemung Canal Plaza Elmira, NY 14901	206,098 2	5.7%
David J. Dalrymple 2105 South Broadway Pine City, NY 14871	634,069 3, 6	17.4%
Robert H. Dalrymple 2105 South Broadway Pine City, NY 14871	582,066 4, 6	15.9%
Catherine D. Smith 430 Pine Drive Jackson, WY 83001	465,440 5, 6	12.7%
Directors, Nominees and Named Executive Officers:		
Robert E. Agan	18,707 7	*
Clover M. Drinkwater	500	*

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William D. Eggers	500		*
Stephen M. Lounsberry III	25,792	7	*
Thomas K. Meier	14,029	7	*
Ralph H. Meyer	18,843	7	*
John F. Potter	38,315	7, 8	1%
Charles M. Streeter, Jr.	15,326		*
Richard W. Swan	71,571	9	1.9%
Jan P. Updegraff	16,682	10	*
Nelson Mooers van den Blink	4,121		*
John R. Battersby, Jr.	2,207	11	
James E. Corey III	9,193	10	*
Thomas C. Karski	6,403	10, 12	
Melinda A. Sartori	2,070	13	
All Directors and Executive Officers as a group (26 persons)	996,423	14	27.4%

\* Unless otherwise noted, less than 1%

- 1 Held by the Bank in various fiduciary capacities, either alone or with others. Includes 24,881 shares held with sole voting and dispositive powers and 374,039 shares held with shared power to vote. There are 244,834 shares held with shared dispositive powers. Shares held in a co-fiduciary capacity by the Bank are voted by the co-fiduciary in the same manner as if the co-fiduciary were the sole fiduciary. Shares held by the Bank as sole trustee will be voted by the Bank only if the trust instrument provides for voting of the shares at the direction of the grantor or a beneficiary and the Bank actually receives voting instructions.

- 2 The Plan participants instruct the Bank, as trustee, how to vote these shares. If a participant fails to instruct the voting of the shares, the Bank 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.
- 3 Includes 112,885 shares held directly, 9,450 shares held in trust over which Mr. Dalrymple has voting and dispositive powers, 3,808 shares held as custodian for Mr. Dalrymple's children, 448,510 shares held by the Dalrymple Family Limited Partnership of which David J. Dalrymple, Robert H. Dalrymple and Catherine D. Smith are general partners, and 59,416 shares held by Dalrymple Holding Corporation, of which David J. Dalrymple and Robert H. Dalrymple are officers, directors and principal shareholders. Excludes 7,176 shares held by Mr. Dalrymple's spouse as to which Mr. Dalrymple disclaims beneficial ownership. See footnote 6.
- 4 Includes 64,690 shares held directly, 9,450 shares held in trust over which Mr. Dalrymple has voting and dispositive powers, 448,510 shares held by the Dalrymple Family Limited Partnership of which David J. Dalrymple, Robert H. Dalrymple and Catherine D. Smith are general partners, and 59,416 shares held by Dalrymple Holding Corporation of which David J. Dalrymple and Robert H. Dalrymple are officers, directors and principal shareholders. Excludes 5,267 shares held by Mr. Dalrymple's spouse as to which Mr. Dalrymple disclaims beneficial ownership. See footnote 6.
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- 5 Includes 13,122 shares held directly, 3,808 shares held as custodian for Mrs. Smith's children, 448,510 shares held by Dalrymple Family Limited Partnership of which David J. Dalrymple, Robert H. Dalrymple and Catherine D. Smith are general partners. See footnote 6.
- 6 Excludes 30,230 shares held by Susquehanna Supply Company of which David J. Dalrymple and Robert H. Dalrymple each owns 23.1% of the outstanding common stock. Because of the definition of "beneficial ownership" under Section 13 of The Securities and Exchange Act, David J. Dalrymple, Robert H. Dalrymple and Catherine D. Smith are each listed as beneficial owners of 448,510 of the same shares; David J. Dalrymple and Robert H. Dalrymple are each beneficial owners of 507,926 of the same shares. Without such multiple counting, David J. Dalrymple, Robert H. Dalrymple and Catherine D. Smith's aggregate beneficial ownership would equal 19.9% of the Corporation's outstanding shares.

- 7 Includes shares that Messrs. Agan (17,807), Lounsberry (8,207), Meier (4,029), Meyer (14,653), Potter (14,358) and Streeter (4,590) have credited to their accounts in memorandum unit form under the Corporation's Deferred Directors Fee Plan. The deferred fees held in memorandum unit form will be paid solely in shares of the Corporation'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.
- 8 Includes 15,214 shares owned by Seneca Beverage Corporation, of which Mr. Potter is an officer, director and principal shareholder.
- 9 Includes 11,700 shares owned by Swan & Sons-Morss Co., Inc., of which Mr. Swan is an officer, director and one of the principal shareholders, 33,255 shares held in trusts over which Mr. Swan has voting and dispositive power, and 350 shares held by Mr. Swan as custodian for his minor children. Does not include 4,316 shares held by the others as trustees for a trust of which Mr. Swan is an income beneficiary or 4,474 shares held by Mr. Swan's spouse as to which Mr. Swan disclaims beneficial ownership.
- 10 Includes all shares of common stock of the Corporation held for the benefit of each Executive Officer by the Bank as trustee of the Bank's Profit Sharing, Savings and Investment Plan. Messrs. Updegraff, Corey and Karski have an interest in 16,410, 6,150 and 6,430 shares held by the Plan, respectively.
- 11 Excludes 3,227 shares held by Mr. Battersby's spouse as to which Mr. Battersby disclaims beneficial ownership.
- 12 Excludes 651 shares held by Mr. Karski's spouse as to which Mr. Karski disclaims beneficial ownership.
- 13 Shares are held for the benefit of Mrs. Sartori by the Bank as trustee of the Bank's Profit Sharing, Savings and Investment Plan.
- 14 Does not include 20,885 shares owned by spouses of certain officers and directors as to which such officers and directors disclaim beneficial ownership. Does not include 507,926 shares included under each of David J. Dalrymple and Robert H. Dalrymple and 448,510

shares under Catherine D. Smith (see footnote 6). Also does not include 84 shares of preferred stock owned by directors, certain officers and their spouses of CCTC Funding Corp., a Real Estate Investment Trust under the Internal Revenue Code and a subsidiary of the Bank.

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## EXECUTIVE OFFICERS

The following sets forth certain information regarding the named executive officers of the Corporation and the Bank.

Name	Age	Position
Jan P. Updegraff	62	President and Chief Executive Officer of the Corporation and the Bank (1998); formerly President and Chief Operating Officer of the Corporation and the Bank (1996).
James E. Corey III	58	Vice President of the Corporation (1993) and Executive Vice President of the Bank (1998); formerly Senior Vice President of the Bank (1993).
John R. Battersby, Jr.	54	CFO & Treasurer of the Corporation and Executive Vice President, CFO & Treasurer of the Bank (2004); formerly Senior Vice President of the Bank (1998).
Melinda A. Sartori	47	Executive Vice President of the Bank (2002); formerly Senior Vice President of the Bank (1999) and Vice President of the Bank (1997).
Thomas C. Karski	59	Executive Vice President of the Bank (2004); formerly Senior Vice President of the Bank (1998).

## COMPENSATION OF EXECUTIVE OFFICERS

### Report of the Compensation Committee on Executive Compensation

In accordance with its charter adopted by the Board of Directors, the Compensation Committee ("Committee") is responsible for determining the compensation of executive officers and the chief auditor. The Committee intends that executive compensation policies will enable the Bank and the Corporation to attract, develop and retain talented executive officers who will maximize the performance of the Corporation, thus enhancing shareholder value. In recommending to the Board the compensation and incentive bonuses of the executive vice presidents and chief auditor, the Committee reviews a recommendation by the Chief Executive Officer that is based on a number of factors



including individual and organizational performance, merit increases and responsibility levels. The Committee also reviews the compensation policy for directors and recommends changes as appropriate.

In 2004 the Committee was comprised of seven directors, each of whom the Board determined to be independent as defined by Rule 10A-3(b)(1) of the Securities and Exchange Act of 1934 and current Nasdaq listing standards. One meeting of the Committee was held in 2004. The charter can be viewed at the Corporate Governance link on the Bank's website [www.chemungcanal.com](http://www.chemungcanal.com).

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#### Compensation of the Chief Executive Officer

The Board of Directors, upon recommendation of the Committee, sets the annual compensation of the Chief Executive Officer. The recommendation of the Committee follows substantial review of comparative information including executive compensation for similarly situated banks and bank holding companies. Key criteria include Return on Average Tier I Equity, Return on Average Assets and dividend performance. The Committee determined that the performance of the Bank was within the range reported by its peers and that the compensation paid by the Bank was appropriate in comparison to the peer group. Incentive compensation to the CEO is determined at the beginning of the year based upon performance relative to measurable goals.

#### Compensation Committee Interlocks and Insider Participation

The Bank retained Sayles & Evans, a law firm of which Mr. Ughetta is of counsel and Ms. Drinkwater is a partner, for legal services during 2004 and expects to retain Sayles & Evans for legal services during the current year. Mr. Ughetta retired from the Board in February 2005.

Jan P. Updegraff participates in the deliberations of the Committee for the purpose of providing evaluations and recommendations with respect to the compensation paid to executive officers and the chief auditor. Mr. Updegraff, however, neither participates nor is otherwise involved in the deliberations of the Committee with respect to his own compensation, and those deliberations are conducted by the Committee in executive session without Mr. Updegraff present.

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#### Summary Compensation Table

The following table contains information concerning the compensation paid to the Chief Executive Officer and the four most highly compensated executive officers of the Bank for the three-year period ended December 31, 2004. The named executive officers do not receive any compensation from the Corporation.

Annual Compensation

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## Edgar Filing: CHEMUNG FINANCIAL CORP - Form DEFA14A

Name & Principal Position	Year	Salary(\$)	Earned Bonus(\$)	All Other Compensation(\$) <sup>1</sup>
Jan P. Updegraff	2004	294,231	0	6,150
President & CEO	2003	275,000	0	6,000
	2002	275,000	0	8,950
John R. Battersby, Jr.	2004	108,000	0	3,090
Executive Vice President,	2003	90,000	0	2,700
CFO & Treasurer	2002	90,000	0	5,839
James E. Corey III	2004	139,392	0	4,182
Executive Vice President	2003	120,161	0	3,050
	2002	120,161	0	6,639
Thomas C. Karski	2004	100,000	0	2,869
Executive Vice President	2003	88,246	0	2,647
	2002	88,246	0	5,792

Melinda A. Sartori	2004	105,000	0	3,129
Executive Vice President	2003	87,000	0	2,610
	2002	75,600	0	5,937

1 Includes amounts allocated for the year indicated under the Bank's Profit Sharing, Savings and Investment Plan.

#### The Compensation Committee

William C. Ughetta, Chairman	Ralph H. Meyer
Robert E. Agan	Richard W. Swan
Frederick Q. Falck	Nelson Mooers van den Blink
Thomas K. Meier	

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#### Pension Plans

The following table shows the estimated annual retirement benefits payable from the Chemung Canal Trust Company Pension and Executive Supplemental Pension Plans, based upon a straight-life annuity form of payment, payable on retirement at age 65, and assuming final average earnings as shown. Employees vest fully following five years of service, normal retirement age is 65, and reduced benefit payments are available for early retirement at or after age 55.

Average Annual Compensation	15	20	25	30	35 <sup>1</sup>
\$100,000	23,237	30,983	38,729	45,475	52,220
\$150,000	37,112	49,483	61,854	72,725	83,595
\$200,000	50,987	67,983	84,979	99,975	114,970
\$250,000	64,862	86,483	108,104	127,225	146,345
\$300,000	78,737	104,983	131,229	154,475	177,720

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Maximum number of years allowed under the terms of the Pension Plan.

The Pension plan provides an annual benefit of 1.2% for each year of credited service to a maximum of 25 years, and 1% for each additional year to a maximum of 10 years, times average annual compensation (exclusive of bonuses); plus, for each year of credited service to a maximum of 35 years, 0.65% of average compensation in excess of the average of the taxable wage base in effect under Section 230 of the Social Security Act for each year in the 35-year period ending with the year in which the participant attains Social Security retirement age. The average taxable wage base was \$46,344 for a participant attaining age 65 in 2004.

The named executive officers of the Corporation and the Bank had the following credited full years of service under the Plan as of December 31, 2004: Jan P. Updegraff - 34; John R. Battersby, Jr. - 16; James E. Corey III - 16; Thomas C. Karski - 39 and Melinda A. Sartori - 10.

The Bank's non-qualified Executive Supplemental Pension Plan provides a benefit equal to the benefit which would have been paid under the terms of the Bank's Pension Plan without regard to limitations under the Internal Revenue Code less the amount payable under the Pension Plan. From time to time the Board of Directors may select executives as participants in the plan. Currently, Mr. Updegraff is the only active employee participating. Based on projected service and current compensation, \$48,559 would be payable to Mr. Updegraff annually as a supplemental retirement benefit commencing at age 65. The annual qualified benefit is estimated to be \$120,827 for a total of \$169,386.

#### Employment Agreements

Each of the named executive officers has an employment agreement with Chemung Canal Trust Company; they do not have employment agreements with Chemung Financial Corporation. The Bank entered into employment agreements with Messrs. Updegraff, Battersby, Corey, Karski and Mrs. Sartori effective November 8, 2000.

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Under their respective employment agreements, each executive officer may receive fringe benefits generally provided to all full-time employees of the Bank with similar years of service. In the event the executive officer is unable to work due to illness, injury or other incapacity, the executive officer may receive his salary for up to twelve months, minus any payments made under the Bank's disability fringe benefit program. After twelve months, the executive officer is entitled to disability payments only. In the event of death, the Bank shall pay to the executive officer's estate the executive officer's salary for a period of six months, based on the executive officer's salary on the date of death.

The employment agreements for Messrs. Updegraff, Battersby, Corey, Karski and Mrs. Sartori provide for initial terms of three years ending December 31, 2004, with renewals for one additional year following each anniversary date upon the Bank's thirty days written notice prior to January 1 that the terms of the employment agreement will be extended, unless the executive officer gives thirty days prior written notice of termination. The employment agreements were last renewed in 2003 and, therefore, now extend to December 31, 2006.

The Bank may terminate an executive officer's employment agreement at any time, upon thirty days prior written notice, for misconduct or neglect of duties. In the event of such a termination, the executive officer will no longer receive a salary, but will be eligible for retirement and other benefits earned up to the date of termination of employment. In the event the termination is without cause, the executive officer is entitled to, for the duration of the term of the employment agreement, (a) salary; (b) pension benefits with full credit for service and salary, and (c) contribution of a payment of five percent of each salary payment to a memorandum account for the executive officer

on which interest shall be paid at the rate paid on regular savings accounts of the Bank.

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### STOCK PERFORMANCE GRAPH

The following graph compares the yearly change in the cumulative total shareholder return on the Corporation's Common Stock against the cumulative total return of the NASDAQ Stock Market (U.S. Companies) and NASDAQ Bank Stocks Index for the period of five years commencing December 31, 1999.

	1999	2000	2001	2002	2003	2004
Chemung Financial Corporation	100.00	83.11	128.34	122.08	168.09	156.76
CRSP NASDAQ Composite	100.00	60.31	47.84	33.07	49.45	53.81
NASDAQ - Bank Stocks	100.00	114.24	123.68	128.65	162.92	186.45

The cumulative total return includes (i) dividends paid and (ii) changes in the share price of the Corporation's Common Stock and assumes that all dividends were reinvested. The above graph assumes that the value of the investment in Chemung Financial Corporation and each index was \$100 on December 31, 1999.

The Total Returns Index for NASDAQ Stock Market (US Companies) and Bank Stocks indices were obtained from the Center for Research in Security Prices (CRSP), University of Chicago, Chicago, Illinois.

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## INFORMATION REGARDING THE BOARD OF DIRECTORS

### Board Organization and Operation

Chemung Financial Corporation is managed under the direction of its Board of Directors (the "Board"). All members of the Board also serve on the Board of Directors of Chemung Canal Trust Company. The Board establishes policies and strategies and regularly monitors the effectiveness of management in carrying out these policies and strategies. Members of the Board are kept informed of the Corporation's business activities through discussions with key members of the management team, by reviewing materials provided to the Board and by participating in meetings of the Board and its committees.

Mr. Frederick Q. Falck resigned from the Board in December 2004. His resignation was for personal reasons and not the result of any disagreement with the Corporation regarding the Corporation's operations.

The Board has determined that Messrs. Agan, Eggers, Lounsberry, Meier, Meyer, Potter, Streeter, Swan, Ms. Drinkwater and Mrs. van den Blink are "independent" for purposes of Section 10A(3) of the Securities and Exchange Act of 1934 and Nasdaq listing standards and that none of said persons have any relationship with the Corporation that would impair their independence as so defined.

During 2004 the Board of Directors of the Corporation held twelve scheduled meetings. The Board of Directors of the Bank held thirteen meetings in 2004. The Board also holds executive sessions of only those members of the Board who meet current independence standards. With the exception of Mr. Falck and Dr. Meier, each director attended at least 75% of the total board meetings and meetings of the board committees on which he or she served.

### Board Committees

The committees of the Corporation's Board of Directors are the Executive, Audit, Compensation, and Nominating and Governance. In addition, the Bank has the following committees: Loan, Personnel, Portfolio and Trust and Employee Benefits.

#### Executive Committee:

The Committee serves in a dual capacity as the Executive Committee for the Corporation and the Bank. The Executive Committee may, during the interval between Board meetings, exercise all of the authority of the Board, except those powers that are expressly reserved to the Board under law or the Corporation's bylaws. Current members of the Committee include Messrs. D. Dalrymple (Chair), R. Dalrymple, Meier, Potter, Swan, Updegraff and Ms. Drinkwater. There were four meetings of the Committee in 2004.

#### Audit Committee:

The responsibilities of the Audit Committee include the appointment of independent auditors, the pre-approval of all audit services and permitted non-audit services provided to the Corporation by the Corporation's independent auditors, reviews of the independence of the Corporation's independent auditors and reviews of the adequacy of internal accounting and disclosure controls of the Corporation. Current members of the Committee include Messrs. Agan, Eggers, Lounsberry (Chair), Meyer, Streeter and Mrs. van den Blink. Mr. Meyer has been designated by the Board as the Audit Committee's "financial expert" in accordance with applicable law, the Committee having determined that Mr. Meyer meets all required qualifications within the meaning of pertinent regulations. See the report of the Audit Committee on [page 19](#).

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Compensation Committee:

The Compensation Committee is responsible for discharging the Board's duties relating to the compensation of the chief executive officer, executive vice presidents and chief auditor. The members of the Compensation Committee are all independent as defined by Rule 4200(A)(15) of the NASD listing standards and Rule 10A-3(b)(1) under the Securities and Exchange Commission Act of 1934. Current members of the Compensation Committee include Messrs. Agan, Meier, Meyer (Chair), Swan and Mrs. van den Blink. Mr. Ughetta served as Chair until his retirement in February 2005.

Nominating and Governance Committee:

The Nominating and Governance Committee met four times in 2004. Current members are Messrs. Agan, Eggers (Chair), Lounsberry, Meyer, Potter and Streeter and Mrs. van den Blink. The members of the Nominating and Governance Committee are all independent as defined by Rule 4200(A)(15) of the NASD listing standards. In general, the Committee oversees the Corporation's corporate governance matters on behalf of the Board and is responsible for the identification and recommendation of individuals qualified to become members of the Board. The Committee's functions include:

identifying, evaluating and recommending qualified Director nominees for shareholder approval;

the consideration of shareholder nominees for election to the Board;

reviewing the committee structure and making recommendations to the Board for committee membership;

recommending corporate governance guidelines to the Board; and

recommending a self-evaluation process for the Board and its committees.

The Committee utilizes the following process when identifying and evaluating the individuals that it recommends that the Board of Directors select as director nominees.

The Committee reviews the qualifications of any candidates who have been properly recommended or nominated by the shareholders, as well as those candidates who have been identified by management, individual members of the Board of Directors or, if the Committee determines, a search firm.

The Committee evaluates the performance and qualifications of individual members of the Board of Directors eligible for re-election at the annual meeting of shareholders.

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The Committee considers the suitability of each candidate, including the current members of the Board of Directors, in light of the current size and composition of the Board of Directors. In evaluating the suitability of the candidates, the Committee considers many factors including issues of character, judgment, independence, age, expertise, diversity of experience, length of service, other commitments and the like. The Committee evaluates such factors, among others, and considers each individual candidate in the context of the current perceived needs of the Board of Directors as a whole.

After such review and consideration, the Committee recommends that the Board of Directors select the slate of director nominees.

It is the policy of the Nominating and Governance Committee to consider both recommendations and nominations for candidates to the Board of Directors from shareholders. Shareholder recommendations for candidates to the Board of Directors must be directed in writing to the Corporate Secretary, One Chemung Canal Plaza, Elmira, New York 14901, and must include:

a statement that the writer is a shareholder and is proposing a candidate for consideration by the Nominating and Governance Committee;

the qualifications of the candidate and why the candidate is being proposed;

the name and address of the shareholder as they appear on the Corporation's books and number of shares of the Corporation's common stock that are beneficially owned by such shareholder (evidence of the shareholder's ownership will be required if the shareholder is not a holder of record);

the name, address and contact information for the candidate, and the number of shares of common stock of the Corporation that are owned by the candidate (evidence of the candidate's ownership will be required if the



shareholder is not a holder of record);

a statement of the candidate's principal occupation or employment;

such other information regarding the candidate as would be required to be included in the proxy statement pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended;

a statement detailing any relationship between the candidate and the Corporation and between the candidate and any customer, supplier or competitor;

detailed information about any relationship or understanding between the proposing shareholder and the candidate; and

a statement that the candidate is willing to be nominated and is willing to serve as a director if elected.

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Chemung Financial Corporation's bylaws establish an advance notice procedure with regard to certain matters, including shareholder proposals and director nominations, which are properly brought before an annual meeting of shareholders. To be timely, a shareholder's notice must be delivered to or mailed and received at the Corporation's principal executive offices not less than 120 calendar days prior to the date proxy statements were mailed to shareholders in connection with the previous year's annual meeting of shareholders. In the event that no annual meeting was held in the previous year, or the date of the annual meeting has been changed by more than thirty (30) days from the date contemplated at the time of the previous year's proxy statement, notice by the shareholder to be timely must be so received a reasonable time before the solicitation is made.

A copy of the Nominating and Governance Committee charter can be viewed at the Corporate Governance link on the Bank's website [www.chemungcanal.com](http://www.chemungcanal.com).

**Loan Committee:** The Loan Committee establishes policy for the Bank's lending functions as determined under applicable regulation and/or the bylaws. Current members include Messrs. Agan (Chair), D. Dalrymple, R. Dalrymple, Lounsberry, Potter, Swan and Updegraff. There were fourteen meetings of the Committee in 2004.

**Personnel Committee:**

The Personnel Committee considers management's recommendations for elections and promotions of officers for proposal to the full Board. The Committee also reviews the Bank's overall compensation and employee benefit programs. Current members include Messrs. Agan, D. Dalrymple, Meier, Meyer (Chair), Swan and Mrs. van den Blink. There were two meetings of the Committee in 2004.

Portfolio Committee:

The Portfolio Committee passes on all questions of policy relating to the oversight of the Bank's investment portfolio and funds management policies. Current members include Messrs. R. Dalrymple, Eggers, Lounsberry, Potter, Streeter (Chair), Updegraff and Ms. Drinkwater. There were four meetings of the Committee in 2004.

Trust and Employee Benefits Committee:

The Trust and Employee Benefit Committee passes on all questions of the policy bearing upon the investment of trust funds and the general conduct of the estate, agency and fiduciary business of the Bank. The Committee also has responsibility for the Bank's benefit plans and reviews the trust and investment policies and performance. Current members include Messrs. Eggers, Meier, Streeter, Updegraff, Ms. Drinkwater and Mrs. van den Blink (Chair). There were twelve meetings of the Trust and Employee Benefits Committee in 2004.

Board Compensation

Each non-employee director of the Bank receives an annual retainer of \$5,500 and a fee of \$300 for each meeting of the Board of Directors and its committees attended. The chair of each committee receives \$350 for each committee meeting attended. One fee is paid for attendance at meetings that serve both the Corporation and the Bank. Employee directors receive no fees for their services as directors.

A Deferred Directors Fee Plan for non-employee directors provides that directors may elect to defer receipt of all or any part of their fees. Deferrals are credited with either interest compounded quarterly at the Applicable Federal Rate for short-term debt instruments or converted to units, which appreciate or depreciate, as would an actual share of the Corporation's common stock purchased on the deferral date. Cash deferrals will be paid into an interest bearing account and paid in cash. Units will be paid in shares of common stock.

Shareholder Communication with the Board

Shareholders may communicate in writing with the Board of Directors or with individual directors by contacting the Corporation's Corporate Secretary, Jane H. Adamy, One Chemung Canal Plaza, Elmira, New York 14901. The corporate secretary will relay the question or message to the specific director identified by the shareholder or, if no specific director is requested, to a director selected by the Chief Executive Officer.

Directors Attendance at Annual Meetings

The Corporation does not have a formal policy regarding attendance by a member of the Board of Directors at the Corporation's annual meeting of shareholders. The Corporation has always encouraged the directors to attend its annual meeting and expects to continue this policy. In 2004, thirteen directors attended the annual meeting.

Code of Ethics

The Board of Directors has adopted a Code of Ethics for Senior Financial Officers which applies to Chemung Financial's chief executive officer, the chief auditor and other senior officers performing accounting, auditing,

financial management or similar functions. This Code of Ethics supplements a Code of Business Conduct and Ethics, which governs all employees, officers and directors. Both Codes can be viewed at the Corporate Governance link on the home page of the Bank's website [www.chemungcanal.com](http://www.chemungcanal.com).

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act of 1934 requires directors and certain officers of Chemung Financial and persons who beneficially own more than ten percent of the outstanding shares of Chemung Financial's common stock to file reports of beneficial ownership and changes of beneficial ownership of shares of common stock with the Securities and Exchange Commission. SEC regulations require such persons to furnish the Corporation with copies of all Section 16(a) reports they file. Based solely on review of the copies of such reports furnished to Chemung Financial and its representatives and certain representations that no other reports were required, all persons subject to the SEC reporting requirements filed the required reports on a timely basis.

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### **CERTAIN TRANSACTIONS WITH EXECUTIVE OFFICERS AND DIRECTORS**

A number of Chemung Financial's directors, members of executive management and their associates are customers of Chemung Canal Trust Company. Any extensions of credit made to them are made in the ordinary course of business, are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with others and do not involve more than normal risk of collectibility or present other unfavorable features.

### **AUDIT COMMITTEE REPORT**

In accordance with its written charter adopted by the Board of Directors, the Chemung Financial Corporation's Audit Committee ("Committee") assists the Board in fulfilling its oversight responsibilities for the integrity of the Corporation's financial statements, systems of internal accounting and financial controls, compliance with legal and regulatory requirements and the independent auditor's qualifications and independence as well as the performance of its internal audit function and independent auditors. The charter can be viewed at the Corporate Governance link on the Bank's website [www.chemungcanal.com](http://www.chemungcanal.com).

The Committee is comprised of six directors, each of whom the Board has determined to be "independent" as defined by the Sarbanes-Oxley Act and the Nasdaq listing standards. Eight meetings of the Committee were held during 2004.

The Committee has reviewed and discussed with management and the independent auditors the Corporation's audited consolidated financial statements for the year ended December 31, 2004. As required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, the Committee has obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Corporation. It also has discussed the quality and adequacy of the Corporation's internal controls with management and the independent auditors. In addition, the Committee has reviewed with the independent auditors their audit plans, audit scope and identification of audit risks.

The Committee discussed and reviewed with the independent auditors all communications required by Statement on Auditing Standards No. 61, *Communications with Audit Committees*, and has discussed and reviewed the results of the independent auditors' examination of the financial statements.

Based upon the above-mentioned reviews and discussions with management and the independent auditors, the Committee recommended to the Board of Directors that the audited consolidated financial statements be included in Chemung Financial Corporation's Annual Report on Form 10-K for the year ended December 31, 2004 to be filed

with the Securities and Exchange Commission. The Committee has appointed KPMG LLP as the Independent Auditors for 2005.

The Audit Committee

Stephen M. Lounsberry III, Chairman

Ralph H. Meyer

Robert E. Agan

Charles M. Streeter

William D. Eggers

Nelson Mooers van den Blink

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Fees for Professional Services Rendered by KPMG LLP

The following table provides information concerning the aggregate fees billed to the Corporation by KPMG LLP for professional services rendered for the years ended December 2003 and 2004. All service provided by KPMG LLP in 2003 and 2004 were pre-approved by the Audit Committee.

Fiscal Years Ended

December 31,

	2004	2003
Audit Fees	253,600	144,300
Audit-Related Fees	3,500	24,300
Tax Fees	38,475	49,630
All Other Fees	0	0
Total Fees	295,575	218,230

The audit fees were for professional services rendered for the audit of the Corporation's annual financial statements, management's report on internal control over financial reporting and review of financial statements included in the Corporation's Quarterly Reports on Form 10-Q, and services that are normally provided by KPMG LLP in connection with statutory and regulatory filings or engagements.

The audit-related fees were for professional services rendered for the audit of the Corporation's employee benefit plans.

The tax fees were for professional services rendered for review of 2004 tax returns, tax compliance and tax advice.

There were no "Other Fees" billed to the Corporation by KPMG LLP for 2004.

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#### Audit Committee Pre-Approval Policies and Procedures

The Audit Committee pre-approves the audit and permissible non-audit services provided by the independent auditors. These services may include audit services, non-audit services, audit-related services, tax services and other services. The independent auditor and management periodically report to the Committee regarding the extent of services provided by the independent auditor in accordance with this pre-approval, and the fees for the services performed to date. The Committee may also pre-approve additional services on a case-by-case basis. In the period between meetings of the Audit Committee, the Committee Chair or a delegated sub-committee is authorized to pre-approve such services on behalf of the Committee provided that such pre-approval is ratified by the Audit Committee at its next regularly scheduled meeting.

#### Solicitation of Proxies

The cost of soliciting proxies will be borne by Chemung Financial Corporation. In addition to solicitations by mail, some of the directors, officers or employees of the Corporation may conduct solicitations in person and by telephone or facsimile without remuneration. The Corporation may also request nominees, brokerage houses, custodians and fiduciaries to forward soliciting material to beneficial owners of stock and will reimburse such intermediaries for their reasonable expenses in forwarding proxy materials.

#### Shareholder Proposals

Shareholders who desire to present proposals at the 2006 Annual Meeting of Shareholders must forward them in writing to the Corporate Secretary of Chemung Financial Corporation, One Chemung Canal Plaza, Elmira, New York 14901, so they are received no later than December 9, 2005, in order to be considered for inclusion in the Corporation's proxy statement for such meeting. Such proposals must comply with the Securities and Exchange Commission's regulation regarding the inclusion of shareholder proposals in proxy materials.

#### OTHER MATTERS

The Board of Directors does not know of any other matters to be presented to the annual meeting other than as specified above. If, however, any other matters should come before the 2005 Annual Meeting, it is intended that the persons named in the enclosed proxy, or their substitutes, will vote such proxy in accordance with their best judgment on such matters.

The Bank has purchased insurance from Cincinnati Insurance Company providing for reimbursement of its directors and officers for costs and expenses incurred by them in actions brought against them in connection with their actions as directors or officers, including actions as fiduciaries under the Bank's Pension and Profit-Sharing Plan. The insurance coverage, expiring in April 2006 has an annual cost of \$67,014.

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Chemung Financial Corporation's 2004 Annual Report to Shareholders on form 10-K, together with an abbreviated report for the twelve-month period are enclosed with this proxy statement, which was mailed to shareholders on or about April 1, 2005.

Any shareholder may obtain a copy of Chemung Financial Corporation's 2004 Annual Report on form 10-K filed with the Securities and Exchange Commission without charge. To obtain a copy, write to: Jane H. Adamy, Corporate Secretary, One Chemung Canal Plaza, Elmira, New York 14901, or e-mail the request to the Bank's website [www.chemungcanal.com](http://www.chemungcanal.com).

By Order of the Board of Directors,

Jane H. Adamy

Secretary

Date: April 1, 2005

One Chemung Canal Plaza

Elmira, New York 14901

[www.chemungcanal.com](http://www.chemungcanal.com)

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CHEMUNG FINANCIAL CORPORATION

ANNUAL MEETING OF SHAREHOLDERS - MAY 11, 2005

PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

OF CHEMUNG FINANCIAL CORPORATION

John B. Hintz and Daniel F. Agan, each with power of substitution and with all powers and discretion the undersigned would have if personally present, are hereby appointed the Proxy Agents to represent the undersigned at the Annual Meeting of Shareholders of Chemung Financial Corporation, to be held on May 11, 2005 (including any adjournments or postponements thereof) and to vote all shares of Common Stock of Chemung Financial Corporation which the undersigned is entitled to vote on all matters that properly come before the meeting, subject to any directions indicated.

(Continued and to be signed on reverse side)

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Annual Meeting of Shareholders of

CHEMUNG FINANCIAL CORPORATION

May 11, 2005

PROXY VOTING INSTRUCTIONS

MAIL

**- Date, sign and mail your proxy card in the**

Envelope provided as soon as possible.

-or-

TELEPHONE

**- Call toll-free 1-800-PROXIES from**

Any touch-tone telephone and follow the instructions.

Have your proxy card available when you call.

-or-

INTERNET

**- Access [www.voteproxy.com](http://www.voteproxy.com) and**

Follow the on-screen instructions. Have your proxy

Card available when you access the web page.

Your telephone or internet vote must be received by 11:59 pm eastern daylight time on May 10, 2005. It is not necessary to return this proxy card if you vote by telephone or internet.

Please detach along perforated line and mail in the envelope provided IF you are not voting via telephone or internet.

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF DIRECTORS. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOW HERE

1. Election of Directors

Nominees:

For all Nominees  Robert E. Agan 3-year term

Withhold Authority  Stephen M. Lounsberry III 3-year term

For All Nominees

Thomas K. Meier 3-year term

For All Except  Charles M. Streeter, Jr. 3-year term

(see instructions below)

Nelson Mooers van den Blink 3-year term

Clover M. Drinkwater 2-year term

**INSTRUCTIONS:**

To withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT" and fill in the circle next to each nominee you wish to withhold, as shown here x

This proxy will, when properly executed, be voted as directed. If no directions to the contrary are given, this proxy will be voted for the nominees listed. In their discretion, the proxies are authorized to vote on such other business as may properly come before the meeting or any adjournment thereof.



To change the address on your account, please check the box at the right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Please check here if you plan to attend the meeting.

Signature of Shareholder \_\_\_\_\_ Date \_\_\_\_\_ Signature of  
Shareholder \_\_\_\_\_ Date \_\_\_\_\_

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.