

As confidentially submitted to the United States Securities and Exchange Commission on May 28, 2021.
This draft registration statement has not been publicly filed with the United States Securities and Exchange Commission and all information herein remains strictly confidential.

Registration No. 333-

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ORANGE COUNTY BANCORP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

6712
(Primary Standard Industrial
Classification Code Number)

26-1135778
(I.R.S. Employer
Identification Number)

212 Dolson Avenue
Middletown, New York 10940
(845) 341-5000

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Michael J. Gilfeather
President and Chief Executive Officer
212 Dolson Avenue
Middletown, New York 10940
(845) 341-5000

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

Benjamin M. Azoff, Esq.
Jeffrey M. Cardone, Esq.
Luse Gorman, PC
5335 Wisconsin Avenue, N.W., Suite 780
Washington, D.C. 20015
(202) 274-2000

Christina M. Gattuso, Esq.
Stephen F. Donahoe, Esq.
Kilpatrick Townsend & Stockton LLP
607 14th Street, NW, Suite 900
Washington, DC 20005
(202) 508-5800

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box:

If this Form is filed to register additional shares for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 7(a)(2)(B) of the Securities Act.

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price ⁽¹⁾⁽²⁾	Amount of registration fee
Common Stock, \$0.50 par value per share	\$	\$

(1) Estimated solely for purposes of calculating the amount of the registration fee in accordance with Rule 457(o) of the Securities Act of 1933, as amended.

(2) Includes the aggregate offering price of additional shares that the underwriter has the option to purchase.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED [•], 2021

PRELIMINARY PROSPECTUS

[•] Shares



COMMON STOCK

This is the initial public offering of common stock of Orange County Bancorp, Inc., the holding company for Orange Bank & Trust Company, a New York state-chartered trust company headquartered in Middletown, New York and Hudson Valley Investment Advisors, Inc., a registered investment advisor.

We are offering [•] shares of common stock and the selling stockholders are offering [•] shares of our common stock. We will not receive any proceeds from the sales of shares by the selling stockholders.

Shares of our common stock are quoted on the OTCQX Market operated by the OTC Markets Group, Inc., or OTCQX, under the symbol "OCBI." On [•], the last reported sales price for shares of our common stock as reported on the OTCQX was \$[•] per share. We have applied to list our common stock on the NASDAQ Capital Market under the symbol "OBT."

We anticipate that the public offering price of our common stock will be between \$[•] and \$[•] per share.

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 and, as such, have elected to comply with certain reduced public company disclosure standards.

Investing in our common stock involves risk. See "Risk Factors" beginning on page 18 of this prospectus to read about factors you should consider before investing in our common stock.

	Per Share	Total
Public offering price		
Underwriting discounts⁽¹⁾		
Proceeds to us, before expenses		
Proceeds to the selling stockholders, before expenses		

(1) The offering of our common stock will be conducted on a firm commitment basis. See "Underwriting" for a description of all underwriting compensation payable and expense reimbursement in connection with this offering.

The underwriters have an option to purchase up to an additional [•] shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The shares of our common stock in this offering are not savings accounts, deposits or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

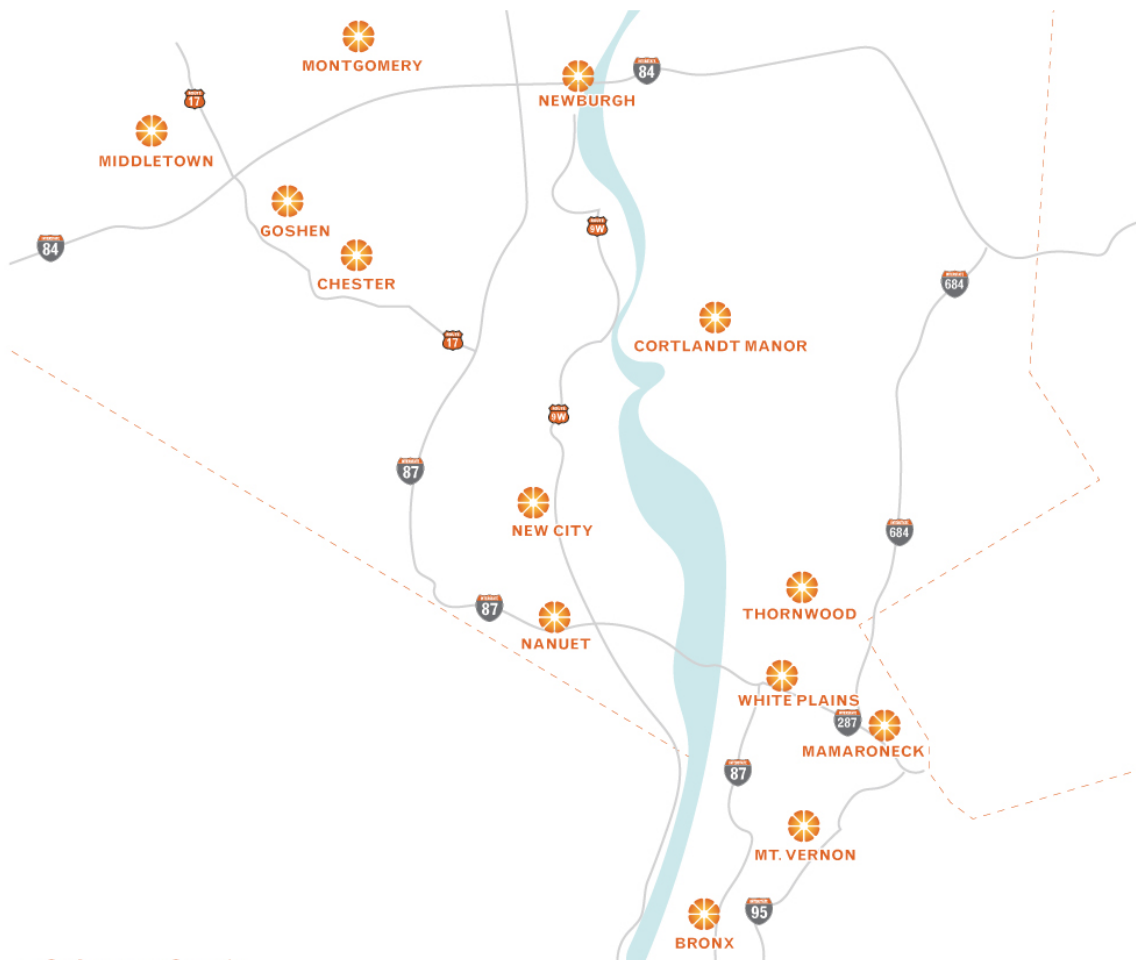
The underwriters expect to deliver the shares of our common stock against payment on or about [•], 2021.

The logo for PIPER | SANDLER features the word "PIPER" in a bold, black, uppercase, sans-serif font, followed by a vertical bar and the word "SANDLER" in a bold, black, uppercase, sans-serif font.

The logo for Stephens features the word "Stephens" in a blue, serif font.

The date of this prospectus is [•], 2021

The information in this preliminary prospectus is not complete and may be changed. We and the selling stockholders may not sell these securities until the Registration Statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.



LOCATIONS

Chester

91 Brookside Ave
Chester, NY 10918
T. 845-469-6282

Cortlandt Manor

2141 Crompond Rd
Cortlandt Manor, NY 10567
T. 914-930-6279

Goshen

146 North Church St
Goshen, NY 10924
T. 845-294-9700

Goshen - HVIA

Hudson Valley Investment
Advisors, Inc.
117 Grand St
Goshen, NY 10924
T. 845-294-6127

Middletown

212 Dolson Ave
Middletown, NY 10940
T. 845-341-5000

33 Trust Way
Middletown, NY 10940
T. 845-341-5074

75 North Street
Middletown, NY 10940
T. 845-341-5013

Montgomery

2093 State Rte 208
Montgomery, NY 12549
T. 845-457-9146

Mamaroneck

1214 East Boston Post Rd
Mamaroneck, NY 10543
T. 914-341-7130

Mt. Vernon

510 S. Columbus Ave
Mount Vernon, NY 10550
T. 914-465-3061

New City

254 S. Main St, Suite 110
New City, NY 10956
T. 845-639-1000

Newburgh

78 North Plank Rd
Newburgh, NY 12550
T. 845-561-5004

Thornwood

859 Franklin Ave
Thornwood, NY 10594
T. 914-984-2780

White Plains

42 Waller Ave
White Plains, NY 10601
T. 914-422-3100

White Plains - HVIA

Hudson Valley Investment
Advisors, Inc.
50 Main St, Suite 1000,
White Plains, NY 10606
T. 914-682-2017

Coming Soon:

Nanuet

374 S Middletown Rd
Nanuet, NY 10954

Bronx

1978 Williamsbridge Rd
Bronx, NY 10461

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About This Prospectus

You should rely only on the information contained in this prospectus or in any free writing prospectus that we authorize to be delivered to you. We, the selling stockholders and the underwriters have not authorized anyone to provide you with different or additional information. We, the selling stockholders and the underwriters are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

Unless we state otherwise or the context otherwise requires, references in this prospectus to “we,” “our,” “us,” “Orange County Bancorp” or “the Company” refer to Orange County Bancorp, Inc., a Delaware corporation, and its subsidiaries Orange Bank & Trust Company, which we sometimes refer to as “the Bank” and Hudson Valley Investment Advisors, Inc., which we sometimes refer to as “HVIA.”

Market and Industry Data

Within this prospectus, we reference certain market, industry and demographic data and other statistical information. We have obtained this data and information from various independent, third party industry sources and publications. Nothing in the data or information used or derived from third party sources should be construed as advice. Some data and other information are also based on our good faith estimates, which are derived from our review of internal surveys and independent sources. We believe that these external sources and estimates are reliable, but have not independently verified them. Statements as to

our market position are based on market data currently available to us. Although we are not aware of any misstatements regarding the economic, employment, industry and other market data presented herein, these estimates involve inherent risks and uncertainties and are based on assumptions that are subject to change.

Implications of Being an Emerging Growth Company

As a company with less than \$1.07 billion in revenue during our last fiscal year, we qualify as an “emerging growth company” under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. As an emerging growth company:

- we may present as few as two years of audited financial statements and two years of related management discussion and analysis of financial condition and results of operations;
- we are exempt from the requirement to obtain an attestation and report from our auditors on management’s assessment of our internal control over financial reporting under the Sarbanes-Oxley Act of 2002;
- we are permitted to provide reduced disclosure regarding our executive compensation arrangements pursuant to the rules applicable to smaller reporting companies, which means we do not have to include a compensation discussion and analysis and certain other disclosures regarding our executive compensation; and
- we are not required to hold non-binding advisory votes on executive compensation or golden parachute arrangements.

In addition to the relief described above, the JOBS Act permits us an extended transition period for complying with new or revised accounting standards affecting public companies. We have irrevocably determined to take advantage of this extended transition period, which means that the financial statements included in this prospectus, as well as financial statements that we file in the future, may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards on a non-delayed basis.

In this prospectus we have elected to take advantage of the reduced disclosure requirements relating to executive compensation, and in the future we may take advantage of any or all of these exemptions for so long as we remain an emerging growth company. We will remain an emerging growth company until the earliest of (i) the end of the fiscal year during which we have total annual gross revenues of \$1.07 billion or more, (ii) the end of the fiscal year following the fifth anniversary of the completion of this offering, (iii) the date on which we have, during the previous three-year period, issued more than \$1.07 billion in non-convertible debt and (iv) the date on which we are deemed to be a “large accelerated filer” under the Securities Exchange Act of 1934, as amended.

SUMMARY

This summary highlights selected information contained in greater detail elsewhere in this prospectus. This summary may not contain all of the information that you should consider before investing in our securities. You should carefully read this entire prospectus, including the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the notes related thereto before making an investment decision. Some of the statements in this prospectus constitute forward-looking statements. See “Cautionary Note Regarding Forward-Looking Statements.”

Our Company

We are a bank holding company headquartered in Middletown, New York and registered under the Bank Holding Company Act of 1956, as amended (the “BHC Act”). Through our wholly owned subsidiaries, Orange Bank & Trust Company, a New York state-chartered trust company, and Hudson Valley Investment Advisors, Inc. (“HVIA”), a registered investment advisor, we offer full-service commercial and consumer banking products and services and trust and wealth management services to small businesses, middle-market enterprises, local municipal governments and affluent individuals in the Lower Hudson Valley region, the New York metropolitan area and nearby markets in Connecticut and New Jersey. The Bank’s main office is located at 212 Dolson Avenue, Middletown, New York 10940.

By combining the high-touch service and relationship-based focus of a community bank with the extensive suite of financial products and services offered by our larger competitors, we believe we can capitalize on the substantial growth opportunities available in our market areas. We also offer a variety of deposit accounts to businesses and consumers, including checking accounts and a full line of municipal banking accounts. These activities, together with our 14 branch offices and one loan production office, generate a stable source of low-cost core deposits and a diverse loan portfolio with attractive risk-adjusted yields. As of March 31, 2021, our assets, loans, deposits and stockholders’ equity totaled \$1.9 billion, \$1.2 billion, \$1.7 billion and \$135.1 million, respectively. Orange Bank & Trust Company’s trust department and HVIA had a combined \$1.2 billion in assets under management at March 31, 2021.

As a bank holding company, we are subject to the supervision of the Board of Governors of the Federal Reserve System (“FRB”). We are required to file with the FRB reports and other information regarding our business operations and the business operations of our subsidiaries. As a state-chartered trust company that is a member of the Federal Reserve System, the Bank is subject to primary supervision, periodic examination and regulation by the New York State Department of Financial Services (“NYSDFS”) and by the FRB as its primary federal regulator.

Recent Growth and Profitability

- The board of directors hired the current President and Chief Executive Officer, Michael Gilfeather, in 2014 to improve the growth trajectory of the Company.
- Significant investments in people, systems and expanding our geographic footprint have led to strong balance sheet growth and enhanced profitability. Our total assets have grown from \$1.1 billion at December 31, 2018 to \$1.9 billion at March 31, 2021, while our net income has increased from \$7.6 million for the year ended December 31, 2018 to \$11.7 million for the year ended December 31, 2020.
- A targeted effort to attract low to zero cost business deposits over the past seven years has resulted in significant growth in assets. These funds, combined with unprecedented government stimulus and liquidity in response to the COVID-19 pandemic, have resulted in a large growth in deposits, which we have been able to deploy in strong loan growth and liquidity.
- Combined assets under management from our trust and wealth management services through our trust services department and HVIA grew from \$754.8 million at December 31, 2018 to \$1.2 billion at March 31, 2021.
- We believe the Company’s investments in our bankers, infrastructure and technology in recent years has improved our efficiency ratio. Specifically, our efficiency ratio has decreased from 74.65% for the

year ended December 31, 2018 to 62.03% for the three months ended March 31, 2021 while full-time equivalent employees increased from 166 at December 31, 2018 to 195 at March 31, 2021.

- Compounded annual loan growth (excluding Paycheck Protection Program (“PPP”) loans) of 21.0% over the last five years from December 31, 2015 to December 31, 2020.
- Compounded annual deposit growth of 18.5% over the last five years from December 31, 2015 to December 31, 2020.
- Lenders and lending support staff grew from 17 to 47 employees from December 31, 2014 to March 31, 2021.
- Six new branches and one loan production office opened and two branch offices were sold or closed from December 31, 2015 to March 31, 2021.

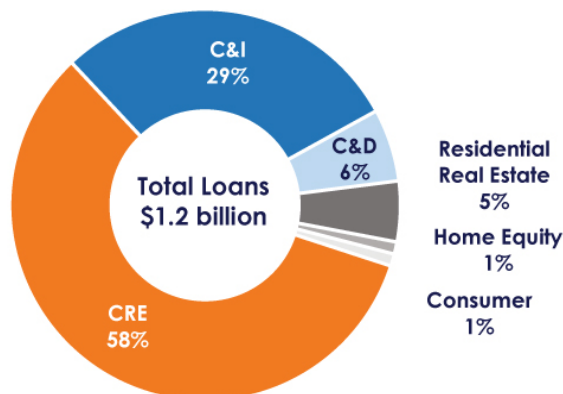
Business Segments

Business Banking. We are committed to serving as a community-oriented financial institution focused on small to medium-sized businesses, professionals, entrepreneurs and corporate executives. In addition, the Bank’s private banking service caters to the business and personal needs of high-net-worth individuals and business owners. We offer a full suite of financial products, including checking, savings and money market accounts, certificates of deposit and treasury management services.

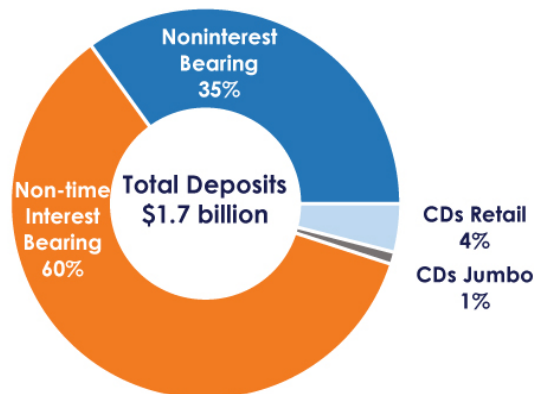
The Company has successfully recruited seasoned lenders with expertise and proven track records in its historic and expanded operating markets. These lenders typically have long standing relationships with businesses in our local community, such as real estate developers and owners, enabling them to serve as trusted advisors across financial transactions and products.

The Company has enjoyed particularly strong growth in its newer markets of Rockland and Westchester Counties, which offer significant growth potential as a function of market size and demographics, while Orange County continues to represent approximately 50% of the Bank’s deposits. The following tables show our loan (including PPP loans) and deposit compositions as of March 31, 2021.

Total Loans



Total Deposits



Private Banking. In August 2017, following extensive research and planning, the Bank successfully launched its private banking initiative. This concierge-level service integrates and leverages all four of the Company’s core businesses — deposits, loans, asset management (through our investment adviser subsidiary HVIA) and trust and estate services — to provide dedicated, personalized attention to clients with larger, more complex banking needs who engage in significant business with us.

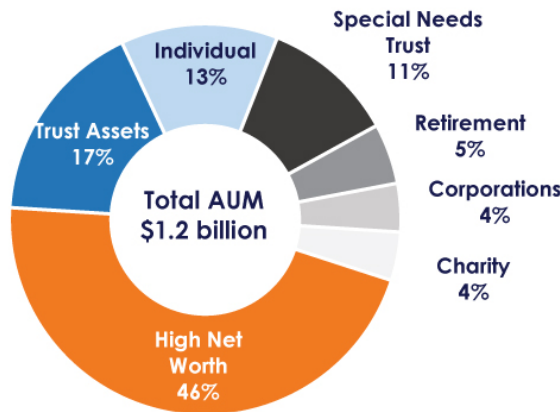
Trust & Wealth Management. Through the trust department of the Bank, we offer traditional trust and administration services to local clients and have a niche focus on Special Needs Trust and Guardianship service. Founded as “Orange County Trust and Safe Deposit Company” in 1892, trust services held a prominent role among our early business lines. This has evolved in intervening years, most explicitly in a name change to Orange Bank & Trust Company in 2016, and trust services remain a vital and vibrant part of our business today. As a measure of our ongoing commitment to trust services, we hired dedicated personnel with expertise in the unique requirements of the Special Needs Trust sub-sector for oversight of the division several years ago. This has resulted in meaningful revenue growth and profitability.

We offer asset management, financial planning and wealth management services through our wholly owned subsidiary, HVIA, an SEC registered investment advisor, which we acquired in November 2012. HVIA manages investments for institutional and high-net-worth individuals, which includes endowments, pension plans and not for profits, as well as sub-advisory investments. HVIA is in the process of expanding its product capabilities and expanding third party product distribution.

We recently launched the Orange Wealth Management initiative, which combines services offered by HVIA, our private bank and trust department in a coordinated strategy for growth. We anticipate that as more clients adopt the Orange Wealth Solutions service it will provide our clients with a more comprehensive picture of their financial health and strategies for long term growth and security. We believe that there may be significant cross-selling opportunities with our high-net-worth and business clients through this new platform.

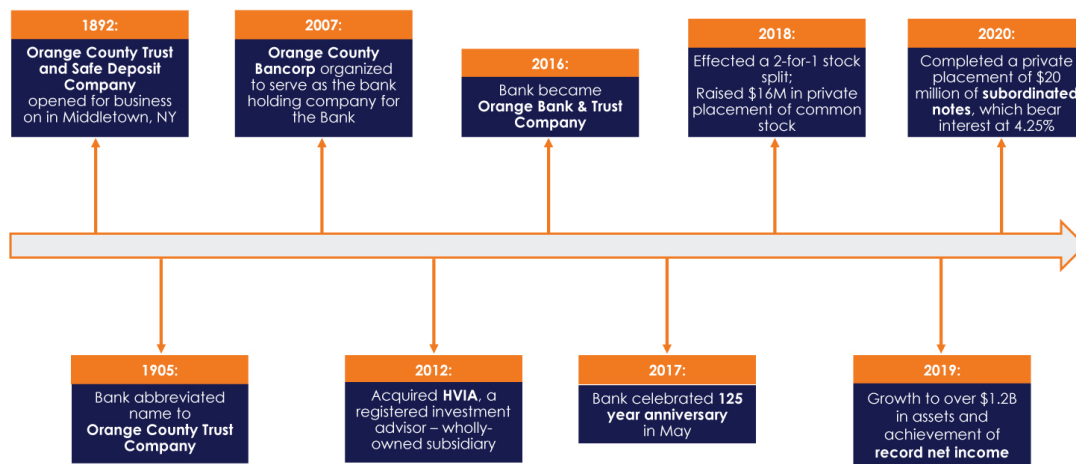
The following table shows our total assets under management through both the trust department of the Bank and HVIA as of March 31, 2021.

Total Assets Under Management



Our History

Born of the vision of 14 founders, the Bank opened for business in May 1892 as Orange County Trust and Safe Deposit Company. In 2016 the Bank rebranded itself as Orange Bank & Trust Company to reflect its ambitions to expand in the Lower Hudson Valley region and the New York City metropolitan area. The chart below sets forth our business evolutions and milestones.



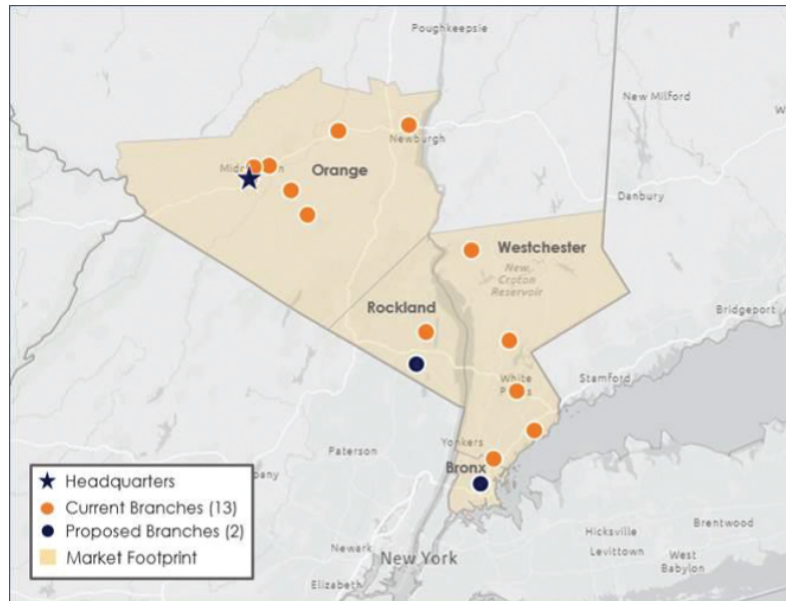
Our Market Area

We define our operating area broadly as the Lower Hudson Valley, which includes diverse and economically distinct markets. Our active banking operations are located principally in Orange, Westchester, Rockland and Bronx Counties in New York, which we refer to as our geographic footprint, where we operate 14 full-service branches and one loan production office. While most of our business takes place in these markets, we also work with several specific commercial clients with operations outside this region.

Since 2013, we have sought to leverage knowledge and relationships developed over our long operating history and our firm commitment to customer service across a strategically expanded footprint. This was formalized with the opening of new branch locations in Westchester and Rockland Counties in 2015, and has

since driven meaningful market share growth in these markets. This includes compounded annual deposit growth of 30.9% and 33.9% for the Westchester and Rockland markets, respectively, during the three-year period ended December 31, 2020. More recently, we entered the strong growth market of Bronx, New York with a loan production office in November 2019 and a full-service branch in May 2021.

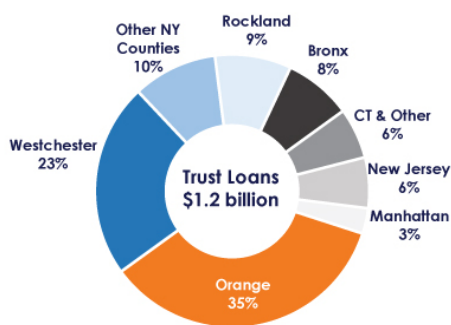
Orange County Bank & Trust Locations



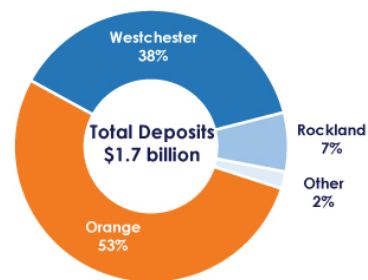
Source: S&P Global Market Intelligence.

While focused on driving growth across all of our markets and product lines, we believe our expanded presence in Westchester and Rockland Counties will be the largest contributor to future asset growth due to the significant deposit base in the Lower Hudson Valley market. As of March 31, 2021, 34.3% of our loans and 39.7% of our deposits were in Westchester and Rockland Counties. We are also currently building a new branch in Nanuet, located in Rockland County, with an anticipated opening in the third quarter of 2021. We view all of our recent and planned location openings as natural and logical extensions for the Bank and consistent with our geographic footprint.

Loans by Geography (3/31/2021)



Deposits by Geography (3/31/2021)



Our operating markets have demographic, economic and competitive dynamics that we believe are favorable to continued execution of our growth strategy:

Orange County. Orange County, located 60 miles from New York City, is an attractive and stable market. Our 129-year-operating history in the region provides us a strong foundation for growth and low-cost deposit funding. Economic activity in the region stems from local business activity and increasing support services to the New York metropolitan area. With a population estimated as of January 1, 2021 of 387,768 and a median household income of \$82,420 as of the same date, the local economy is distinct and somewhat insulated from economic activity in New York City and Westchester County, and includes a growing number of service, warehousing, and logistical businesses. Recent developments in the region include significant population growth during the COVID-19 pandemic as professionals relocated away from urban markets.

Westchester and Rockland Counties. Westchester and Rockland serve as our primary growth markets, and we believe their combination of size, attractive demographics, strong growth characteristics, and economic diversity provide significant opportunities to grow our business. The Westchester and Rockland market area has a diversified economy typical of suburban population centers, with the majority of employment provided by services, wholesale/retail trade, finance/ insurance/real estate and manufacturing. Services account for the largest employment sector across both counties, while wholesale/retail trade accounts for the second largest employment sector.

Westchester and Rockland Counties are large, wealthy markets with median household incomes of \$102,782 and \$94,873, respectively and a combined population of 1,294,444, all estimated as of January 1, 2021. An unbalanced market of bigger banks, with only a few small community banks, has created an attractive competitive landscape that has strengthened our reputation as a leading local bank for small businesses within this market area. We believe our small market share relative to our size also provides the opportunity for long-term growth.

Bronx County. The Bronx market is densely populated with 1,414,708 residents estimated as of January 1, 2021 and has a diversified economy typical of most urban population centers. The majority of employment provided is by services, wholesale/retail trade and finance/ insurance/real estate with services accounting for the largest employment sector in the county. With a median household income of \$43,015 estimated as of January 1, 2021, the Bronx is home to a significant number of health care & social assistance businesses and non-profit organizations. A persistent need for housing in the region generates constant growth through demand for construction lending and refinancing activity.

Our Business Strategy

Our goal is to build the premier business bank in the Lower Hudson Valley, primarily through organic growth of our client base. We focus on small to medium sized businesses (characterized as businesses with annual revenues of less than \$50 million), attorneys and other professionals, and provide a broad range of banking services to businesses, high net worth individuals, business owners and retail customers. We believe the local economies in our geographic footprint offer us significant growth opportunities we can capitalize on through our focus on personalized service, and our ability to realize greater economies of scale than smaller community banks.

Leverage our Relationships and Service Capabilities to Drive Organic Growth. From our modest beginning in 1892, our founders understood the Bank's success would be closely tied to that of the communities in which we operate, and that long-term value creation would require an uncompromising commitment to service and the establishment of enduring relationships with our clients. That vision continues to drive the Company today, as we serve customers in Orange, Rockland, and Westchester Counties and the Bronx through a network of 14 branches, one loan production office and approximately 200 employees. Our core competencies include familiarity with our clients and providing the highest quality services and solutions, enabling us to attract business customers across our traditional and expanded geographic footprint. The objective is to be a trusted advisor to our clients as they build their businesses with our resources, support and advice.

Derive Further Loan Growth Through Differentiated Service. We have consistently demonstrated our ability to generate robust loan growth and capture additional share in our operating markets. We have been able to do so based on strong client relationships and targeted development efforts. The majority of our loan growth comes from existing clients and referrals, with the latter resulting from our focus on key centers

of influence in our communities, such as law firms and accounting practices. We also believe our senior management's availability for consultation on a daily basis offers customers a quicker response time on loan applications and other transactions, as well as greater confidence that these transactions will close, than competitors, whose decisions, in some cases, are being made in distant headquarters. We believe this level of service also gives us a pricing advantage, often enabling us to obtain higher loan rates than our competitors, while still securing the business and client relationship.

Continue to Grow our Core Deposit Franchise. The strength of our deposit franchise is derived from our long-standing relationships with our clients and the strong ties we have to the markets we serve. Our deposit footprint has provided, and we believe will continue to provide, primary support for the growth of our loan portfolio. Core deposits (excluding time deposits) comprise 94.8% of our total funding, with a low cost of 0.16% for the quarter ended March 31, 2021. A key element of our strategy to enhance funding sources is our cash management services, which has helped our team expand the depth and efficiency of our product offerings, and is expected to contribute to profitability, account growth, and customer retention going forward. Additionally, by continuing to broaden our suite of business services, from sophisticated cash management to enhanced commercial lending, deposits and loans grew to \$1.5 billion and \$1.2 billion at year end 2020, up 37.5% and 29.2%, respectively, over year end 2019. We expect this growth to continue as the Bank continues to incorporate the tools our clients need to operate more efficiently and profitably. We also believe our strong commercial and public sector relationships will supplement our retail deposit base, further enhancing deposit growth and, ultimately, continued growth of our loan portfolio. Deposits from municipalities totaled \$279.1 million, or 16.1%, of our total deposits at March 31, 2021. Municipal deposits grew to \$198.5 million at year end 2020, up nearly 14% over year end 2019.

Continue to Build Fee-Based Business. We have built a strong foundation of fee-based revenue through our trust services and wealth management businesses. Like our core banking business, our trust and advisory services have also achieved significant recent milestones, with combined assets under management (AUM) in the two groups reaching \$1.2 billion at March 31, 2021. As we have successfully done with our banking business, we intend to expand HVIA's services into Westchester and Rockland Counties. Additionally, our newest service, private banking, continued to grow in 2020 and now enables approximately 400 clients to fully leverage the resources and capabilities of our platform. Each of our fee-based businesses is run by an experienced team and has scalable infrastructure to support additional growth with little added expense. We believe our integrated approach to client relationships, growing market position and expanded service offerings will provide significant cross selling and new business opportunities going forward.

Capitalize on Market Disruption. We intend to continue to take advantage of recent economic disruption in our operating markets, which we believe has created an environment of underbanked customers. The acquisitions of competitors in these markets have also created opportunities to hire seasoned bankers who we believe can thrive under our business model and take advantage of customer dissatisfaction with large, less personalized banks and/or recently merged institutions. We have successfully employed this strategy in the past, hiring 37 experienced bankers from merged institutions and acquiring HVIA from Provident New York Bancorp in 2012.

We believe such opportunities remain to be capitalized upon and will continue to present themselves with future consolidation. The tables below reflect merger activity in and around our geographic footprint since 2012.

Announcement Date	Acquiror Name	Acquiror State	Target Name	Target State	Target County
4/19/2021	Webster Financial Corp.	CT	Sterling Bancorp	NY	Rockland
3/16/2021	DLP Real Estate Capital, Inc.	FL	Sunnyside Bancorp Inc.	NY	Westchester
7/12/2018	ConnectOne Bancorp, Inc.	NJ	Greater Hudson Bank	NY	Rockland
12/16/2016	Wallkill Valley FS&LA	NY	Hometown Bancorp Inc (MHC)	NY	Orange
11/5/2014	Sterling Bancorp	NY	Hudson Valley Holding Corp.	NY	Westchester
9/25/2014	Putnam County SB	NY	CMS Bancorp Inc.	NY	Westchester

Source: S&P Global Market Intelligence.

We believe that ongoing reduction in the number of locally-managed community banks provides the opportunity for us to offer sophisticated banking products and services targeting small and middle market businesses, to expand our customer base, increase assets, and enhance profitability.

Strategic Expansion. While Orange County remains our home, ongoing investments in Rockland, Westchester and Bronx Counties continue to be significant drivers of our growth and profitability. Most recently, we entered the Bronx, New York market with a loan production office in 2019 and branch office in 2021. We are also currently building a new branch in Nanuet, Rockland County, with a planned opening in the third quarter 2021. We view these locations as natural and logical extensions of the Bank given our footprint and experience in the region. The exploration of new opportunities for expansion will remain a key initiative within the Company's strategy.

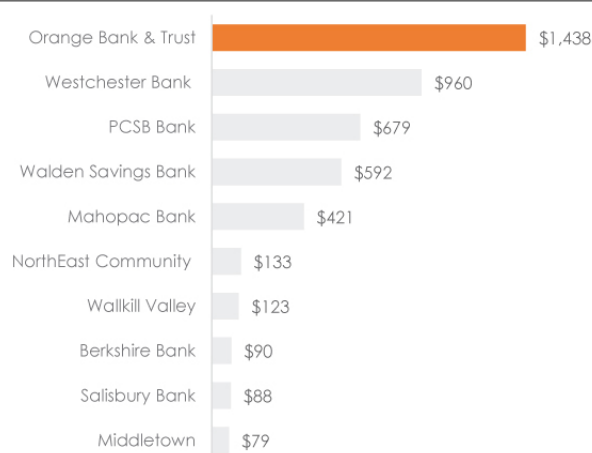
Engage in Opportunistic M&A. We are currently focused on organic growth in our geographic markets and have no current plans or arrangements for acquisitions. We may, however, evaluate acquisitions that we believe could produce attractive returns for our stockholders. These could include fee-based businesses, whole bank or branch acquisitions that would improve our market position in geographies with attractive demographics and business trends, expand our existing branch network in existing markets, enhance our earnings power or product and service offerings, or expand our wealth management activities.

Our Competitive Strengths

We believe the following strengths differentiate us from our competitors and position us to execute our business strategy successfully:

Premier commercial bank in the Lower Hudson Valley region. We are the largest locally headquartered bank in the Lower Hudson Valley (Orange, Westchester and Rockland Counties) based on deposit market share. Our extensive suite of financial products and services, combined with our growth goals and initiatives has made us attractive to lenders and business development professionals who prefer to work in a community bank setting, as well as customers who seek the personal attention of a community bank. The markets we serve have experienced significant bank consolidation and we have a demonstrated track record in attracting both talent and customers created from this disruption. We believe having publicly traded common stock will further enhance our ability to attract and retain talented bank professionals. We intend to continue to expand our physical presence in the Lower Hudson Valley region and believe we can continue to increase market share, particularly given recent local and regional bank merger and acquisition activity, and resultant dislocation, which may create business opportunities for us.

Deposits in the Market⁽¹⁾ (\$ in millions)

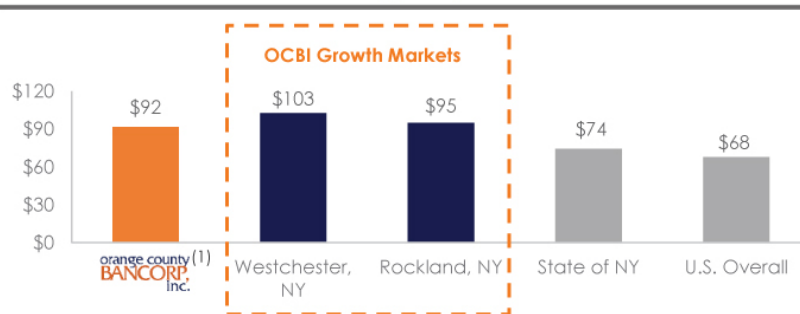


Source: S&P Global Market Intelligence, FDIC, as of June 30, 2020.

(1) Defined as Lower Hudson Valley region, includes Orange, Westchester, and Rockland counties. Community Bank defined as regulated depositories less than \$5 billion in 2020Q4 total assets.

The Lower Hudson Valley market, particularly since the onset of the COVID-19 pandemic has exhibited strong deposit growth characteristics and above average levels of household net worth as measured by median household net income compared to the State of New York and the United States overall.

Median Household Income (\$000)



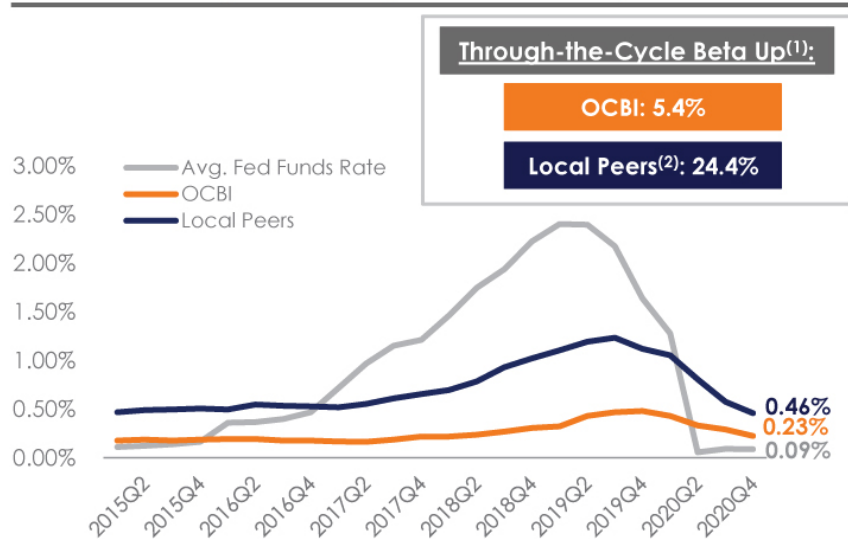
Source: S&P Global Market Intelligence estimated as of January 1, 2021.

(1) Represents the blended Median Household Income for all Orange County markets.

Attractive core deposit franchise. We have a deposit franchise supported by substantial core deposits, which we define as total deposits less certificates of deposit, and a strong level of noninterest-bearing demand deposit accounts. As of March 31, 2021, core deposits comprised 94.8% of total deposits and 133.4% of total loans, while noninterest bearing core deposits comprised 34.5% of total deposits. We did not have any brokered deposits (excluding reciprocal deposits obtained through the Certificate Deposit Account Registry Service (CDARS) and Insured Cash Sweep (ICS) networks) at March 31, 2021. Our low-cost, core deposit base results from a unique combination of being Orange County's go-to community bank for consumers for more than 100 years, combined with our emphasis on banking businesses, not-for-profit institutions, municipalities and other organizations. We believe that our robust core deposit generation is powered by our strong personal service, visibility in our communities, a wide array of commercial banking and treasury management product offerings, and convenient services such as remote deposit capture and commercial internet banking. We also employ deposit-focused business development officers to generate deposit relationships.

Well positioned for a rising rate environment. In anticipation of a rising rate environment, we have focused our business on core deposit relationships and maintaining a liquid balance sheet. At March 31, 2021, our ratio of total loans to total deposits was 70.1%. We believe the relationship-based nature of our deposit portfolio reduces our interest rate risk relative to our local peers and competitors. During the last rising interest rate cycle from 2015 until 2019, our cost of deposit funding exhibited lower change and remained well-below our local peers. Our total deposit beta (defined as the relative change between deposit funding costs and changes in the federal funds rate) was 5.4%, significantly below our local peer level of 24.4%.

Cost of Total Deposits During '15 – '19 Rate Cycle



Source: S&P Global Market Intelligence

- (1) Deposit beta is calculated as the change in the bank's deposit costs as a percentage of the change in the Fed Fund Rate, measured from 2015Q1 to 2019Q1.
- (2) Local Peers include NASDAQ, NYSE, NYSEAM, and OTC-traded U.S. banks and thrifts in the NYC MSA with total assets under \$50 billion as of 2020Q4, excluding merger targets and mutual institutions.

Unique and complementary ability to offer private banking and wealth management services to our clients.

Another area of differentiation relative to local competitors is our ability to offer private banking and wealth management services to our customers. We offer private banking through Orange Bank & Trust Private Banking, a division of Orange Bank & Trust Company, and provide trust and wealth management services through Orange Bank & Trust Company's trust services department and HVIA, which has \$1.2 billion in combined assets under management at March 31, 2021. Both offerings are highly complementary and round out a full suite of products available to our clients. Orange Bank & Trust Private Banking was launched in mid-2017 and now has approximately 400 clients. Our client-driven, high-tech and high-touch business model is focused on four primary areas: (1) Cash management and Treasury services; (2) Lending (primarily commercial lending); (3) Trust, Estate and Custody Services; and (4) Investment Advisory (through HVIA).

Through HVIA, we offer financial planning and wealth management services. HVIA has \$963 million of assets under management, including \$290 million sub-serviced for the Bank's trust department at March 31, 2021. Excluding the sub-serviced assets under management, the \$672 million of assets held under management by HVIA represented 54.6% of total assets under management, at March 31, 2021. Separate from HVIA, our trust services department of the Bank offers both traditional trust and administration services to our local clients with a niche focus on Special Needs Trust and Guardianship service. The trust services department has approximately \$558 million of assets under management, representing 45.4% of total assets under management at March 31, 2021.

Disciplined underwriting and credit administration. Our management and credit administration team fosters a strong risk management culture supported by comprehensive policies and procedures for credit underwriting, funding, and loan administration and monitoring that we believe has enabled us to establish strong credit quality. We monitor categories of lending activity within our portfolio and establish sub-limits that we review regularly and adjust in response to changes in our lending strategy and market conditions. Furthermore, at 1.47% of loans excluding PPP loans, our reserve levels exceed the median level of NASDAQ

traded bank and savings and loan holding companies, banks and thrifts (excluding merger targets) with consolidated assets between \$1.0 billion and \$3.0 billion.

Scalable operating model. We have invested heavily over the last several years in people and infrastructure to support and enhance our ability to provide a full range of commercial and retail financial services to our clients. These investments include over 60 additions to our full-time staff since 2014, and six branch and one loan production office openings with two branch offices sold or closed to optimize our franchise footprint occurring between 2015 and March 31, 2021. Most recently, we opened our Bronx, New York branch in June 2021. We are also currently building a new branch in Nanuet, Rockland County, with a planned third quarter 2021 opening. Other investments have focused on developing a full range of transaction services, such as online business banking, merchant processing, and mobile banking and creating customized software for certain industry verticals. As a result of these investments, we believe we have the operating leverage and infrastructure to support significant growth without a corresponding increase in expenses.

Risks Relating to Our Company and an Investment in Our Common Stock

An investment in our common stock involves substantial risks and uncertainties. Investors should carefully consider all of the information in this prospectus, including the detailed discussion of these and other risks under “Risk Factors” beginning on page 18, prior to investing in our common stock. Some of the more significant risks include the following:

- The ongoing global COVID-19 outbreak could harm our business and results of operations, and such effects will depend on future developments, which are highly uncertain and are difficult to predict.
- We have granted payment deferrals to borrowers that have experienced financial hardship due to the COVID-19 pandemic, and if those borrowers are unable to resume making payments, we will experience an increase in non-accrual loans, which could adversely affect our earnings and financial condition.
- A substantial portion of our business is in the New York City Metropolitan area and in Orange, Westchester and Rockland Counties in New York and, therefore, our business is particularly vulnerable to an economic downturn in our primary market area.
- We have a significant number of loans secured by real estate, and a downturn in the local real estate market could negatively impact our profitability.
- Our emphasis on commercial real estate loans involves risks that could adversely affect our financial condition and results of operations.
- Imposition of limits by bank regulators on commercial real estate lending activities could curtail our growth and adversely affect our earnings.
- A large portion of our loan portfolio is comprised of commercial and industrial loans secured by receivables, inventory, equipment or other commercial collateral, the deterioration in value of which could increase the potential for future losses.
- If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings could decrease.
- If our non-performing assets increase, our earnings will be adversely affected.
- A portion of our loan portfolio consists of loan participations. Loan participations may have a higher risk of loss than loans we originate because we are not the lead lender and we have limited control over credit monitoring.
- A portion of our loan portfolio consists of loan purchases we do not service which may have a higher risk of loss than loans we originate because these loans are secured by assets outside our primary market area.
- Involvement in wealth management creates risks associated with the industry.
- We may not be able to attract and retain wealth management clients.

- Municipal deposits are an important source of funds for us and a reduced level of those deposits may hurt our profits.
- We may not be able to grow, and if we do, we may have difficulty managing that growth.
- Interest rate shifts may reduce net interest income and otherwise negatively impact our financial condition and results of operations.
- Cyber-attacks or other security breaches could adversely affect our operations, net income or reputation.
- We rely heavily on our executive management team and other key employees for our successful operations, and we could be adversely affected by the unexpected loss of their services.
- We may be unable to successfully compete with others for business.
- We operate in a highly regulated environment and may be adversely affected by changes in federal, state and local laws and regulations.
- Non-compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions.
- An active, liquid trading market for our common stock may not develop, and you may not be able to sell your common stock at or above the public offering price, or at all.
- Our management will have broad discretion as to the use of proceeds from this offering, and we may not use the proceeds effectively.
- Our directors and executive officers and members of the Morrison family beneficially own a significant portion of our common stock and have substantial influence over us.
- Our Certificate of Incorporation and Bylaws, and certain banking laws applicable to us, could have an anti-takeover effect that decreases our chances of being acquired, even if our acquisition is in our shareholders' best interests.

Corporate Information

Our principal executive offices are located at 212 Dolson Avenue, Middletown, New York 10940 and our telephone number at that address is (845) 341-5000. Our website address is www.orangebanktrust.com. The information contained on our website is not a part of, or incorporated by reference into, this prospectus.

The Offering	
Common stock offered by us	[•] shares
Common stock offered by the selling stockholders	[•] shares
Underwriters' purchase option	[•] shares from us
Common stock outstanding after completion of this offering	[•] shares (or [•] shares if the underwriters exercise their purchase option in full).
Use of proceeds	<p>We estimate that the net proceeds to us from this offering, after deducting underwriting discounts and estimated offering expenses, will be approximately \$[•] million (or approximately \$[•] million if the underwriters exercise their option to purchase additional shares in full), based on an assumed public offering price of \$[•] per share, which is the midpoint of the price range set forth on the cover of this prospectus. We intend to use the net proceeds of the offering to support the growth of Orange Bank & Trust Company, including providing capital to Orange Bank & Trust Company to support growth of its operations, such as the expansion of its lending and wealth management activities, to support growth in HVIA's trust and wealth management business, to finance strategic acquisitions to the extent the opportunities arise and for other general corporate purposes, which could include other growth initiatives. We have no current plans, arrangements or understandings relating to any specific acquisition or similar transaction and management has not yet determined the types of businesses that they might target.</p> <p>We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders. See "Use of Proceeds."</p>
Dividend policy	<p>We have paid a dividend for at least 37 consecutive years. In fiscal 2020, and through the first quarter of 2021, we paid total dividends of \$1.00 per share, or an annualized yield of % and %, respectively, based on an assumed market price of \$ per share. Subject to the approval of our board of directors and regulatory restrictions, we intend to continue the payment of a cash dividend of \$0.20 per share on a quarterly basis to holders of our common stock. Our board of directors will make any determination whether or not to pay dividends based upon our financial condition, results of operations, capital and regulatory restrictions and other relevant factors. See "Dividend Policy."</p>
Listing and trading symbol	We intend to apply to list our common stock on the NASDAQ Capital Market under the symbol "OBT."
Directed Share Program	At our request, the underwriters have reserved up to [•]% of the shares of our common stock offered by this prospectus for sale, at the initial public offering price, to our directors, officers, principal shareholders, employees, business associates, and related persons who have expressed an interest in purchasing our common stock in this offering. We will offer these shares to the extent permitted under applicable regulations in the United States through a directed share program. See the section entitled "Underwriting — Directed Share Program."
Risk factors	See "Risk Factors" for a discussion of factors you should carefully consider before deciding to invest in our common stock.

Unless otherwise indicated, all information in this prospectus relating to the number of shares of common stock to be outstanding immediately after the completion of this offering is based on 4,490,973 shares outstanding as of March 31, 2021 and:

- assumes no exercise of the underwriters' option to purchase up to [•] additional shares of common stock from us;
- excludes 107,745 shares of our common stock reserved for issuance in connection with restricted stock awards, restricted stock unit awards, and stock options available for issuance under our 2019 Equity Incentive Plan as of March 31, 2021; and
- does not attribute to any director, officer, principal shareholder or related person any purchases of shares of our common stock in this offering, including through the directed share program described in the section entitled "Underwriting — Directed Share Program."

Summary Historical Consolidated Financial Data

The following table sets forth summary historical consolidated financial data as of the dates and for the periods shown. The summary balance sheet data as of December 31, 2020 and 2019 and the summary income statement data for the years then ended have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary balance sheet data as of December 31, 2018 and the summary income statement data for the year then ended is derived from our audited financial statements not included in this prospectus. The summary consolidated financial data as of March 31, 2021 and for the three months ended March 31, 2021 and 2020 is derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus and includes all normal and recurring adjustments that we consider necessary for a fair presentation. Operating results for the three months ended March 31, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. The information should be read in conjunction with “Selected Historical Consolidated Financial Data,” “Risk Factors,” “Management Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	At March 31, 2021	At December 31,		
		2020	2019	2018
(In thousands)				
Selected Financial Condition Data:				
Total assets	\$1,908,754	1,664,936	\$1,229,552	\$1,065,612
Cash and due from banks	253,091	121,232	25,112	18,374
Securities available for sale	359,372	330,105	254,915	255,536
Loans, net	1,215,345	1,136,566	879,849	727,349
Cash surrender value of BOLI	28,691	28,520	27,818	27,128
Deposits	1,733,559	1,489,294	1,083,132	905,008
FHLB advances	—	—	5,000	35,500
Subordinated debt	19,340	19,323	—	—
Note payable	3,000	3,000	3,000	3,057
Stockholders' equity	135,081	135,423	122,063	109,279

	For the Three Months Ended March 31,		For the Years Ended December 31,		
	2021	2020	2020	2019	2018
(In thousands)					
Selected Operating Data:					
Interest income	\$14,762	\$12,643	\$53,461	\$48,121	\$38,699
Interest expense	1,022	1,289	4,722	4,840	2,787
Net interest income	13,740	11,354	48,739	43,281	35,912
Provision for loan losses	66	1,200	5,413	2,195	2,465
Net interest income after provision for loan losses	13,674	10,154	43,326	41,086	33,447
Noninterest income	2,892	2,541	11,423	9,814	10,019
Noninterest expense	10,316	9,591	40,231	36,491	34,286
Income before income taxes	6,250	3,104	14,518	14,409	9,180
Income tax expense	1,225	628	2,839	2,928	1,628
Net income	<u>\$ 5,025</u>	<u>\$ 2,476</u>	<u>\$11,679</u>	<u>\$11,481</u>	<u>\$ 7,552</u>

	At or For the Three Months Ended March 31, ⁽¹⁾		At or For the Years Ended December 31,		
	2021	2020	2020	2019	2018
Performance Ratios:					
Return on average assets	1.13%	0.76%	0.76%	0.97%	0.73%
Return on average equity	14.94%	8.06%	9.02%	9.94%	8.18%
Return on average tangible equity ⁽²⁾	16.01%	8.64%	9.57%	10.66%	8.96%
Interest rate spread ⁽³⁾	3.13%	3.49%	3.17%	3.67%	3.60%
Net interest margin ⁽⁴⁾	3.28%	3.69%	3.36%	3.88%	3.71%
Efficiency ratio ⁽⁵⁾	62.03%	69.02%	66.87%	68.73%	74.65%
Efficiency ratio, as adjusted ⁽⁶⁾	62.03%	69.02%	67.78%	68.45%	74.65%
Noninterest income to average total assets	0.66%	0.78%	0.75%	0.83%	0.97%
Noninterest income to total revenue ⁽⁷⁾	17.39%	18.29%	19.24%	18.41%	21.81%
Noninterest expense to average total assets	2.35%	2.95%	2.63%	3.08%	3.31%
Average interest-earning assets to average interest-bearing liabilities	158.20%	149.83%	156.00%	147.06%	137.91%
Average equity to average total assets	7.56%	9.39%	8.48%	9.75%	8.90%
Share and Per Share Data:					
Basic and diluted earnings	\$ 1.12	\$ 0.55	\$ 2.59	\$ 2.56	\$ 1.87
Cash dividends paid	\$ 0.20	\$ 0.20	\$ 0.80	\$ 0.80	\$ 0.80
Book value	\$ 30.08	\$ 28.22	\$ 30.21	\$ 27.10	\$ 24.28
Tangible book value ⁽⁸⁾	\$ 28.46	\$ 26.55	\$ 28.57	\$ 25.41	\$ 22.52
Dividend payout ratio ⁽⁹⁾	17.86%	36.36%	30.89%	31.25%	42.78%
Weighted average number of shares					
Outstanding	4,483,139	4,510,420	4,508,508	4,484,317	4,034,633
Number of shares outstanding	4,490,973	4,518,128	4,483,102	4,504,389	4,501,125
Capital Ratios:⁽¹⁰⁾					
Tangible common equity to tangible assets ⁽¹¹⁾	6.72%	8.90%	7.73%	9.37%	9.59%
Total capital to risk weighted assets	13.64%	13.54%	13.49%	13.87%	14.93%
Tier 1 capital to risk weighted assets	12.39%	12.29%	12.24%	12.62%	13.67%
Common equity tier 1 capital to risk weighted assets	12.39%	12.29%	12.24%	12.62%	13.67%
Tier 1 capital to average assets	8.19%	9.13%	8.16%	9.47%	9.67%
Asset Quality Ratios:					
Non-performing assets to total assets	0.13%	0.25%	0.15%	0.18%	0.19%
Non-performing loans to total loans	0.20%	0.36%	0.22%	0.25%	0.27%
Allowance for loan losses to non-performing loans	667.61%	401.50%	641.24%	550.20%	530.76%
Allowance for loan losses to total loans	1.32%	1.44%	1.40%	1.38%	1.44%
Net charge-offs (recoveries) to average outstanding loans during the period	0.00%	0.00%	0.16%	0.07%	0.05%
Other:					
Number of offices	14	14	14	13	14
Number of full-time equivalent employees	195	187	192	184	166

(1) Annualized for the three-month periods ended March 31, 2021 and 2020.

- (2) This is a non-GAAP financial measure. See our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption “Selected Historical Consolidated Financial Data — Non-GAAP Financial Measure Reconciliation.”
- (3) Represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities for the periods.
- (4) The net interest margin represents net interest income as a percent of average interest-earning assets for the periods.
- (5) The efficiency ratio represents non-interest expense divided by the sum of net interest income and non-interest income.
- (6) The efficiency ratio, as adjusted represents non-interest expense divided by the sum of net interest income and non-interest income, excluding gains or losses from securities sales. This is a non-GAAP financial measure. See our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption “Selected Historical Consolidated Financial Data — Non-GAAP Financial Measure Reconciliation.”
- (7) We calculate revenue as net interest income plus noninterest income before provision for loan losses for the relevant periods.
- (8) We calculate tangible book value per common share as total stockholders’ equity less goodwill and other intangibles, divided by the outstanding number of shares of our common stock at the end of the relevant period. Tangible book value per common share is a non-GAAP financial measure, and, as we calculate tangible book value per common share, the most directly comparable GAAP financial measure is book value per common share. See our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption “Selected Historical Consolidated Financial Data — Non-GAAP Financial Measure Reconciliation.”
- (9) The dividend payout ratio represents dividends paid per share divided by net income per share.
- (10) Ratios are only for Orange Bank & Trust Company only.
- (11) We calculate tangible common equity as total stockholders’ equity less goodwill and other intangibles, and we calculate tangible assets as total assets less goodwill and other intangibles. This is a non-GAAP financial measure. See our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption “Selected Historical Consolidated Financial Data — Non-GAAP Financial Measure Reconciliation.”

RISK FACTORS

You should carefully consider the following risk factors, in addition to all other information in this prospectus, in evaluating an investment in our common stock.

Risks Related to the COVID-19 Pandemic

The ongoing global COVID-19 outbreak could harm our business and results of operations, and such effects will depend on future developments, which are highly uncertain and are difficult to predict.

The COVID-19 pandemic continues to negatively impact economic and commercial activity and financial markets, both globally and within the United States. In our market area, stay-at-home orders, travel restrictions and closure of non-essential businesses — and similar orders imposed across the United States to restrict the spread of COVID-19 — resulted in significant business and operational disruptions, including business closures, supply chain disruptions, and mass layoffs and furloughs. Although local jurisdictions have subsequently lifted stay-at-home orders and moved to phased opening of businesses, capacity restrictions and health and safety recommendations that encourage continued physical distancing and working remotely have limited the ability of businesses to return to pre-pandemic levels of activity and employment.

The COVID-19 pandemic has had a specific impact on our business, including (1) causing some of our borrowers to be unable to meet existing payment obligations, particularly borrowers disproportionately affected by business shutdowns and travel restrictions; (2) requiring us to increase our allowance for loan losses; (3) affecting consumer and business spending, borrowing and savings habits, which resulted in significant deposit growth, and increased liquidity in a low-rate environment; and (4) net interest margin compression — interest rates on our interest-earning assets declining at a faster pace than interests rates on our interest-bearing liabilities — which was substantially impacted by the FRB's reduction of the benchmark federal funds rate in March 2020 to a target range of 0% to 0.25% in response to the COVID-19 outbreak. Other factors likely to have an adverse effect on our operating results include: (1) reduced fees as we waive certain fees for our customers impacted by the COVID-19 pandemic; (2) possible constraints on liquidity and capital, due to supporting client activities or regulatory actions; (3) potential losses in our investment securities portfolio or declines in assets held under management due to volatility in the financial markets; and (4) higher operating costs, increased cybersecurity risks and potential loss of productivity while we work remotely. Lastly, our commercial real estate and multi-family loans are dependent on the profitable operation and management of the properties securing such loans. The longer the pandemic persists, the stronger the likelihood that COVID-19 could have a significant adverse impact by reducing the revenue and cash flows of our borrowers, impacting the borrowers' ability to repay their loan, increasing the risk of delinquencies and defaults, and reducing the collateral value underlying the loans.

The extent to which the COVID-19 pandemic will ultimately affect our financial condition and operations is unknown and will depend, among other things, on the duration of the pandemic, the actions undertaken by national, state and local governments and health officials to contain the virus or mitigate its effects, the safety and effectiveness of the vaccines that have been developed and the ability of pharmaceutical companies and governments to continue to manufacture and distribute those vaccines, changes to interest rates, and how quickly and to what extent economic conditions improve and normal business and operating conditions resume. Any one or a combination of these factors could negatively impact our business, financial condition and results of operations and prospects.

We have granted payment deferrals to borrowers that have experienced financial hardship due to the COVID-19 pandemic, and if those borrowers are unable to resume making payments, we will experience an increase in non-accrual loans, which could adversely affect our earnings and financial condition.

Consistent with the encouragement provided by federal and state banking regulators after the spread of COVID-19 in the United States, we have worked constructively with borrowers who have experienced financial hardship resulting from the COVID-19 pandemic and negotiated accommodations or forbearance arrangements that temporarily reduce or defer the monthly payments due to us. Generally, these accommodations are for three-to-six months and allow customers to temporarily cease making principal

and/or interest payments. Through March 31, 2021, we have deferred payments with respect to loans totaling approximately \$345.6 million, and as of March 31, 2021, \$32.2 million remained subject to a payment deferral. Upon the expiration of the deferral period, borrowers are required to resume making previously scheduled loan payments. It is possible that some borrowers may be unable to make timely loan payments after their deferral period ends, in which case their loan will be classified as non-accrual and we will begin collection activities. Non-performing loans and related charge-offs may increase as payment deferrals expire and the impact of government stimulus programs decreases. An increase in non-performing loans and related charge-offs would cause an increase to our allowance for loan losses, which would adversely affect our earnings and financial condition.

Customary means to collect non-performing assets may be prohibited or impractical during the COVID-19 pandemic, and there is a risk that collateral securing a non-performing asset may deteriorate if we choose not to, or is unable to, foreclose on collateral in a timely manner.

Federal and state banking agencies and government entities, including New York State, have adopted regulations or put in place executive orders that restrict or limit our ability to take certain actions with respect to delinquent borrowers that we would otherwise have taken in the ordinary course of business, such as customary collection and foreclosure activities. Specifically, New York State has placed a “moratorium” on evictions and foreclosures and the moratorium has recently been extended through August 31, 2021 for people experiencing a hardship related to COVID-19. If the moratorium is extended further, or if the backlog of foreclosure cases are not processed efficiently, there is an increased risk that the collateral value may deteriorate if we choose not to, or are unable to, foreclose on the collateral on a timely basis.

Risks Related to Economic Conditions

A substantial portion of our business is in the New York City Metropolitan area and in Orange, Westchester and Rockland Counties in New York and, therefore, our business is particularly vulnerable to an economic downturn in our primary market area.

We primarily serve individuals, businesses and municipalities located in the New York City metropolitan area and in Orange, Westchester and Rockland Counties, New York. As of March 31, 2021, most of our loan portfolio was secured by real estate and other assets located in these areas in New York. As a result, we are exposed to risks associated with lack of geographic diversification. The occurrence of an economic downturn in these areas, or adverse changes in laws or regulations in New York due to the adverse effects of the COVID-19 pandemic or otherwise, could impact the credit quality of our assets, the businesses of our customers and ability to expand our business. Our success significantly depends upon the growth in population, income levels, deposits and housing in our market area. If the communities in which we operate do not grow or if prevailing economic conditions locally or nationally are unfavorable, our business may be negatively affected.

In addition, the market value of the real estate securing loans as collateral could be adversely affected by unfavorable changes in market and economic conditions. Adverse developments affecting commerce or real estate values in the local economies in our primary market areas could increase the credit risk associated with our loan portfolio and have an adverse impact on our revenues and financial condition. In particular, we may experience increased loan delinquencies, which could result in a higher provision for loan losses and increased charge-offs. Any sustained period of increased non-payment, delinquencies, foreclosures or losses caused by adverse market or economic conditions in our market area could adversely affect the value of our assets, revenues, results of operations and financial condition.

We have a significant number of loans secured by real estate, and a downturn in the local real estate market could negatively impact our profitability.

At March 31, 2021, approximately \$857.7 million, or 69.6%, of our total loan portfolio was secured by real estate, almost all of which is located in our primary lending market. Future declines in the real estate values in the New York City metropolitan area and in Orange, Westchester and Rockland Counties and surrounding markets could significantly impair the value of the particular collateral securing our loans and our ability to sell the collateral upon foreclosure for an amount necessary to satisfy the borrower’s

obligations to us. This could require increasing our allowance for loan losses to address the decrease in the value of the real estate securing our loans, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Risks Related to Lending Activities

Our emphasis on commercial real estate loans involves risks that could adversely affect our financial condition and results of operations.

Our loan portfolio includes commercial real estate loans, primarily loans secured by commercial retail space, office buildings and multifamily properties. At March 31, 2021, our commercial real estate loans totaled \$786.3 million, or 63.8%, of our total loan portfolio. Our commercial real estate loans expose us to greater risk of nonpayment and loss than one- to four-family residential mortgage loans because repayment of the loans often depends on the successful operation and income stream of the borrowers. If we foreclose on these loans, our holding period for the collateral typically is longer than for a one- to four-family residential property because there are fewer potential purchasers of the collateral. In addition, the adverse effects of the COVID-19 pandemic could adversely impact the value of the properties securing the loan or the revenue from the borrower's business, thereby increasing the risk of non-performing loans. Moreover, commercial real estate loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to four-family residential loans. Accordingly, charge-offs on commercial real estate loans may be larger on a per loan basis than those incurred with our residential or consumer loan portfolios. An unexpected adverse development on one or more of these types of loans can expose us to a significantly greater risk of loss compared to an adverse development with respect to a one- to four-family residential mortgage loan.

Imposition of limits by bank regulators on commercial real estate lending activities could curtail our growth and adversely affect our earnings.

In 2006, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation (the "FDIC") and the FRB (collectively, the "Agencies") issued joint guidance entitled "Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices" (the "CRE Guidance"). Although the CRE Guidance did not establish specific lending limits, it provides that a bank's commercial real estate lending exposure could receive increased supervisory scrutiny where total non-owner-occupied commercial real estate loans, including loans secured by apartment buildings, investor commercial real estate, and construction and land loans, represent 300% or more of an institution's total risk-based capital, and the outstanding balance of the commercial real estate loan portfolio has increased by 50% or more during the preceding 36 months. Commercial real estate loans represent 345% of our risk-based capital at March 31, 2021 and the outstanding balance of our commercial real estate loan portfolio has increased by 112% during the 36 months preceding March 31, 2021.

In December 2015, the Agencies released a new statement on prudent risk management for commercial real estate lending (the "2015 Statement"). In the 2015 Statement, the Agencies, among other things, indicate the intent to continue "to pay special attention" to commercial real estate lending activities and concentrations going forward. If the FRB, our primary federal regulator, were to impose restrictions on the amount of such loans we can hold in our portfolio or require us to implement additional compliance measures, for reasons noted above or otherwise, our earnings would be adversely affected as would our earnings per share.

A large portion of our loan portfolio is comprised of commercial and industrial loans secured by receivables, inventory, equipment or other commercial collateral, the deterioration in value of which could increase the potential for future losses.

At March 31, 2021, \$233.6 million, or 19.0% of our total loan portfolio, consisted of commercial and industrial loans (excluding PPP loans). Our commercial and industrial loans are collateralized by general business assets, including accounts receivable, inventory and equipment and generally backed by a personal guaranty of the borrower or principal. These commercial and industrial loans are typically larger in amount than loans to individuals and, therefore, have the potential for larger losses on a per loan basis.

Further, the repayment of commercial and industrial loans is dependent upon the degree of success of the borrower's underlying business. The collateral securing such loans may decline in value more rapidly than we anticipate, or may be difficult to market, sell or appraise, exposing us to increased credit risk. Significant adverse changes in the economy or local market conditions in which our commercial lending customers operate could cause rapid declines in loan collectability and the values associated with general business assets, resulting in inadequate collateral coverage that may expose us to credit losses and could adversely affect our business, financial condition and results of operations.

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings could decrease.

We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience, and we evaluate economic conditions. If our assumptions or the results of our analyses are incorrect, our allowance for loan losses may not be sufficient to cover losses inherent in our loan portfolio, resulting in additions to our allowance. In addition, our emphasis on loan growth and on increasing our portfolios of commercial real estate and commercial and industrial loans, as well as any future credit deterioration, including as a result of COVID-19, could require us to increase our allowance for loan losses in the future. At March 31, 2021, our allowance for loan losses was 1.32% of total loans and 667.61% of nonperforming loans. Material additions to our allowance would materially decrease our net income.

In addition, bank regulators periodically review our allowance for loan losses and, as a result of such reviews, we may be required to increase our provision for loan losses or recognize further loan charge-offs. Any increase in our allowance for loan losses or loan charge-offs as a result of such review or otherwise may have a material adverse effect on our financial condition and results of operations.

If our non-performing assets increase, our earnings will be adversely affected.

At March 31, 2021, our non-performing assets, which consist of non-performing loans and other real estate owned, were \$2.4 million, or 0.13% of total assets. Our non-performing assets adversely affect our net income in various ways:

- we record interest income only on the cash basis or cost-recovery method for non-accrual loans and we do not record interest income for other real estate owned;
- we must provide for probable loan losses through a current period charge to the provision for loan losses;
- non-interest expense increases when we write down the value of properties in our other real estate owned portfolio to reflect changing market values;
- there are legal fees associated with the resolution of problem assets, as well as carrying costs, such as taxes, insurance, and maintenance fees; and
- the resolution of non-performing assets requires the active involvement of management, which can distract them from more profitable activity.

If additional borrowers become delinquent and do not pay their loans and we are unable to successfully manage our non-performing assets, our losses and troubled assets could increase significantly, which could have a material adverse effect on our financial condition and results of operations.

A portion of our loan portfolio consists of loan participations. Loan participations may have a higher risk of loss than loans we originate because we are not the lead lender and we have limited control over credit monitoring.

We participate in commercial real estate loans and commercial and industrial loans with other financial institutions from time to time in which we are not the lead lender. Our commercial real estate loan participations are limited to our geographic lending market which includes, the Hudson Valley, the New York City Metropolitan area, New Jersey and Connecticut. We also occasionally participate in commercial and industrial loans with other financial institutions in which we are not the lead lender. These loans are also

limited to our geographic lending market and are generally secured by blanket UCC liens. At March 31, 2021, commercial real estate loan participations for which we were not the lead lender totaled \$85.1 million, or 12.0% of our commercial real estate loan portfolio, and commercial and industrial loan participations for which we were not the lead lender totaled \$16.2 million, or 4.6% of our commercial and industrial loan portfolio.

We underwrite each commercial real estate loan and commercial and industrial loan that we participate in and establish the loan classification and loan provision using the same criteria we use for loans we originate. Loan participations may have a higher risk of loss than loans we originate because we rely on the lead lender to service and to monitor the performance of the loan. Moreover, our decisions regarding the classification of a loan participation and loan loss provisions associated with a loan participation are made in part based upon information provided by the lead lender. A lead lender also may not monitor a participation loan in the same manner as we would for loans that we originate. At March 31, 2021, no loan participations were delinquent 60 days or more. If our underwriting of these participation loans is not sufficient, our non-performing loans may increase, and our earnings may decrease.

A portion of our loan portfolio consists of loan purchases we do not service which may have a higher risk of loss than loans we originate because these loans are secured by assets outside our primary market area.

We purchase commercial and industrial loans from time to time outside our market area. We have purchased loans primarily to the medical industry that are secured by UCC blanket liens on all business assets and are distributed throughout the United States. These loan purchases may have a higher risk of loss than loans we originate because they are located outside of our primary market area. All loans purchased are in compliance with our approved underwriting standards specific to purchased loans under this program. These loans may have a higher risk of loss as our decision regarding the classification of these loans and loan loss provisions associated with these loans are made in part based upon information provided by the servicer. At March 31, 2021, our purchased commercial and industrial loans totaled \$55.6 million, or 4.5% of our loan portfolio and 15.6% of our commercial and industrial loan portfolio, none of which were delinquent 60 days or more. During the year ended December 31, 2020, we also purchased \$19.3 million of loans from a partially guaranteed consumer loan program. As of March 31, 2021, the aggregate balance of the purchased loans under this program was \$14.6 million or less than 1% of our loan portfolio. If our underwriting of these purchased loans is not sufficient, our non-performing loans may increase and our earnings may decrease.

As a participating lender in the SBA's PPP, we are subject to added risks, including credit, fraud, and litigation risks.

In April 2020, we began processing loan applications under the PPP as an eligible lender with the benefit of a government guarantee of loans to small business clients, many of whom may face difficulties even after being granted such a loan. PPP loans have contributed to our loan growth during 2020 and the first quarter of 2021.

As a participant in the PPP, we face increased risks, particularly in terms of credit, fraud and litigation risks. The PPP opened to borrower applications shortly after the enactment of its authorizing legislation, and, as a result, there is some ambiguity in the laws, rules and guidance regarding the program's operation. Subsequent rounds of legislation and associated agency guidance have not provided needed clarity and in certain instances have potentially created additional inconsistencies and ambiguities. Accordingly, we are exposed to risks relating to compliance with PPP requirements, including the risk of becoming the subject of governmental investigations, enforcement actions, private litigation and negative publicity.

We have additional credit risk with respect to PPP loans if a determination is made by the SBA that there is a deficiency in the manner in which the loan was originated, funded or serviced, such as an issue with the eligibility of a borrower to receive a PPP loan, which may or may not be related to the ambiguity in the laws, rules and guidance regarding the operation of the PPP. In the event of a loss resulting from a default on a PPP loan and a determination by the SBA that there was a deficiency in the manner in which the PPP loan was originated, funded, or serviced by us, the SBA may deny its liability under the guaranty, reduce the amount of the guarantee or, if it has already paid under the guarantee, seek recovery of any loss related to the deficiency from the Bank.

Also, PPP loans are fixed, low interest rate loans that are guaranteed by the SBA and subject to numerous other regulatory requirements, and a borrower may apply to have all or a portion of the loan forgiven. If PPP borrowers fail to qualify for loan forgiveness, we face a heightened risk of holding these loans at unfavorable interest rates for an extended period of time.

Furthermore, since the launch of the PPP, several larger banks have been subject to litigation regarding the process and procedures that such banks used in processing applications for the PPP, and we may be exposed to the risk of litigation, from both customers and non-customers that approached us regarding PPP loans, relating to these or other matters. Also, many financial institutions throughout the country have been named in putative class actions regarding the alleged nonpayment of fees that may be due to certain agents who facilitated PPP loan applications. The costs and effects of litigation related to PPP participation could have an adverse effect on our business, financial condition and results of operations.

Risks Related to Wealth Management

Involvement in wealth management creates risks associated with the industry.

At March 31, 2021, we had approximately \$1.2 billion in assets under management. Our wealth management operations with HVIA and our trust and administration services provided through the Bank's trust services department present special risks not borne by institutions that focus exclusively on other traditional retail and commercial banking products. For example, the investment advisory industry is subject to fluctuations in the stock market that may have a significant adverse effect on transaction fees, client activity and client investment portfolio gains and losses. Also, additional or modified regulations may adversely affect our wealth management and trust services operations. In addition, our wealth management and trust service operations are dependent on a small number of established financial advisors and other service providers, whose departure could result in the loss of a significant number of client accounts. A significant decline in fees and commissions or trading losses suffered in the investment portfolio could adversely affect our income and potentially require the contribution of additional capital to support our operations.

We may not be able to attract and retain wealth management clients.

Due to strong competition, our wealth management business may not be able to attract and retain clients. Competition is strong because there are numerous well-established and successful investment management and wealth advisory firms including commercial banks and trust companies, investment advisory firms, mutual fund companies, stock brokerage firms, and other financial companies. Many of our competitors have greater resources than we have. Our ability to successfully attract and retain wealth management clients is dependent upon our ability to compete with competitors' investment products, level of investment performance, client services and marketing and distribution capabilities. If we are not successful, our results of operations and financial condition may be negatively impacted.

The wealth management industry is subject to extensive regulation, supervision and examination by regulators, and any enforcement action or adverse changes in the laws or regulations governing our business could decrease our revenues and profitability.

The wealth management business is subject to regulation by a number of regulatory agencies that are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers participating in those markets. In the event of non-compliance with regulation, governmental regulators, including the SEC and the Financial Industry Regulatory Authority, may institute administrative or judicial proceedings that may result in censure, fines, civil penalties, the issuance of cease-and-desist orders or the deregistration or suspension of the non-compliant broker-dealer or investment adviser or other adverse consequences. The imposition of any such penalties or orders could have a material adverse effect on the wealth management segment's operating results and financial condition. We may be adversely affected as a result of new or revised legislation or regulations. Regulatory changes have imposed and may continue to impose additional costs, which could adversely impact our profitability.

Risks Related to Municipal Deposits

Municipal deposits are an important source of funds for us and a reduced level of those deposits may hurt our profits.

Municipal deposits are a significant source of funds for our lending and investment activities. At March 31, 2021, \$279.1 million, or 16.1% of our total deposits, consisted of municipal deposits from local government entities such as county, village and town governments, school districts, fire departments and other municipalities, which are collateralized by investment securities. Given our dependence on high-average balance municipal deposits as a source of funds, our inability to retain such funds could significantly and adversely affect our liquidity. Further, our municipal deposits are primarily demand deposit accounts or short-term time deposits and are therefore more sensitive to interest rate risks. If we are forced to pay higher rates on our municipal accounts to retain those funds, or if we are unable to retain such funds and we are forced to resort to other sources of funds for our lending and investment activities, such as borrowings from the FHLB, the interest expense associated with these other funding sources may be higher than the rates we are currently paying on our municipal deposits, which would adversely affect our net income.

Risks Related to Our Growth Strategy

We may not be able to grow, and if we do we may have difficulty managing that growth.

Our business strategy is to continue to grow our assets and expand our operations, including through potential strategic acquisitions. While we continue to explore acquisition opportunities as they arise, there are no plans or arrangements to make any acquisitions in the near future. Our ability to grow depends, in part, upon our ability to expand our market share, successfully attract core deposits, and to identify loan and investment opportunities as well as opportunities to generate fee-based income. We can provide no assurance that we will be successful in increasing the volume of our loans and deposits at acceptable levels and upon terms acceptable to us. We also can provide no assurance that we will be successful in expanding our operations organically or through strategic acquisitions while managing the costs and implementation risks associated with this growth strategy.

We expect to continue to experience growth in the number of our employees and customers and the scope of our operations, but we may not be able to sustain our historical rate of growth or continue to grow our business at all. Our success will depend upon the ability of our officers and key employees to continue to implement and improve our operational and other systems, to manage multiple, concurrent customer relationships, and to hire, train and manage our employees. In the event that we are unable to perform all these tasks and meet these challenges effectively, including continuing to attract core deposits, our operations, and consequently our earnings, could be adversely impacted.

Future acquisitions could disrupt our business and adversely affect our results of operations, financial condition and cash flows.

We may choose to expand by making acquisitions, including other financial institutions, branches or fee-based businesses, that could be material to our business, results of operations, financial condition and cash flows. Acquisitions involve many risks, including the following:

- an acquisition may negatively affect our results of operations, financial condition or cash flows because it may require us to incur charges or assume substantial debt or other liabilities, may cause adverse tax consequences or unfavorable accounting treatment, may expose us to claims and disputes by third parties, or may not generate sufficient financial return to offset additional costs and expenses related to the acquisition;
- we may encounter difficulties or unforeseen expenditures in integrating the operations of any company that we acquire, particularly if key personnel of the acquired company decide not to work for us;
- an acquisition may disrupt our ongoing business, divert resources, increase our expenses and distract our management;

- an acquisition may involve the entry into geographic or business markets in which we have little or no prior experience or where competitors have stronger market positions;
- if we incur debt to fund such acquisition, such debt may subject us to material restrictions on our ability to conduct our business as well as financial maintenance covenants; and
- to the extent that we issue a significant amount of equity securities in connection with future acquisitions, existing shareholders may be diluted and earnings per share may decrease.

The occurrence of any of these risks could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Risks Related to Market Interest Rates

Interest rate shifts may reduce net interest income and otherwise negatively impact our financial condition and results of operations.

The majority of our banking assets are monetary in nature and subject to risk from changes in interest rates. Like most community banks, our earnings and cash flows depend to a great extent upon the level of our net interest income, or the difference between the interest income we earn on loans, investments and other interest-earning assets, and the interest we pay on interest-bearing liabilities, such as deposits and borrowings. Changes in interest rates can increase or decrease our net interest income, because different types of assets and liabilities may react differently, and at different times, to market interest rate changes.

When interest-bearing liabilities mature or reprice more quickly, or to a greater degree than interest-earning assets in a period, an increase in interest rates could reduce net interest income. Similarly, when interest-earning assets mature or reprice more quickly, or to a greater degree than interest-bearing liabilities, falling interest rates could reduce net interest income. An increase in interest rates may, among other things, reduce the demand for loans and our ability to originate loans and decrease loan repayment rates. Conversely, a decrease in the general level of interest rates may affect us through, among other things, increased prepayments on our loan portfolio and increased competition for deposits. Accordingly, changes in the level of market interest rates affect our net yield on interest-earning assets, loan origination volume and our overall results. Although our asset-liability management strategy is designed to control and mitigate exposure to the risks related to changes in market interest rates, those rates are affected by many factors outside of our control, including governmental monetary policies, inflation, deflation, recession, changes in unemployment, the money supply, international disorder and instability in domestic and foreign financial markets.

A continuation of the historically low interest rate environment and the possibility that we may access higher-cost funds to support our loan growth and operations may adversely affect our net interest income and profitability.

In recent years the FRB's policy has been to maintain interest rates at historically low levels through its targeted federal funds rate and the purchase of mortgage-backed securities. Our ability to reduce our interest expense may be limited at current interest rate levels while the average yield on our interest-earning assets may continue to decrease, and our interest expense may increase as we access non-core funding sources or increase deposit rates to fund our operations. A continuation of a low interest rate environment or an increase in our cost of funds may adversely affect our net interest margin and net interest income, which would have an adverse effect on our profitability.

Risks Related to Operations and Security

We face significant operational risks because the nature of the financial services business involves a high volume of transactions.

We operate in diverse markets and rely on the ability of our employees and systems to process a high number of transactions. Operational risk is the risk of loss resulting from our operations, including but not limited to, the risk of fraud by employees or persons outside our company, the execution of unauthorized

transactions by employees, errors relating to transaction processing and technology, breaches of our internal control systems and compliance requirements. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of operational deficiencies or as a result of non-compliance with applicable regulatory standards, adverse business decisions or their implementation, or customer attrition due to potential negative publicity. In the event of a breakdown in our internal control systems, improper operation of systems or improper employee actions, we could suffer financial loss, face regulatory action, and/or suffer damage to our reputation.

Cyber-attacks or other security breaches could adversely affect our operations, net income or reputation.

We regularly collect, process, transmit and store significant amounts of confidential information regarding our customers, employees and others and concerning our own business, operations, plans and strategies. In some cases, this confidential or proprietary information is collected, compiled, processed, transmitted or stored by third parties on our behalf.

Information security risks have generally increased in recent years because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial and other transactions and the increased sophistication and activities of perpetrators of cyber-attacks and mobile phishing. Mobile phishing, a means for identity thieves to obtain sensitive personal information through fraudulent e-mail, text or voice mail, is an emerging threat targeting the customers of financial entities. A failure in or breach of our operational or information security systems, or those of our third-party service providers, as a result of cyber-attacks or information security breaches or due to employee error, malfeasance or other disruptions could adversely affect our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and/or cause losses.

If this confidential or proprietary information were to be mishandled, misused or lost, we could be exposed to significant regulatory consequences, reputational damage, civil litigation and financial loss.

Although we employ a variety of physical, procedural and technological safeguards to protect this confidential and proprietary information from mishandling, misuse or loss, these safeguards do not provide absolute assurance that mishandling, misuse or loss of the information will not occur, and that if mishandling, misuse or loss of information does occur, those events will be promptly detected and addressed. Similarly, when confidential or proprietary information is collected, compiled, processed, transmitted or stored by third parties on our behalf, our policies and procedures require that the third party agree to maintain the confidentiality of the information, establish and maintain policies and procedures designed to preserve the confidentiality of the information, and permit us to confirm the third party's compliance with the terms of the agreement. As information security risks and cyber threats continue to evolve, we may be required to expend additional resources to continue to enhance our information security measures and/or to investigate and remediate any information security vulnerabilities.

We rely on third party vendors, which could expose us to additional cybersecurity risks.

Third party vendors provide key components of our business infrastructure, including certain data processing and information services. Accordingly, our operations are exposed to risk that these vendors will not perform in accordance with our contractual agreements with them, or we also could be adversely affected if such an agreement is not renewed by the third-party vendor or is renewed on terms less favorable to us. If our third-party providers encounter difficulties, or if we have difficulty communicating with those service providers, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely affected, which could have a material adverse effect on our financial condition and results of operations. Threats to information security also exist in the processing of customer information through various other vendors and their personnel. To our knowledge, the services and programs provided to us by third parties have not experienced any material security breaches. However, the existence of cyber-attacks or security breaches at third parties with access to our data, such as vendors, may not be disclosed to us in a timely manner.

We rely heavily on our executive management team and other key employees for our successful operation, and we could be adversely affected by the unexpected loss of their services.

Our success depends in large part on the performance of our key personnel at Orange Bank & Trust Company and HVIA, as well as on our ability to attract, motivate and retain highly qualified senior and middle management and other skilled employees. Competition for employees is intense, and the process of locating key personnel with the combination of skills and attributes required to execute our business plan may be lengthy. We may not be successful in retaining our key employees, and the unexpected loss of services of one or more of our key personnel at Orange Bank & Trust Company or HVIA could have a material adverse effect on our business because of their skills, knowledge of our primary markets, years of industry experience and the difficulty of promptly finding qualified replacement personnel. If the services of any of our key personnel should become unavailable for any reason, we may not be able to identify and hire qualified persons on terms acceptable to us, or at all, which could have a material adverse effect on our business, financial condition, results of operations and future prospects. See “Management.”

The cost of additional finance and accounting systems, procedures and controls in order to satisfy our new public company reporting requirements will increase our expenses.

As a result of the completion of this stock offering, we will become a public reporting company. We expect that the obligations of being a public company, including the substantial public reporting obligations, will require significant expenditures and place additional demands on our management team. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a public company. However, the measures we take may not be sufficient to satisfy our obligations as a public company. Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes Oxley Act”) requires annual management assessments of the effectiveness of our internal control over financial reporting, starting with the second annual report that we would expect to file with the Securities and Exchange Commission. Any failure to achieve and maintain an effective internal control environment could have a material adverse effect on our business. In addition, we may need to hire additional compliance, accounting and financial staff with appropriate public company experience and technical knowledge, and we may not be able to do so in a timely fashion. As a result, we may need to rely on outside consultants to provide these services for us until qualified personnel are hired. These obligations will increase our operating expenses and could divert our management’s attention from our operations.

The implementation of the Current Expected Credit Loss accounting standard could require us to increase our allowance for loan losses and may have a material adverse effect on our financial condition and results of operations.

In June 2016, the Financial Accounting Standards Board (the “FASB”) issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 replaces the incurred loss model with a lifetime loss model, which is referred to as the current expected credit loss model, or CECL. CECL will become effective for us beginning January 1, 2023. This standard requires earlier recognition of expected credit losses on loans and certain other instruments, compared to the incurred loss model. The change to the CECL framework requires us to greatly increase the data we must collect and review to determine the appropriate level of the allowance for credit losses. The adoption of CECL may result in greater volatility in the level of the allowance for credit losses, depending on various factors and assumptions applied in the model, such as the reasonable and supportable forecasted economic conditions and loan payment behaviors. Any increase in the allowance for credit losses, or expenses incurred to determine the appropriate level of the allowance for credit losses, may have an adverse effect on our financial condition and results of operations.

Our ability to maintain our reputation is critical to the success of our business, and the failure to do so may materially adversely affect our performance.

We are a community bank and our reputation is one of the most valuable assets of our business. A key component of our business strategy is to rely on our reputation for customer service and knowledge of local markets to expand our presence by capturing new business opportunities from existing and prospective customers in our market area and contiguous areas. As such, we strive to conduct our business in a manner

that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers. If our reputation is negatively affected by the actions of our employees, by our inability to conduct our operations in a manner that is appealing to current or prospective customers, or otherwise, our business and operating results may be materially adversely affected.

Our risk management framework may not be effective in mitigating risk and reducing the potential for significant losses.

Our risk management framework is designed to minimize risk and loss to us. We seek to identify, measure, monitor, report and control our exposure to risk, including strategic, market, liquidity, compliance and operational risks. While we use broad and diversified risk monitoring and mitigation techniques, these techniques are inherently limited because they cannot anticipate the existence or future development of currently unanticipated or unknown risks. Recent economic conditions and heightened legislative and regulatory scrutiny of the financial services industry, among other developments, have increased our level of risk. Accordingly, we could suffer losses if we fail to properly anticipate and manage these risks.

Risks Related to Competitive Matters

We may be unable to successfully compete with others for business.

The area in which we operate is a highly competitive banking market. We compete for loans and deposits with numerous regional and national banks and other community banking institutions, as well as other kinds of financial institutions and enterprises, such as securities firms, insurance companies, savings associations, credit unions, mortgage brokers and private lenders. The trust department of the Bank competes with national trust companies and local attorneys for fiduciary appointments. In addition, HVIA competes with a multitude of investment companies, from online providers to similarly structured investment advisors. Many competitors have substantially greater resources than we do. The differences in resources may make it harder for us to compete profitably, reduce the rates that we can earn on loans and investments, increase the rates we must offer on deposits and other funds, and adversely affect our overall financial condition and earnings.

The financial services industry could become even more competitive as a result of continuing legislative, regulatory and technological changes and continued industry consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of our competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services than we can as well as better pricing for those products and services, as well as better pricing for those products and services than we can.

Risk Related to Laws and Regulations

We operate in a highly regulated environment and may be adversely affected by changes in federal, state and local laws and regulations.

We are subject to extensive regulation, supervision and examination by the FRB and the NYSDFS. Such regulation, supervision and examination govern the activities in which we may engage, and are intended primarily for the protection of the deposit insurance fund and our depositors and not for the protection of our stockholders. Federal and state regulatory agencies have the ability to take supervisory actions against financial institutions that have experienced increased loan losses and exhibit underwriting or other compliance weaknesses. These actions include the entering into of formal or informal written agreements and cease and desist orders that may place certain limitations on their operations. If we were to become subject to a regulatory action, such action could negatively impact our ability to execute our business plan, and result in operational restrictions, as well as our ability to grow, pay dividends, repurchase stock or

engage in mergers and acquisitions. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our operations. Further, changes in accounting standards can be both difficult to predict and involve judgment and discretion in their interpretation by us and our independent accounting firms. These changes could materially impact, potentially even retroactively, how we report our financial condition and results of operations.

We are subject to stringent capital requirements, which may adversely impact our return on equity, require us to raise additional capital, or restrict us from paying dividends or repurchasing shares.

Federal regulations establish minimum capital requirements for insured depository institutions, including minimum risk-based capital and leverage ratios and define what constitutes “capital” for calculating these ratios. The regulations also establish a “capital conservation buffer” of 2.5%, effectively resulting in the following minimum capital ratios after giving effect to the additional capital conservation buffer: (1) a common equity Tier 1 capital ratio of 7.0%, (2) a Tier 1 to risk-based assets capital ratio of 8.5%, and (3) a total capital ratio of 10.5%. Additionally, if our consolidated assets increase to \$3.0 billion or larger, the Company would be subject to consolidated holding company capital requirements similar to those applicable to Orange Bank & Trust Company. The application of such stringent capital requirements could, among other things, result in lower returns on equity, requiring the raising of additional capital, and resulting in regulatory actions constraining us from paying dividends or repurchasing shares if we are unable to comply with such requirements.

Non-compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions.

The USA PATRIOT and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U.S. Treasury’s Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions, including restrictions on conducting acquisitions or establishing new branches. The policies and procedures we have adopted that are designed to assist in compliance with these laws and regulations may not be effective in preventing violations of these laws and regulations.

We are subject to the Community Reinvestment Act (“CRA”) and fair lending laws, and failure to comply with these laws could lead to material penalties.

The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other federal and state fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The Consumer Financial Protection Bureau (“CFPB”), the United States Department of Justice, the NYSDFS and other federal agencies are responsible for enforcing these laws and regulations. A successful challenge to an institution’s performance under the CRA or fair lending laws and regulations could result in a wide variety of sanctions, including paying damages and civil money penalties, injunctive relief, imposition of restrictions on merger and acquisition activity and restrictions on expansion activity. Private parties may also have the ability to challenge an institution’s performance under fair lending laws in private class action litigation.

The Federal Reserve Board may require us to commit capital resources to support Orange Bank & Trust Company, and we may not have sufficient access to such capital resources.

Federal law requires that a holding company act as a source of financial and managerial strength to its subsidiary bank and to commit resources to support such subsidiary bank. Under the “source of strength” doctrine, the FRB may require a holding company to make capital injections into a troubled subsidiary bank and may charge the holding company with engaging in unsafe and unsound practices for failure to commit resources to a subsidiary bank. A capital injection may be required at times when the holding company may not have the resources to provide it and therefore may be required to attempt to borrow the funds or raise capital. Any loans by a holding company to its subsidiary bank are subordinate in right of payment to

deposits and to certain other indebtedness of such subsidiary bank. In the event of a holding company's bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the institution's general unsecured creditors, including the holders of its note obligations. Thus, any borrowing that must be done by the Company to make a required capital injection becomes more difficult and expensive and could have an adverse effect on our business, financial condition and results of operations. Moreover, it is possible that we will be unable to borrow funds when we need to do so.

Other Risks Related to Our Business

Legal and regulatory proceedings and related matters could adversely affect us.

We have been and may in the future become involved in legal and regulatory proceedings. We consider most of the proceedings to be in the normal course of our business or typical for the industry; however, it is inherently difficult to assess the outcome of these matters, and we may not prevail in any proceedings or litigation. There could be substantial costs and management diversion in such litigation and proceedings, and any adverse determination could have a materially adverse effect on our business, brand or image, or our financial condition and results of our operations.

We are subject to environmental liability risk associated with lending activities or properties we own.

A significant portion of our loan portfolio is secured by real estate, and we could become subject to environmental liabilities with respect to one or more of these properties, or with respect to properties that we own in operating our business. During the ordinary course of business, we may foreclose on and take title to properties securing defaulted loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous conditions or toxic substances are found on these properties, we may be liable for remediation costs, as well as for personal injury and property damage, civil fines and criminal penalties regardless of when the hazardous conditions or toxic substances first affected any particular property. Environmental laws may require us to incur substantial expenses to address unknown liabilities and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Our policies, which require us to perform an environmental review before initiating any foreclosure action on non-residential real property, may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on us.

Societal responses to climate change could adversely affect our business and performance, including indirectly through impacts on our customers.

Concerns over the long-term impacts of climate change have led and will continue to lead to governmental efforts around the world to mitigate those impacts. Consumers and businesses also may change their behavior on their own as a result of these concerns. We and our customers will need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. We and our customers may face cost increases, asset value reductions and operating process changes. The impact on our customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. Among the impacts to us could be a drop in demand for our products and services, particularly in certain sectors. In addition, we could face reductions in creditworthiness on the part of some customers or in the value of assets securing loans. Our efforts to take these risks into account in making lending and other decisions, including by increasing our business with climate-friendly companies, may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior.

Risks Related to the Trading History of our Common Stock

The trading history of our common stock is characterized by low trading volume. The value of your common stock may be subject to sudden decreases due to the volatility of the price of our common stock.

Although our common stock is quoted on the OTCQX operated by the OTC Markets Group, it trades infrequently. We cannot predict the extent to which investor interest in us and additional shares outstanding

will lead to a more active trading market in our common stock or how liquid that market might become. A public trading market having the desired characteristics of depth, liquidity and orderliness depends upon the presence in the marketplace of willing buyers and sellers of our common stock at any given time, which presence is dependent upon the individual decisions of investors, over which we have no control.

The market price of our common stock may be highly volatile and subject to wide fluctuations in response to numerous factors, including, but not limited to, the factors discussed in other risk factors and the following:

- actual or anticipated fluctuations in our operating results;
- changes in interest rates;
- changes in the legal or regulatory environment in which we operate;
- press releases, announcements or publicity relating to us or our competitors or relating to trends in our industry;
- changes in expectations as to our future financial performance, including financial estimates or recommendations by securities analysts and investors;
- future issuances of our common stock;
- changes in economic conditions in our marketplace, general conditions in the U.S. economy, financial markets or the banking industry; and
- other developments affecting our competitors or us.

These factors may adversely affect the trading price of our common stock, regardless of our actual operating performance, and could prevent you from selling your common stock at or above the price at which you purchased shares. In addition, the stock markets, from time to time, experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of companies. These broad fluctuations may adversely affect the market price of our common stock, regardless of our trading performance.

Risks Related to the Offering and an Investment in Our Common Stock

An active, liquid trading market for our common stock may not develop, and you may not be able to sell your common stock at or above the public offering price, or at all.

Our common stock is currently quoted on the OTCQX operated by the OTC Markets Group under the trading symbol “OCBI.” Upon the completion of the offering, our common stock is expected to be listed on the Nasdaq Capital Market under the symbol OBT. If an active trading market does not develop, you may have difficulty selling your shares of common stock at an attractive price, or at all. The public offering price for our common stock will be determined by negotiations between us and the representatives of the underwriters and may not be indicative of prices that will prevail in the open market following this offering. Consequently, you may not be able to sell your common stock at or above the public offering price or at any other price or at the time that you would like to sell. An inactive market may also impair our ability to raise capital by selling our common stock and may impair our ability to expand our business by using our common stock as consideration in an acquisition.

The price of our common stock could be volatile following this offering.

The market price of our common stock following this offering may be volatile and could be subject to wide fluctuations in price in response to various factors, some of which are beyond our control. These factors include, among other things:

- general economic conditions and overall market fluctuations;
- actual or anticipated fluctuations in our quarterly or annual operating results;
- changes in accounting standards, policies, guidance, interpretations or principles;

- the public reaction to our press releases, our other public announcements and our filings with the SEC;
- changes in financial estimates and recommendations by securities analysts following our stock, or the failure of securities analysts to cover our common stock after this offering;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- the trading volume of our common stock;
- new technology used, or services offered, by competitors;
- changes in business, legal or regulatory conditions, or other developments affecting the financial services industry, participants in our industry, and publicity regarding our business or any of our significant customers or competitors; and
- future sales of our common stock by us, directors, executives and significant stockholders, including the sale of our common stock by our existing stockholders who are not subject to the lock-up agreements described in “Underwriting”.

The realization of any of the risks described in this “Risk Factors” section could have a material adverse effect on the market price of our common stock and cause the value of your investment to decline. In addition, the stock market experiences extreme volatility that has often been unrelated to the operating performance of particular companies. These types of broad market fluctuations may adversely affect investor confidence and could affect the trading price of our common stock over the short, medium or long term, regardless of our actual performance. If the market price of our common stock reaches an elevated level following this offering, it may materially and rapidly decline. In the past, following periods of volatility in the market price of a company’s securities, stockholders have often instituted securities class action litigation. If we were to be involved in a class action lawsuit, we could incur substantial costs and it could divert the attention of senior management and have a material adverse effect on our business, financial condition and results of operations.

Our management will have broad discretion as to the use of proceeds from this offering, and we may not use the proceeds effectively.

We are not required to apply any portion of the net proceeds of this offering for any particular purpose. Accordingly, our management will have broad discretion as to the application of the net proceeds of this offering and could use them for purposes other than those contemplated at the time of this offering. At March 31, 2021, our total stockholders’ equity was \$135.1 million and our total return on average common equity was 14.94% for the three months ended March 31, 2021. We expect our total stockholders’ equity to be \$[•] million upon completion of the offering, based on the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus. A portion of the proceeds from this offering are expected to be used to provide additional capital as a cushion against minimum regulatory capital requirements, which may tend to reduce our return on equity as opposed to if such proceeds were used for further growth. Our stockholders may not agree with the manner in which our management chooses to allocate and invest the net proceeds. We may not be successful in using the net proceeds from this offering to increase our profitability or market value and we cannot predict whether the proceeds will be invested to yield a favorable return.

The reduced disclosures and relief from certain other significant disclosure requirements that are available to emerging growth companies may make our common stock less attractive to investors.

We are an “emerging growth company,” as defined in the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that apply to other public companies that are not “emerging growth companies.” These exemptions include the following:

- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act;

- less extensive disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and
- exemptions from the requirements to hold nonbinding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved.

In addition, even if we comply with the greater obligations of public companies that are not emerging growth companies immediately after this offering, we may avail ourselves of the reduced requirements applicable to emerging growth companies from time to time in the future, so long as we are an emerging growth company.

We will remain an emerging growth company for up to five years, though we may cease to be an emerging growth company earlier under certain circumstances, including if, before the end of such five years, we are deemed to be a large accelerated filer under the rules of the SEC (which depends on, among other things, having a market value of common stock held by non-affiliates in excess of \$700 million). Investors and securities analysts may find it more difficult to evaluate our common stock because we will rely on one or more of these exemptions. If, as a result, some investors find our common stock less attractive, there may be a less active trading market for our common stock, which could result in a reductions and greater volatility in the prices of our common stock.

The obligations associated with being a public company will require significant resources and management attention, which may divert from our business operations.

As a result of this offering, we will become subject to the reporting requirements of the Securities Exchange Act of 1934, or Exchange Act, and the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition with the SEC. The Sarbanes-Oxley Act requires, among other things, that we establish and maintain effective internal controls and procedures for financial reporting. As a result, we will incur significant legal, accounting and other expenses that we did not previously incur. We anticipate that these costs will materially increase our general and administrative expenses. Furthermore, the need to establish the corporate infrastructure demanded of a public company may divert management's attention from implementing our strategic plan, which could prevent us from successfully implementing our growth initiatives and improving our business, results of operations and financial condition.

As an "emerging growth company" as defined in the JOBS Act, we intend to take advantage of certain temporary exemptions from various reporting requirements, including reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and an exemption from the requirement to obtain an attestation from our auditors on management's assessment of our internal control over financial reporting. When these exemptions cease to apply, we expect to incur additional expenses and devote increased management effort toward ensuring compliance with them. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs.

You will incur immediate dilution as a result of this offering.

If you purchase our common stock in this offering, you will pay more for your shares than the net tangible book value per share immediately following consummation of this offering. As a result, you will incur immediate dilution of \$[•] per share representing the difference between the offering price of \$[•], the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus, and our adjusted net tangible book value per share as of March 31, 2021 of \$[•] per share of common stock. This represents [•]% dilution from the midpoint of the initial public offering price set forth on the cover page of this prospectus. Accordingly, if we were to be liquidated at our book value immediately following this offering, you would not receive the full amount of your investment. See section titled "Dilution" for additional information.

Our dividend policy may change without notice and any payment of dividends in the future is subject to the discretion of our Board of Directors.

The holders of our common stock will receive cash dividends if and when declared by our board of directors out of legally available funds. Although we have paid a cash dividend for at least 37 consecutive years,

we have no obligation to continue paying dividends. Any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including our future earnings, capital requirements, financial condition, future prospects, regulatory restrictions, and other factors that our board of directors may deem relevant.

Our principal business operations are conducted through our subsidiary, Orange Bank & Trust Company. Cash available to pay dividends to our stockholders is derived primarily, if not entirely, from dividends paid by Orange Bank & Trust Company to us. The ability of Orange Bank & Trust Company to pay dividends to us, as well as our ability to pay dividends to our stockholders, will continue to be subject to, and limited by, certain legal and regulatory restrictions. Further, any lenders making loans to us may impose financial covenants that may be more restrictive with respect to dividend payments than the regulatory requirements.

If equity research analysts do not publish research or reports about our business, or if they do publish such reports but issue unfavorable commentary or downgrade our common stock, the price and trading volume of our common stock could decline.

The trading market for our common stock could be affected by whether equity research analysts publish research or reports about us and our business. We currently have one research analyst that publishes reports about us and our business. We cannot predict at this time whether any other research analysts will publish research and reports on us and our common stock. If one or more equity analysts do cover us and our common stock and publish research reports about us, the price of our stock could decline if one or more securities analysts downgrade our stock or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business.

If any of the analysts who elect to cover us downgrades our stock, our stock price could decline rapidly. If any of these analysts ceases coverage of us, we could lose visibility in the market, which in turn could cause our common stock price or trading volume to decline and our common stock to be less liquid.

If a substantial number of shares become available for sale and are sold in a short period of time, the market price of our common stock could decline.

If our existing stockholders sell substantial amounts of our common stock in the public market following this offering, the market price of our common stock could decrease significantly. The perception in the public market that our existing stockholders might sell shares of common stock could also depress our market price. Upon completion of this offering, we will have [•] shares of our common stock outstanding, or [•] shares if the underwriters exercise in full their option to purchase additional shares. Our directors, executive officers, the selling stockholders and certain additional other holders of our common stock, collectively representing [•]% of our common shares outstanding upon completion of this offering, or [•]% if the underwriters exercise in full their option to purchase additional shares, will be subject to the lock-up agreements described in “Underwriting” and the Rule 144 holding period requirements described in “Shares Eligible for Future Sale.” After all of the lock-up periods have expired and the holding periods have elapsed, [•] additional shares of our outstanding common stock will be eligible for sale in the public market. In addition, the underwriters may, at any time and without notice, release all or a portion of the shares subject to lock-up agreements. The market price of shares of our common stock may drop significantly when the restrictions on resale by our existing stockholders lapse. A decline in the price of shares of our common stock might impede our ability to raise capital through the issuance of additional shares of our common stock or other equity securities and could result in a decline in the value of the shares of our common stock purchased in this offering.

Following the completion of this offering, we also intend to file a registration statement on Form S-8 under the Securities Act of 1933 covering the [•] shares of our common stock that have been reserved for future issuance under our equity incentive plan, as described further under “Executive Compensation — Incentive Compensation Plan.” Accordingly, subject to certain vesting requirements, shares registered under that registration statement will be available for sale in the open market immediately by persons other than our executive officers and directors and immediately after the lock-up agreements expire by our executive officers and directors.

Our directors and executive officers and members of the Morrison family beneficially own a significant portion of our common stock and have substantial influence over us.

Our directors and executive officers, as a group, beneficially owned approximately 11.7% of our outstanding shares of common stock as of March 31, 2021. To our knowledge, although there is no written agreement between members of the Morrison family to act in concert, relatives of director William D. Morrison and William D. Morrison beneficially owned collectively approximately 22.7% of our outstanding shares of common stock as of March 31, 2021. William D. Morrison beneficially owned approximately 1.2% of our outstanding shares of common stock as of March 31, 2021. As a result of this level of ownership, our directors and executive officers and members of the Morrison family have the ability, by taking coordinated action, to exercise significant influence over our affairs and policies. The interests of our directors and executive officers and members of the Morrison family may not be consistent with your interests as a stockholder. This influence may also have the effect of delaying or preventing changes of control or changes in management, or limiting the ability of our other stockholders to approve transactions that they may deem to be in the best interests of our Company.

A future issuance of stock could dilute the value of our common stock.

We may sell additional shares of common stock, or securities convertible into or exchangeable for such shares, in subsequent public or private offerings. Upon completion of this offering, there will be [•] shares of our common stock issued and outstanding, or [•] shares if the underwriters exercise in full their option to purchase additional shares. Future issuance of any new shares could cause further dilution in the value of our outstanding shares of common stock. We cannot predict the size of future issuances of our common stock, or securities convertible into or exchangeable for such shares, or the effect, if any, that future issuances and sales of shares of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices of our common stock.

Our common stock is subordinate to our existing and future indebtedness.

Shares of our common stock are equity interests and do not constitute indebtedness. As such, our common stock ranks junior to all our customer deposits and indebtedness, and other non-equity claims on us, with respect to assets available to satisfy claims. In addition, the shares of common stock rank junior to the noteholders of the \$20.0 million in subordinated debt that we issued in September 2020.

Our Certificate of Incorporation and Bylaws, and certain banking laws applicable to us, could have an anti-takeover effect that decreases our chances of being acquired, even if our acquisition is in our shareholders' best interests.

Certain provisions of our Certificate of Incorporation and Bylaws, and federal and state banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire control of our organization or conduct a proxy contest, even if those events were perceived by many of our shareholders as beneficial to their interests. These provisions, and the corporate and banking laws and regulations applicable to us:

- enable our board of directors to increase the size of the board and fill the vacancies created by the increase;
- provide for the division of the board of directors into three staggered classes so that it would require replacing more than one class of directors to gain control of the board of directors;
- provide that directors may only be removed for cause and by a majority of the votes entitled to be cast;
- enable our board of directors to amend our Bylaws without shareholder approval, subject, however, to the general right of shareholders to change such action in accordance with pertinent sections of the Bylaws and Delaware General Corporation Law;
- require advance notice and certain ownership requirements for director nominations;

- require advance notice for shareholder proposals;
- require the request of record holders of at least 25% of the outstanding shares of our capital stock entitled to vote at a meeting to call a special shareholders' meeting;
- require a supermajority vote of the shareholders to approve a merger with a person owning 10% or more of the Company's common stock, unless such merger is approved by a supermajority of unaffiliated members of the board of directors; and
- require prior regulatory application and approval of any transaction involving control of our organization.

The foregoing may discourage potential acquisition proposals and could delay or prevent a change in control.

An investment in our common stock is not an insured deposit and is not guaranteed by the FDIC, so you could lose some or all of your investment.

An investment in our common stock is not a deposit account or other obligation of the Bank and, therefore, is not insured against loss or guaranteed by the FDIC, any other deposit insurance fund or by any other governmental, public or private entity. An investment in our common stock is inherently risky for the reasons described herein. As a result, if you acquire our common stock, you could lose some or all of your investment.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as “may,” “might,” “should,” “could,” “predict,” “potential,” “believe,” “expect,” “attribute,” “continue,” “will,” “anticipate,” “seek,” “estimate,” “intend,” “plan,” “projection,” “goal,” “target,” “outlook,” “aim,” “would,” “annualized” and “outlook,” or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management’s beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions, estimates and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

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:

- conditions relating to the COVID-19 pandemic, including the severity and duration of the associated economic slowdown either nationally or in our market areas and the effectiveness of vaccination programs, that are worse than expected;
- general economic conditions, either nationally or in our market areas, that are worse than expected;
- changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses;
- our ability to access cost-effective funding;
- fluctuations in real estate values and both residential and commercial real estate market conditions;
- demand for loans and deposits in our market area;
- our ability to implement and change our business strategies;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;
- the rate of delinquencies and amounts of loans charged-off;
- fluctuations in real estate values and both residential and commercial real estate market conditions;
- adverse changes in the securities markets;
- fluctuations in the stock market may have a significant adverse effect on transaction fees, client activity and client investment portfolio gains and losses related to our trust and wealth management business;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- our ability to enter new markets successfully and capitalize on growth opportunities;

- our ability to capitalize on strategic opportunities;
- our ability to successfully introduce new products and services, enter new markets, and capitalize on growth opportunities;
- our ability to successfully integrate into our operations any assets, liabilities, customers, systems and management personnel we may acquire and our ability to realize related revenue synergies and cost savings within expected time frames, and any goodwill charges related thereto;
- our ability to retain our existing customers;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- changes in our organization, compensation and benefit plans;
- changes in the quality or composition of our loan or investment portfolios;
- a breach in security of our information systems, including the occurrence of a cyber incident or a deficiency in cyber security;
- political instability or civil unrest;
- acts of war or terrorism;
- competition and innovation with respect to financial products and services by banks, financial institutions and non-traditional providers, including retail businesses and technology companies;
- the failure to attract and retain skilled people;
- the fiscal and monetary policies of the federal government and its agencies; and
- other economic, competitive, governmental, regulatory and operational factors affecting our operations, pricing, products and services described elsewhere in this prospectus.

The foregoing factors should not be construed as exhaustive and should be read in conjunction with other cautionary statements that are included in this prospectus. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. New risks and uncertainties arise from time to time, and it is not possible for us to predict those events or how they may affect us. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Further information on other factors that could affect us are included in the section captioned “Risk Factors.”

USE OF PROCEEDS

Assuming a public offering price of \$[•] per share, we estimate that the net proceeds from the sale of the shares of common stock by us will be approximately \$[•] million (or approximately \$[•] million if the underwriters exercise in full their option to purchase additional shares of common stock from us), after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Each \$1.00 increase (decrease) in the per share public offering price would increase (decrease) the net proceeds to us of this offering by approximately \$[•] million (or approximately \$[•] million if the underwriters elect to exercise their purchase option in full), after deducting estimated underwriting discounts and offering expenses.

We intend to use the net proceeds of the offering to support the growth of Orange Bank & Trust Company, including providing capital to Orange Bank & Trust Company to support growth of its operations, such as the expansion of its lending and wealth management activities, to support growth in HVIA's trust and wealth management business, to finance strategic acquisitions to the extent the opportunities arise and for other general corporate purposes, which could include other growth initiatives. We have no current plans, arrangements or understandings relating to any specific acquisition or similar transaction and management has not yet determined the types of businesses that they might target.

Our management will retain broad discretion to allocate the net proceeds of this offering, and the precise amounts and timing of our use of the net proceeds of this offering will depend upon market conditions, as well as other factors. Until we deploy the proceeds of this offering for the uses described above, we expect to hold such proceeds in short-term investments.

We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders.

CAPITALIZATION

The following table shows our capitalization, including regulatory capital ratios, on a consolidated basis, as of March 31, 2021:

- on an actual basis; and
- on a pro forma basis to give effect to (i) the issuance and sale by us of [•] shares of common stock in this offering (assuming the underwriters do not exercise their option to purchase any additional shares to cover over-allotments, if any), and the receipt and application of the net proceeds from the sale of these shares at an initial public offering price of \$[•] per share and (ii) the sale by the selling stockholders of [•] shares of common stock in this offering, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us.

You should read this table in conjunction with “Use of Proceeds,” “Selected Historical Consolidated Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	At March 31, 2021	
	Actual	As Adjusted
	(dollars in thousands except per share data)	
	(unaudited)	
Debt:		
Short term debt	\$ —	\$
Long term debt	22,340	
Total debt	22,340	
Stockholders’ equity:		
Common stock, par value \$0.50 per share; authorized – 15,000,000 shares; outstanding – 4,490,973 shares actual and shares as adjusted	\$ 2,266	\$
Surplus	84,774	
Retained earnings	51,818	
Treasury stock, at cost, 42,331 shares	(1,218)	
Accumulated other comprehensive income (loss), net of taxes	(2,559)	
Total stockholders’ equity	\$135,081	\$
Total capitalization	\$157,421	\$
Capital ratios⁽¹⁾		
Tier 1 capital to average assets	8.19%	%
Tier 1 capital to risk-weighted assets	12.39%	%
Total capital to risk-weighted assets	13.64%	%
Common equity tier 1 capital to risk-weighted assets	12.39%	%
Per share data		
Book value per common share	\$ 30.08	\$
Tangible book value per common share ⁽²⁾	\$ 28.46	\$

(1) Ratios are for the Bank only.

(2) Tangible book value represents the amount of our total tangible assets reduced by our total liabilities. Tangible assets are calculated by reducing total assets, as defined by GAAP, by \$5.4 million in goodwill and \$1.9 million in other intangible assets. Tangible book value at March 31, 2021 was \$127.8 million “Actual” and \$ “As Adjusted.” Tangible book value per common share represents our tangible book value divided by the number of shares of our common stock outstanding.

DILUTION

If you invest in our common stock, your ownership interest will be immediately diluted to the extent of the difference between the initial public offering price per share of our common stock in this offering and the net tangible book value per share of common stock upon completion of this offering.

Net tangible book value per common share represents the amount of our total tangible assets less total liabilities, divided by the number of shares of common stock outstanding. Tangible assets are calculated by reducing total assets by \$5.4 million in goodwill and \$1.9 million in other intangible assets. Our net tangible book value as of March 31, 2021 was \$127.8 million, or \$28.46 per share of common stock, based upon 4,490,973 shares of common stock outstanding as of such date.

After giving effect to the sale of [•] shares of our common stock by us at the initial public offering price of \$[•] per share, the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, our net tangible book value as of March 31, 2021 would have been approximately \$[•] million, or approximately \$[•] per share of common stock. This represents an immediate [•] in net tangible book value of \$[•] per share to existing common stockholders, and an immediate dilution of \$[•] per share to investors participating in this offering. If the initial public offering price is higher or lower, the dilution to new stockholders will be greater or less, respectively.

The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share	\$	[•]
Net tangible book value per share at March 31, 2021	\$28.46	
Increase in net tangible book value per share attributable to this offering	[•]	
As adjusted tangible book value per share after this offering		[•]
Dilution in net tangible book value per share to new investors	\$	[•]

A \$1.00 increase (or decrease) in the assumed initial public offering price of \$[•] per share, which is the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus, would increase (or decrease) the as adjusted net tangible book value per common share after this offering by approximately \$[•], and dilution in net tangible book value per common share to new investors by approximately \$[•], assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise in full their option to purchase additional shares of our common stock in this offering, the as adjusted net tangible book value after this offering would be \$[•] per share, the increase in net tangible book value to existing stockholders would be \$[•] per share and the dilution to new investors would be \$[•] per share, in each case assuming an initial public offering price of \$[•] per share, which is the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus.

The following table summarizes, as of March 31, 2021, the differences between our existing stockholders and new investors with respect to the number of shares of our common stock purchased from us, the total consideration paid and the average price per share paid. The calculations with respect to shares purchased by new investors in this offering reflect an assumed offering price of \$[•] per share, which is the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percentage	Amount	Percentage	
Existing stockholders as of March 31, 2021		%	\$	%	\$
New Investors		%		%	
Total		%	\$	%	\$

If the underwriters exercise their option to purchase additional shares in full, then our pro forma net tangible book value per share of our common stock as of March 31, 2021, would be approximately \$[•] million, or \$[•] per share, representing an immediate increase in net tangible book value to our existing stockholders of approximately \$[•] per share and immediate dilution in net tangible book value to investors purchasing shares in this offering of approximately \$[•] per share.

The table above excludes 107,745 shares of our common stock reserved for issuance in connection with restricted stock awards, restricted stock unit awards, and stock options available for issuance under our 2019 Equity Incentive Plan as of March 31, 2021. If other equity awards are issued under our 2019 Equity Incentive Plan, investors purchasing in this offering will experience further dilution.

DIVIDEND POLICY

As of March 31, 2021, we have paid a cash dividend to our stockholders for at least 37 consecutive years. The following table shows the amount and the dividends paid on shares of Orange County Bancorp common stock in 2019, 2020 and through March 31, 2021:

Quarterly Period	Amount Per Share
March 31, 2021	\$0.20
December 31, 2020	\$0.20
September 30, 2020	\$0.20
June 30, 2020	\$0.20
March 31, 2020	\$0.20
December 31, 2019	\$0.20
September 30, 2019	\$0.20
June 30, 2019	\$0.20
March 31, 2019	\$0.20

Subject to prior approval from our board of directors and regulatory restrictions, we intend to continue the payment of a cash dividend of \$0.20 per share on a quarterly basis to holders of our common stock. Our board of directors may change the amount of, or entirely eliminate the payment of, future dividends at its discretion, without notice to our shareholders. We are not obligated to pay dividends on our common stock. Any future determination to pay cash dividends on our common stock will be made by our board of directors and will depend on a number of factors, including:

- our historical and projected financial condition, liquidity and results of operations;
- our capital levels and requirements;
- statutory and regulatory prohibitions and other limitations;
- any contractual restriction on our ability to pay cash dividends, including pursuant to the terms of any of our credit agreements or other borrowing arrangements;
- our business strategy;
- tax considerations;
- any acquisitions or potential acquisitions that we may examine;
- general economic conditions; and
- other factors deemed relevant by our board of directors.

As a Delaware corporation, we are subject to certain restrictions on dividends under Delaware General Corporation Law. Generally, Delaware law limits cash dividends to a corporation's capital surplus or, if there is no capital surplus, the corporation's net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

We are also subject to certain restrictions on the payment of cash dividends as a result of banking laws, regulations and policies. The FRB has issued a policy statement regarding the payment of dividends by bank holding companies. In general, the FRB's policy provides that dividends should be paid only to the extent that the company's new income for the past two years is sufficient to fund the dividends and only if the prospective rate of earnings retention by the bank holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. The FRB has the authority to prohibit a bank holding company from paying dividends if such payment is deemed to be an unsafe or unsound practice. See "Supervision and Regulation — Holding Company Regulation."

Because we are a bank holding company, we are dependent upon the payment of dividends by Orange Bank & Trust Company and HVIA to us as our principal source of funds to pay dividends in the future, if any, and to make other payments. Orange Bank & Trust Company is also subject to various legal, regulatory

and other restrictions on its ability to pay dividends and make other distributions and payments to us. A New York state member bank may generally declare a dividend, without approval from the NYSDFS or the FRB, in an amount equal to its year-to-date net income plus the prior two years' net income that is still available for dividends. The NYSDFS and the FRB have the authority to prohibit a New York trust company from paying dividends if such payment is deemed to be an unsafe or unsound practice. In addition, as a depository institution the deposits of which are insured by the FDIC, Orange Bank & Trust Company may not pay dividends or distribute any of its capital assets while it remains in default on any assessment due to the FDIC or if in the FDIC's opinion, the payment of dividends would constitute an unsafe or unsound practice. Orange Bank & Trust Company currently is not (and never has been) in default under any of its obligations to the FDIC. See "Supervision and Regulation — Regulation of the Bank — Dividends." To pay a cash dividend, a state member bank must also maintain an adequate capital conservation buffer under the capital rules described in "Supervision and Regulation — Regulation of the Bank — Capitalization."

MARKET FOR THE COMMON STOCK

Existing shares of Orange County Bancorp’s common stock are quoted on the OTCQX Market operated by the OTC Markets Group, Inc. (the “OTCQX”) under the symbol “OCBI.” As of [•], 2021, there were approximately [•] holders of record of our common stock. Upon completion of the offering, we expect that shares of our common stock will be traded on the Nasdaq Capital Market under the symbol “OBT.”

The following table sets forth the high and low bid prices for shares of Orange County Bancorp common stock for the periods indicated, as obtained from the OTCQX. These reported market quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not necessarily represent actual transactions.

Fiscal Year Ending December 31, 2021	High	Low
Second Quarter through [•], 2021	\$32.75	\$31.00
First Quarter	30.95	27.25
Fiscal Year Ending December 31, 2020	High	Low
Fourth Quarter	\$27.75	\$22.00
Third Quarter	24.00	23.31
Second Quarter	26.00	23.75
First Quarter	30.95	24.75
Fiscal Year Ending December 31, 2019	High	Low
Fourth Quarter	\$31.00	\$27.50
Third Quarter	28.50	26.51
Second Quarter	27.40	26.51
First Quarter	29.00	26.50

Although our shares have been quoted on the OTCQX, the prices at which such transactions occurred may not necessarily reflect the price that would be paid for our common stock in a more active market. We anticipate that this offering and the listing of our common stock on the Nasdaq Capital Market will result in a more active trading market for our common stock. However, we cannot assure you that a liquid trading market for our common stock will develop or be sustained after this offering. You may not be able to sell your shares quickly or at the market price if trading in our common stock is not active. See “Underwriting” for more information regarding our arrangements with the underwriters.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table sets forth summary historical consolidated financial data as of the dates and for the periods shown. The summary balance sheet data as of December 31, 2020 and 2019 and the summary income statement data for the years then ended have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary balance sheet data as of December 31, 2018 and the summary income statement data for the year then ended is derived from our audited financial statements not included in this prospectus. The summary consolidated financial data as of March 31, 2021 and for the three months ended March 31, 2021 and 2020 is derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus and includes all normal and recurring adjustments that we consider necessary for a fair presentation. Operating results for the three months ended March 31, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. The information should be read in conjunction with “Selected Historical Consolidated Financial Data,” “Risk Factors,” “Management Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	At March 31, 2021	At December 31,			
		2020	2019	2018	
(In thousands)					
Selected Financial Condition Data:					
Total assets	\$1,908,754	1,664,936	\$1,229,552	\$1,065,612	
Cash and due from banks	253,091	121,232	25,112	18,374	
Securities available for sale	359,372	330,105	254,915	255,536	
Loans, net	1,215,345	1,136,566	879,849	727,349	
Cash surrender value of BOLI	28,691	28,520	27,818	27,128	
Deposits	1,733,559	1,489,294	1,083,132	905,008	
FHLB advances	—	—	5,000	35,500	
Subordinated debt	19,340	19,323	—	—	
Note payable	3,000	3,000	3,000	3,057	
Stockholders' equity	135,081	135,423	122,063	109,279	
(In thousands)					
	For the Three Months Ended March 31,		For the Years Ended December 31,		
	2021	2020	2020	2019	2018
Selected Operating Data:					
Interest income	\$14,762	\$12,643	\$53,461	\$48,121	\$38,699
Interest expense	1,022	1,289	4,722	4,840	2,787
Net interest income	13,740	11,354	48,739	43,281	35,912
Provision for loan losses	66	1,200	5,413	2,195	2,465
Net interest income after provision for loan losses	13,674	10,154	43,326	41,086	33,447
Noninterest income	2,892	2,541	11,423	9,814	10,019
Noninterest expense	10,316	9,591	40,231	36,491	34,286
Income before income taxes	6,250	3,104	14,518	14,409	9,180
Income tax expense	1,225	628	2,839	2,928	1,628
Net income	<u>\$ 5,025</u>	<u>\$ 2,476</u>	<u>\$11,679</u>	<u>\$11,481</u>	<u>\$ 7,552</u>

	At or For the Three Months Ended March 31, ⁽¹⁾		At or For the Years Ended December 31,		
	2021	2020	2020	2019	2018
Performance Ratios:					
Return on average assets	1.13%	0.76%	0.76%	0.97%	0.73%
Return on average equity	14.94%	8.06%	9.02%	9.94%	8.18%
Return on average tangible stockholders' equity ⁽²⁾	16.01%	8.64%	9.57%	10.66%	8.96%
Interest rate spread ⁽³⁾	3.13%	3.49%	3.17%	3.67%	3.60%
Net interest margin ⁽⁴⁾	3.28%	3.69%	3.36%	3.88%	3.71%
Efficiency ratio ⁽⁵⁾	62.03%	69.02%	66.87%	68.73%	74.65%
Efficiency ratio, as adjusted ⁽⁶⁾	62.03%	69.02%	67.78%	68.45%	74.65%
Noninterest income to average total assets	0.66%	0.78%	0.75%	0.83%	0.97%
Noninterest income to total revenue ⁽⁷⁾	17.39%	18.29%	19.24%	18.41%	21.81%
Noninterest expense to average total assets	2.35%	2.95%	2.63%	3.08%	3.31%
Average interest-earning assets to average interest-bearing liabilities	158.20%	149.83%	156.00%	147.06%	137.91%
Average equity to average total assets	7.56%	9.39%	8.48%	9.75%	8.90%
Share and Per Share Data:					
Basic and diluted earnings	\$ 1.12	\$ 0.55	\$ 2.59	\$ 2.56	\$ 1.87
Cash dividends paid	\$ 0.20	\$ 0.20	\$ 0.80	\$ 0.80	\$ 0.80
Book value	\$ 30.08	\$ 28.22	\$ 30.21	\$ 27.10	\$ 24.28
Tangible book value ⁽⁸⁾	\$ 28.46	\$ 26.55	\$ 28.57	\$ 25.41	\$ 22.52
Dividend payout ratio ⁽⁹⁾	17.86%	36.36%	30.89%	31.25%	42.78%
Weighted average number of shares					
Outstanding	4,483,139	4,510,420	4,508,508	4,484,317	4,034,633
Number of shares outstanding	4,490,973	4,518,128	4,483,102	4,504,389	4,501,125
Capital Ratios:⁽¹⁰⁾					
Tangible common equity to tangible assets ⁽¹¹⁾	6.72%	8.90%	7.73%	9.37%	9.59%
Total capital to risk weighted assets	13.64%	13.54%	13.49%	13.87%	14.93%
Tier 1 capital to risk weighted assets	12.39%	12.29%	12.24%	12.62%	13.67%
Common equity tier 1 capital to risk weighted assets	12.39%	12.29%	12.24%	12.62%	13.67%
Tier 1 capital to average assets	8.19%	9.13%	8.16%	9.47%	9.67%
Asset Quality Ratios:					
Non-performing assets to total assets	0.13%	0.25%	0.15%	0.18%	0.19%
Non-performing loans to total loans	0.20%	0.36%	0.22%	0.25%	0.27%
Allowance for loan losses to non-performing loans	667.61%	401.50%	641.24%	550.20%	530.76%
Allowance for loan losses to total loans	1.32%	1.44%	1.40%	1.38%	1.44%
Net charge-offs (recoveries) to average outstanding loans during the period	0.00%	0.00%	0.16%	0.07%	0.05%
Other:					
Number of offices	14	14	14	13	14
Number of full-time equivalent employees	195	187	192	184	166

(Footnotes begin on next page)

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- (1) Annualized for the three-month periods ended March 31, 2021 and 2020.
 - (2) This is a non-GAAP financial measure. See our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption “— Non-GAAP Financial Measure Reconciliation.”
 - (3) Represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities for the periods.
 - (4) The net interest margin represents net interest income as a percent of average interest-earning assets for the periods.
 - (5) The efficiency ratio represents non-interest expense divided by the sum of net interest income and non-interest income.
 - (6) The efficiency ratio, as adjusted represents non-interest expense divided by the sum of net interest income and non-interest income, excluding gains or losses from securities sales. This is a non-GAAP financial measure. See our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption “— Non-GAAP Financial Measure Reconciliation.”
 - (7) We calculate revenue as net interest income plus noninterest income before provision for loan losses for the relevant periods.
 - (8) We calculate tangible book value per common share as total stockholders’ equity less goodwill and other intangibles, divided by the outstanding number of shares of our common stock at the end of the relevant period. Tangible book value per common share is a non-GAAP financial measure, and, as we calculate tangible book value per common share, the most directly comparable GAAP financial measure is book value per common share. See our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption “— Non-GAAP Financial Measure Reconciliation.”
 - (9) The dividend payout ratio represents dividends paid per share divided by net income per share.
 - (10) Ratios are only for Orange Bank & Trust Company only.
 - (11) We calculate tangible common equity as total stockholders’ equity less goodwill and other intangibles, and we calculate tangible assets as total assets less goodwill and other intangibles. This is a non-GAAP financial measure. See our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption “— Non-GAAP Financial Measure Reconciliation.”

Non-GAAP Financial Measure Reconciliation

Our accounting and reporting policies conform to accounting principles generally accepted in the United States, or GAAP, and the prevailing practices in the banking industry. However, we also evaluate our performance based on certain additional metrics. Tangible book value per share and the ratio of tangible equity to tangible assets are not financial measures recognized under GAAP and, therefore, are considered non-GAAP financial measures.

Our management, banking regulators, many financial analysts and other investors use these non-GAAP financial measures to compare the capital adequacy of banking organizations with significant amounts of goodwill or other intangible assets, which typically stem from the use of the purchase accounting method of accounting for mergers and acquisitions. Tangible equity, tangible assets, tangible book value per share or related measures should not be considered in isolation or as a substitute for total stockholders’ equity, total assets, book value per share or any other measure calculated in accordance with GAAP. Moreover, the manner in which we calculate tangible equity, tangible assets, tangible book value per share and any other related measures may differ from that of other companies reporting measures with similar names.

The following table reconciles, as of the dates set forth below, stockholders' equity (on a GAAP basis) to tangible equity and total assets (on a GAAP basis) to tangible assets and calculates our tangible book value per share.

	At March 31,		At December 31,		
	2021	2020	2020	2019	2018
(Dollars in thousands, except for share data)					
Tangible Common Equity:					
Total stockholders' equity	\$ 135,081	\$ 127,488	\$ 135,423	\$ 122,063	\$ 109,279
Adjustments:					
Goodwill	(5,359)	(5,359)	(5,359)	(5,359)	(5,359)
Other intangible assets	(1,892)	(2,178)	(1,963)	(2,249)	(2,535)
Tangible common equity	\$ 127,830	\$ 119,951	\$ 128,101	\$ 114,455	\$ 101,385
Common shares outstanding	4,490,973	4,518,128	4,483,102	4,504,389	4,501,125
Book value per common share	\$ 30.08	\$ 28.22	\$ 30.21	\$ 27.10	\$ 24.28
Tangible book value per common share	\$ 28.46	\$ 26.55	\$ 28.57	\$ 25.41	\$ 22.52
Tangible Assets					
Total assets	\$1,908,754	\$1,355,242	\$1,664,936	\$1,229,552	\$1,065,612
Adjustments:					
Goodwill	(5,359)	(5,359)	(5,359)	(5,359)	(5,359)
Other intangible assets	(1,892)	(2,178)	(1,963)	(2,249)	(2,535)
Tangible assets	\$1,901,503	\$1,347,705	\$1,657,614	\$1,221,944	\$1,057,718
Tangible common equity to tangible assets	6.72%	8.90%	7.73%	9.37%	9.59%

The efficiency ratio, as adjusted, is a non-GAAP measure of expense control relative to adjusted revenue. We calculate the efficiency ratio, adjusted, by dividing total noninterest expenses, as determined under GAAP, by the sum of total net interest income and total noninterest income, each as determined under GAAP, but excluding net gains or losses on the sale of securities and other non-recurring income sources, if applicable, from this calculation, which we refer to below as adjusted revenue. We believe that this provides one reasonable measure of core expenses relative to core revenue.

The following table reconciles our efficiency ratio, as adjusted, for the periods set forth below.

	For the Three Months Ended March 31,		For the Years Ended December 31,		
	2021	2020	2020	2019	2018
(Dollars in thousands)					
GAAP-based efficiency ratio	62.03%	69.02%	66.87%	68.73%	74.65%
Net interest income	\$13,740	\$11,354	\$48,739	\$43,281	\$35,912
Noninterest income	2,892	2,541	11,423	9,814	10,019
Less: net gains (losses) on sales of securities	—	—	804	(219)	—
Adjusted revenue	\$16,632	\$13,895	\$59,358	\$53,314	\$45,931
Total noninterest expense	10,316	9,591	40,231	36,491	34,286
Efficiency ratio, as adjusted	62.03%	69.02%	67.78%	68.45%	74.65%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations for the three months ended March 31, 2021 and 2020 and for the years ended December 31, 2020 and 2019 should be read in conjunction with "Selected Historical Consolidated Financial Data" and our consolidated financial statements and the accompanying notes included elsewhere in this prospectus. This discussion and analysis contains forward-looking statements that are subject to certain risks and uncertainties and are based on certain assumptions that we believe are reasonable but may prove to be inaccurate. Certain risks, uncertainties and other factors, including those set forth under "Cautionary Note Regarding Forward-Looking Statements," "Risk Factors" and elsewhere in this prospectus, may cause actual results to differ materially from those projected results discussed in the forward-looking statements appearing in this discussion and analysis. We assume no obligation to update any of these forward-looking statements.

Overview

We are a bank holding company headquartered in Middletown, New York and registered under the BHC Act. Through our wholly owned subsidiaries, Orange Bank & Trust Company and Hudson Valley Investment Advisors, Inc., we offer full-service commercial and consumer banking products and services and trust and wealth management services to small businesses, middle-market enterprises, local municipal governments and affluent individuals in the Lower Hudson Valley region, the New York metropolitan area and nearby markets in Connecticut and New Jersey. By combining the high-touch service and relationship-based focus of a community bank with the extensive suite of financial products and services offered by our larger competitors, we believe we can capitalize on the substantial growth opportunities available in our market areas. We also offer a variety of deposit accounts to businesses and consumers, including checking accounts and a full line of municipal banking accounts through our business banking platform. These activities, together with our 14 branches and one loan production office, generate a stable source of low-cost core deposits and a diverse loan portfolio with attractive risk-adjusted yields. We also offer private banking services through Orange Bank & Trust Private Banking, a division of Orange Bank & Trust Company, and provide trust and wealth management services through Orange Bank & Trust Company's trust services department and HVIA, which combined has \$1.2 billion in assets under management at March 31, 2021. As of March 31, 2021, our assets, loans, deposits and stockholders' equity totaled \$1.9 billion, \$1.2 billion, \$1.7 billion and \$135.1 million, respectively.

Key Factors Affecting Our Business

COVID-19. During the first quarter of 2020, global financial markets experienced significant volatility resulting from the spread of a novel coronavirus known as COVID-19. In March 2020, the World Health Organization declared COVID-19 a global pandemic and the United States declared a National Public Health Emergency. The COVID-19 pandemic has restricted the level of economic activity in our markets. In response to the pandemic, the governments of the State of New York and of most other states took preventative or protective actions, such as imposing restrictions on travel and business operations, advising or requiring individuals to limit or forego time outside of their homes, and ordering temporary closures of businesses that have been deemed to be non-essential. These measures dramatically increased unemployment in the United States and negatively impacted many businesses, and thereby threatened the repayment ability of some of our borrowers. As of March 31, 2021, many of these restrictions have been removed and many non-essential businesses have been allowed to re-open in a limited capacity, adhering to social distancing and disinfection guidelines. However, these restrictions and other consequences of the pandemic have resulted in significant adverse effects for us and our customers. The direct and indirect effects of the COVID-19 pandemic have resulted in dramatic reductions in the level of economic activity in our market area, as well as in the national and global economies and financial markets, and have severely hampered the ability for certain businesses and consumers to meet their current repayment obligations.

To address the economic impact in the United States, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law on March 27, 2020. The CARES Act included a number of provisions that impacted our business, including accounting relief for troubled debt restructurings. Federal and New York State banking regulatory agencies have likewise issued guidance encouraging

financial institutions to work prudently with borrowers who are, or may be, unable to meet their contractual payment obligations because of the effects of COVID-19. Modifications may include payment deferrals, fee waivers, extensions of repayment term, or other delays in payment. Based on guidance in the CARES Act and recent COVID-19 related legislation, COVID-19 related modifications to loans that were current as of December 31, 2019 are exempt from troubled debt restructured classification under U.S. GAAP through the earlier of January 1, 2022, or 60 days after the national emergency concerning COVID-19 declared by the President of the United States terminates. The CARES Act also established the PPP through the U.S. Small Business Administration (“SBA”), which allowed us to lend money to small businesses to maintain employee payrolls through the crisis with guarantees from the SBA. Under this program, loan amounts may be forgiven if the borrower maintains employee payrolls and meets certain other requirements.

In response to the pandemic, we implemented protocols and processes to help protect our employees, customers and communities. These measures included:

- Operating our branches under a drive-through model with appointment-only lobby service for a period of time, leveraging our business continuity plans and capabilities that include critical operations teams being divided and dispersed to separate locations and, when possible, having employees work from home.
- Offering assistance to our customers affected by the COVID-19 pandemic, which included payment deferrals, waiving certain fees, suspending property foreclosures, and participating in the CARES Act and lending programs for businesses, including the PPP.

The following table reflects our loan deferrals as a result of the COVID-19 pandemic for the periods indicated. In accordance with the CARES Act, the deferrals listed below are not troubled debt restructurings.

Industry Classification	COVID-19 Loan Modifications Outstanding As Of							
	June 30, 2020		September 30, 2020		December 31, 2020		March 31, 2021	
	# Loans	Total Loan Balance	# Loans	Total Loan Balance	# Loans	Total Loan Balance	# Loans	Total Loan Balance
	(Dollars in thousands)							
Real estate and rental & leasing	101	\$ 132,807	24	\$ 50,561	6	\$ 4,516	5	\$ 6,677
Healthcare	134	39,348	49	16,362	12	11,757	6	7,484
Construction	10	8,339	1	—	—	—	—	—
Retail trade	11	20,374	4	19,322	1	11,178	—	—
Company & enterprise mgmt.	8	19,122	1	3,353	—	—	—	—
Wholesale trade	14	13,786	1	43	—	—	—	—
Manufacturing	17	6,504	—	—	—	—	—	—
Hotel/motel	7	7,997	1	912	3	7,593	3	7,588
Professional	9	2,871	1	145	—	—	2	52
Finance & insurance	1	54	—	—	—	—	—	—
Contractors	14	6,891	—	—	—	—	—	—
Educational & childcare	3	4,185	—	—	—	—	—	—
Administration mgmt..	5	8,757	2	7,764	2	6,884	2	6,882
Food services	11	10,597	1	6,495	1	443	3	650
Art, entertainment & recreation	3	2,992	2	2,931	1	2,878	1	2,878
Transportation & warehouse	6	\$ 1,400	3	\$ 1,307	—	—	—	—
Residential real estate & other	57	\$ 24,328	9	\$ 2,149	3	3,520	—	—
Total deferred	411	\$ 310,352	99	\$ 111,344	29	\$ 48,769	22	\$ 32,211
Unpaid principal balance of total loans		\$1,052,726		\$1,081,961		\$1,155,659		\$1,235,737
% of loans deferred		29.5%		10.3%		4.2%		2.6%

From a credit risk and lending perspective, we have taken actions to identify and assess our COVID-19 related credit exposures based on asset class and borrower type. Through March 31, 2021, no specific COVID-19 related credit impairment was identified within our investment securities portfolio, including our municipal securities portfolio.

The short and long-term implications of the COVID-19 crisis, and related monetary and fiscal stimulus measures, on our future operations, revenues, earnings results, allowance for loan losses, capital reserves, and liquidity are unknown at this time. At this point, the extent to which COVID-19 may impact our future financial condition or results of operations is uncertain and not currently estimable, however the impact could be adverse and material.

Net Interest Income. Net interest income is the most significant contributor to our net income and is the difference between the interest and fees earned on interest-earning assets and the interest expense incurred in connection with interest-bearing liabilities. Net interest income is primarily a function of the average balances and yields of these interest-earning assets and interest-bearing liabilities. These factors are influenced by internal considerations such as product mix and risk appetite as well as external influences such as economic conditions, competition for loans and deposits and market interest rates.

The cost of our deposits and short-term borrowings is primarily based on short-term interest rates, which are largely driven by the FRB's actions and market competition. The yields generated by our loans and securities are typically affected by short-term and long-term interest rates, which are driven by market competition and market rates often impacted by the FRB's actions. The level of net interest income is influenced by movements in such interest rates and the pace at which such movements occur.

We anticipate that interest rates will remain low over the next few years. Based on our asset sensitivity, a steepened yield curve and higher interest rates generally could have a beneficial impact on our net interest income. Conversely, a continued flat yield curve at lower rates would be expected to have an adverse impact on our net interest income.

Noninterest Income. Noninterest income is also a contributor to our net income. Noninterest income consists primarily of our investment advisory income and trust income generated by HVIA and our trust department. In addition, noninterest income is also impacted by net gains (losses) on the sale of investment securities, service charges on deposit accounts, earnings on bank owned life insurance and other fee income consisting primarily of debit card fee income, checkbook fees and rebates and safe deposit box rental income.

Noninterest Expense. Noninterest expense includes salaries, employee benefits, occupancy, furniture and equipment expense, professional fees, directors' fees and expenses, computer software expense, Federal deposit insurance assessment, advertising expenses, advisor expenses related to trust income and other expenses. In evaluating our level of noninterest expense we closely monitor our efficiency ratio. The efficiency ratio is calculated by dividing noninterest expense to net interest income plus noninterest income. We continue to seek to identify ways to streamline our business and operate more efficiently.

Credit Quality. We have well established loan policies and underwriting practices that have resulted in very low levels of charge-offs and nonperforming assets. We strive to originate quality loans that will maintain the credit quality of our loan portfolio. However, credit trends in the markets in which we operate are largely impacted by economic conditions beyond our control and can adversely impact our financial condition.

Competition. The industry and businesses in which we operate are highly competitive. We may see increased competition in different areas including interest rates, underwriting standards and product offerings and structure. While we seek to maintain an appropriate return on our investments, we anticipate that we will experience continued pressure on our net interest margins as we operate in this competitive environment.

Economic Conditions. Our business and financial performance are affected by economic conditions generally in the United States and more directly in the market of the Lower Hudson Valley region, the New York metropolitan area and nearby markets in Connecticut and New Jersey where we primarily operate. The significant economic factors that are most relevant to our business and our financial performance include, but are not limited to, real estate values, interest rates and unemployment rates.

Regulatory Trends. We operate in a highly regulated environment and nearly all of our operations are subject to extensive regulation and supervision. Bank or securities regulators, Congress, the State of New York and the NYSDFS may revise the laws and regulations applicable to us, may impose new laws and regulations, increase the level of scrutiny of our business in the supervisory process, and pursue additional enforcement actions against financial institutions. Future legislative and regulatory changes such as these may increase our costs and have an adverse effect on our business, financial condition and results of operations. The legislative and regulatory trends that will affect us in the future are impossible to predict with any certainty.

Public Company Costs. Following the completion of this offering, we expect to incur additional costs associated with operating as a public company. We expect that these costs will include additional personnel, legal, consulting, regulatory, insurance, accounting, investor relations and other expenses that we did not incur as a private company.

The Sarbanes-Oxley Act, as well as rules adopted by the SEC, the FRB, the NYSDFS and national securities exchanges, requires public companies to implement specified corporate governance practices that are currently inapplicable to us as a private company. These additional rules and regulations will increase our legal, regulatory and financial compliance costs and will make some activities more time-consuming and costly.

Critical Accounting Policies

A summary of our accounting policies is described in Note 1 to both the consolidated financial statements and the unaudited condensed consolidated financial statements included in this prospectus. Critical accounting estimates are necessary in the application of certain accounting policies and procedures and are particularly susceptible to significant change. Critical accounting policies are defined as those involving significant judgments and assumptions by management that could have a material impact on the carrying value of certain assets or on income under different assumptions or conditions. These critical policies and their application are periodically reviewed with the Audit Committee and the board of directors. Management believes that the most critical accounting policies, which involve the most complex or subjective decisions or assessments, are as follows:

Allowance for Loan Losses. Management believes that the determination of the allowance for loan losses involves a high degree of complexity and requires management to make difficult and subjective judgments, which often require assumptions or estimates about highly uncertain matters. Changes in these judgments, assumptions or estimates could materially impact Orange County Bancorp's results of operations.

The provision for loan losses is based upon management's evaluation of the adequacy of the allowance, including an assessment of known and inherent risks in the portfolio, giving consideration to the size and composition of the loan portfolio, actual loan loss experience, level of delinquencies, detailed analysis of individual loans for which full collectability may not be assured, the existence and estimated fair value of any underlying collateral and guarantees securing the loans, and current economic and market conditions. Although management uses the best information available, the level of the allowance for loan losses remains an estimate, which is subject to significant judgment and change. Various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to record additional provisions for loan losses based upon information available to them at the time of their examination. Furthermore, the majority of the Bank's loans are secured by real estate in the State of New York. Accordingly, the collectability of a substantial portion of the carrying value of the Bank's loan portfolio is susceptible to changes in local market conditions and may experience adverse economic conditions. Future adjustments to the provision for loan losses and allowance for loan losses may be necessary due to economic, operating, regulatory and other conditions beyond the Bank's control.

Defined Benefit Pension Plans. The determination of the defined benefit obligation and net periodic benefit cost related to our defined benefit pension plans requires estimates and assumptions such as discount rates, mortality, rates of return on plan assets and compensation increases. Management evaluates the assumptions annually and uses an actuarial firm to assist in making these estimates. Changes in assumptions

due to market conditions, governing laws and regulations, or circumstances specific to Orange County Bancorp could result in material changes to defined benefit pension obligation and net periodic benefit cost.

Emerging Growth Company. Pursuant to the JOBS Act, an emerging growth company is provided the option to adopt new or revised accounting standards that may be issued by the Financial Accounting Standards Board (“FASB”) or the SEC either (i) within the same periods as those otherwise applicable to non-emerging growth companies or (ii) within the same time periods as private companies. We have irrevocably elected to adopt new accounting standards within the same time periods as private companies.

Although we are still evaluating the JOBS Act, we expect to take advantage of some of the reduced regulatory and reporting requirements that are available to us so long as we qualify as an emerging growth company, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation, and exemptions from the requirements of holding non-binding advisory votes on executive compensation and golden parachute payments.

Discussion and Analysis of Financial Condition

Summary Financial Condition. The following table sets forth a summary of the material categories of our balance sheet at the dates indicated:

	As of March 31,		As of December 31,		Change			
					March 31, 2021 vs. December 31, 2020		December 31, 2020 vs. December 31, 2019	
	2021	2020	2019	Amount (\$)	Percentage (%)	Amount (\$)	Percentage (%)	
(Dollars in thousands)								
Assets	1,908,754	1,664,936	1,229,552	243,818	14.6%	435,384	35.4%	
Cash and due from banks	253,091	121,232	25,112	131,859	108.8%	96,120	382.8%	
Loans, net	1,215,345	1,136,566	879,849	78,779	6.9%	256,717	29.2%	
Securities, available for sale	359,372	330,105	254,915	29,267	8.9%	75,190	29.5%	
Deposits	1,733,559	1,489,294	1,083,132	244,265	16.4%	406,162	37.5%	
FHLB advances	—	—	5,000	—	—	(5,000)	(100.0)%	
Subordinated debt and note payable	22,340	22,323	3,000	17	0.1%	19,323	644.1%	
Stockholders' Equity	135,081	135,423	122,063	(342)	(0.3)%	13,360	10.9%	

Assets. Our total assets were \$1.9 billion at March 31, 2021, an increase of \$243.8 million from \$1.7 billion at December 31, 2020. The increase was primarily due to an increase in cash and due from banks of \$131.9 million, or 108.8%, an increase in net loans of \$78.8 million, or 6.9%, and an increase in securities available-for-sale of \$29.3 million, or 8.9%.

Our total assets were \$1.7 billion at December 31, 2020, an increase of \$435.4 million, or 35.4%, from \$1.2 billion at December 31, 2019. The increase was primarily due to an increase in net loans of \$256.7 million, or 29.2%, an increase in cash and due from banks of \$96.1 million, or 382.8%, and an increase in securities available-for-sale of \$75.2 million, or 29.5%.

Cash and due from banks. Cash and due from banks increased \$131.9 million, or 108.8%, to \$253.1 million at March 31, 2021 from \$121.2 million at December 31, 2020. The increase resulted primarily from our deposit growth from the distribution of government stimulus funds, along with reduced spending by our customers during the COVID-19 pandemic, which exceeded our funding needs for new lending activities.

Cash and due from banks increased \$96.1 million, or 382.8%, to \$121.2 million at December 31, 2020 from \$25.1 million at December 31, 2019. This increase resulted primarily from our deposit growth from the

distribution of government stimulus funds, along with reduced spending by our customers during the COVID-19 pandemic. This increase was partially offset by the use of cash to fund new loans and to purchase debt securities.

Loans. The following table sets forth the composition of our loan portfolio by type of loan at the dates indicated.

	At March 31, 2021		At December 31,					
			2020		2019		2018	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in thousands)								
Commercial and industrial	\$ 233,636	18.97%	\$ 229,175	19.88%	\$222,111	24.90%	\$179,542	24.33%
Commercial real estate	709,760	57.63%	698,130	60.56%	534,407	59.90%	457,510	61.99%
Commercial real estate construction	76,570	6.22%	63,544	5.51%	56,412	6.32%	28,863	3.91%
Residential real estate	58,123	4.72%	57,941	5.03%	65,290	7.32%	59,215	8.02%
Home equity	13,197	1.07%	13,960	1.21%	11,668	1.31%	10,641	1.44%
Consumer	18,563	1.51%	20,114	1.74%	2,236	0.25%	2,241	0.30%
PPP loans	121,779	9.89%	69,874	6.06%	—	—	—	—
Total loans	1,231,628	100.00%	1,152,738	100.00%	892,124	100.00%	738,012	100.00%
Allowance for loan losses	16,283		16,172		12,275		10,663	
Total loans, net	<u>\$1,215,345</u>		<u>\$1,136,566</u>		<u>\$879,849</u>		<u>\$727,349</u>	

Net loans increased \$78.8 million, or 6.9%, to \$1.2 billion at March 31, 2021 from \$1.1 billion at December 31, 2020 primarily due to increases in commercial and industrial loans, commercial real estate loans, and commercial real estate construction loans. Commercial and industrial loans, including PPP loans, increased \$56.4 million, or 18.8%, to \$355.4 million at March 31, 2021 from \$299.0 million at December 31, 2020 primarily as a result of our participation in the PPP loan program. Commercial real estate loans increased \$11.6 million, or 1.7%, to \$709.8 million at March 31, 2021 from \$698.1 million at December 31, 2020 primarily as a result of increased loan demand by our customers during the first quarter of 2021 due to increased economic activity in our market area, along with our strategy to expand commercial real estate lending in our market area. Commercial real estate construction loans increased \$13.0 million, or 20.5%, to \$76.6 million at March 31, 2021 from \$63.5 million at December 31, 2020 reflecting the timing of funding certain projects and also our strategy to expand commercial real estate lending in our primary market areas.

Net loans increased \$256.7 million, or 29.2%, to \$1.1 billion at December 31, 2020 from \$879.8 million at December 31, 2019 primarily due to increases in commercial real estate loans and commercial and industrial loans, partially offset by a decrease in residential real estate loans. Commercial real estate loans increased \$163.7 million, or 30.6%, to \$698.1 million at December 31, 2020 from \$534.4 million at December 31, 2019 primarily as a result of increased loan demand by our customers during 2020 due to increased economic activity in our market area, along with our strategy to expand our commercial real estate lending in our market area. Commercial and industrial loans, including PPP loans, increased \$76.9 million, or 34.6%, to \$299.0 million at December 31, 2020 from \$222.1 million at December 31, 2019 primarily as a result of our participation in the PPP loan program. Residential real estate loans decreased \$7.3 million, or 11.3%, to \$57.9 million at December 31, 2020 from \$65.3 million at December 31, 2019 primarily due to customers refinancing their loans at lower rates, along with the reduction of our investment in one- to four-family residential loans as part of our business strategy.

Loan Portfolio Maturities. The following table sets forth the contractual maturities of our total loan portfolio at March 31, 2021. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in one year or less. The table presents contractual maturities and

does not reflect repricing or the effect of prepayments. Maturities are based on the final contractual payment date and do not reflect the impact of prepayments and scheduled principal amortization.

Time to Reprice/Mature	Commercial and Industrial	Commercial Real Estate	Commercial Real Estate Construction	Residential Real Estate	Home Equity	Consumer	Total
One year or less	\$ 56,099	\$ 20,104	\$58,341	\$ 212	\$ 2	\$ 621	\$ 135,378
More than one year to five years	212,096	109,031	18,229	3,684	155	3,915	347,110
More than five years to fifteen years	86,856	563,160	—	26,003	1,834	14,027	691,880
After fifteen years	364	17,466	—	28,225	11,205	—	57,259
Total	\$355,415	\$709,760	\$76,570	\$58,123	\$13,197	\$18,563	\$1,231,628

The following table sets forth the principal balance of fixed and adjustable-rate loans at March 31, 2021 that are contractually due after March 31, 2022.

	Due After March 31, 2022		
	Fixed	Adjustable	Total
	(In thousands)		
Commercial and industrial	\$229,534	\$ 72,200	\$ 301,734
Commercial real estate	237,172	452,982	690,153
Commercial real estate construction :	15,291	3,002	18,293
Residential real estate	53,341	4,911	58,252
Home equity	283	12,911	13,195
Consumer	15,019	2,923	17,943
Total loans	\$550,640	\$548,930	\$1,099,570

At March 31, 2021, \$448.4 million, or 68.0% of our adjustable interest rate loans were at their interest rate floor.

Delinquent Loans. The following table sets forth our loan delinquencies, including non-accrual loans, by type and amount at the dates indicated. We had no PPP loans delinquent at March 31, 2021 or December 31, 2020. Loans granted deferrals pursuant to the CARES Act and related regulatory guidance issued by the federal banking regulators are not included.

	At March 31, 2021			At December 31,								
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	2020			2019			2018		
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due
	(In thousands)											
Commercial and industrial	\$181	\$173	\$ 345	\$123	\$201	\$ 457	\$ 525	\$118	\$ 717	\$ 738	\$117	\$ 169
Commercial real estate	—	—	1,345	—	—	1,345	4,149	183	959	1,413	—	1,449
Commercial real estate construction	—	—	—	—	—	—	—	—	—	—	—	—
Residential real estate	597	—	579	570	—	580	875	—	416	896	504	115
Home equity	—	—	—	—	—	—	125	59	51	1,098	47	98
Consumer	210	293	93	132	272	61	—	—	—	—	13	—
Total	\$988	\$466	\$2,362	\$825	\$473	\$2,443	\$5,674	\$360	\$2,143	\$4,145	\$681	1,831

The following table sets forth our loan delinquencies, including non-accrual loans, at the dates indicated as a percentage of loans for the corresponding types.

	At December 31,											
	At March 31, 2021			2020			2019			2018		
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due
Commercial and industrial	0.05%	0.05%	0.10%	0.04%	0.07%	0.15%	0.24%	0.05%	0.32%	0.41%	0.07%	0.09%
Commercial real estate	—	—	0.19%	—	—	0.19%	0.78%	0.03%	0.18%	0.31%	—	0.32%
Commercial real estate construction	—	—	—	—	—	—	—	—	—	—	—	—
Residential real estate	1.03%	—	1.00%	0.98%	—	1.00%	1.34%	—	0.64%	1.51%	0.85%	0.19%
Home equity	—	—	—	—	—	—	1.07%	0.51%	0.44%	10.32%	0.44%	0.92%
Consumer	1.13%	1.58%	0.50%	0.66%	1.35%	0.30%	—	—	—	—	0.58%	—
Total	<u>0.08%</u>	<u>0.04%</u>	<u>0.19%</u>	<u>0.07%</u>	<u>0.04%</u>	<u>0.21%</u>	<u>0.64%</u>	<u>0.04%</u>	<u>0.24%</u>	<u>0.56%</u>	<u>0.09%</u>	<u>0.25%</u>

Non-performing Assets

Management determines that a loan is impaired or non-performing when it is probable at least a portion of the loan will not be collected in accordance with the original terms due to a deterioration in the financial condition of the borrower or the value of the underlying collateral if the loan is collateral dependent. When a loan is determined to be impaired, the measurement of the loan in the allowance for loan losses is based on present value of expected future cash flows, except that all collateral-dependent loans are measured for impairment based on the fair value of the collateral. Non-accrual loans are loans for which collectability is questionable and, therefore, interest on such loans will no longer be recognized on an accrual basis. All loans that become 90 days or more delinquent are placed on non-accrual status unless the loan is well secured and in the process of collection. When loans are placed on non-accrual status, unpaid accrued interest is fully reversed, and further income is recognized only to the extent received on a cash basis or cost recovery method.

When we acquire real estate as a result of foreclosure, the real estate is classified as real estate owned. The real estate owned is recorded at the lower of carrying amount or fair value, less estimated costs to sell. Soon after acquisition, we order a new appraisal to determine the current market value of the property. Any excess of the recorded value of the loan satisfied over the market value of the property is charged against the allowance for loan losses, or, if the existing allowance is inadequate, charged to expense of the current period. After acquisition, all costs incurred in maintaining the property are expensed. Costs relating to the development and improvement of the property, however, are capitalized to the extent of estimated fair value less estimated costs to sell. A loan is classified as a troubled debt restructuring if, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession to the borrower that we would not otherwise consider. This usually includes a modification of loan terms, such as a reduction of the interest rate to below market terms, capitalizing past due interest or extending the maturity date and possibly a partial forgiveness of the principal amount due. Interest income on restructured loans is accrued after the borrower demonstrates the ability to pay under the restructured terms through a sustained period of repayment performance, which is generally six consecutive months.

The CARES Act, in addition to providing financial assistance to both businesses and consumers, creates a forbearance program for federally-backed mortgage loans, protects borrowers from negative credit reporting due to loan accommodations related to the national emergency, and provides financial institutions the option to temporarily suspend certain requirements under U.S. GAAP related to troubled debt restructurings for a limited period of time to account for the effects of COVID-19. The Federal banking regulatory agencies have likewise issued guidance encouraging financial institutions to work prudently with borrowers who are, or may be, unable to meet their contractual payment obligations because of the effects of COVID-19. That guidance, with concurrence of the Financial Accounting Standards Board, and

provisions of the CARES Act allow modifications made on a good faith basis in response to COVID-19 to borrowers who were generally current with their payments prior to any relief, to not be treated as troubled debt restructurings. Modifications may include payment deferrals, fee waivers, extensions of repayment term, or other delays in payment. We have worked with our customers affected by COVID-19 and accommodated a significant amount of loan modifications across its loan portfolios. To the extent that additional modifications meet the criteria previously described, such modifications are not expected to be classified as troubled debt restructurings.

The following table sets forth information regarding our non-performing assets. Non-accrual loans include non-accruing troubled debt restructurings of \$959,000, \$959,000, \$959,000, and \$1.5 million as of March 31, 2021, December 31, 2020, December 31, 2019 and December 31, 2018, respectively. No PPP loans were considered non-performing at March 31, 2021 or December 31, 2020.

	At March 31,	At December 31,		
	2021	2020	2019	2018
(Dollars in Thousands)				
Non-accrual loans:				
Commercial and industrial	\$ —	\$ —	\$ 502	\$ 104
Commercial real estate	1,345	1,345	959	1,419
Commercial real estate construction	—	—	—	—
Residential real estate	655	657	88	204
Home equity	—	—	—	98
Consumer	—	—	—	—
Total non-accrual loans	2,000	2,002	1,549	1,825
Accruing loans 90 days or more past due:				
Commercial and industrial	345	457	215	145
Commercial real estate	—	—	—	30
Commercial real estate construction	—	—	—	—
Residential real estate	2	2	416	9
Home equity	—	—	51	—
Consumer	93	61	—	—
Total accruing loans 90 days or more past due	440	520	682	184
Total non-performing loans	2,440	2,522	2,231	2,009
Other real estate owned	—	—	—	—
Other non-performing assets	—	—	—	—
Total non-performing assets	<u>\$2,440</u>	<u>\$2,522</u>	<u>\$2,231</u>	<u>2,009</u>
Ratios:				
Total non-performing loans to total loans	0.20%	0.22%	0.25%	0.19%
Total non-performing loans to total assets	0.13%	0.15%	0.18%	0.27%
Total non-performing assets to total assets	0.13%	0.15%	0.18%	0.27%

Non-performing loans at March 31, 2021 totaled \$2.4 million and consisted of \$1.3 million of commercial real estate loans and \$655,000 of residential real estate loans. We had no other real estate owned at March 31, 2021.

Non-performing assets decreased \$83,000, or 3.3%, to \$2.4 million, or 0.13% of total assets, at March 31, 2021 from \$2.5 million, or 0.15% of total assets, at December 31, 2020. The decrease in non-performing assets at March 31, 2021 compared to December 31, 2020 was primarily due to a decrease of \$81,000 in accruing loans 90 days or more past due.

Non-performing assets increased \$291,000, or 13.0%, to \$2.5 million, or 0.15% of total assets, at December 31, 2020 from \$2.2 million, or 0.18% of total assets, at December 31, 2019. The increase in non-commercial and industrial loans. We had no other real estate owned at December 31, 2020 or 2019.

From time to time, as part of our loss mitigation strategy, we may renegotiate loan terms based on the economic and legal reasons related to the borrower's financial difficulties. There were no new troubled debt restructurings during the three months ended March 31, 2021 or during the years ended December 31, 2020 and December 2019. Troubled debt restructurings may be considered to be non-performing and if so are placed on non-accrual, except for those that have established a sufficient performance history under the terms of the restructured loan.

At March 31, 2021, seven loans with aggregate balances of \$14.1 million were considered troubled debt restructurings, but were performing in accordance with their restructured terms for the requisite period of time (generally at least six consecutive months) to be returned to accrual status. At December 31, 2020, nine loans with aggregate balances of \$15.0 million were considered troubled debt restructurings but were performing in accordance with their restructured terms for the requisite period of time to be returned to accrual status. At December 31, 2019, nine loans with aggregate balances of \$11.4 million were considered troubled debt restructurings but were performing in accordance with their restructured terms for the requisite period of time to be returned to accrual status.

Classified Assets. Federal regulations provide that loans and other assets of lesser quality should be classified as "substandard", "doubtful" or "loss" assets. An asset is considered "substandard" if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. "Substandard" assets include those characterized by the "distinct possibility" that we will sustain "some loss" if the deficiencies are not corrected. Assets classified as "doubtful" have all of the weaknesses inherent in those classified "substandard," with the added characteristic that the weaknesses present make "collection or liquidation in full," on the basis of currently existing facts, conditions, and values, "highly questionable and improbable." Assets classified as "loss" are those considered "uncollectible" and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. We designate an asset as "special mention" if the asset has a potential weakness that warrants management's close attention.

The following table summarizes classified assets of all portfolio types at the dates indicated:

	At March 31, 2021	At December 31,		
		2020	2019	2018
		(In thousands)		
Classification of Assets:				
Substandard	\$11,446	\$11,693	\$14,021	\$15,299
Doubtful	—	—	—	—
Loss	—	—	—	—
Total Classified Assets	\$11,446	\$11,693	\$14,021	15,299
Special Mention	\$ 7,133	\$ 7,187	\$ 5,630	9,334

On the basis of management's review of our assets, we classified \$11.4 million of our assets at March 31, 2021 as substandard compared to \$11.7 million at December 31, 2020. We designated \$7.1 million of our assets at March 31, 2021 as special mention compared to \$7.2 million designated as special mention at December 31, 2020. The decrease in classified assets at December 31, 2020 as compared to at December 31, 2019 was primarily the result of refinancing one large commercial loan relationship totaling \$5.3 million which resulted in an upgrade to pass status. The increase in special mention assets at December 31, 2020 compared to at December 31, 2019 was primarily due to one commercial and industrial loan totaling \$2.6 million being downgraded to special mention.

Allowance for Loan Losses

Please see "— Critical Accounting Policies — Allowance for Loan Losses" for additional discussion of our allowance policy.

The allowance for loan losses is maintained at levels considered adequate by management to provide for probable incurred loan losses inherent in the loan portfolio as of the consolidated balance sheet reporting dates. The allowance for loan losses is based on management's assessment of various factors affecting the loan portfolio, including portfolio composition, delinquent and non-accrual loans, national and local business conditions and loss experience and an overall evaluation of the quality of the underlying collateral. The amount and adequacy of the allowance is based on management's evaluation of the collectability of the loan portfolio. Specifically, management uses specific and general components to determine the appropriate allowance level. The specific component relates to loans individually evaluated for impairment. Allowances for impaired loans are generally determined based on collateral values or the present value of the estimated cash flows.

The allowance is increased through provisions charged against current earnings and offset by recoveries of previously charged-off loans. Loans which are determined to be uncollectible are charged against the allowance. Management uses available information to recognize probable and reasonably estimable loan losses, but future loss provisions may be necessary based on changing economic conditions. As a result of the COVID-19 pandemic, during the year ended December 30, 2020, we increased certain of our qualitative loan portfolio risk factors relating to local and national economic conditions as well as industry conditions and concentrations as a result of the effects of the COVID-19 pandemic. The allowance for loan losses is maintained at a level that represents management's best estimate of losses inherent in the loan portfolio. In addition, the FRB and the NYSDFS, as an integral part of their examination process, periodically review our allowance for loan losses and could require us to increase our allowance for loan losses.

This analysis process is inherently subjective, as it requires us to make estimates that are susceptible to revisions as more information becomes available. Although we believe that we have established the allowance at a level to absorb probable and estimable losses, additions may be necessary if economic or other conditions in the future differ from the current environment.

The following table sets forth activity in our allowance for loan losses for the periods indicated:

	At or for the Three Months Ended March 31,		At or For the Years Ended December 31,		
	2021	2020	2020	2019	2018
	(Dollars in Thousands)				
Balance at beginning of period	\$16,172	\$12,275	\$12,275	\$10,663	\$ 8,526
Charge-offs:					
Commercial and industrial	16	—	1,239	352	232
Commercial real estate	43	—	219	453	33
Commercial real estate construction	—	—	—	—	—
Residential real estate	—	—	51	41	52
Home equity	—	—	—	1	158
Consumer	5	3	28	59	10
PPP loans	—	—	—	—	—
Total charge-offs	64	3	1,537	906	485
Recoveries:					
Commercial and industrial	87	6	10	107	5
Commercial real estate	1	1	4	51	54
Commercial real estate construction	—	—	—	—	—
Residential real estate	—	—	—	156	88
Home equity	—	—	—	—	—
Consumer	21	2	7	9	10
Total recoveries	109	9	21	323	157
Net charge-offs (recoveries)	(45)	(6)	1,516	583	328
Provision for loan losses	66	1,200	5,413	2,195	2,465
Balance at end of period	<u>\$16,283</u>	<u>\$13,481</u>	<u>\$16,172</u>	<u>\$12,275</u>	<u>10,663</u>
Ratios:					
Net charge-offs to average loans outstanding	0.00%	0.00%	0.16%	0.07%	0.05%
Allowance for loan losses to non-performing loans at end of period	667.61%	534.55%	641.23%	550.20%	530.76%
Allowance for loan losses to total loans at end of period	1.32%	1.44%	1.40%	1.38%	1.44%
Allowance for loan losses to total loans (excluding PPP Loans) at end of period	1.47%	1.44%	1.49%	1.38%	1.44%

The allowance for loan losses increased by \$111,000, or 0.7%, to \$16.3 million, or 1.32% of total loans (or 1.47% of total loans, excluding PPP loans), at March 31, 2021 from \$16.2 million, or 1.40% of total loans (or 1.49% of total loans, excluding PPP loans), at December 31, 2020. The allowance for loan losses increased by \$3.9 million, or 31.7%, to \$16.2 million, or 1.40% of total loans (or 1.49% of total loans, excluding PPP loans), at December 31, 2020 from \$12.3 million, or 1.38% of total loans, at December 31, 2019. The increase in the allowance for loan losses for the aforementioned periods was primarily due to the growth in our commercial real estate and commercial and industrial loan segments, as well as an adjustment of certain qualitative factors in 2020 to take into account the uncertain impacts of the COVID-19 pandemic on economic conditions and borrowers' ability to repay loans. In addition, we had net charge-offs of \$1.5 million for the year ended December 31, 2020 as compared to net charge-offs of \$583,000 for the year ended December 31, 2019. The increase in net charge-offs was due to 10 commercial and industrial loans totaling \$1.2 million that were charged-off during 2020 primarily due to the economic impact of the COVID-19 pandemic on certain dentist and physician business borrowers.

The following tables set forth the allowance for loan losses allocated by loan category at the dates indicated.

	At March 31, 2021			At December 31,					
				2020			2019		
	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans
(Dollars in thousands)									
Commercial and industrial ⁽¹⁾	\$ 5,015	30.80%	28.86%	\$ 4,795	29.65%	25.94%	\$ 5,107	41.60%	24.90%
Commercial real estate	9,545	58.62%	57.63%	9,782	60.49%	60.56%	5,951	48.48%	59.90%
Commercial real estate construction	1,002	6.15%	6.22%	801	4.95%	5.51%	713	5.81%	6.32%
Residential real estate	346	2.12%	4.72%	381	2.36%	5.03%	384	3.13%	7.32%
Home equity	65	0.40%	1.07%	77	0.48%	1.21%	43	0.35%	1.31%
Consumer	310	1.90%	1.51%	336	2.08%	1.74%	77	0.63%	0.25%
Total allocated allowance	16,283	100.00%	100.00%	16,172	100.00%	100.00%	12,275	100.00%	100.00%
Unallocated allowance	—	—	—	—	—	—	—	—	—
Total allowance for loan losses	<u>\$16,283</u>	<u>100.00%</u>	<u>100.00%</u>	<u>\$16,172</u>	<u>100.00%</u>	<u>100.00%</u>	<u>\$12,275</u>	<u>100.00%</u>	<u>100.00%</u>

- (1) PPP loans are included within this portfolio; however, no allowance for loan losses have been recorded on these loans due to the SBA guarantee of 100% of the loans.

	At December 31, 2018		
	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans
	(Dollars in thousands)		
Commercial and industrial	\$ 3,883	36.42%	24.33%
Commercial real estate	5,708	53.53%	61.99%
Commercial real estate construction	567	5.32%	3.91%
Residential real estate	353	3.31%	8.02%
Home equity	105	0.98%	1.44%
Consumer	47	0.44%	0.30%
Total allocated allowance	10,663	100.00%	100.00%
Unallocated allowance	—	—	—
Total allowance for loan losses	<u>\$10,663</u>	<u>100.00%</u>	<u>100.00%</u>

Investment Securities

The following table sets forth the estimated fair value of our available-for-sale securities portfolio for the periods indicated.

	At March 31, 2021		At December 31,			
	Amortized Cost	Estimated Fair Value	2020		2019	
			Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In thousands)					
Available for sale securities:						
U.S. Government agencies	\$ 81,125	\$ 80,571	\$ 82,409	\$ 83,421	\$ 84,746	\$ 84,289
Mortgage-backed securities	175,979	176,679	157,408	160,784	158,246	159,089
Corporate securities	13,098	13,138	10,603	10,627	—	—
Municipal securities	88,444	88,984	73,421	75,273	11,367	11,537
Total	<u>\$358,646</u>	<u>\$359,372</u>	<u>\$323,841</u>	<u>\$330,105</u>	<u>\$254,359</u>	<u>\$254,915</u>

Available for sale securities increased \$29.3 million, or 8.9%, to \$359.4 million at March 31, 2021 from \$330.1 million at December 31, 2020, as mortgage-backed securities increased \$15.9 million, municipal securities increased \$13.7 million and corporate securities increased \$2.5 million, while U.S. Government agency securities decreased \$2.8 million. This increase was primarily the result of using excess funds from our deposit growth during the first quarter of 2021 to increase our purchases of mortgage-backed securities, corporate securities and municipal securities.

Available for sale securities increased \$75.2 million, or 29.5%, to \$330.1 million at December 31, 2020 from \$254.9 at December 31, 2019, as municipal securities increased \$63.8 million, corporate securities increased \$10.6 million and mortgage-backed securities increased \$1.6 million, while U.S. Government agency securities decreased \$868,000. This increase was primarily attributable to using excess funds from our deposit growth during 2020 to purchase additional municipal, corporate and mortgage-based securities.

We did not have held-to-maturity investments at March 31, 2021, December 31, 2020 or December 31, 2019.

We review the investment portfolio on a quarterly basis to determine the cause, magnitude and duration of declines in the fair value of each security. In estimating other-than-temporary impairment (OTTI), we consider many factors including: (1) the length of time and extent that fair value has been less than cost, (2) the financial condition and near term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether we have the intent to sell the security or more likely than not will be required to sell the security before its anticipated recovery. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: (1) OTTI related to credit loss, which must be recognized in the income statement and (2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. The assessment of whether any other than temporary decline exists may involve a high degree of subjectivity and judgment and is based on the information available to management at a point in time. We evaluate securities for OTTI at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation.

No impairment charges were recorded for the three months ended March 31, 2021 and 2020 or for the years ended December 31, 2020 and 2019.

Deposits

The following table sets forth our total deposit account balances, by account type, at the dates indicated:

	At March 31, 2021			At December 31,								
				2020			2019			2018		
	Amount	Percent	Average Rate	Amount	Percent	Average Rate	Amount	Percent	Average Rate	Amount	Percent	Average Rate
(Dollars in thousands)												
Noninterest-bearing demand deposits	\$ 598,493	34.52%	—	\$ 521,093	34.99%	—	\$ 335,469	30.97%	—	\$ 240,432	26.57%	—
Interest bearing demand deposits	276,987	15.98%	0.13%	236,951	15.91%	0.15%	166,907	15.41%	0.22%	159,465	17.62%	0.10%
Money market deposits	599,127	34.56%	0.31%	483,044	32.43%	0.36%	368,799	34.05%	0.87%	294,497	32.54%	0.47%
Savings deposits	168,933	9.74%	0.10%	157,007	10.54%	0.12%	123,300	11.38%	0.25%	111,936	12.37%	0.14%
Certificates of deposit	90,019	5.19%	0.66%	91,199	6.12%	0.75%	88,657	8.19%	1.36%	98,678	10.90%	1.14%
Total	<u>\$1,733,559</u>	<u>100.00%</u>	<u>0.17%</u>	<u>\$1,489,294</u>	<u>100.00%</u>	<u>0.20%</u>	<u>\$1,083,132</u>	<u>100.00%</u>	<u>0.47%</u>	<u>\$905,008</u>	<u>100.00%</u>	<u>0.31%</u>

Total deposits increased \$244.3 million, or 16.4%, to \$1.7 billion at March 31, 2021 from \$1.5 billion at December 31, 2020. We experienced increases in all deposit categories except certificates of deposit, as money market deposits increased \$116.1 million, non-interest-bearing demand deposits increased \$77.4 million and interest-bearing demand deposits increased \$40.0 million primarily due to the deposit of government stimulus funds and reduced spending by customers during the COVID-19 pandemic, along with our strategy to increase commercial deposit accounts of our customers. Our strategy remains focused on increasing business demand deposit accounts by offering our suite of cash management products. Certificates of deposit decreased \$1.2 million, or 1.3% to \$90.0 million at March 31, 2021 from \$91.2 million at December 31, 2020, largely due to our strategy to reduce higher cost certificates of deposit. At March 31, 2021, our core deposits (which includes all deposits except for certificates of deposit) totaled \$1.6 billion, or 94.8% of our total deposits. We did not have any brokered deposits (excluding reciprocal deposits obtained through the Certificate Deposit Account Registry Service (CDARS) and Insured Cash Sweep (ICS) networks) at March 31, 2021. Our reciprocal deposits obtained through the CDARS and ICS networks totaled \$19.7 million and \$58.4 million, respectively, at March 31, 2021.

Total deposits increased \$406.2 million, or 37.5%, to \$1.5 billion at December 31, 2020 from \$1.1 billion at December 31, 2019. The increase was primarily the result of an increase in non-interest-bearing demand deposits of \$185.6 million, an increase in interest-bearing demand deposits of \$70.0 million, an increase in money market deposits of \$114.2 million and an increase in savings deposits of \$33.7 million. The increase in deposits primarily reflected the distribution of government stimulus funds and reduced spending by customers during the COVID-19 pandemic, along with our strategy to increase commercial deposit accounts of our customers. Our strategy remains focused on increasing business demand deposit accounts by offering our suite of cash management products. Certificates of deposits increased \$2.5 million, or 2.9%, to \$91.2 million at December 31, 2020 from \$88.7 million at December 31, 2019. However, certificates of deposit, as a percentage of total deposits, was 6.1% at December 31, 2020 compared to 8.2% at December 31, 2019 as a result of our strategy to reduce higher cost certificates of deposit. Core deposits totaled \$1.4 billion at December 31, 2020, or 93.9% of total deposits at that date. We did not have any brokered deposits (excluding reciprocal deposits obtained through the CDARS and ICS networks) at December 31, 2020. Our reciprocal deposits obtained through the CDARS and ICS networks totaled \$19.9 million and \$57.1 million, respectively, at December 31, 2020.

As of March 31, 2021, December 31, 2020 and December 31, 2019, the aggregate amount of uninsured deposits (deposits in amounts greater than or equal to \$250,000, which is the maximum amount for federal deposit insurance) was \$815.5 million, \$653.9 million and \$388.9 million, respectively. In addition, as of

March 31, 2021, the aggregate amount of all our uninsured certificates of deposit was \$24.4 million. The following table sets forth the maturity of these uninsured certificates of deposit as of March 31, 2021.

	<u>At</u> <u>March 31, 2021</u> <u>(In thousands)</u>
Maturing period:	
Three months or less	\$ 9,088
Over three months through six months	6,348
Over six months through twelve months	8,296
Over twelve months	<u>635</u>
Total	<u>\$24,367</u>

Borrowings

Our borrowings consist of both short-term and long-term borrowings and provide us with one of our sources of funding. Maintaining available borrowing capacity provides us with a contingent source of liquidity.

Total borrowings from the Federal Home Loan Bank of New York were zero at March 31, 2021. We have the capacity to borrow up to \$295.9 million from the Federal Home Loan Bank of New York at March 31, 2021. Total borrowings from the Federal Home Loan Bank of New York decreased to zero at December 31, 2020 from \$5.0 million at December 31, 2019 due to principal repayments and maturities on our advances, as well as the increase in cash and due from banks because of an increase in deposits.

In September 2020, we issued \$20.0 million in aggregate principal amount of fixed to floating subordinated notes (the "2020 Notes") to certain institutional investors. The 2020 Notes are non-callable for five years, have a stated maturity of September 30, 2030, and bear interest at a fixed rate of 4.25% per year until September 30, 2025. From September 30, 2025 to the maturity date or early redemption date, the interest rate will reset quarterly to a level equal to the then current three-month SOFR plus 413 basis points, payable quarterly in arrears.

In November 2012, we issued an unsecured note payable to a selling shareholder of HVIA in connection with our acquisition of HVIA. In November 2019, we refinanced the note payable with a remaining balance of \$3.0 million into an interest-only term loan. The interest is payable monthly in arrears at a fixed rate of 5.6% per year and matures with a scheduled balloon payment in November 2022.

Stockholders' Equity

Total stockholders' equity decreased \$342,000, or 0.3%, to \$135.1 million at March 31, 2021, from \$135.4 million at December 31, 2020. The decrease for the three months ended March 31, 2021 was primarily due to a \$4.4 million decrease in accumulated other comprehensive income (loss) due to a decrease in the fair market value of our securities available-for-sale during such period and dividend payments of \$890,000, partially offset by \$5.0 million in net income for the three months ended March 31, 2021.

Total stockholders' equity increased \$13.3 million, or 10.9%, to \$135.4 million at December 31, 2020, from \$122.1 million at December 31, 2019. The increase was primarily due to net income of \$11.7 million for the year ended December 31, 2020 and an increase of \$5.9 million in accumulated other comprehensive income due to an increase in the fair market value of our securities available-for-sale in 2020, partially offset by dividend payments of \$3.6 million for the year ended December 31, 2020.

Average Balance Sheets and Related Yields and Rates

The following tables present average balance sheet information, interest income, interest expense and the corresponding average yields earned and rates paid for the three months ended March 31, 2021 and 2020 and for the years ended December 31, 2020 and 2019. No tax equivalent yield adjustments have been made as the effects would be immaterial. The average balances are daily averages and, for loans, include both performing and nonperforming balances. Interest income on loans includes the effects of discount accretion and net deferred loan origination costs accounted for as yield adjustments. Deferred loan fees totaled \$1.2 million and \$94,000 for the three months ended March 31, 2021 and 2020, respectively, and \$2.8 million and \$1.3 million for the years ended December 31, 2020 and 2019, respectively.

	For the Three Months Ended March 31,					
	2021			2020		
	Average Outstanding Balance	Interest	Average Yield/Rate ⁽¹⁾	Average Outstanding Balance	Interest	Average Yield/Rate ⁽¹⁾
	(Dollars in thousands)					
Interest-earning assets:						
Loans (excluding PPP loans)	\$1,084,848	\$12,036	4.50%	\$ 915,124	\$11,002	4.84%
PPP loans	94,479	1,192	5.12%	—	—	—
Investment securities available for sale	340,682	1,471	1.75%	258,327	1,444	2.25%
Cash and due from banks and other	177,393	44	0.10%	58,187	180	1.24%
Restricted stock	1,520	19	5.07%	1,275	17	5.36%
Total interest-earning assets	1,698,922	14,762	3.52%	1,232,913	12,643	4.12%
Noninterest-earning assets	81,012			74,808		
Total assets	<u>\$1,779,934</u>			<u>\$1,307,721</u>		
Interest-bearing liabilities:						
Interest-bearing demand deposits	\$ 262,565	82	0.13%	\$ 201,566	103	0.21%
Money market deposits	539,295	459	0.35%	403,892	775	0.77%
Savings deposits	158,893	51	0.13%	124,085	78	0.25%
Certificates of deposit	90,796	158	0.71%	87,996	281	1.28%
Total interest-bearing deposits	1,051,549	750	0.29%	817,539	1,237	0.61%
Federal Home Loan Bank advances	—	—	—	2,326	10	1.77%
Note payable	3,000	42	5.68%	3,000	42	5.62%
Subordinated notes	19,335	230	4.82%	—	—	—
Total interest-bearing liabilities	1,073,885	1,022	0.39%	822,865	1,289	0.63%
Noninterest-bearing demand deposits	552,441			345,146		
Other noninterest-bearing liabilities	19,057			16,867		
Total liabilities	1,645,382			1,184,879		
Total stockholders' equity	134,552			122,842		
Total liabilities and stockholders' equity	<u>\$1,779,934</u>			<u>\$1,307,721</u>		
Net interest income		<u>\$13,740</u>			<u>\$11,354</u>	
Net interest rate spread ⁽²⁾			3.13%			3.49%
Net interest-earning assets ⁽³⁾	<u>\$ 625,017</u>			<u>\$ 409,684</u>		
Net interest margin ⁽⁴⁾			3.28%			3.69%
Average interest-earning assets to interest-bearing liabilities	158.2%			149.8%		

- (1) Annualized.
- (2) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.
- (3) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.
- (4) Net interest margin represents net interest income divided by average total interest-earning assets.

	For the Year Ended December 31,					
	2020			2019		
	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate
	(Dollars in thousands)					
Interest-earning assets:						
Loans (excluding PPP loans)	\$ 963,333	\$45,488	4.72%	\$ 819,205	\$40,803	4.98%
PPP loans	59,205	2,034	3.44%	—	—	—
Investment securities available for sale	295,303	5,575	1.89%	254,388	6,373	2.51%
Cash and due from banks and other	132,840	294	0.22%	40,677	853	2.10%
Restricted stock	1,405	70	4.98%	1,436	92	6.41%
Total interest-earning assets	1,452,086	53,461	3.68%	1,115,705	48,121	4.31%
Noninterest-earning assets	75,141			68,602		
Total assets	<u>\$1,527,227</u>			<u>\$1,184,308</u>		
Interest-bearing liabilities:						
Interest-bearing demand deposits	\$ 214,012	414	0.19%	\$ 181,446	300	0.17%
Money market deposits	480,149	2,709	0.56%	346,776	2,687	0.77%
Savings deposits	137,906	266	0.19%	126,056	304	0.24%
Certificates of deposit	90,232	917	1.02%	92,878	1,221	1.31%
Total interest-bearing deposits	922,299	4,306	0.47%	747,155	4,512	0.60%
Federal Home Loan Bank advances	578	10	1.73%	8,506	147	1.73%
Note payable	3,000	160	5.33%	3,028	181	5.98%
Subordinated notes	4,918	246	5.00%	—	—	—
Total interest-bearing liabilities	930,796	4,722	0.51%	758,689	4,840	0.64%
Noninterest-bearing demand deposits	449,454			296,360		
Other noninterest-bearing liabilities	17,469			13,787		
Total liabilities	1,397,718			1,068,836		
Total stockholders' equity	129,509			115,472		
Total liabilities and stockholders' equity	<u>\$1,527,227</u>			<u>\$1,184,308</u>		
Net interest income		<u>\$48,739</u>			<u>\$43,281</u>	
Net interest rate spread ⁽¹⁾			3.17%			3.67%
Net interest-earning assets ⁽²⁾	<u>\$ 514,733</u>			<u>\$ 357,409</u>		
Net interest margin ⁽³⁾			3.36%			3.88%
Average interest-earning assets to interest-bearing liabilities	156.0%			147.1%		

- (1) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.
- (2) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.
- (3) Net interest margin represents net interest income divided by average total interest-earning assets.

Rate/Volume Analysis

The following table presents the dollar amount of changes in interest income and interest expense for major components of interest earning assets and interest-bearing liabilities for the periods indicated. The table distinguishes between: (1) changes attributable to volume (changes in volume multiplied by the prior period's rate); (2) changes attributable to rate (change in rate multiplied by the prior year's volume) and (3) total increase (decrease) (the sum of the previous columns). Changes attributable to both volume and rate are allocated ratably between the volume and rate categories.

	Three Months Ended March 31, 2021 vs. 2020			Year Ended December 31, 2020 vs. 2019		
	Increase (Decrease) Due to		Total Increase (Decrease)	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate		Volume	Rate	
(In thousands)						
Interest-earning assets:						
Loans (excluding PPP loans)	\$1,871	\$ (837)	\$1,034	\$ 6,891	\$(2,206)	\$4,685
PPP loans	1,192	—	1,192	2,034	—	2,034
Investment securities available for sale	394	(367)	27	925	(1,723)	(798)
Cash and due from banks	136	(272)	(136)	693	(1,252)	(559)
Other	3	(1)	2	(2)	(20)	(22)
Total interest-earning assets	3,596	(1,477)	2,119	10,541	(5,201)	5,340
Interest-bearing liabilities:						
Interest-bearing demand deposits	26	(47)	(21)	59	55	114
Money market deposits	204	(520)	(316)	869	(847)	22
Savings deposits	18	(45)	(27)	26	(64)	(38)
Certificates of deposit	8	(131)	(123)	(34)	(270)	(304)
Total interest-bearing deposits	256	(743)	(487)	920	(1,126)	(206)
Federal Home Loan Bank advances	(10)	—	(10)	(141)	3	(137)
Note payable	—	—	—	(2)	(19)	(21)
Subordinated notes	230	—	230	246	—	246
Total interest-bearing liabilities	477	(743)	(267)	1,024	(1,141)	(118)
Change in net interest income	\$3,120	\$ (734)	\$2,386	\$ 9,517	\$(4,060)	\$5,458

Results of Operations for the Three Months Ended March 31, 2021 and 2020

Summary Income Statements. The following table sets forth the income summary for the periods indicated:

	Three Months Ended March 31,			
	2021	2020	Change	
			Amount (\$)	Percentage %
Interest income	\$14,762	\$12,643	\$ 2,119	16.8%
Interest expense	1,022	1,289	(267)	(20.7)%
Net interest income	13,740	11,354	2,386	21.0%
Provision for loan losses	66	1,200	(1,134)	(94.5)%
Noninterest income	2,892	2,541	351	13.8%
Noninterest expense	10,316	9,591	725	7.6%
Provision for income taxes	1,225	628	597	95.1%
Net income	5,025	2,476	2,549	102.9%

General. Net income increased \$2.5 million, or 102.9%, to \$5.0 million for the three months ended March 31, 2021 from \$2.5 million for the three months ended March 31, 2020. The increase resulted from a \$2.4 million increase in net interest income, a \$351,000 increase in noninterest income and a \$1.1 million decrease in the provision for loan losses, which was partially offset by a \$725,000 increase in noninterest expense.

Interest Income. Interest income increased \$2.1 million, or 16.8%, to \$14.8 million for the three months ended March 31, 2021 from \$12.6 million for the three months ended March 31, 2020. This increase was the result of an increase in the average balance of interest-earning assets, which increased by \$466.0 million, or 37.8%, to \$1.7 billion for the three months ended March 31, 2021 from \$1.2 billion for the three months ended March 31, 2020. Partially offsetting the increase in interest income was a decrease in the average yield on interest earning assets of 60 basis points to 3.52% for the three months ended March 31, 2021 from 4.12% for the three months ended March 31, 2020.

Interest income on loans increased by \$2.2 million, or 20.2%, to \$13.2 million during the three months ended March 31, 2021 from \$11.0 million during the three months ended March 31, 2020. The increase in interest income on loans was primarily due to the increase in the average balance of loans, which was partially offset by a decrease in the average yield on loans. The average balance of loans increased by \$264.2 million, or 28.9%, to \$1.2 billion for the three months ended March 31, 2021 compared to \$915.1 million for the three months ended March 31, 2020. The average yield on loans decreased by 29 basis points from 4.84% for the three months ended March 31, 2020 to 4.55% for the three months ended March 31, 2021. The increase in the average balance of loans was primarily due to our continued success in growing our commercial real estate and commercial and industrial loans as well as our participation in the PPP loan program, whereas the average yield on loans decreased due to a decrease in market interest rates since March 31, 2020 for new loan originations and payoffs of higher rate loans as a result of the COVID-19 pandemic.

Interest income on securities increased by \$27,000, or 1.9%, to \$1.5 million during the three months ended March 31, 2021 from \$1.4 million during the three months ended March 31, 2020. The increase in interest income on securities was due to an increase in the average balance of securities, which was offset by a decrease in the average yield on securities. The average balance of securities increased by \$82.4 million, or 31.9%, to \$340.7 million for the three months ended March 31, 2021 compared to \$258.0 million for the three months ended March 31, 2020. The increase in the average balance of securities was primarily due to purchases of municipal securities with our excess liquidity. The average yield on investment securities decreased by 50 basis points from 2.25% for the three months ended March 31, 2020 to 1.75% for the three months ended March 31, 2021. The decrease in the average yield on securities resulted from maturities of higher-yielding securities which were replaced by significantly lower-yielding investment securities as a result of the decrease in market interest rates since March 31, 2020.

Interest income on cash and due from banks decreased \$136,000, or 75.6%, to \$44,000 for the three months ended March 31, 2021 from \$180,000 for the three months ended March 31, 2020. The

decrease in interest income from cash and due from banks was attributable to a decrease in the average yield on cash and due from banks of 114 basis points to 0.10% for the three months ended March 31, 2021 from 1.24% for the same period in 2020 as a result of the decrease in short-term market interest rates since March 31, 2020. This decrease was partially offset by an increase in the average balance of cash and due from banks of \$119.2 million, or 204.9%, to \$177.4 million during the three months ended March 31, 2021 from \$58.2 million during the same period in 2020 due to increased liquidity on our balance sheet as result of our deposit growth.

Interest Expense. Interest expense decreased \$267,000, or 20.7%, to \$1.0 million for the three months ended March 31, 2021 from \$1.3 million for the three months ended March 31, 2020. The decrease in interest expense was a result of decreased rates on interest-bearing liabilities, primarily deposits, partially offset by an increase in the average balance of interest-bearing liabilities. The average rate paid on interest-bearing liabilities decreased 24 basis points to 0.39% during the three months ended March 31, 2021 as compared to the prior year period. The average balance of interest-bearing liabilities increased by \$251.0 million, or 30.5%, to \$1.1 billion for the three months ended March 31, 2021 compared to \$822.9 million for the three months ended March 31, 2020.

Interest expense on interest-bearing deposits decreased by \$487,000, or 39.3%, to \$750,000 during the three months ended March 31, 2021 from \$1.2 million during the three months ended March 31, 2020. The decrease in interest expense on interest-bearing deposits was due to a decrease in the average cost of deposits, partially offset by an increase in the average balance of interest-bearing deposits. The average cost of interest-bearing deposits decreased 32 basis points to 0.29% during the three months ended March 31, 2021 as compared to the prior year period. The average balance of interest-bearing deposits increased by \$234.0 million, or 28.6%, to \$1.1 billion for the three months ended March 31, 2021 compared to \$817.5 million for the three months ended March 31, 2020. The average cost of interest-bearing deposits decreased due to the decline in the interest rate environment as we reduced rates on savings, money market, demand deposit and certificate of deposit accounts, while the increase in the average balance of interest-bearing deposits reflected the distribution of government stimulus funds and reduced spending by customers during the COVID-19 pandemic, along with our strategy to increase commercial deposit accounts of our customers.

We had no interest expense on Federal Home Loan Bank borrowings for the three months ended March 31, 2021 as compared to \$10,000 for the three months ended March 31, 2020, as we had no Federal Home Loan Bank advances outstanding during the three months ended March 31, 2021. We did, however, incur an additional \$230,000 in interest expense for the three months ended March 31, 2021 due to the issuance in September 2020 of \$20.0 million in outstanding subordinated notes which carries an interest rate of 4.25%.

Net Interest Income. Net interest income increased \$2.4 million, or 21.0%, to \$13.7 million for the three months ended March 31, 2021 from \$11.4 million for the three months ended March 31, 2020 due to an increase in net interest-earning assets, partially offset by decreases in the net interest rate spread and net interest margin. Net interest-earning assets increased by \$215.3 million to \$625.0 million for the three months ended March 31, 2021 from \$409.7 million for the three months ended March 31, 2020. Net interest rate spread decreased by 36 basis points to 3.13% for the three months ended March 31, 2021 from 3.49% for the three months ended March 31, 2020, reflecting a 61 basis points decrease in the average yield on interest-earnings assets, partially offset by a 24 basis points decrease in the average rate paid on interest-bearing liabilities. The net interest margin decreased 41 basis points to 3.28% for the three months ended March 31, 2021 from 3.69% for the three months ended March 31, 2020 due to the sharp decrease in interest rates in response to the economic downturn caused by the COVID-19 pandemic.

Provision for Loan Losses. Our provision for loan losses decreased \$1.1 million, or 94.5%, to \$66,000 for the three months ended March 31, 2021 from \$1.2 million for the three months ended March 31, 2020. The decrease in the provision for loan losses was primarily attributable to a decline in loan deferrals and improved economic conditions in our market area during the first quarter of 2021. The provision for loan losses for the first quarter of 2020 was primarily a result of adjustments of certain qualitative factors to take into account the uncertain impact of the COVID-19 pandemic on economic conditions and borrowers'

ability to repay loans. The allowance for loan losses was \$16.3 million, or 1.32%, of loans outstanding at March 31, 2021 (or 1.47% of loans, excluding PPP loans) compared to \$13.5 million, or 1.44%, of loans outstanding at March 31, 2020.

Noninterest Income. Noninterest income information is as follows:

	Three Months Ended March 31,		Change	
	2021	2020	Amount	Percent
	(Dollars in thousands)			
Service charges on deposit accounts	\$ 175	\$ 208	\$ (33)	(15.9)%
Trust income	1,124	1,038	86	8.3%
Investment advisory income	1,176	901	275	30.5%
Investment securities gains (losses)	—	—	—	—
Earnings on BOLI	171	165	6	3.6%
Other	246	229	17	7.4%
Total noninterest income	\$2,892	\$2,541	\$351	13.8%

Noninterest income increased by \$351,000, or 13.8%, to \$2.9 million for the three months ended March 31, 2021 from \$2.5 million for the three months ended March 31, 2020. The increase in noninterest income for the three months ended March 31, 2021 was primarily due to increases in investment advisory income and income from investments held in trust, partially offset by a decrease in service charges on deposit accounts. Investment advisory income and trust income increased by \$275,000 and \$86,000, respectively, primarily as a result of an increase in assets under management due to strong market performance and continued new business, partially offset by normal levels of disbursements and outflows. Service charges on deposit accounts decreased \$33,000 for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020 due to a decrease in customary activity because of the COVID-19 pandemic.

Noninterest Expense. Noninterest expense information is as follows:

	Three Months Ended March 31,		Change	
	2021	2020	Amount	Percent
	(Dollars in thousands)			
Salaries	\$ 4,547	\$4,185	\$ 362	8.6%
Employee benefits	1,126	1,148	(22)	(1.9)%
Occupancy expense	965	938	27	2.9%
Professional fees	907	584	323	55.3%
Directors' fees and expenses	242	293	(51)	(17.4)%
Computer software expense	1,058	794	264	33.2%
FDIC assessment	289	169	120	71.0%
Advertising expenses	283	314	(31)	(9.9)%
Advisor expenses related to trust income	121	155	(34)	(21.9)%
Telephone expenses	133	128	5	3.9%
Intangible amortization	71	71	—	—
Other	574	812	(238)	(29.3)%
Total noninterest expense	\$10,316	\$9,591	\$ 725	7.6%

Noninterest expense increased \$725,000, or 7.6%, to \$10.3 million during the three months ended March 31, 2021 from \$9.6 million during the three months ended March 31, 2020. The increase in noninterest expense in the three months ended March 31, 2021 was mainly due to a \$362,000 increase in salaries, a

\$323,000 increase in professional fees, a \$264,000 increase in computer software expenses, and a \$120,000 increase in FDIC assessment expenses, partially offset by a \$238,000 decrease in other noninterest expense.

For the three months ended March 31, 2021 compared to the three months ended March 30, 2020:

- Salary and employee benefits increased primarily as a result of hiring additional employees, along with increased salaries in the normal course of business.
- Professional fees increased primarily due to information technology support costs relating to our core processing conversion that will occur in November 2021, costs associated with a third-party manager of our investment portfolio and audit and accounting expenses due to enhancing audit procedures for the 2019 and 2020 audit of financial statements from generally accepted audit standards to Public Company Accounting Oversight Board standards in preparation for our initial public offering.
- Computer software expenses increased as a result of our investment in loan credit processing and monitoring software, along with increased technology costs as a result of our loan growth.
- FDIC assessment expenses increased due to our deposit growth.
- Other noninterest expense decreased primarily as a result of the reduction of travel and entertainment expenses due to the impact of the COVID-19 pandemic, along with the recognition of a loss of approximately \$100,000 related to a trust trade error that occurred during the three months ended March 31, 2020 that did not recur in the first quarter of 2021.

Provision for Income Tax. We recorded a provision for income tax of \$1.2 million for the three months ended March 31, 2021, reflecting an effective tax rate of 19.6%, compared to \$628,000 for the three months ended March 31, 2020, reflecting an effective tax rate of 20.2%. Provision for income tax increased due to the increase in income before provision for income tax for the three months ended March 31, 2021 as compared to the prior year period.

Results of Operations for the Years Ended December 31, 2020 and 2019

Summary Income Statements. The following table sets forth the income summary for the periods indicated:

	Year Ended December 31,			
	2020	2019	Change	
			Amount (\$)	Percentage %
Interest income	\$53,461	\$48,121	\$5,340	11.1%
Interest expense	4,722	4,840	(118)	(2.4)%
Net interest income	48,739	43,281	5,458	12.6%
Provision for loan losses	5,413	2,195	3,218	146.6%
Noninterest income	11,423	9,814	1,609	16.4%
Noninterest expense	40,231	36,491	3,740	10.2%
Provision for income taxes	2,839	2,928	(89)	(3.0)%
Net income	11,679	11,481	198	1.7%

General. Net income increased \$198,000 or 1.7%, to \$11.7 million for the year ended December 31, 2020 from \$11.5 million for the year ended December 31, 2019. The increase resulted from a \$5.5 million increase in net interest income and a \$1.6 million increase in noninterest income, which were partially offset by a \$3.7 million increase in noninterest expense and a \$3.2 million increase in the provision for loan losses.

Interest Income. Interest income increased \$5.3 million or 11.1%, to \$53.5 million for the year ended December 31, 2020 from \$48.1 million for the year ended December 31, 2019. This increase was the result of an increase in our average interest-earning assets which increased by \$336.3 million, or 29.5%, to \$1.4 billion for the year ended December 31, 2020 compared to \$1.1 billion for the year ended December 31, 2019.

Partially offsetting the increase in interest income was a decrease in the average yield on interest earning assets of 63 basis points to 3.68% during the year ended December 31, 2020 from 4.31% for the year ended December 31, 2019.

Interest income on loans increased by \$6.7 million, or 16.5%, to \$47.5 million during the year ended December 31, 2020 from \$40.8 million during the year ended December 31, 2019. The increase in interest income on loans was primarily due to the increase in the average balance of loans, which was offset by a decrease in the average yield on loans. The average balance of loans increased by \$203.3 million, or 24.8%, to \$1.0 billion for the year ended December 31, 2020 compared to \$819.2 million for the year ended December 31, 2019. The average yield on loans decreased by 33 basis points from 4.98% for the year ended December 31, 2019 to 4.65% for the year ended December 31, 2020. The increase in the average balance of loans was primarily due to our continued success in growing our commercial real estate and commercial and industrial loans as well as our participation in the PPP loan program, whereas the average yield on loans decreased due to a decrease in market interest rates since December 31, 2019 for new loan originations and payoffs of higher rate loans as a result of the COVID-19 pandemic.

Interest income on securities decreased by \$798,000, or 12.5%, to \$5.6 million during the year ended December 31, 2020 from \$6.4 million during the year ended December 31, 2019. The decrease in interest income on securities was due to a decrease in the average yield on securities, which was partially offset by an increase in the average balance of securities. The average yield on securities decreased by 62 basis points from 2.51% for the year ended December 31, 2019 to 1.89% for the year ended December 31, 2020. The decrease in the average yield on securities resulted from maturities of higher-yielding securities which were replaced by significantly lower-yielding investment securities as a result of the decrease in market interest rates. The average balance of securities increased by \$40.9 million, or 16.1%, to \$295.3 million for the year ended December 31, 2020 compared to \$254.4 million for the year ended December 31, 2019. The increase in the average balance of securities was due to purchases of municipal securities with our excess liquidity.

Interest income on cash and due from banks decreased \$559,000, or 65.5%, to \$294,000 for the year ended December 31, 2020 from \$853,000 for the year ended December 31, 2019. The decrease in interest income from cash and due from banks was attributable to a decrease in the average yield on cash and due from banks of 188 basis points to 0.22% for 2020 from 2.10% for 2019 as a result of the decrease in short-term market interest rates since December 31, 2019, partially offset by an increase in the average balance of cash and due from banks of \$92.2 million, or 226.6%, to \$132.8 million in 2020 from \$40.7 million in 2019 due to increased liquidity on our balance sheet as a result of our deposit growth.

Interest Expense. Interest expense decreased \$118,000, or 2.4%, to \$4.7 million for the year ended December 31, 2020 from \$4.8 million for the year ended December 31, 2019. The decrease in interest expense was a result of decreased rates on interest-bearing liabilities, primarily deposits, partially offset by an increase in the average balance of interest-bearing liabilities. The average rate paid on interest-bearing liabilities decreased 13 basis points to 0.51% during the year ended December 31, 2020 from 0.64% for the year ended December 31, 2019. The average balance of interest-bearing liabilities increased by \$172.1 million, or 22.7%, to \$931.0 million for the year ended December 31, 2020 compared to \$758.7 million for the year ended December 31, 2019.

Interest expense on interest-bearing deposits decreased by \$206,000, or 4.6%, to \$4.3 million during the year ended December 31, 2020 from \$4.5 million during the year ended December 31, 2019. The decrease in interest expense on interest-bearing deposits was due to a decrease in the average cost of deposits, partially offset by an increase in the average balance of interest-bearing deposits. The average cost of interest-bearing deposits decreased 13 basis points to 0.47% during the year ended December 31, 2020. The average balance of interest-bearing deposits increased by \$175.1 million, or 23.4%, to \$922.3 million for the year ended December 31, 2020 compared to \$747.2 million for the year ended December 31, 2019. The average cost of interest-bearing deposits decreased due to the decline in the interest rate environment as we reduced rates on savings, money market, demand deposit and certificate of deposit accounts, while the increase in the average balance of interest-bearing deposits reflected the distribution of government stimulus funds and reduced spending by customers during the COVID-19 pandemic, along with our strategy to increase commercial deposit accounts of our customers.

Interest expense on Federal Home Loan Bank borrowings decreased \$137,000, or 93.2%, to \$10,000 for the year ended December 31, 2020 from \$147,000 for the year ended December 31, 2019. The decrease in interest expense on borrowed funds was primarily due to the average balance of the Federal Home Loan Bank advances decreasing by \$7.9 million to a balance of \$578,000 during the year ended December 31, 2020 compared to \$8.5 million during the year ended December 31, 2019. We also incurred an additional \$246,000 in interest expense for the year ended December 31, 2020 due to the issuance in September 2020 of \$20.0 million in outstanding subordinated notes which carries an interest rate of 4.25%.

Net Interest Income. Net interest income increased \$5.5 million, or 12.6%, to \$48.7 million for the year ended December 31, 2020 from \$43.3 million for the year ended December 31, 2019 due to an increase in net interest-earning assets, partially offset by decreases in the net interest rate spread and net interest margin. Net interest-earning assets increased by \$157.3 million to \$514.7 million for the year ended December 31, 2020 from \$357.4 million for the year ended December 31, 2019. Net interest rate spread decreased by 50 basis points to 3.17% for the year ended December 31, 2020 from 3.67% for the year ended December 31, 2019, reflecting a 63 basis point decrease in the average yield on interest-earnings assets, partially offset by a 13 basis points decrease in the average rate paid on interest-bearing liabilities. The net interest margin decreased 52 basis points to 3.36% for the year ended December 31, 2020 from 3.88% for the year ended December 31, 2019 due to the sharp decrease in interest rates in response to the economic downturn caused by the COVID-19 pandemic.

Provision for Loan Losses. Our provision for loan losses was \$5.4 million for the year ended December 31, 2020 compared to \$2.2 million for the year ended December 31, 2019. The increase in the provision for loan losses was primarily due to growth in the commercial real estate and commercial and industrial loan portfolios as well as an adjustment of certain qualitative factors to take into account the uncertain impact of the COVID-19 pandemic on economic conditions and borrowers' ability to repay loans. The allowance for loan losses was \$16.2 million, or 1.40%, of loans outstanding at December 31, 2020 compared to \$12.3 million, or 1.38%, of loans outstanding at December 31, 2019.

Noninterest Income. Noninterest income information is as follows:

	Years Ended December 31,		Change	
	2020	2019	Amount	Percent
	(Dollars in thousands)			
Service charges on deposit accounts	\$ 682	\$ 921	\$ (239)	(26.0)%
Trust income	4,074	3,531	543	15.4%
Investment advisory income	4,105	3,927	178	4.5%
Investment securities gains (losses)	804	(219)	1,023	467.1%
Earnings on BOLI	702	690	12	1.7%
Other	1,056	964	92	9.5%
Total noninterest income	\$11,423	\$9,814	\$1,609	16.4%

Noninterest income increased by \$1.6 million, or 16.4%, to \$11.4 million for the year ended December 31, 2020 from \$9.8 million for the year ended December 31, 2019. The increase in noninterest income in year ended December 31, 2020 was primarily due to increases in gains on sales of securities available for sale, income from investments held in trust, and investment advisory income, partially offset by a decrease in service charges on deposit accounts. Gains on sales of securities available for sale increased \$1.0 million primarily due to management's strategy for managing the duration and credit risk of our investment securities portfolio. Trust income and investment advisory income increased \$543,000 and \$178,000, respectively, primarily the result of an increase in assets under management due to strong market performance and continued new business, partially offset by normal levels of disbursements and outflows. Service charges on deposit accounts decreased \$239,000 due to a decrease in customary activity and waiver of fees because of the COVID-19 pandemic.

Noninterest Expense. Noninterest expense information is as follows:

	Years Ended December 31,		Change	
	2020	2019	Amount	Percent
	(Dollars in thousands)			
Salaries	\$17,788	\$16,407	\$1,381	8.4%
Employee benefits	4,163	4,128	35	0.8%
Occupancy expense	3,744	3,523	221	6.3%
Professional fees	3,318	2,342	976	41.7%
Directors' fees and expenses	1,088	1,108	(20)	(1.8)%
Computer software expense	4,038	3,133	905	28.9%
FDIC assessment	910	370	540	145.9%
Advertising expenses	1,191	1,177	14	1.2%
Advisor expenses related to trust income	455	377	78	20.7%
Telephone expenses	552	459	93	20.3%
Intangible amortization	286	286	—	—
Other	2,698	3,181	(483)	(15.2)%
Total noninterest expense	\$40,231	\$36,491	\$3,740	10.2%

Noninterest expense increased \$3.7 million, or 10.2%, to \$40.2 million during the year ended December 31, 2020 from \$36.5 million during the year ended December 31, 2019. The increase in noninterest expense in the year ended December 31, 2020 as compared to the prior year was mainly due to a \$1.4 million increase in salaries and employee benefits, a \$976,000 increase in professional fees, a \$905,000 increase in computer software expenses and a \$540,000 increase in FDIC assessment expenses, partially offset by a \$483,000 decrease in other noninterest expense.

For the year ended December 31, 2020 compared to the year ended December 31, 2019:

- Salary and employee benefits increased primarily as a result of hiring additional employees, along with increased salaries in the normal course of business.
- Professional fees increased primarily due to information technology support costs relating to our core processing conversion that will occur in November 2021, costs associated with a third-party manager of our investment portfolio and audit and accounting expenses due to enhancing audit procedures for the 2019 and 2020 audit of financial statements from generally accepted audit standards to Public Company Accounting Oversight Board standards in preparation for our initial public offering.
- Computer software expenses increased as a result of our investment in loan credit processing and monitoring software, along with increased technology costs as a result of our loan growth.
- FDIC assessment expenses increased due to our deposit growth.
- Other noninterest expense decreased primarily as a result of declining travel and entertainment costs due to the impact of the COVID-19 pandemic and the reverse of certain unfunded commitments.

Income Tax Expense. We recorded an income tax expense of \$2.8 million for the year ended December 31, 2020, reflecting an effective tax rate of 19.6%. For the year ended December 31, 2019, we recorded an income tax expense of \$2.9 million, reflecting an effective tax rate of 20.3%.

Financial Position and Results of Operations of our Wealth Management Business Segment

We conduct our business through two business segments: (1) our banking business segment, which involves the delivery of loan and deposit products to our customers through Orange Bank & Trust Company that provides revenues in our banking business segment; and (2) our wealth management business segment,

which includes asset management and trust services to individuals and institutions through HVIA and Orange Bank & Trust Company that provides trust and investment management fee income in our wealth management business segment. For further information, see Note 20 of the Notes to the Consolidated Financial Statements and Note 9 of the Notes to the Unaudited Condensed Consolidated Financial Statements.

The following tables presents the statements of income and total assets for our reportable business segments for the periods indicated:

	At or For the Three Months Ended March 31,					
	2021			2020		
	Banking	Wealth Management	Total Segments	Banking	Wealth Management	Total Segments
	(Dollars in thousands)					
Net Interest Income	\$ 13,740	\$ —	\$ 13,740	\$ 11,354	\$ —	\$ 11,354
Noninterest income	592	2,300	2,892	602	1,939	2,541
Provision for loans loss	(66)	—	(66)	(1,200)	—	(1,200)
Noninterest expenses	(8,672)	(1,644)	(10,316)	(8,084)	(1,507)	(9,591)
Income tax expense	(1,087)	(138)	(1,225)	(537)	(91)	(628)
Net income	4,507	518	5,025	2,135	341	2,476
Assets under management and/or administration (AUM) (market value)	—	1,230,150	1,230,150	—	956,591	956,591
Total assets	1,900,373	8,381	1,908,754	1,656,974	7,962	1,664,936

	At or For the Year Ended December 31,					
	2020			2019		
	Banking	Wealth Management	Total Segments	Banking	Wealth Management	Total Segments
	(Dollars in thousands)					
Net Interest Income	\$ 48,739	\$ —	\$ 48,739	\$ 43,281	\$ —	\$ 43,281
Other non-interest income	3,365	8,058	11,423	2,009	7,805	9,814
Provision for loans loss	(5,413)	—	(5,413)	(2,195)	—	(2,195)
Noninterest expenses	(33,838)	(6,393)	(40,231)	(31,104)	(5,387)	(36,491)
Income tax expense	(2,510)	(329)	(2,839)	(2,601)	(327)	(2,928)
Net income	10,343	1,336	11,679	9,390	2,091	11,481
Assets under management and/or administration (AUM) (market value)	—	1,189,119	1,189,119	—	1,102,794	1,102,794
Total assets	1,656,517	8,419	1,664,936	1,221,397	8,155	1,229,552

Comparison at or for the three months ended March 31, 2021 and 2020. The market value of assets under management and/or administration at March 31, 2021 and 2020 was \$1.2 billion and \$956.6 million, respectively, representing an increase of 28.6%. This includes assets held at both Orange Bank & Trust Company and HVIA at March 31, 2021 and 2020. This increase primarily was due to successful business development and market value appreciation.

Our income related to our wealth management business segment, which we record as noninterest income, increased \$361,000, or 18.6%, to \$2.3 million for the three months ended March 31, 2021 compared to \$1.9 million for the three months ended March 31, 2020. The increase was primarily due to our growth in assets under management during the three months ended March 31, 2021.

Our expenses related to our wealth management business segment, which we record as noninterest expense increased \$137,000, or 9.1%, to \$1.6 million for the three months ended March 31, 2021 compared to \$1.5 million for the three months ended March 31, 2020. The increase was due to continued growth in our operations.

Comparison at or for the years ended December 31, 2020 and 2019. The market value of assets under management and/or administration at December 31, 2020 and 2019 was \$1.2 billion and \$1.1 billion, respectively, representing an increase of 7.8%. This includes assets held at both Orange Bank & Trust Company and HVIA at December 31, 2020 and 2019, respectively. This increase was due to successful acquisition of new assets under management combined with an increase in the market value of assets under management.

Our income related to our wealth management business segment, which we record as noninterest income, increased \$253,000, or 3.2%, to \$8.1 million for the year ended December 31, 2020 compared to \$7.8 million for the year ended December 31, 2019. The increase was primarily due to the growth in our assets under management.

Our expenses related to our wealth management business segment, which we record as noninterest expense, increased \$1.0 million, or 18.7%, to \$6.4 million for the year ended December 31, 2020 compared to \$5.4 million for the year ended December 31, 2019. The increase was due to the continued growth in our operations.

Management of Market Risk

General. The principal objective of our asset and liability management function is to evaluate the interest rate risk within the balance sheet and pursue a controlled assumption of interest rate risk while maximizing net income and preserving adequate levels of liquidity and capital. The board of directors of our Bank has oversight of our asset and liability management function, which is managed by our Asset/Liability Management Committee and the Finance Committee of the board. Our Asset/Liability Management Committee meets regularly review, among other things, the sensitivity of our assets and liabilities to market interest rate changes, local and national market conditions and market interest rates. That group also reviews our liquidity, capital, deposit mix, loan mix and investment positions.

As a financial institution, our primary component of market risk is interest rate volatility. Fluctuations in interest rates will ultimately impact both the level of income and expense recorded on most of our assets and liabilities, and the fair value of all interest earning assets and interest bearing liabilities, other than those which have a short term to maturity. Interest rate risk is the potential of economic losses due to future interest rate changes. These economic losses can be reflected as a loss of future net interest income and/or a loss of current fair values. The objective is to measure the effect on net interest income and to adjust the balance sheet to minimize the inherent risk while at the same time maximizing income.

We manage our exposure to interest rates primarily by structuring our balance sheet in the ordinary course of business. We do not typically enter into derivative contracts for the purpose of managing interest rate risk, but we may do so in the future. Based upon the nature of our operations, we are not subject to foreign exchange or commodity price risk. We do not own any trading assets.

Net Interest Income Simulation. We use an interest rate risk simulation model to test the interest rate sensitivity of net interest income and the balance sheet. Instantaneous parallel rate shift scenarios are modeled and utilized to evaluate risk and establish exposure limits for acceptable changes in net interest margin. These scenarios, known as rate shocks, simulate an instantaneous change in interest rates and use various assumptions, including, but not limited to, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, reinvestment and replacement of asset and liability cash flows.

The following table presents the estimated changes in our net interest income, calculated on a bank-only basis, which would result from changes in market interest rates over twelve-month period as of March 31, 2021. The table below demonstrates that we are asset-sensitive in a rising interest rate environment.

At March 31, 2021		
Change in Interest Rates (basis points) ⁽¹⁾	Net Interest Income Year 1 Forecast	Year 1 Change from Level
(Dollars in thousands)		
+400	\$62,650	12.2%
+300	60,888	9.0%
+200	59,072	5.8%
+100	57,447	2.8%
Level	55,860	—
-100	54,775	(1.9)%

(1) This analysis assumes an instantaneous and parallel rate shock across the entire yield curve for the scenarios indicated.

Economic Value of Equity Simulation. We also analyze our sensitivity to changes in interest rates through an economic value of equity (“EVE”) model. EVE represents the present value of the expected cash flows from our assets less the present value of the expected cash flows arising from our liabilities adjusted for the value of off-balance sheet contracts. EVE attempts to quantify our economic value using a discounted cash flow methodology. We estimate what our EVE would be as of a specific date. We then calculate what EVE would be as of the same date throughout a series of interest rate scenarios representing immediate and permanent, parallel shifts in the yield curve. We currently calculate EVE under the assumptions that interest rates increase 100, 200, 300 and 400 basis points from current market rates, and under the assumption that interest rates decrease 100 basis points from current market rates.

The following table presents the estimated changes in our EVE, calculated on a bank-only basis, that would result from changes in market interest rates as of March 31, 2021.

At March 31, 2021						
Change in Interest Rates (basis points) ⁽¹⁾	Estimated EVE ⁽²⁾	Estimated Increase (Decrease) in EVE		EVE as a Percentage of Present Value of Assets ⁽³⁾		Present Value of Assets
		Amount	Percent	EVE Ratio ⁽⁴⁾	Increase (Decrease) (basis points)	Amount
(Dollars in thousands)						
+400	\$312,302	\$ 9,024	3.0%	17.9%	21	\$1,741,479
+300	313,364	10,086	3.3%	17.6%	17	1,781,330
+200	312,705	9,427	3.1%	17.2%	13	1,823,050
+100	311,524	8,246	2.7%	16.7%	8	1,868,379
—	303,278	—	—%	15.9%	—	1,911,125
-100	260,606	(42,672)	(14.1)%	13.5%	(24)	1,937,303

(1) This analysis assumes an instantaneous and parallel rate shock across the entire yield curve for the scenarios indicated.

(2) The estimated EVE is the present value of all assets less the present value of all liabilities as calculated for the corresponding scenario.

(3) The EVE as a percentage of the Present Value of Assets is used as a present value capital measure. The EVE ratio is a market value capital ratio.

(4) The EVE ratio is defined as “Estimated EVE” divided by the Present Value of Assets.

Many assumptions are used to calculate the impact of interest rate fluctuations. Actual results may be significantly different than our projections due to several factors, including the timing and frequency of rate changes, market conditions and the shape of the yield curve. The computations of interest rate risk shown above do not include actions that our management may undertake to manage the risks in response to anticipated changes in interest rates, and actual results may also differ due to any actions taken in response to the changing rates.

Liquidity and Capital Resources

Liquidity. Liquidity is the ability to meet current and future financial obligations of a short-term nature. Our primary sources of funds consist of deposit inflows, loan repayments and maturities and sales of securities. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition.

We regularly review the need to adjust our investments in liquid assets based upon our assessment of: (1) expected loan demand, (2) expected deposit flows, (3) yields available on interest earning deposits and securities, and (4) the objectives of our asset/liability management program. Excess liquid assets are invested generally in interest earning deposits and short- and intermediate-term securities.

Our most liquid assets are cash and due from banks. The levels of these assets are dependent on our operating, financing, lending and investing activities during any given period. At March 31, 2021 and December 31, 2020, cash and due from banks totaled \$253.1 million and \$121.2 million, respectively. Securities classified as available-for-sale, which provide additional sources of liquidity, totaled \$359.4 million at March 31, 2021 and \$330.1 million at December 31, 2020.

Certificates of deposit due within one year of March 31, 2021 totaled \$80.1 million, or 89.0% of total certificates of deposit. At March 31, 2021, total certificates of deposit were \$90.0 million or 5.2% of total deposits. Certificates of deposit due within one year of December 31, 2020 totaled \$74.8 million, or 82.0% of total certificates of deposit. At December 31, 2020, total certificates of deposit were \$91.2 million or 6.1% of total deposits.

We participate in IntraFi Network, allowing us to provide access to multi-million-dollar FDIC deposit insurance protection on deposits for customers, businesses and public entities. We can elect to sell or repurchase this funding as reciprocal deposits from other IntraFi Network banks depending on our funding needs. At March 31, 2021, we had a total of \$78.1 million of IntraFi Network deposits, all of which were repurchased as reciprocal deposits from the IntraFi Network.

Although customer deposits remain our preferred source of funds, maintaining back up sources of liquidity is part of our prudent liquidity risk management practices. We have the ability to borrow from the Federal Home Loan Bank of New York. At March 31, 2021, we had no outstanding advances and the ability to borrow up to \$295.9 million. At March 31, 2021, we had a \$5.2 million collateralized line of credit from the Federal Reserve Bank of New York with no outstanding balance. Additionally, we had a total of \$25.0 million of discretionary lines of credit at March 31, 2021. We also have a borrowing agreement with Atlantic Community Bankers Bank ("ACBB") to provide short-term borrowings of \$2.5 million at March 31, 2021. There were no outstanding borrowings with ACBB at March 31, 2021.

Our cash flows are comprised of three primary classifications: cash flows from operating activities, investing activities, and financing activities. Net cash provided by operating activities was \$2.4 million and \$11.3 million for the three months ended March 31, 2021 and the year ended December 31, 2020, respectively. Net cash used in investing activities, which consists primarily of disbursements for loan originations and the purchase of securities, offset by principal collections on loans, proceeds from the sale of securities and proceeds from maturing securities and pay downs on securities, was \$113.7 million and \$331.0 million for the three months ended March 31, 2021 and the year ended December 31, 2020, respectively. Net cash provided by financing activities, consisting of activity in deposit accounts and borrowings, was \$243.1 million and \$415.7 million for the three months ended March 31, 2021 and the year ended December 31, 2020, respectively.

We are committed to maintaining a strong liquidity position. We monitor our liquidity position daily. We anticipate that we will have sufficient funds to meet our current funding commitments. Based on our

deposit retention experience, current pricing strategy and regulatory restrictions, we anticipate that a substantial portion of maturing time deposits will be retained, and that we can supplement our funding with borrowings in the event that we allow these deposits to run off at maturity.

Capital Resources. We are subject to various regulatory capital requirements administered by the Federal Reserve and New York State Department of Financial Services. At March 31, 2020 and December 31, 2020, we exceeded all applicable regulatory capital requirements, and were considered “well capitalized” under regulatory guidelines. See Note 10 to the Notes to the Unaudited Condensed Consolidated Financial Statements and Note 13 to the Notes to the Consolidated Financial Statements appearing elsewhere in this prospectus for actual and required capital amounts and ratios at March 31, 2021, December 31, 2020 and December 31, 2019.

Off-Balance Sheet Arrangements

Off-Balance Sheet Arrangements. We are a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments include commitments to extend credit, which involve elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. Our exposure to credit loss is represented by the contractual amount of the instruments. We use the same credit policies in making commitments as we do for on-balance sheet instruments.

At March 31, 2021, we had \$284.2 million in loan commitments outstanding. We also had \$7.1 million in standby letters of credit at March 31, 2021. At December 31, 2020, we had \$230.2 million in loan commitments outstanding. We also had \$6.5 million in standby letters of credit at December 31, 2020.

For further information, see Note 16 to the Notes to the Consolidated Financial Statements appearing elsewhere in this prospectus.

Effect of Inflation and Changing Prices

The consolidated financial statements and related financial data included in this prospectus have been prepared in accordance with generally accepted accounting principles in the United States of America, which require the measurement of financial position and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution’s performance than do general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

BUSINESS

Overview

We are a bank holding company headquartered in Middletown, New York and registered under the BHC Act. Through our wholly owned subsidiaries, Orange Bank & Trust Company and HVIA, we offer full-service commercial and consumer banking products and services and trust and wealth management services to small businesses, middle-market enterprises, local municipal governments and affluent individuals in the Lower Hudson Valley region, the New York metropolitan area and nearby markets in Connecticut and New Jersey. The Bank's main office is located at 212 Dolson Avenue, Middletown, New York 10940.

By combining the high-touch service and relationship-based focus of a community bank with the extensive suite of financial products and services offered by our larger competitors, we believe we can capitalize on the substantial growth opportunities available in our market areas. We also offer a variety of deposit accounts to businesses and consumers, including checking accounts and a full line of municipal banking accounts. These activities, together with our 14 branch offices and one loan production office, generate a stable source of low-cost core deposits and a diverse loan portfolio with attractive risk-adjusted yields. As of March 31, 2021, our assets, loans, deposits and stockholders' equity totaled \$1.9 billion, \$1.2 billion, \$1.7 billion and \$135.1 million, respectively. Orange Bank & Trust Company's trust department and HVIA had a combined \$1.2 billion in assets under management at March 31, 2021.

As a bank holding company, we are subject to the supervision of the FRB. We are required to file with the FRB reports and other information regarding our business operations and the business operations of our subsidiaries. As a state-chartered trust company that is a member of the Federal Reserve System, the Bank is subject to primary supervision, periodic examination and regulation by the NYSDFS and by the FRB as its primary federal regulator.

Recent Growth and Profitability

- The board of directors hired the current President and Chief Executive Officer, Michael Gilfeather, in 2014 to improve the growth trajectory of the Company.
- Significant investments in people, systems and expanding our geographic footprint have led to strong balance sheet growth and enhanced profitability. Our total assets have grown from \$1.1 billion at December 31, 2018 to \$1.9 billion at March 31, 2021, while our net income has increased from \$7.6 million for the year ended December 31, 2018 to \$11.7 million for the year ended December 31, 2020.
- A targeted effort to attract low to zero cost business deposits over the past seven years has resulted in significant growth in assets. These funds, combined with unprecedented government stimulus and liquidity in response to the COVID-19 pandemic, have resulted in a large growth in deposits, which we have been able to deploy in strong loan growth and liquidity.
- Combined assets under management from our trust and wealth management services through our trust services department and HVIA grew from \$754.8 million at December 31, 2018 to \$1.2 billion at March 31, 2021.
- We believe the Company's investments in our bankers, infrastructure and technology in recent years has improved our efficiency ratio. Specifically, our efficiency ratio has decreased from 74.65% for the year ended December 31, 2018 to 62.03% for the three months ended March 31, 2021 while full-time equivalent employees increased from 166 at December 31, 2018 to 195 at March 31, 2021.
- Compounded annual loan growth (excluding PPP loans) of 21.0% over the last five years from December 31, 2015 to December 31, 2020.
- Compounded annual deposit growth of 18.5% over the last five years from December 31, 2015 to December 31, 2020.
- Lenders and lending support staff grew from 17 to 47 employees from December 31, 2014 to March 31, 2021.

- Six new branches and one loan production office opened and two branch offices were sold or closed from December 31, 2015 to March 31, 2021.

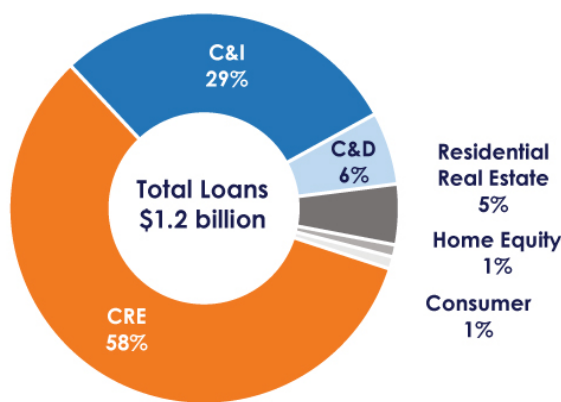
Business Segments

Business Banking. We are committed to serving as a community-oriented financial institution focused on small to medium-sized businesses, professionals, entrepreneurs and corporate executives. In addition, the Bank’s private banking service caters to the business and personal needs of high-net-worth individuals and business owners. We offer a full suite of financial products, including checking, savings and money market accounts, certificates of deposit and treasury management services.

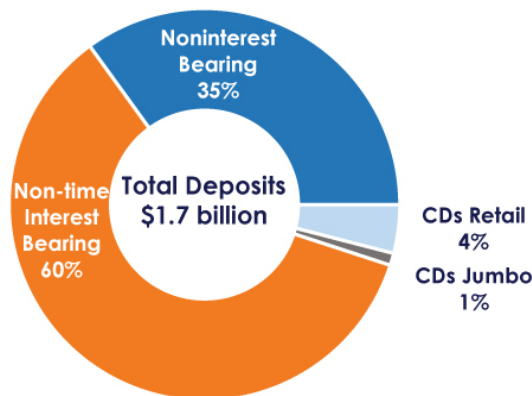
The Company has successfully recruited seasoned lenders with expertise and proven track records in its historic and expanded operating markets. These lenders typically have long standing relationships with businesses in our local community, such as real estate developers and owners, enabling them to serve as trusted advisors across financial transactions and products.

The Company has enjoyed particularly strong growth in its newer markets of Rockland and Westchester Counties, which offer significant growth potential as a function of market size and demographics, while Orange County continues to represent approximately 50% of the Bank’s deposits. The following tables show our loan (including PPP loans) and deposit compositions as of March 31, 2021.

Total Loans



Total Deposits



Private Banking. In August 2017, following extensive research and planning, the Bank successfully launched its private banking initiative. This concierge-level service integrates and leverages all four of the

Company’s core businesses — deposits, loans, asset management (through our investment adviser subsidiary HVIA) and trust and estate services — to provide dedicated, personalized attention to clients with larger, more complex banking needs who engage in significant business with us.

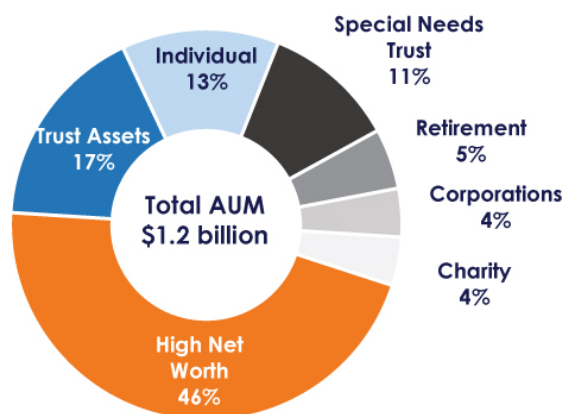
Trust & Wealth Management. Through the trust department of the Bank, we offer traditional trust and administration services to local clients and have a niche focus on Special Needs Trust and Guardianship service. Founded as “Orange County Trust and Safe Deposit Company” in 1892, trust services held a prominent role among our early business lines. This has evolved in intervening years, most explicitly in a name change to Orange Bank & Trust Company in 2016, and trust services remain a vital and vibrant part of our business today. As a measure of our ongoing commitment to trust services, we hired dedicated personnel with expertise in the unique requirements of the Special Needs Trust sub-sector for oversight of the division several years ago. This has resulted in meaningful revenue growth and profitability.

We offer asset management, financial planning and wealth management services through our wholly owned subsidiary, HVIA, an SEC registered investment advisor, which we acquired in November 2012. HVIA manages investments for institutional and high-net-worth individuals, which includes endowments, pension plans and not for profits, as well as sub-advisory investments. HVIA is in the process of expanding its product capabilities and expanding third party product distribution.

We recently launched the Orange Wealth Management initiative, which combines services offered by HVIA, our private bank and trust department in a coordinated strategy for growth. We anticipate that as more clients adopt the Orange Wealth Solutions service it will provide our clients with a more comprehensive picture of their financial health and strategies for long term growth and security. We believe that there may be significant cross-selling opportunities with our high-net-worth and business clients through this new platform.

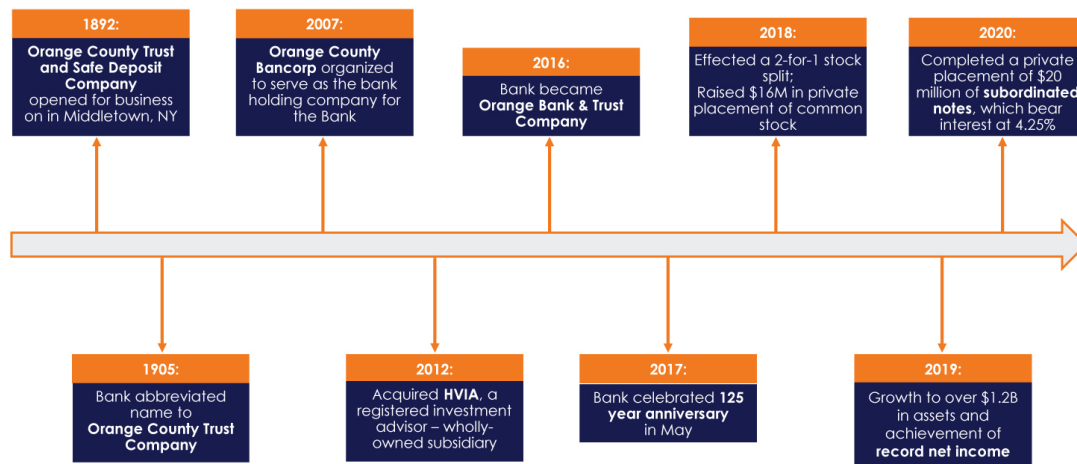
The following table shows our total assets under management through both the trust department of the Bank and HVIA as of March 31, 2021.

Total Assets Under Management



Our History

Born of the vision of 14 founders, the Bank opened for business in May 1892 as Orange County Trust and Safe Deposit Company. In 2016 the Bank rebranded itself as Orange Bank & Trust Company to reflect its ambitions to expand in the Lower Hudson Valley region and the New York City metropolitan area. The chart below sets forth our business evolutions and milestones.

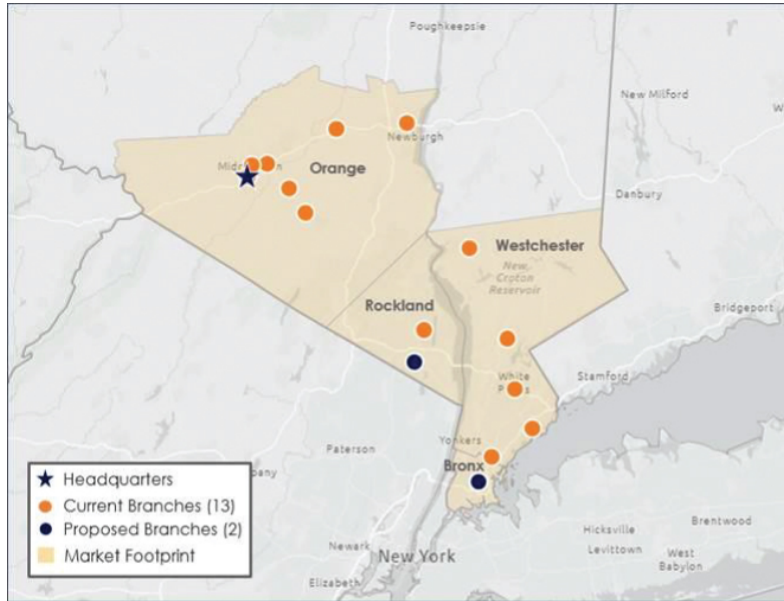


Our Market Area

We define our operating area broadly as the Lower Hudson Valley, which includes diverse and economically distinct markets. Our active banking operations are located principally in Orange, Westchester, Rockland and Bronx Counties in New York, which we refer to as our geographic footprint, where we operate 14 full-service branches and one loan production office. While most of our business takes place in these markets, we also work with several specific commercial clients with operations outside this region.

Since 2013, we have sought to leverage knowledge and relationships developed over our long operating history and our firm commitment to customer service across a strategically expanded footprint. This was formalized with the opening of new branch locations in Westchester and Rockland Counties in 2015, and has since driven meaningful market share growth in these markets. This includes compounded annual deposit growth of 30.9% and 33.9% for the Westchester and Rockland markets, respectively, during the three-year period ended December 31, 2020. More recently, we entered the strong growth market of Bronx, New York with a loan production office in November 2019 and a full-service branch in May 2021.

Orange County Bank & Trust Locations

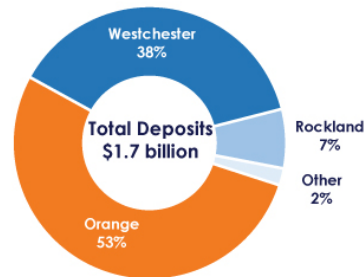
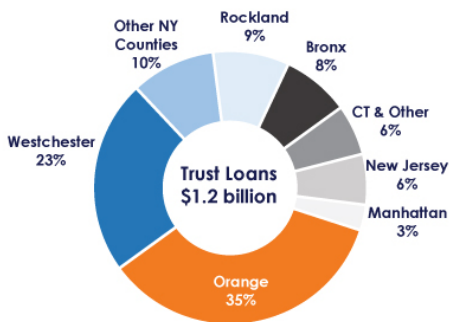


Source: S&P Global Market Intelligence.

While focused on driving growth across all of our markets and product lines, we believe our expanded presence in Westchester and Rockland Counties will be the largest contributor to future asset growth due to the significant deposit base in the Lower Hudson Valley market. As of March 31, 2021, 34.3% of our loans and 39.7% of our deposits were in Westchester and Rockland Counties. We are also currently building a new branch in Nanuet, located in Rockland County, with an anticipated opening in the third quarter of 2021. We view all of our recent and planned location openings as natural and logical extensions for the Bank and consistent with our geographic footprint.

Loans by Geography (3/31/2021)

Deposits by Geography (3/31/2021)



Our operating markets have demographic, economic and competitive dynamics that we believe are favorable to continued execution of our growth strategy:

Orange County. Orange County, located 60 miles from New York City, is an attractive and stable market. Our 129-year-operating history in the region provides us a strong foundation for growth and low-cost deposit funding. Economic activity in the region stems from local business activity and increasing support

services to the New York metropolitan area. With a population estimated as of January 1, 2021 of 387,768 and a median household income of \$82,420 as of the same date, the local economy is distinct and somewhat insulated from economic activity in New York City and Westchester County, and includes a growing number of service, warehousing, and logistical businesses. Recent developments in the region include significant population growth during the COVID-19 pandemic as professionals relocated away from urban markets.

Westchester and Rockland Counties. Westchester and Rockland serve as our primary growth markets, and we believe their combination of size, attractive demographics, strong growth characteristics, and economic diversity provide significant opportunities to grow our business. The Westchester and Rockland market area has a diversified economy typical of suburban population centers, with the majority of employment provided by services, wholesale/retail trade, finance/ insurance/real estate and manufacturing. Services account for the largest employment sector across both counties, while wholesale/retail trade accounts for the second largest employment sector.

Westchester and Rockland Counties are large, wealthy markets with median household incomes of \$102,782 and \$94,873, respectively and a combined population of 1,294,444, all estimated as of January 1, 2021. An unbalanced market of bigger banks, with only a few small community banks, has created an attractive competitive landscape that has strengthened our reputation as a leading local bank for small businesses within this market area. We believe our small market share relative to our size also provides the opportunity for long-term growth.

Bronx County. The Bronx market is densely populated with 1,414,708 residents estimated as of January 1, 2021 and has a diversified economy typical of most urban population centers. The majority of employment provided is by services, wholesale/retail trade and finance/ insurance/real estate with services accounting for the largest employment sector in the county. With a median household income of \$43,015 estimated as of January 1, 2021, the Bronx is home to a significant number of health care & social assistance businesses and non-profit organizations. A persistent need for housing in the region generates constant growth through demand for construction lending and refinancing activity.

Our Business Strategy

Our goal is to build the premier business bank in the Lower Hudson Valley, primarily through organic growth of our client base. We focus on small to medium sized businesses (characterized as businesses with annual revenues of less than \$50 million), attorneys and other professionals, and provide a broad range of banking services to businesses, high net worth individuals, business owners and retail customers. We believe the local economies in our geographic footprint offer us significant growth opportunities we can capitalize on through our focus on personalized service, and our ability to realize greater economies of scale than smaller community banks.

Leverage our Relationships and Service Capabilities to Drive Organic Growth. From our modest beginning in 1892, our founders understood the Bank's success would be closely tied to that of the communities in which we operate, and that long-term value creation would require an uncompromising commitment to service and the establishment of enduring relationships with our clients. That vision continues to drive the Company today, as we serve customers in Orange, Rockland, and Westchester Counties and the Bronx through a network of 14 branches, one loan production office and approximately 200 employees. Our core competencies include familiarity with our clients and providing the highest quality services and solutions, enabling us to attract business customers across our traditional and expanded geographic footprint. The objective is to be a trusted advisor to our clients as they build their businesses with our resources, support and advice.

Derive Further Loan Growth Through Differentiated Service. We have consistently demonstrated our ability to generate robust loan growth and capture additional share in our operating markets. We have been able to do so based on strong client relationships and targeted development efforts. The majority of our loan growth comes from existing clients and referrals, with the latter resulting from our focus on key centers of influence in our communities, such as law firms and accounting practices. We also believe our senior management's availability for consultation on a daily basis offers customers a quicker response time on loan applications and other transactions, as well as greater confidence that these transactions will close, than competitors, whose decisions, in some cases, are being made in distant headquarters. We believe this level of service also gives us a pricing advantage, often enabling us to obtain higher loan rates than our competitors, while still securing the business and client relationship.

Continue to Grow our Core Deposit Franchise. The strength of our deposit franchise is derived from our long-standing relationships with our clients and the strong ties we have to the markets we serve. Our deposit footprint has provided, and we believe will continue to provide, primary support for the growth of our loan portfolio. Core deposits (excluding time deposits) comprise 94.8% of our total funding, with a low cost of 0.16% for the quarter ended March 31, 2021. A key element of our strategy to enhance funding sources is our cash management services, which has helped our team expand the depth and efficiency of our product offerings, and is expected to contribute to profitability, account growth, and customer retention going forward. Additionally, by continuing to broaden our suite of business services, from sophisticated cash management to enhanced commercial lending, deposits and loans grew to \$1.5 billion and \$1.2 billion at year end 2020, up 37.5% and 29.2%, respectively, over year end 2019. We expect this growth to continue as the Bank continues to incorporate the tools our clients need to operate more efficiently and profitably. We also believe our strong commercial and public sector relationships will supplement our retail deposit base, further enhancing deposit growth and, ultimately, continued growth of our loan portfolio. Deposits from municipalities totaled \$279.1 million, or 16.1%, of our total deposits at March 31, 2021. Municipal deposits grew to \$198.5 million at year end 2020, up nearly 14% over year end 2019.

Continue to Build Fee-Based Business. We have built a strong foundation of fee-based revenue through our trust services and wealth management businesses. Like our core banking business, our trust and advisory services have also achieved significant recent milestones, with combined assets under management (AUM) in the two groups reaching \$1.2 billion at March 31, 2021. As we have successfully done with our banking business, we intend to expand HVIA's services into Westchester and Rockland Counties. Additionally, our newest service, private banking, continued to grow in 2020 and now enables approximately 400 clients to fully leverage the resources and capabilities of our platform. Each of our fee-based businesses is run by an experienced team and has scalable infrastructure to support additional growth with little added expense. We believe our integrated approach to client relationships, growing market position and expanded service offerings will provide significant cross selling and new business opportunities going forward.

Capitalize on Market Disruption. We intend to continue to take advantage of recent economic disruption in our operating markets, which we believe has created an environment of underbanked customers. The acquisitions of competitors in these markets have also created opportunities to hire seasoned bankers who we believe can thrive under our business model and take advantage of customer dissatisfaction with large, less personalized banks and/or recently merged institutions. We have successfully employed this strategy in the past, hiring 37 experienced bankers from merged institutions and acquiring HVIA from Provident New York Bancorp in 2012.

We believe such opportunities remain to be capitalized upon and will continue to present themselves with future consolidation. The tables below reflect merger activity in and around our geographic footprint since 2012.

Announcement Date	Acquiror Name	Acquiror State	Target Name	Target State	Target County
4/19/2021	Webster Financial Corp.	CT	Sterling Bancorp	NY	Rockland
3/16/2021	DLP Real Estate Capital, Inc.	FL	Sunnyside Bancorp Inc.	NY	Westchester
7/12/2018	ConnectOne Bancorp, Inc.	NJ	Greater Hudson Bank	NY	Rockland
12/16/2016	Wallkill Valley FS&LA	NY	Hometown Bancorp Inc (MHC)	NY	Orange
11/5/2014	Sterling Bancorp	NY	Hudson Valley Holding Corp.	NY	Westchester
9/25/2014	Putnam County SB	NY	CMS Bancorp Inc.	NY	Westchester

Source: S&P Global Market Intelligence.

We believe that ongoing reduction in the number of locally-managed community banks provides the opportunity for us to offer sophisticated banking products and services targeting small and middle market businesses, to expand our customer base, increase assets, and enhance profitability.

Strategic Expansion. While Orange County remains our home, ongoing investments in Rockland, Westchester and Bronx Counties continue to be significant drivers of our growth and profitability. Most recently, we entered the Bronx, New York market with a loan production office in 2019 and branch office in 2021. We are also currently building a new branch in Nanuet, Rockland County, with a planned opening in the third quarter 2021. We view these locations as natural and logical extensions of the Bank given our footprint and experience in the region. The exploration of new opportunities for expansion will remain a key initiative within the Company's strategy.

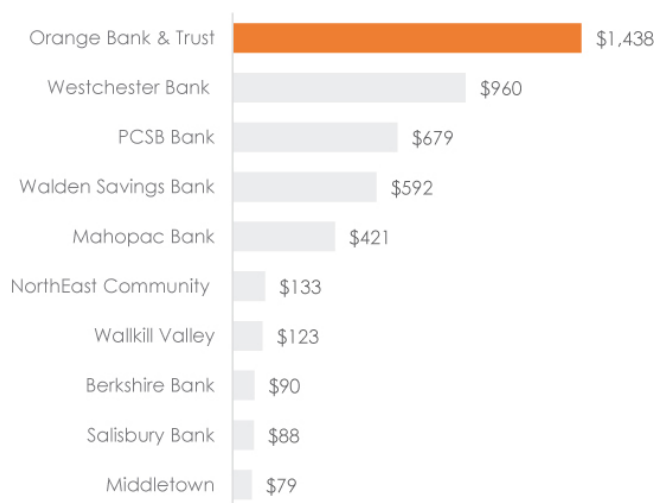
Engage in Opportunistic M&A. We are currently focused on organic growth in our geographic markets and have no current plans or arrangements for acquisitions. We may, however, evaluate acquisitions that we believe could produce attractive returns for our stockholders. These could include fee-based businesses, whole bank or branch acquisitions that would improve our market position in geographies with attractive demographics and business trends, expand our existing branch network in existing markets, enhance our earnings power or product and service offerings, or expand our wealth management activities.

Our Competitive Strengths

We believe the following strengths differentiate us from our competitors and position us to execute our business strategy successfully:

Premier commercial bank in the Lower Hudson Valley region. We are the largest locally headquartered bank in the Lower Hudson Valley (Orange, Westchester and Rockland Counties) based on deposit market share. Our extensive suite of financial products and services, combined with our growth goals and initiatives has made us attractive to lenders and business development professionals who prefer to work in a community bank setting, as well as customers who seek the personal attention of a community bank. The markets we serve have experienced significant bank consolidation and we have a demonstrated track record in attracting both talent and customers created from this disruption. We believe having publicly traded common stock will further enhance our ability to attract and retain talented bank professionals. We intend to continue to expand our physical presence in the Lower Hudson Valley region and believe we can continue to increase market share, particularly given recent local and regional bank merger and acquisition activity, and resultant dislocation, which may create business opportunities for us.

Deposits in the Market⁽¹⁾ (\$ in millions)

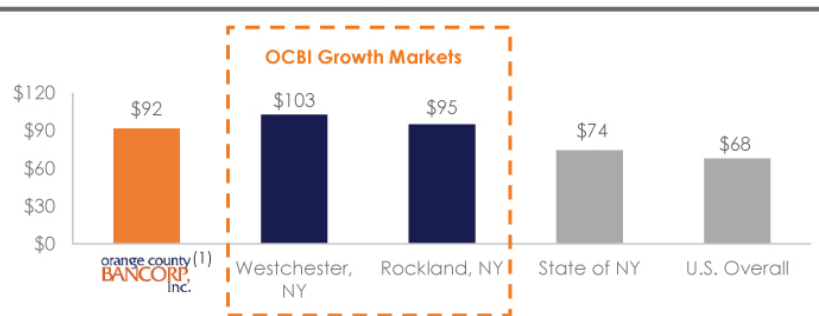


Source: S&P Global Market Intelligence, FDIC, as of June 30, 2020.

- (1) Defined as Lower Hudson Valley region, includes Orange, Westchester, and Rockland counties. Community Bank defined as regulated depositories less than \$5 billion in 2020Q4 total assets.

The Lower Hudson Valley market, particularly since the onset of the COVID-19 pandemic has exhibited strong deposit growth characteristics and above average levels of household net worth as measured by median household net income compared to the State of New York and the United States overall.

Median Household Income (\$000)



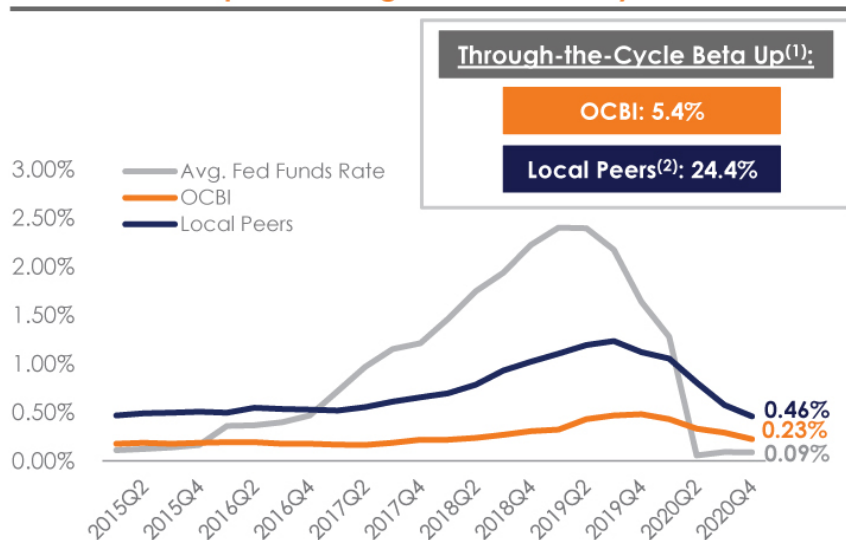
Source: S&P Global Market Intelligence estimated as of January 1, 2021.

(1) Represents the blended Median Household Income for all Orange County markets.

Attractive core deposit franchise. We have a deposit franchise supported by substantial core deposits, which we define as total deposits less certificates of deposit, and a strong level of noninterest-bearing demand deposit accounts. As of March 31, 2021, core deposits comprised 94.8% of total deposits and 133.4% of total loans, while noninterest bearing core deposits comprised 34.5% of total deposits. We did not have any brokered deposits (excluding reciprocal deposits obtained through the CDARS and ICS networks) at March 31, 2021. Our low-cost, core deposit base results from a unique combination of being Orange County's go-to community bank for consumers for more than 100 years, combined with our emphasis on banking businesses, not-for-profit institutions, municipalities and other organizations. We believe that our robust core deposit generation is powered by our strong personal service, visibility in our communities, a wide array of commercial banking and treasury management product offerings, and convenient services such as remote deposit capture and commercial internet banking. We also employ deposit-focused business development officers to generate deposit relationships.

Well positioned for a rising rate environment. In anticipation of a rising rate environment, we have focused our business on core deposit relationships and maintaining a liquid balance sheet. At March 31, 2021, our ratio of total loans to total deposits was 70.1%. We believe the relationship-based nature of our deposit portfolio reduces our interest rate risk relative to our local peers and competitors. During the last rising interest rate cycle from 2015 until 2019, our cost of deposit funding exhibited lower change and remained well-below our local peers. Our total deposit beta (defined as the relative change between deposit funding costs and changes in the federal funds rate) was 5.4%, significantly below our local peer level of 24.4%.

Cost of Total Deposits During '15 – '19 Rate Cycle



Source: S&P Global Market Intelligence

- (1) Deposit beta is calculated as the change in the bank's deposit costs as a percentage of the change in the Fed Fund Rate, measured from 2015Q1 to 2019Q1.
- (2) Local Peers include NASDAQ, NYSE, NYSEAM, and OTC-traded U.S. banks and thrifts in the NYC MSA with total assets under \$50 billion as of 2020Q4, excluding merger targets and mutual institutions.

Unique and complementary ability to offer private banking and wealth management services to our clients. Another area of differentiation relative to local competitors is our ability to offer private banking and wealth management services to our customers. We offer private banking through Orange Bank & Trust Private Banking, a division of Orange Bank & Trust Company, and provide trust and wealth management services through Orange Bank & Trust Company's trust services department and HVIA, which has \$1.2 billion in combined assets under management at March 31, 2021. Both offerings are highly complementary and round out a full suite of products available to our clients. Orange Bank & Trust Private Banking was launched in mid-2017 and now has approximately 400 clients. Our client-driven, high-tech and high-touch business model is focused on four primary areas: (1) Cash management and Treasury services; (2) Lending (primarily commercial lending); (3) Trust, Estate and Custody Services; and (4) Investment Advisory (through HVIA).

Through HVIA, we offer financial planning and wealth management services. HVIA has \$963 million of assets under management, including \$290 million sub-serviced for the Bank's trust department at March 31, 2021. Excluding the sub-serviced assets under management, the \$672 million of assets held under management by HVIA represented 54.6% of total assets under management, at March 31, 2021. Separate from HVIA, our trust services department of the Bank offers both traditional trust and administration services to our local clients with a niche focus on Special Needs Trust and Guardianship service. The trust services department has approximately \$558 million of assets under management, representing 45.4% of total assets under management at March 31, 2021.

Disciplined underwriting and credit administration. Our management and credit administration team fosters a strong risk management culture supported by comprehensive policies and procedures for credit underwriting, funding, and loan administration and monitoring that we believe has enabled us to establish strong credit quality. We monitor categories of lending activity within our portfolio and establish sub-limits that we review regularly and adjust in response to changes in our lending strategy and market conditions. Furthermore, at 1.47% of loans excluding PPP loans, our reserve levels exceed the median level of NASDAQ

traded bank and savings and loan holding companies, banks and thrifts (excluding merger targets) with consolidated assets between \$1.0 billion and \$3.0 billion.

Scalable operating model. We have invested heavily over the last several years in people and infrastructure to support and enhance our ability to provide a full range of commercial and retail financial services to our clients. These investments include over 60 additions to our full-time staff since 2014, and six branch and one loan production office openings with two branch offices sold or closed to optimize our franchise footprint occurring between 2015 and March 31, 2021. Most recently, we opened our Bronx, New York branch in June 2021. We are also currently building a new branch in Nanuet, Rockland County, with a planned third quarter 2021 opening. Other investments have focused on developing a full range of transaction services, such as online business banking, merchant processing, and mobile banking and creating customized software for certain industry verticals. As a result of these investments, we believe we have the operating leverage and infrastructure to support significant growth without a corresponding increase in expenses.

Lending Activities

General. Our principal lending activity has been the origination of commercial real estate loans, commercial and industrial loans, and to a lesser extent, commercial real estate construction loans, residential real estate loans, home equity loans and consumer loans. Our customers are primarily small and medium-sized businesses, attorneys, and other professionals. The following table sets forth the composition of our loan portfolio by the type of loan and average loan size at March 31, 2021:

	At March 31, 2021		
	Amount	Percent	Avg Loan Size
	(Dollars in thousands)		
Commercial and industrial	\$ 233,636	18.97%	\$ 185
Commercial real estate	709,760	57.63%	1,094
Commercial real estate construction	76,570	6.22%	3,190
Residential real estate	58,123	4.72%	194
Home equity	13,197	1.07%	54
Consumer	18,563	1.51%	21
PPP loans	121,779	9.89%	156
Total loans	1,231,628	100.00%	\$ 297
Allowance for loan losses	16,283		
Total loans, net	<u>\$1,215,345</u>		

Commercial Real Estate Lending. As of March 31, 2021, we had \$709.8 million in total commercial real estate loans, representing 57.6% of total loans. We originate loans to finance commercial real estate, primarily secured by commercial retail space, multifamily properties, office buildings and warehouses in our primary lending market. Generally, our commercial real estate loans have terms between five and ten years based on a 20 to 30-year amortization schedule, loan-to-value ratios of up to 75% of the appraised value of the property and are often credit enhanced by personal guarantees of the borrowers. Our typical commercial real estate loan has a three, five or seven-year fixed rate term which then adjusts at a margin above the FHLB of New York fixed rate advance index for the remainder of the term with a balloon payment due usually at the end of ten years. At March 31, 2021, 25.1% of our commercial real estate loans were for owner-occupied properties. At March 31, 2021, we had \$161.8 million in loans secured by multifamily properties.

We consider a number of factors in originating commercial real estate loans. We evaluate the qualifications and financial condition of the borrower, including project-level and global cash flows, credit history, and management expertise, as well as the value, condition, and location of the property securing the loan. When evaluating the qualifications of the borrower, we consider the financial resources of the borrower, the borrower's experience in owning or managing similar property and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, the factors we consider include

the net operating income of the mortgaged property before debt service and depreciation, the ratio of the loan amount to the appraised value of the mortgaged property and the debt service coverage ratio (the ratio of net operating income to debt service). We generally require a debt service coverage ratio of at least 1.20x. All commercial real estate loans of \$500,000 or more are appraised by outside independent appraisers. Personal guarantees are generally obtained from the principals of commercial real estate loans. All commercial real estate loans of more than \$500,000 must have an environmental assessment completed.

Commercial real estate loans generally entail greater credit risks compared to one- to four-family mortgage loans, as they typically involve larger loan balances concentrated with single borrowers or groups of related borrowers. In addition, the payment of loans secured by income-producing properties typically depends on the successful operation of the property, as repayment of the loan generally is dependent, in large part, on sufficient income from the property to cover operating expenses and debt service. Changes in economic conditions that are not in the control of the borrower or lender could affect the value of the collateral for the loan or the future cash flow of the property.

Commercial and Industrial Lending. As of March 31, 2021, we had \$233.6 million in commercial and industrial loans (excluding PPP loans), representing 19.0% of total loans. We originate commercial and industrial loans, consisting of short-term loans, lines of credit and term loans to businesses located in our primary lending market. These loans are used for various business purposes including the finance of machinery and equipment purchases, inventory and accounts receivable as well as real estate purchases.

Our commercial lines of credit are typically made with variable interest rates, which are tied to the Prime Rate of interest. Term loans generally consist of fixed-rate loans and are limited to seven-year terms. Generally, the maximum term for loans extended on machinery and equipment is based on the projected useful life of such machinery and equipment. Most business lines of credit are written on demand and may be renewed annually.

When making commercial and industrial loans, we consider the financial statements of the borrower, our lending history with the borrower, the debt service capabilities and global cash flows of the borrower and other guarantors, and the value of the collateral, accounts receivable, inventory and equipment. We also consider the business the borrower is in and the economic conditions affecting that business.

Commercial and industrial loans also include loans originated under the PPP, a specialized low-interest (1%) forgivable loan program funded by the U.S. Treasury Department and administered by the SBA. The Bank, as a qualified SBA lender, was authorized to originate PPP loans. The SBA guarantees 100% of the PPP loans made to eligible borrowers. The entire principal amount of the borrower's PPP loan, including any accrued interest, is eligible to be reduced by the loan forgiveness amount under the PPP so long as employee and compensation levels of the business are maintained and the loan proceeds are used for other qualifying expenses. We originated 1,132 PPP loans totaling \$161.9 million during 2020 and the first quarter of 2021. Our balance of PPP loans at March 31, 2021 was \$121.8 million, or 9.9% of total loans.

Commercial and industrial loans generally have a greater credit risk than one- to four-family mortgage loans. Unlike residential mortgage loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment and other income, and which are secured by real property whose value tends to be more easily ascertainable, commercial and industrial loans are of higher risk and typically are made primarily on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business. As a result, the availability of funds for the repayment of commercial and industrial loans may be substantially dependent on the success of the business itself. Further, the collateral securing the loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business.

Commercial Real Estate Construction Lending. As of March 31, 2021, we had \$76.6 million in commercial real estate construction loans, representing 6.2% of total loans. We engage in commercial real estate construction lending, primarily for projects located within our primary lending market. Our commercial real estate construction lending consists of commercial and residential site development loans as well as commercial building construction and residential housing construction loans. These loans are generally secured by the subject property. Terms of construction loans depend on the specifics of the project such as the estimated time for completion, the planned construction costs and the prospective appraised value of

those projects. At March 31, 2021, we have made commitments of \$99.5 million of which \$76.8 million has been drawn by our commercial real estate construction borrowers.

In underwriting commercial real estate construction loans, we perform a thorough analysis of the financial condition of the borrower, the borrower's credit history, the reliability and predictability of the cash flow generated by the project using feasibility studies and market data.

Appraisals on properties securing commercial real estate construction loans we originated are performed by independent appraisers.

Commercial real estate construction loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions and uncertainties of construction costs.

Residential Real Estate Lending. As of March 31, 2021, we had \$58.1 million in total residential real estate loans, representing 4.7% of total loans. In recent years, we have deemphasized the origination of residential real estate loans in our portfolio. We offer fixed-rate and adjustable-rate loans with terms up to a maximum of 20 years. The majority of our residential real estate loans are originated with a loan-to-value of 80% or less. Loans in excess of 80% are required to have private mortgage insurance. These loans are generally secured by properties located in, or made to customers who reside in, our primary market area.

In underwriting one- to four-family residential real estate loans, we evaluate both the borrower's ability to make monthly payments and the value of the property securing the loan. Properties securing real estate loans we make are appraised by independent appraisers. We generally require borrowers to obtain an attorney's title opinion or title insurance, and fire and property insurance (including flood insurance, if necessary) in an amount not less than the amount of the loan. We have not engaged in sub-prime residential mortgage originations.

Home Equity Lending. As of March 31, 2021, we had \$13.2 million in total home equity loans, representing 1.1% of total loans. We originate home equity lines of credit and closed-end loans. These loans are generally secured by properties located in, or made to customers who reside in, our primary market area. Home equity lines and loans are secured by the borrower's primary residence with a maximum loan-to-value ratio of 85% and a maximum term of 15 years on home equity loans and a 10-year draw period followed by a 15-year repayment period for home equity lines. Home equity loans adjust based on the Prime Rate.

In underwriting home equity lines and loans, a thorough analysis of the borrower's financial ability to repay the loan as agreed is performed. The ability to repay is determined by the borrower's employment history, current financial conditions, and credit background. The analysis is based primarily on the customer's ability to repay and secondarily on the collateral or security.

Home equity lines and loans generally present a lower level of risk than other types of consumer loans because they are secured by a junior lien on the borrower's primary residence. However, the subordinate nature of some home equity lines and loans may make these loans of higher risk than other residential real estate loans. Particularly with respect to our home equity lines of credit, decreases in real estate values could adversely affect the value of property securing the loan.

Consumer Lending. As of March 31, 2021, we had \$18.6 million in consumer loans, representing 1.5% of total loans. We offer a variety of secured and unsecured consumer loans, including vehicle loans, loans secured by savings deposits as well as other types of consumer loans.

In underwriting consumer loans, a thorough analysis of the borrower's financial ability to repay the loan is performed. The ability to repay is determined by the borrower's employment history, current financial condition, and credit background.

Consumer loans may entail greater credit risk than do residential real estate loans particularly in the case of consumer loans which are unsecured or are secured by rapidly depreciable assets, such as automobiles or recreational equipment. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances.

Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans.

Loan Purchases, Participations and Sales. From time to time we purchase loans or participate in loans with other financial institutions to supplement our origination of loans. Through our loan participations, we and the other participating lenders generally share ratably in cash flows and any gains or losses that may result from a borrower's lack of compliance with contractual terms of the loan. We primarily participate in commercial real estate loans, including multi-family real estate loans, and in commercial and industrial loans. When we are not lead lender, we always follow our customary loan underwriting and approval procedures. As of March 31, 2021, the outstanding balances of our loan participations totaled \$101.3 million, of which \$85.1 million were commercial real estate loans and \$16.2 million were commercial and industrial loans. In May 2018, we joined a community bank lending network operated by BancAlliance which provides the opportunity to participate in commercial and industrial loans and lines of credit that are broadly syndicated to member banks and outside institutions. As of March 31, 2021, the outstanding balances of loans sourced through this program totaled \$27.0 million, across seven distinct borrower relationships.

We also purchase whole loans from other lenders. Beginning in 2018, we have purchased commercial and industrial loans made to medical professionals throughout the U.S. such as to doctors and dentists secured by a blanket lien on their business assets from a national provider of such loans. We follow our customary loan underwriting and approval policies specific to these purchased loans. We purchase such loans under two programs. The first is a direct purchase with no guarantee (the "Direct Purchase Loans"), in which the loans are purchased at par with a put-back provision to the originator in the event of nonperformance. The second program carries a 50% guarantee from the seller (the "Partial Guaranteed Loans") in which the loans are purchased at par. Because these loans are generally secured by business assets, they may be subject to a greater extent to the financial condition of the borrower than loans secured by real estate collateral. During the three months ended March 31, 2021, we purchased \$3.0 million of Direct Purchase Loans. We did not make any purchases of Direct Purchase Loans during the three months ended March 31, 2020. During the three months ended March 31, 2021 and 2020, we did not purchase any Partial Guaranteed Loans. During the years ended December 31, 2020 and 2019, we purchased \$24.2 million and \$6.6 million of Direct Purchase Loans, respectively. During the years ended December 31, 2020 and 2019, we did not purchase any Partial Guaranteed Loans. As of March 31, 2021, December 31, 2020 and 2019, the aggregate balance of the purchased loans under these programs were \$55.6 million, \$55.7 million and \$45.5 million, respectively. During the year ended December 31, 2020, we also purchased \$19.3 million of loans from a partially guaranteed consumer loan program. As of March 31, 2021, the aggregate balance of the purchased loans under this program was \$14.6 million.

We generally do not sell loans and did not sell any loans during the years ended December 31, 2020 or 2019 and in the first quarter of 2021.

Credit Risk Management

We control credit risk both through disciplined underwriting of each transaction, as well as active credit management processes and procedures to manage risk and minimize loss throughout the life of a transaction. We seek to maintain a broadly diversified loan portfolio in terms of type of customer, type of loan product and industries in which our business customers are engaged. We have developed tailored underwriting criteria and credit management processes for each of the various loan product types we offer our customers.

Underwriting. In evaluating each potential loan relationship, we adhere to a disciplined underwriting evaluation process including but not limited to the following:

- understanding the borrower's financial condition and ability to repay the loan;
- determining whether the borrower is a capable manager;
- understanding the specific purpose of the loan;
- verifying that the primary, secondary and tertiary sources of repayment are adequate in relation to the amount and structure of the loan;

- assessing the economic environment in which the loan would be granted; and
- ensuring that each loan is properly documented with perfected liens on collateral.

Loan Approval Authority. Our lending activities follow written, non-discriminatory, underwriting standards and loan origination procedures established by our Board of Directors and management. The approval of two out of three of the Chief Executive Officer, the Chief Lending Officer or the Executive Vice President-Rockland Regional President is generally required for lending relationships up to \$1.0 million. Lending relationships of more than \$1.0 million and up to \$3.0 million must be approved by the Management Loan Committee. The Management Loan Committee consists of the Chief Executive Officer, the Chief Lending Officer, the Executive Vice President-Rockland Regional President, the Chief Financial Officer and the Chief Credit Officer. Lending relationships of more than \$3.0 million and up to \$15.0 million (the internal house limit) must be approved by the Directors Loan Committee which consists of four directors. The approval of our Board of Directors is required for all Regulation O loans, lending relationships greater than \$15.0 million and up to and including the Bank's legal lending limit and loans with more than three underwriting exceptions.

Loans to One Borrower Limit. In accordance with loans-to-one-borrower regulations, the Bank is generally limited to lending no more than 15% of its unimpaired capital and unimpaired surplus to any one borrower or borrowing entity. This limit may be increased by an additional 10% for loans secured by readily marketable collateral having a market value, as determined by reliable and continuously available price quotations, at least equal to the amount of funds outstanding. To qualify for this additional 10% the Bank must perfect a security interest in the collateral and the collateral must have a market value at all times of at least 100% of the loan amount that exceeds the 15% general limit. At March 31, 2021, our regulatory limit on loans-to-one borrower was \$24.2 million.

The following provides an overview of the Bank's 10 largest loan relationships at March 31, 2021:

	Number of Loans	Total Commitment	Outstanding Balance
(Dollars in Thousands)			
Relationship 1 ^(a)	8	\$ 21,918	\$ 15,342
Relationship 2 ^(b)	5	16,552	13,552
Relationship 3	3	15,970	13,870
Relationship 4 ^(c)	5	15,639	15,638
Relationship 5	15	15,261	14,181
Relationship 6	4	14,463	14,463
Relationship 7 ^(d)	21	14,371	14,049
Relationship 8	7	14,128	14,126
Relationship 9	1	12,412	12,412
Relationship 10	7	12,341	12,341
Top 10 Relationship Total	76	\$139,974	\$153,057

(a) Includes \$6.6 million in PPP loans.

(b) Includes \$494,000 in PPP loans.

(c) Includes \$3.3 million in PPP loans.

(d) Includes \$407,000 in PPP loans.

Ongoing Credit Risk Management. In addition to the tailored underwriting process described above, we perform ongoing risk monitoring and review processes for all credit exposures. Although we grade and classify our loans internally, we have an independent third-party professional firm perform regular loan reviews to confirm loan classifications. We strive to identify potential problem loans early in an effort to aggressively seek resolution of these situations before the loans create a loss, record any necessary charge-offs promptly and maintain adequate allowance levels for probable loan losses incurred in the loan portfolio.

In general, whenever a particular loan or overall borrower relationship is downgraded to pass-watch or special mention based on one or more standard loan grading factors, our credit officers engage in active evaluation of the asset to determine the appropriate resolution strategy. Management regularly reviews the status of the watch list and classified assets portfolio as well as the larger credits in the portfolio.

Wealth Management Business Segment

Through HVIA and Orange Bank & Trust Company's trust department, we offer a range of trust services, including managing customer investments, serving as custodian of customer assets, and providing fiduciary services including serving as trustee and personal representative of estates. Our clients include individuals, trusts, businesses, employer-sponsored retirement plans and charitable organizations. At March 31, 2021, we had \$1.2 billion of assets under management in a fiduciary, custodial or agency capacity for customers. These assets are not assets of Orange Bank & Trust Company or HVIA and therefore are not included in the consolidated balance sheets included in the prospectus. HVIA and Orange Bank & Trust Company's trust department collectively had 25 full-time equivalent employees as of March 31, 2021 and revenue of \$2.3 million or approximately 13.8% of our total revenues.

Investments

Our board of directors is responsible for approving and overseeing our investment policy. The investment policy is reviewed at least annually by management and any changes to the policy are recommended to the board of directors and are subject to its approval. This policy dictates that investment decisions be made based on the safety of the investment, regulatory standards, liquidity requirements, potential returns and consistency with our interest rate risk management strategy. We also use our investment portfolio to collateralize our municipal deposits. Our asset liability management committee, which consists of our President and Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Lending Officer, Trust Services Director and Controller and the Finance Committee of the board of directors, oversees our investing activities and strategies.

Our current investment policy authorizes us to invest in debt securities issued by the U.S. government and its agencies or government sponsored enterprises. In addition, management is authorized to invest in investment grade state and municipal obligations. The policy also permits investments in mortgage-backed securities, including pass-through securities, issued and guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae, as well as investments in federal funds and deposits in other insured institutions. We also are required to maintain an investment in FHLB stock, which investment is based primarily on the level of our FHLB borrowings. Additionally, we are required to maintain an investment in Federal Reserve Bank of New York stock equal to six percent of our capital and surplus. We do not engage in any investment hedging activities or trading activities, nor do we purchase any high-risk mortgage derivative products, corporate junk bonds, and certain types of structured notes.

At March 31, 2021, we had a portfolio of investment securities available for sale which is reported at fair value and we held no investment securities that were not carried at fair value through earnings.

Deposit Funding

Deposits are our primary source of funds to support our earning assets and growth. As of March 31, 2021, we held \$1.7 billion of total deposits. The following table sets forth our total deposit account balances, by account type, at March 31, 2021:

	At March 31, 2021		
	Amount	Percent	Average Rate
	(Dollars in thousands)		
Noninterest-bearing demand accounts	\$ 598,493	34.52%	0.00%
Interest bearing demand accounts	276,987	15.98%	0.13%
Money market accounts	599,127	34.56%	0.31%
Savings accounts	168,933	9.74%	0.10%
Certificates of Deposit	90,019	5.19%	0.66%
Total	<u>\$1,733,559</u>	<u>100.00%</u>	<u>0.17%</u>

We obtain most of our deposits from individuals, attorneys and other professionals, small and medium-sized businesses and municipalities in our market. We solicit deposits through our relationship-driven team of dedicated and accessible bankers and through community-focused marketing. We emphasize obtaining deposit relationships at loan origination. We have invested in personnel, business and compliance processes and technology that enable us to acquire, and efficiently and effectively serve, a wide array of business deposit accounts, while continuing to provide the level of customer service for which we are known. We currently offer a comprehensive range of business deposit products and services to assist with the banking needs of our business customers, including a variety of remote deposit and cash management products along with commercial transaction accounts. We also provide online banking, mobile banking, and direct deposit services.

We offer a selection of deposit accounts, including demand accounts (interest-bearing and non-interest-bearing), money market deposit accounts, savings accounts and certificates of deposit. Deposit account terms vary, with the principal differences being the minimum balance required, the amount of time the funds must remain on deposit and the interest rate. At March 31, 2021, our core deposits (which includes all deposits except for certificates of deposit) totaled \$1.6 billion, or 94.8% of our total deposits, and our cost of funds on this stable funding source was 0.15% anchored by our noninterest bearing demand deposits which represented 34.5% of total deposits at March 31, 2021. We did not have any brokered deposits at March 31, 2021. Our CDARS and ICS deposits totaled \$78.1 million at March 31, 2021.

We actively seek to obtain municipal deposits. At March 31, 2021, municipal deposits totaled \$279.1 million or 16.1% of our total deposits. We have developed a program for the retention and management of municipal deposits. These deposits are from local government entities such as county, village and town governments, school districts, fire departments and other municipalities. We solicit their operating and savings deposits. Municipal deposit accounts are generally collateralized by eligible government and government agency securities.

The flow of deposits is influenced significantly by general economic conditions, changes in money market and other prevailing interest rates and competition. The variety of deposit accounts offered allows us to be competitive in obtaining funds and responding to changes in consumer demand. Based on experience, we believe that our deposits are relatively stable. However, the ability to attract and maintain deposits and the rates paid on these deposits has been and will continue to be significantly affected by market conditions.

Borrowings

We maintain diverse funding sources including borrowing lines at the FHLB, two commercial banks and the Federal Reserve Bank discount window. Although we do not utilize borrowings as a significant funding source, we have from time to time utilized advances from the FHLB to supplement our supply of investable funds. The FHLB functions as a central reserve bank providing credit for its member financial

institutions. As a member, we are required to own capital stock in the FHLB and are authorized to apply for advances on the security of such stock and certain of our whole first mortgage loans and other assets (principally securities which are obligations of, or guaranteed by, the United States), provided certain standards related to creditworthiness have been met. Advances are made under several different programs, each having its own interest rate and range of maturities. Depending on the program, limitations on the amount of advances are based either on a fixed percentage of an institution's net worth or on the Federal Home Loan Bank's assessment of the institution's creditworthiness. As of March 31, 2021, we had \$308.7 million of available borrowing capacity with the FHLB. On that date, we had no advances outstanding from the FHLB. The other borrowing lines are maintained primarily for contingency funding sources.

Competition

The banking business is highly competitive and we face strong competition from many other financial institutions. Our principal competitors are commercial and community banks, credit unions, savings and loan associations, mortgage banking firms and online mortgage lenders and consumer finance companies, including large national financial institutions that operate in our market. Our profitability depends in large part based upon our continued ability to successfully compete with these institutions for lending opportunities, deposit funds, financial products, bankers and potential acquisition targets.

We conduct business through 14 banking offices and one loan production office in Orange, Westchester, Rockland and Bronx Counties in New York. Many other commercial and community banks, savings institutions, credit unions and other financial institutions maintain a physical presence in our primary market area and some maintain only a virtual presence. Many of these competitors are larger than us, have significantly more resources, greater brand recognition and more extensive and established branch networks or geographic footprints than we do, and may be able to attract customers more effectively than we can. Because of their scale, many of these competitors can be more aggressive than we can on loan and deposit pricing, and may better afford and make broader use of media advertising, support services and electronic technology than we do. Also, many of our non-bank competitors have fewer regulatory constraints and may have lower cost structures. To offset these competitive disadvantages, we concentrate marketing efforts in the local markets we service with local advertisements, and personal contacts, and we depend on our reputation as having greater personal service and the ability to make credit and other business decisions quicker than our competitors.

Personnel

As of March 31, 2021, we had 198 full-time employees at Orange County Bancorp, Orange Bank & Trust Company and HVIA, none of whom are represented by a collective bargaining unit. We believe we have a good working relationship with our employees.

Subsidiaries

Orange Bank & Trust Company and HVIA are the only subsidiaries of Orange County Bancorp and there are no subsidiaries of Orange Bank & Trust Company and HVIA.

Legal Proceedings

From time to time, we are a party to various litigation matters incidental to the conduct of our business. As of March 31, 2021, we do not believe that any currently pending legal proceedings will have a material adverse effect on our business, financial condition or results of operations.

Properties

We operate from our main office and 14 branch offices. We own our main office in Middletown, New York, and four branch offices located at North Street in Middletown, at Trust Way in Middletown, in Chester and in Montgomery, New York. We lease nine branch offices located in Goshen, Newburgh, Cortlandt Manor, White Plains, Mamaroneck, New City, Mt. Pleasant and Mount Vernon, and the Bronx, New York. There is an additional branch in construction in Nanuet, New York that will also be leased. The branches are leased under agreements that may be renewed for varying periods. In addition, HVIA operates from leased

offices located in Goshen, New York. A leased loan production office was recently opened in White Plains, New York. At March 31, 2021, the total net book value of our leasehold improvements, furniture, fixtures and equipment was approximately \$14.0 million.

SUPERVISION AND REGULATION

General

The Bank is a trust company organized under the laws of the state of New York. It is a member of the Federal Reserve System and its deposits are insured under the Deposit Insurance Fund (“DIF”) of the FDIC up to applicable legal limits. The lending, investment, deposit-taking, and other business authority of the Bank is governed primarily by state and federal law and regulations and the Bank is prohibited from engaging in any operations not authorized by such laws and regulations. The Bank is subject to extensive regulation, supervision and examination by, and the enforcement authority of, the NYSDFS and FRB, and to a lesser extent by the FDIC, as its deposit insurer. The Bank is also subject to federal financial consumer protection and fair lending laws and regulations of the CFPB, though, because it has less than \$10 billion in total consolidated assets, the FRB and NYSDFS are responsible for examining and supervising the Bank’s compliance with these laws. The regulatory structure establishes a comprehensive framework of activities in which a state member bank may engage and is primarily intended for the protection of depositors, customers and the DIF. The regulatory structure gives the regulatory agencies extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes.

The Company is a bank holding company, due to its control of the Bank, and is therefore subject to the requirements of the BHCA, and regulation and supervision by the FRB. The Company files reports with and is subject to periodic examination by the FRB. Any change in the applicable laws and regulations could have a material adverse impact on the Company and the Bank and their operations and the Company’s stockholders.

On May 24, 2018, the Economic Growth, Regulatory Relief and Consumer Protection Act (the “Economic Growth Act”) was enacted to modify or remove certain financial reform rules and regulations, including some of those implemented under the Dodd-Frank Wall Street and Consumer Protection Act (“Dodd-Frank Act”). While the Economic Growth Act maintains most of the regulatory structure established by the Dodd-Frank Act, it amends certain aspects of the regulatory framework for small depository institutions with assets of less than \$10 billion and for large banks with assets of more than \$50 billion. Many of these changes could result in meaningful regulatory changes for banks and their holding companies. In addition, the Economic Growth Act includes regulatory relief for community banks regarding regulatory examination cycles, call reports, the Volcker Rule, mortgage disclosures and risk weights for certain high-risk commercial real estate loans.

The following is a summary of some of the laws and regulations applicable to the Bank and the Company. The summary is not intended to be exhaustive and is qualified in its entirety by reference to the actual laws and regulations.

Bank Regulation

Loans and Investments

State commercial banks and trust companies have authority to originate and purchase any type of loan, including commercial, commercial real estate, residential mortgages or consumer loans. Aggregate loans by a state commercial bank or trust company to any single borrower or group of related borrowers are generally limited to 15% of the Bank’s capital stock, surplus fund and undivided profits, plus an additional 10% if secured by specified readily marketable collateral.

Federal and state law and regulations limit the Bank’s investment authority. Generally, a state member bank is prohibited from investing in corporate equity securities for its own account other than the equity securities of companies through which the bank conducts its business. Under federal and state regulations, a New York state member bank may invest in investment securities for its own account up to specified limits depending upon the type of security. “Investment securities” are generally defined as marketable obligations that are investment grade and not predominantly speculative in nature. The NYSDFS classifies investment securities into five different types and, depending on its type, a state commercial bank or trust company

may have the authority to deal in and underwrite the security. The NYSDFS has also permitted New York state member banks to purchase certain non-investment securities that can be reclassified and underwritten as loans.

Lending Standards and Guidance

The federal banking agencies adopted uniform regulations prescribing standards for extensions of credit that are secured by liens or interests in real estate or made for the purpose of financing permanent improvements to real estate. Under these regulations, all insured depository institutions, such as the Bank, must adopt and maintain written policies establishing appropriate limits and standards for extensions of credit that are secured by liens or interests in real estate or are made for the purpose of financing permanent improvements to real estate. These policies must establish loan portfolio diversification standards, prudent underwriting standards (including loan-to-value limits) that are clear and measurable, loan administration procedures, and documentation, approval and reporting requirements. The real estate lending policies must reflect consideration of the federal bank regulators' Interagency Guidelines for Real Estate Lending Policies that have been adopted.

The FDIC, the Office of the Comptroller of the Currency and the FRB have also jointly issued the "Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices" (the "CRE Guidance"). The CRE Guidance, which addresses land development, construction, and certain multi-family loans, as well as commercial real estate loans, does not establish specific lending limits but rather reinforces and enhances these agencies' existing regulations and guidelines for such lending and portfolio management. Specifically, the CRE Guidance provides that a bank has a concentration in CRE lending if (1) total reported loans for construction, land development, and other land represent 100% or more of total risk-based capital; or (2) total reported loans secured by multi-family properties, non-farm non-residential properties (excluding those that are owner-occupied), and loans for construction, land development, and other land represent 300% or more of total risk-based capital and the bank's commercial real estate loan portfolio has increased 50% or more during the prior 36 months. If a concentration is present, management must employ heightened risk management practices that address key elements, including board and management oversight and strategic planning, portfolio management, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing, and maintenance of increased capital levels as needed to support the level of commercial real estate lending.

Federal Deposit Insurance

The Bank is a member of the Deposit Insurance Fund, which is administered by the FDIC. The Bank's deposit accounts are insured by the FDIC, generally up to a maximum of \$250,000 per depositor.

The FDIC imposes deposit insurance assessments against all insured depository institutions. An institution's assessment rate depends upon the perceived risk of the institution to the DIF, with institutions deemed less risky paying lower rates. Currently, assessments for institutions of less than \$10 billion of total assets are based on financial measures and supervisory ratings derived from statistical models estimating the probability of failure within three years. Assessment rates (inclusive of possible adjustments) currently range from 1.5 to 30 basis points of each institution's total assets less tangible capital. The FDIC may increase or decrease the range of assessments uniformly, except that no adjustment can deviate more than two basis points from the base assessment rate without notice and comment rulemaking.

The FDIC has the authority to increase insurance assessments. A significant increase in insurance premiums would have an adverse effect on the operating expenses and results of operations of the Bank. We cannot predict what deposit insurance assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. We do not know of any practice, condition or violation that might lead to termination of deposit insurance at the Bank.

Capitalization

The FRB regulations require state member banks, such as the Bank, to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio, a Tier 1 capital to risk-based assets

ratio, a total capital to risk-based assets and a Tier 1 capital to total assets leverage ratio. The existing capital requirements were effective January 1, 2015 and are the result of a final rule implementing regulatory amendments based on recommendations of the Basel Committee on Banking Supervision and certain requirements of the Dodd-Frank Act.

The capital standards require the maintenance of a common equity Tier 1 capital ratio, Tier 1 capital ratio and total capital to risk-weighted assets ratio of at least 4.5%, 6% and 8%, respectively, and a leverage ratio of at least 4% Tier 1 capital. Common equity Tier 1 capital consists primarily of common stockholders' equity and related surplus, plus retained earnings, less any amounts of goodwill, other intangible assets, and other items required to be deducted. Tier 1 capital consists primarily of common equity Tier 1 and Additional Tier 1 capital. Additional Tier 1 capital generally includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus Additional Tier 1 capital) and Tier 2 capital. Tier 2 capital primarily includes capital instruments and related surplus meeting specified requirements and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for loan losses limited to a maximum of 1.25% of risk-weighted assets. Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, a bank's assets, including certain off-balance sheet assets (e.g., recourse obligations, direct credit substitutes, residual interests), are multiplied by a risk weight factor assigned by the regulations based on perceived risks inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. For example, a risk weight of 0% is assigned to cash and U.S. government securities, a risk weight of 50% is generally assigned to prudently underwritten first lien one-to four-family residential mortgages, a risk weight of 100% is assigned to commercial and consumer loans, a risk weight of 150% is assigned to certain past due loans or are on non-accrual status and a risk weight of between 0% to 600% is assigned to permissible equity interests, depending on certain specified factors.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements. The Bank's capital conservation buffer was greater than 2.5% of risk-weighted assets at March 31, 2021.

As a result of the Economic Growth Act, banking regulatory agencies adopted a revised definition of "well capitalized" for financial institutions and holding companies with assets of less than \$10 billion and that are not determined to be ineligible by their primary federal regulator due to their risk profile (a "Qualifying Community Bank"). The new definition expanded the ways that a Qualifying Community Bank may meet its capital requirements and be deemed "well capitalized." The new rule establishes a community bank leverage ratio ("CBLR") equal to the tangible equity capital divided by the average total consolidated assets. Regulators have established the CBLR to be set at 8.5% through calendar year 2021 and 9% thereafter. The CARES Act, signed into law in response to the COVID-19 pandemic, temporarily reduced the CBLR to 8%.

A Qualifying Community Bank that meets the CBLR is considered to be well capitalized and to have met generally applicable leverage capital requirements, generally applicable risk-based capital requirements, and any other capital or leverage requirements to which such financial institution or holding company is subject.

The Bank did not elect into the CBLR framework and at March 31, 2021, the Bank's capital exceeded all applicable requirements.

Safety and Soundness Standards

Each federal banking agency, including the FRB, has adopted guidelines establishing general standards relating to, among other things, internal controls, information and internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings, compensation, fees and

benefits and information security standards. In general, the guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired, and require appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director, or principal stockholder. The FDIC also has issued guidance on risks banks may face from third-party relationships (e.g., relationships under which the third-party provides services to the bank). The guidance generally requires the Bank to perform adequate due diligence on the third-party, appropriately document the relationship, and perform adequate oversight and auditing, in order to the limit the risks to the Bank.

Prompt Corrective Regulatory Action

Federal law requires that federal bank regulatory authorities take “prompt corrective action” with respect to institutions that do not meet minimum capital requirements. For these purposes, the statute establishes five capital tiers: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized.

The final rule that increased regulatory capital standards also adjusted the prompt corrective action tiers as of January 1, 2015 to conform to the revised capital standards. As described above, the Bank has not elected to follow the CBLR so the generally applicable prompt corrective action requirements remain applicable to the Bank. Under prompt corrective action requirements, insured depository institutions are required to meet the following in order to qualify as “well capitalized:” (1) a common equity Tier 1 risk-based capital ratio of 6.5%; (2) a Tier 1 risk-based capital ratio of 8%; (3) a total risk-based capital ratio of 10% and (4) a Tier 1 leverage ratio of 5%. The Bank was classified as well capitalized at March 31, 2021.

State member banks that have insufficient capital are subject to certain mandatory and discretionary supervisory measures. For example, a bank that is “undercapitalized” (i.e., fails to comply with any regulatory capital requirement) is subject to growth, capital distribution (including dividend) and other limitations, and is required to submit a capital restoration plan; a holding company that controls such a bank is required to guarantee that the bank complies with the restoration plan. If an undercapitalized institution fails to submit an acceptable plan, it is treated as if it is “significantly undercapitalized.” A “significantly undercapitalized” bank is subject to additional restrictions. State member banks deemed by the FRB to be “critically undercapitalized” also may not make any payment of principal or interest on certain subordinated debt, extend credit for a highly leveraged transaction, or enter into any material transactions outside the ordinary course of business after 60 days of obtaining such status, and are subject to the appointment of a receiver or conservator within 270 days after obtaining such status.

Dividends

Under federal and state law and applicable regulations, a state member bank may generally declare a dividend, without approval from the NYSDFS or FRB, in an amount equal to its year-to-date net income plus the prior two years’ net income that is still available for dividend. Dividends exceeding those amounts require application to and approval by the NYSDFS or FRB. To pay a cash dividend, a state member bank must also maintain an adequate capital conservation buffer under the capital rules discussed above.

Incentive Compensation Guidance

The FRB, OCC, FDIC and other federal banking agencies, and NYSDFS have issued comprehensive guidance intended to ensure that the incentive compensation policies of banking organizations, including state member banks and bank holding companies, do not undermine the safety and soundness of those organizations by encouraging excessive risk-taking. The incentive compensation guidance sets expectations for banking organizations concerning their incentive compensation arrangements and related risk-management, control and governance processes. In addition, under the incentive compensation guidance, a banking organization’s federal supervisor, which for the Bank and the Company is the FRB, may initiate enforcement action if the organization’s incentive compensation arrangements pose a risk to the safety and soundness of the organization. Further, provisions of the Basel III regime described above limit discretionary bonus payments to bank and bank holding company executives if the institution’s regulatory capital ratios

fail to exceed certain thresholds. The scope and content of the banking regulators' policies on incentive compensation are likely to continue evolving.

Transactions with Affiliates and Insiders

Sections 23A and 23B of the Federal Reserve Act govern transactions between an insured depository institution and its affiliates, which includes the Company. The FRB has adopted Regulation W, which implements and interprets Sections 23A and 23B, in part by codifying prior FRB interpretations.

An affiliate of a bank is any company or entity that controls, is controlled by or is under common control with the bank. A subsidiary of a bank that is not also a depository institution or a "financial subsidiary" under federal law is not treated as an affiliate of the bank for the purposes of Sections 23A and 23B; however, the FRB has the discretion to treat subsidiaries of a bank as affiliates on a case-by-case basis. Section 23A limits the extent to which a bank or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10% of the bank's capital stock and surplus. There is an aggregate limit of 20% of the bank's capital stock and surplus for such transactions with all affiliates. The term "covered transaction" includes, among other things, the making of a loan to an affiliate, a purchase of assets from an affiliate, the issuance of a guarantee on behalf of an affiliate and the acceptance of securities of an affiliate as collateral for a loan. All such transactions are required to be on terms and conditions that are consistent with safe and sound banking practices and no transaction may involve the acquisition of any "low quality asset" from an affiliate unless certain conditions are satisfied. Certain covered transactions, such as loans to or guarantees on behalf of an affiliate, must be secured by collateral in amounts ranging from 100 to 130 percent of the loan amount, depending upon the type of collateral. In addition, Section 23B requires that any covered transaction (and specified other transactions) between a bank and an affiliate must be on terms and conditions that are substantially the same, or at least as favorable, to the bank, as those that would be provided to a non-affiliate.

A bank's loans to its executive officers, directors, any owner of more than 10% of its stock (each, an "insider") and certain entities affiliated with any such person (an insider's "related interest") are subject to the conditions and limitations imposed by Section 22(h) of the Federal Reserve Act and the FRB's Regulation O. The aggregate amount of a bank's loans to any insider and the insider's related interests may not exceed the loans-to-one-borrower limit applicable to state member banks. Aggregate loans by a bank to its insiders and insiders' related interests may not exceed 15% of the bank's unimpaired capital and unimpaired surplus plus an additional 10% of unimpaired capital and surplus in the case of loans that are fully secured by readily marketable collateral, or when the aggregate amount on all of the extensions of credit outstanding to all of these persons would exceed the bank's unimpaired capital and unimpaired surplus. With certain exceptions, such as education loans and certain residential mortgages, a bank's loans to its executive officers may not exceed the greater of \$25,000 or 2.5% of the bank's unimpaired capital and unimpaired surplus, but in no event more than \$100,000. Regulation O also requires that any loan to an insider or a related interest of an insider be approved in advance by a majority of the board of directors of the bank, with any interested director not participating in the voting, if the loan, when aggregated with any existing loans to that insider or the insider's related interests, would exceed the higher of \$25,000 or 5% of the bank's unimpaired capital and surplus. Generally, such loans must be made on substantially the same terms as, and follow credit underwriting procedures that are no less stringent than, those that are prevailing at the time for comparable transactions with other persons and must not involve more than a normal risk of repayment. An exception is made for extensions of credit made pursuant to a benefit or compensation plan of a bank that is widely available to employees of the bank and that does not give any preference to insiders of the bank over other employees of the bank.

Enforcement

The NYSDFS and the FRB have extensive enforcement authority over state member banks to correct unsafe or unsound practices and violations of law or regulation. Such authority includes the issuance of cease and desist orders, assessment of civil money penalties and removal of officers and directors. The FRB may also appoint a conservator or receiver for a state member bank under specified circumstances, such as where (i) the bank's assets are less than its obligations to creditors, (ii) the bank is likely to be unable to pay its obligations or meet depositors' demands in the normal course of business, or (iii) a substantial dissipation

of bank assets or earnings has occurred due to a violation of law of regulation or unsafe or unsound practices. Separately, the Superintendent of the NYSDFS also has the authority to appoint a receiver or liquidator of any state-chartered bank or trust company under specified circumstances, including where (i) the bank is conducting its business in an unauthorized or unsafe manner, (ii) the bank has suspended payment of its obligations, or (iii) the bank cannot with safety and expediency continue to do business.

Federal Reserve System

Under federal law and regulations, the Bank is required to maintain sufficient liquidity to ensure safe and sound banking practices. Regulation D, promulgated by the FRB, imposes reserve requirements on all depository institutions, including the Bank, which maintain transaction accounts or non-personal time deposits. In March 2020, due to a change in its approach to monetary policy due to the COVID-19 pandemic, the FRB implemented a final rule to amend Regulation D requirements and reduce reserve requirement ratios to zero. The FRB has indicated that it has no plans to re-impose reserve requirements, but may do so in the future if conditions warrant.

Examinations and Assessments

The Bank is required to file periodic reports with and is subject to periodic examination by the NYSDFS and FRB. Federal and state regulations generally require periodic on-site examinations for all depository institutions. The Bank is required to pay an annual assessment to the NYSDFS and FRB to fund the agencies' operations.

Community Reinvestment Act and Fair Lending Laws

Federal Regulation

Under the CRA, the Bank has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community. The CRA requires the FRB to assess its record of meeting the credit needs of its community and to take that record into account in its evaluation of certain applications by the Bank. For example, the regulations specify that a bank's CRA performance will be considered in its expansion (e.g., branching or merger) proposals and may be the basis for approving, denying or conditioning the approval of an application. As of the date of its most recent FRB examination, the Bank was rated "Satisfactory" with respect to its CRA compliance.

New York State Regulation

The Bank is also subject to provisions of the New York State Banking Law that impose continuing and affirmative obligations upon a banking institution organized in New York State to serve the credit needs of its local community. Such obligations are substantially similar to those imposed by the CRA. The latest New York State CRA rating received by the Bank is "Satisfactory."

USA PATRIOT Act and Money Laundering

The Bank is subject to the Bank Secrecy Act ("BSA"), which incorporates several laws, including the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the USA PATRIOT Act and related regulations. The USA PATRIOT Act gives the federal government powers to address money laundering and terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing, and broadened anti-money laundering requirements. By way of amendments to the BSA, Title III of the USA PATRIOT Act implemented measures intended to encourage information sharing among bank regulatory agencies and law enforcement bodies. Further, certain provisions of Title III impose affirmative obligations on a broad range of financial institutions, including banks, thrifts, brokers, dealers, credit unions, money transfer agents and parties registered under the Commodity Exchange Act.

Among other things, Title III of the USA PATRIOT Act and the related regulations require:

- Establishment of anti-money laundering compliance programs that includes policies, procedures, and internal controls; the designation of a BSA officer; a training program; and independent testing;
- Filing of certain reports to Financial Crimes Enforcement Network and law enforcement that are designated to assist in the detection and prevention of money laundering and terrorist financing activities;
- Establishment of a program specifying procedures for obtaining and maintaining certain records from customers seeking to open new accounts, including verifying the identity of customers;
- In certain circumstances, compliance with enhanced due diligence policies, procedures and controls designed to detect and report money-laundering, terrorist financing and other suspicious activity;
- Monitoring account activity for suspicious transactions; and
- A heightened level of review for certain high-risk customers or accounts.

The USA PATRIOT Act also includes prohibitions on correspondent accounts for foreign shell banks and requires compliance with record keeping obligations with respect to correspondent accounts of foreign banks.

The bank regulatory agencies have increased the regulatory scrutiny of the BSA and anti-money laundering programs maintained by financial institutions. Significant penalties and fines, as well as other supervisory orders may be imposed on a financial institution for non-compliance with these requirements. In addition, for financial institutions engaging in a merger transaction, federal bank regulatory agencies must consider the effectiveness of the financial institution's efforts to combat money laundering activities. The Bank has adopted policies and procedures to comply with these requirements.

Privacy Laws

The Bank is subject to a variety of federal and state privacy laws, which govern the collection, safeguarding, sharing and use of customer information, and require that financial institutions have in place policies regarding information privacy and security. For example, the Gramm-Leach-Bliley Act requires all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution's privacy policy and practices for sharing nonpublic information with third parties, provide advance notice of any changes to the policies and provide such customers the opportunity to "opt out" of the sharing of certain personal financial information with unaffiliated third parties. It also requires banks to safeguard personal information of consumer customers. Some state laws also protect the privacy of information of state residents and require adequate security for such data, and certain state laws may, in some circumstances, require the Bank to notify affected individuals of security breaches of computer databases that contain their personal information. These laws may also require the Bank to notify law enforcement, regulators or consumer reporting agencies in the event of a data breach, as well as businesses and governmental agencies that own data.

Consumer Finance Regulations

The CFPB has broad rulemaking authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. In this regard, the CFPB has several rules that implement various provisions of the Dodd-Frank Act that were specifically identified as being enforced by the CFPB. While the Bank is subject to the CFPB regulations, because it has less than \$10 billion in total consolidated assets, the FRB and the NYSDFS are responsible for examining and supervising the Bank's compliance with these consumer financial laws and regulations. In addition, the Bank is subject to certain state laws and regulations designed to protect consumers.

The Coronavirus Aid, Relief and Economic Security Act

The CARES Act, which became law on March 27, 2020, provided over \$2 trillion to combat the coronavirus disease (COVID-19) and stimulate the economy. The law had several provisions relevant to financial institutions, including:

- Allowing institutions not to characterize loan modifications relating to the COVID-19 pandemic as a troubled debt restructuring and also allowing them to suspend the corresponding impairment determination for accounting purposes;
- Temporarily reducing the community bank leverage ratio alternative available to institutions of less than \$10 billion of assets to 8%;
- The establishment of the PPP, a specialized low-interest forgivable loan program funded by the U.S. Treasury Department and administered through the SBA's 7(a) loan guaranty program to support businesses affected by the COVID-19 pandemic; and
- The ability of a borrower of a federally-backed mortgage loan (VA, FHA, USDA, Freddie Mac and Fannie Mae) experiencing financial hardship due, directly or indirectly, to the COVID-19 pandemic, to request forbearance from paying their mortgage by submitting a request to the borrower's servicer affirming their financial hardship during the COVID-19 emergency. Such a forbearance could be granted for up to 180 days, subject to extension for an additional 180-day period upon the request of the borrower. During that time, no fees, penalties or interest beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full under the mortgage contract could accrue on the borrower's account. Except for vacant or abandoned property, the servicer of a federally-backed mortgage was prohibited from taking any foreclosure action, including any eviction or sale action, for not less than the 60-day period beginning March 18, 2020, extended by federal mortgage-backing agencies to at least June 30, 2021.

Other Regulations

The Bank's operations are also subject to federal laws applicable to credit transactions, such as:

- The Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- The Real Estate Settlement Procedures Act, requiring that borrowers for mortgage loans for one-to-four-family residential real estate receive various disclosures, including good faith estimates of settlement costs, lender servicing and escrow account practices, and prohibiting certain practices that increase the cost of settlement services;
- The Home Mortgage Disclosure Act, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- The Equal Credit Opportunity Act and other fair lending laws, prohibiting discrimination on the basis of race, religion, sex and other prohibited factors in extending credit;
- The Fair Credit Reporting Act, governing the use of credit reports on consumers and the provision of information to credit reporting agencies;
- Unfair or Deceptive Acts or Practices laws and regulations;
- The Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies; and
- The rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The operations of the Bank are further subject to the:

- The Truth in Savings Act, which specifies disclosure requirements with respect to deposit accounts;
- The Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;
- The Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services;

- The Check Clearing for the 21st Century Act (also known as “Check 21”), which gives “substitute checks,” such as digital check images and copies made from that image, the same legal standing as the original paper check; and
- State unclaimed property or escheatment laws; and
- Cybersecurity regulations, including but not limited to those implemented by NYSDFS.

Holding Company Regulation

General

The Company, as a bank holding company controlling the Bank, is subject to regulation and supervision by the FRB under the BHCA. The Company is periodically examined by and required to submit reports to the FRB and must comply with the FRB’s rules and regulations. Among other things, the FRB has authority to restrict activities by a bank holding company that are deemed to pose a serious risk to the subsidiary bank.

Permissible Activities

A bank holding company is generally prohibited from engaging in non-banking activities, or acquiring direct or indirect control of more than 5% of the voting securities of any company engaged in non-banking activities. One of the principal exceptions to this prohibition is for activities found by the FRB to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the principal activities that the FRB has determined by regulation to be so closely related to banking are: (i) making or servicing loans; (ii) performing certain data processing services; (iii) providing discount brokerage services; (iv) acting as fiduciary, investment or financial advisor; (v) leasing personal or real property; (vi) making investments in corporations or projects designed primarily to promote community welfare; and (vii) acquiring a savings and loan association whose direct and indirect activities are limited to those permitted for bank holding companies.

The Gramm-Leach-Bliley Act of 1999 authorized a bank holding company that meets specified conditions, including being “well capitalized” and “well managed,” to opt to become a “financial holding company” and thereby engage in a broader array of financial activities than previously permitted. Such activities can include insurance underwriting and investment banking. A “financial holding company” may engage in a broader array of financial activities than permitted a typical bank holding company. Such activities can include insurance underwriting and investment banking. The Company has not elected “financial holding company” status.

Capital

Bank holding companies are subject to consolidated regulatory capital requirements, which have historically been similar to, though less stringent than, those of the for the Bank. Federal legislation, however, required the FRB to promulgate consolidated capital requirements for depository institution holding companies that are no less stringent, both quantitatively and in terms of components of capital, than those applicable to institutions themselves. As a result, consolidated regulatory capital requirements identical to those applicable to the subsidiary banks generally apply to bank holding companies. However, the FRB has provided a “Small Bank Holding Company” exception to its consolidated capital requirements, and subsequent legislation and the related issuance of regulations by the FRB have increased the threshold for the exception to \$3.0 billion of consolidated assets. Consequently, bank holding companies such as the Company with less than \$3.0 billion of consolidated assets are not subject to the consolidated holding company capital requirements unless otherwise directed by the FRB.

Source of Strength

The FRB has issued regulations requiring that all bank holding companies serve as a source of strength to their subsidiary depository institutions by providing financial, managerial and other support in times of an institution’s distress.

Dividends and Stock Repurchases

The FRB has issued a policy statement regarding the payment of dividends by holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization's capital needs, asset quality and overall supervisory financial condition. Separate regulatory guidance provides for prior consultation with FRB staff concerning dividends in certain circumstances such as where the company's net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the company's overall rate or earnings retention is inconsistent with the company's capital needs and overall financial condition. The ability of a bank holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized.

The regulatory guidance also states that a bank holding company should consult with FRB supervisory staff prior to redeeming or repurchasing common stock or perpetual preferred stock if the bank holding company is experiencing financial weaknesses or the repurchase or redemption would result in a net reduction, at the end of a quarter, in the amount of such equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred.

There is a separate requirement that a bank holding company give the FRB prior written notice of any purchase or redemption of then outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of the company's consolidated net worth. The FRB may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe and unsound practice, or would violate any law, regulation, FRB order or directive, or any condition imposed by, or written agreement with, the FRB. There is an exception to this approval requirement for well-capitalized bank holding companies that meet certain other conditions.

These regulatory policies may affect the ability of Orange County Bancorp, Inc. to pay dividends, repurchase shares of common stock or otherwise engage in capital distributions.

Acquisition of Control of the Company

Under the Change in Bank Control Act, no person may acquire control of a bank holding company such as the Company unless the FRB has prior written notice and has not issued a notice disapproving the proposed acquisition. In evaluating such notices, the FRB takes into consideration such factors as the financial resources, competence, experience and integrity of the acquirer, the future prospects the bank holding company involved and its subsidiary bank and the competitive effects of the acquisition. Control, as defined under federal law, means ownership, control of or holding irrevocable proxies representing more than 25% of any class of voting stock, control in any manner of the election of a majority of the company's directors, or a determination by the regulator that the acquirer has the power to direct, or directly or indirectly to exercise a controlling influence over, the management or policies of the institution. Acquisition of more than 10% of any class of a bank holding company's voting stock constitutes a rebuttable presumption of control under the regulations under certain circumstances including where, as will be the case with the Company, the issuer has registered securities under Section 12 of the Securities Exchange Act of 1934.

Investment Advisory Regulations

We offer wealth management services through HVIA, a wholly owned subsidiary of Orange Bank & Trust Company. HVIA is registered investment advisor under the Investment Advisors Act of 1940, as amended, and as such, is supervised by the SEC. HVIA is also subject to various other federal laws and state licensing and/or registration requirements. These laws and regulations generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the carrying on of business for failure to comply with such laws.

Federal Securities Laws

Orange County Bancorp, Inc.'s common stock will be registered with the Securities and Exchange Commission prior to the completion of the stock offering. Orange County Bancorp, Inc. will be a reporting

company subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934.

Emerging Growth Company Status

The Jumpstart Our Business Startups Act (the “JOBS Act”), which was enacted in April 2012, has made numerous changes to the federal securities laws to facilitate access to capital markets. Under the JOBS Act, a company with total annual gross revenues of less than \$1.07 billion during its most recently completed fiscal year qualifies as an “emerging growth company.” Orange County Bancorp, Inc. qualifies as an emerging growth company under the JOBS Act.

An “emerging growth company” may choose not to hold stockholder votes to approve annual executive compensation (more frequently referred to as “say-on-pay” votes) or executive compensation payable in connection with a merger (more frequently referred to as “say-on-golden parachute” votes). An emerging growth company also is not subject to the requirement that its auditors attest to the effectiveness of the company’s internal control over financial reporting, and can provide scaled disclosure regarding executive compensation; however, Orange County Bancorp, Inc. will also not be subject to the auditor attestation requirement or additional executive compensation disclosure so long as it remains a “non-accelerated filer” and a “smaller reporting company,” respectively, under Securities and Exchange Commission regulations (generally less than \$75 million and \$250 million, respectively, of voting and non-voting equity held by non-affiliates or less than \$100.0 million in annual revenue). Finally, an emerging growth company may elect to comply with new or amended accounting pronouncements in the same manner as a private company, but must make such election when the company is first required to file a registration statement. Orange County Bancorp, Inc. has elected to comply with new or amended accounting pronouncements in the same manner as a private company.

A company loses emerging growth company status on the earlier of: (i) the last day of the fiscal year of the company during which it had total annual gross revenues of \$1.07 billion or more; (ii) the last day of the fiscal year of the issuer following the fifth anniversary of the date of the first sale of common equity securities of the company pursuant to an effective registration statement under the Securities Act of 1933; (iii) the date on which such company has, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt; or (iv) the date on which such company is deemed to be a “large accelerated filer” under Securities and Exchange Commission regulations (generally, at least \$700 million of voting and non-voting equity held by non-affiliates).

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 is intended to improve corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. We have policies, procedures and systems designed to comply with these regulations, and we review and document such policies, procedures and systems to ensure continued compliance with these regulations.

MANAGEMENT

Our Directors and Executive Officers

There are 10 members of the board of directors of Orange County Bancorp, Inc. The directors are divided into three classes. Directors are generally elected to serve for a three-year term, which is staggered to provide for the election of approximately one-third of the directors each year. The following table states our directors' names, their ages as of March 31, 2021, the years that they began serving as directors and when their current term as directors of Orange County Bancorp, Inc. expires.

Name	Position(s) With the Company	Age at March 31, 2021	Director Since ⁽¹⁾	Expiration of Term
Louis Heimbach	Chairman	87	1990	2024
Michael J. Gilfeather	President, CEO and Director	63	2014	2023
Gregory F. Holcombe	Director	60	2017	2024
Susan G. Metzger	Director	76	2007	2023
William D. Morrison	Director	66	2004	2022
Virginia K. Rizzo	Director	77	2003	2022
Jonathan F. Rouis	Director	50	2018	2022
Richard B. Rowley	Director	67	2009	2023
Terry R. Saturno	Director	70	2004	2024
Gustave J. Scacco	Director	59	2018	2022

(1) Includes service on the Bank's board of directors prior to the incorporation of Orange County Bancorp.

The following table sets forth information regarding our executive officers and their ages as of March 31, 2021. The executive officers of Orange County Bancorp, Inc. and the Bank are appointed annually.

Name	Position(s) With the Company or Bank	Age at March 31, 2021
Michael J. Gilfeather	President, Chief Executive Officer and Director	63
Robert L. Peacock	Executive Vice President and Chief Financial Officer	65
Michael J. Coulter	Executive Vice President and Chief Lending Officer	64
Joseph A. Ruhl	Regional President, Westchester County	56
John P. Bartolotta	Regional President, Rockland County	67
Gregory Sousa	Executive Vice President and Chief Commercial Banking Officer	42

The Business Background of Our Directors and Executive Officers

The following is a brief discussion of the business and banking background and experience of our directors and executive officers for at least the past five years. With respect to directors, the biographies also contain information regarding the person's experience, qualifications, attributes or skills that led to the conclusion that the person should serve as a director. Unless otherwise indicated, directors and senior officers have held their positions for the past five years. No director has any family relationship, as defined in Item 401 of Regulation S-K, with any other director or with any of our executive officers.

Louis Heimbach. Mr. Heimbach serves as our Chairman of the Board. He joined Sterling Forest LLC, a subsidiary of Zurich Insurance, as President in January 1990, was appointed Chairman, President and CEO in August 1994 and retired in July 2014. Prior to that, he served 12 years as County Executive of the County of Orange. Prior to his election as County Executive, Mr. Heimbach served three terms as Supervisor of the Town of Wallkill. He has Bachelor of Science and an MBA from Cornell University. He

serves on the Board or as an officer of numerous community and government organizations. Mr. Heimbach's business and public policy experience, community service and strong knowledge of the business climate of the New York Hudson Valley region brings extensive insight into the customers who live in our market area and economic developments affecting our market area.

Michael J. Gilfeather. Mr. Gilfeather has been President and Chief Executive Officer of the Company and the Bank since April 2014 and a Director since 2014. He brings over 35 years of experience to his leadership position. Mr. Gilfeather also serves as a director of Hudson Valley Investment Advisors. Prior to joining Orange County Bancorp, he served as Chief Administrative Officer at Hudson Valley Bank, where he was directly responsible for the branch network, training and development, human resources and the trust department. Before working with Hudson Valley Bank, Mr. Gilfeather was with The Bank of New York for 20 years, where he was the Senior Manager for all retail banking in Manhattan. Mr. Gilfeather has an MBA in Finance from Pace University and a Bachelor of Science in Psychology from Union College. Mr. Gilfeather is the Chairman of the Board of the Orange County Partnership and the Vice Chairman of the New York Bankers Association. Mr. Gilfeather's extensive knowledge of the banking industry and strong leadership skills provides the board with invaluable insight and guidance into the business and regulatory requirements of today's banking environment.

Gregory F. Holcombe. Mr. Holcombe is a builder, owner and manager of multi-family and mixed use properties in lower Westchester County. He served as Vice President of Supply Chain Development for Precision Valve Corporation from 1995 to 2006. Mr. Holcombe has a BA in Latin American Studies & International Marketing from Tulane University. He is a member and former member of several corporate and community organizations. Mr. Holcombe is a past director of Hudson Valley Holding Corp and Hudson Valley Bank. Mr. Holcombe's prior bank board service, along with his skills in driving company performance and knowledge of our local community will assist us as we continue to grow.

Susan G. Metzger, Ph.D. Ms. Metzger retired in 2007 after 30 years of experience in environmental sciences. She is a former principal of Lawler, Matusky & Skelly Engineers LLP, and senior consultant to HDR Engineers, Inc. She has a Ph.D. in Zoology from the State University of New York at Albany, an MS in Public Administration from New York University and an AB in Biology from Hood College. Ms. Metzger previously served on the Board of the New York Metropolitan Transportation Board and currently serves on the Board or as an officer of several professional and community organizations. Ms. Metzger's environmental sciences and business background provides us with broad and unique perspective on the challenges facing our organization and our business and operations.

William D. Morrison. Mr. Morrison is an independent insurance professional and served for 23 years as a senior account executive in commercial insurance with Marshall & Sterling Insurance Company. He has a BS in Business Administration from Marist College. Mr. Morrison is a current or past Board member of several community, corporate and charitable organizations. Mr. Morrison's work experience provides strong insight into budgeting and financial strategy.

Virginia K. Rizzo. Ms. Rizzo is the owner and president of Eclat, a management and human resources consulting firm. She is also Vice President of Rizzo, Inc., a commercial moving company. She previously served 24 years with International Paper's Corporate Research Center, and retired as Laboratory Director, overseeing the research center. Ms. Rizzo has a BS in Chemistry from the State University of New York at Albany. She is a member or former member of several community and charitable organizations. Ms. Rizzo's extensive business background and community involvement provides us with substantial insights for enhancing our public perception, corporate citizenship initiatives and business operations.

Jonathan F. Rouis, CPA. Mr. Rouis is a Partner at RBT CPAs, an accounting, auditing, tax and consulting firm and the former managing partner at Rouis & Company LLC CPAs. Mr. Rouis served on the Sullivan County Legislature and served as its Chairman. He has a Bachelor of Business Administration in Accounting from St. Bonaventure University. Mr. Rouis is a member or past member of several professional and community organizations, including serving on the Greater Hudson Valley Health Systems board of directors. Mr. Rouis' expertise in accounting and corporate management and his community involvement are valuable assets to the board.

Richard B. Rowley. Mr. Rowley is the former CEO and owner of Rowley Building Products and Window Tech. Currently, Mr. Rowley is President of Libertyville Capital Group and Rowley Development

Corp. He has a BA Degree from Susquehanna University and Diplomas in British History, Politics, and Fine Arts from University College, Oxford England. Mr. Rowley is a prominent regional philanthropist whose accomplishments include the Rowley Birthing Center at the Orange Regional Medical Center and the Rowley Engineering and Science Building on the Middletown Campus of Orange County Community College. Mr. Rowley is a current and past member of numerous boards many of which he served in leadership positions. Mr. Rowley's extensive business experience and community involvement provides us with insight into the economic and business trends in our market area.

Terry R. Saturno. Ms. Saturno, who retired as our President and Chief Executive Officer in 2014, has over 45 years of service with Orange Bank & Trust Company. Ms. Saturno joined Orange Bank & Trust Company, then Orange County Trust Company, in 1970. She served in various management positions including Chief Operating Officer. In 2006, she was appointed President and CEO. During her term as President, the Bank grew from \$450 million to almost \$700 million in assets and from four to eight branches. In 2008 she was named President and CEO of the newly formed Orange County Bancorp, Inc. In 2012 she led the acquisition of Hudson Valley Investment Advisors, Inc. Ms. Saturno is a graduate of Orange County Community College and Stonier Graduate School of Banking, University of Delaware. She is a member or former member of several community and charitable organizations. Ms. Saturno's extensive experience in the local banking industry and involvement in business and civic organizations in the communities in which we serve affords the board valuable insight regarding our business and operations.

Gustave "Gus" J. Scacco. Mr. Scacco serves as Chief Investment Officer and Chief Executive Officer of HVIA, since February 2015. Mr. Scacco has 30 years of experience in the finance and investment industry. Mr. Scacco has a Bachelor of Business Administration in Management from Adelphi University and a Master of Business Administration in Finance from Hofstra University's Frank Zarb School of Business. Mr. Scacco previously was a Partner at Angelo Gordon Asset Management where as a portfolio manager was part of a team that managed over \$3.5 billion in assets. Prior positions included co-managing Morgan Stanley's Capital Growth Fund, and as an equity analyst and COO at Tiger Management's Tiger Shark fund. Mr. Scacco is involved in the community as a board member for various state and local not for profit organizations. Mr. Scacco is a member of the Economics Club of New York and the New York State Society of Certified Public Accountants. As Chief Investment Officer and Chief Executive Officer of HVIA, Mr. Scacco brings knowledge of the wealth management industry and the operations of HVIA, which he has managed for over six years.

Executive Officers who are not Directors

Robert L. Peacock. Mr. Peacock joined Orange County Bancorp, Inc. and the Bank as Executive Vice President and Chief Financial Officer in July 2018. In February 2021, Mr. Peacock was promoted to Senior Executive Vice President and Chief Financial Officer. Mr. Peacock has over 35 years of experience in the financial services industry. He previously served as Executive Vice President and Strategic Planning Officer of Spencer Savings Bank, SLA and had been its Treasurer since June 2, 2016. Mr. Peacock served as Chief Financial Officer and Senior Vice President of Spencer Savings Bank, SLA. Mr. Peacock was responsible for the overall direction, control and management of the Finance Division, which included Accounting, Treasury, investment management and budget planning. Mr. Peacock served as Chief Financial Officer of Paragon Computer Professionals, Inc. He also previously worked as a Managing Director for FinPro, Inc. At FinPro he managed consulting engagements specializing in bank-startups from concept, management team selection, regulatory application and capital raising assistance. He has a Master of Business Administration and a BS in Finance and Statistics both from The Wharton School of the University of Pennsylvania.

Michael J. Coulter. Mr. Coulter joined the Bank in April 2017 as Senior Vice President and Chief Lending Officer and was promoted to Executive Vice President and Chief Lending Officer in February 2019. Prior to joining the Bank, Mr. Coulter served as Executive Vice President of Metropolitan Bank in Manhattan. Prior to Metropolitan, Mr. Coulter held progressively more senior positions at BBVA Compass Bank, Sun National Bank, Citizens and Key Bank — all in the greater New York City and Hudson Valley markets. He has over 35 years of experience in banking. Mr. Coulter has a degree in Business Administration from the State University of New York Orange and also attended the State University of New York at New Paltz.

Joseph A. Ruhl. Mr. Ruhl joined the Bank in January 2015 to lead the commercial business expansion into Westchester County, and serves as Executive Vice President and Regional President for Westchester. He spent the first part of his career as a practicing attorney until joining Hudson Valley Bank over 20 years ago as First Senior Vice President and Division Executive in charge of its Legal Services Division. Mr. Ruhl has a Juris Doctor from Pace University School of Law and a Bachelor's degree from Fordham University. He is active in many civic and charitable causes. Mr. Ruhl currently serves as the President of the Board of the St. Philip the Apostle Foundation, a Board member of the Westchester County Bar Foundation, an Advisory Board member of the paralegal program at Mercy College, the Secretary of the Italian American Forum, and a member of the Parks and Recreation Board of the Village of Pleasantville. Mr. Ruhl is also the Co-Chair of the newly formed Program for Legal Advocacy, a strategic partnership between the Elisabeth Haub School of Law at Pace University and the courts of the Ninth Judicial District. He is an active member of various bar associations, a Director of the Columbian Lawyers Association of Westchester County, and a frequent lecturer on business management, ethics and attorney banking issues.

John P. Bartolotta. Mr. Bartolotta is the Executive Vice President and Rockland Market Leader of the Bank. He joined the Bank in January 2015. Prior to serving with the Bank, he worked with Hudson Valley Bank where he was Division Executive for commercial banking. Prior to that, he worked at Union State Bank in Rockland as Deputy Chief Lending Officer, before its acquisition by an out of state regional bank. Mr. Bartolotta began his banking career with The Bankers Trust Company. He attended Lehman College of the City University of New York and Dominican College in Blauvelt, New York. Mr. Bartolotta is involved in many community organizations, including the Board of Trustees for Dominican College. He also sits on the Board of the Palisades Institute, was a former member of the Board for People to People, Meals on Wheels and the Bear Mountain Youth Ice Hockey Association. He has also served as Board Chair for Junior Achievement of the Hudson Valley.

Gregory Sousa. Mr. Sousa joined the Bank in 2015 as Vice President and Senior Relationship Manager developing deposit and lending businesses as the Bank built out its Rockland and Westchester markets. In 2017, he was promoted to 1st Vice President and given the added responsibility of leading business development efforts for all Orange and Rockland branches. In recognition of his impact on both fronts, he was promoted to Senior Vice President in 2018, adding responsibility for Marketing and Product Development initiatives to his portfolio. In 2020, Mr. Sousa was promoted to Executive Vice President, Chief Commercial Banking Officer. Mr. Sousa has also worked at Union State Bank and TD/Commerce Bank. He has a Bachelor's Degree in Economics from the State University of New York at Binghamton. He has been recognized as one of Rockland County's "Forty Under 40," is a graduate of Leadership Rockland and a graduate of ABA Stonier Graduate School of Banking, earning his Wharton Leadership Certificate in 2015.

Board Independence

Under the rules of the NASDAQ Capital Market, independent directors must comprise a majority of our board of directors within a specified period of time of this offering. The rules of the NASDAQ Capital Market, as well as those of the SEC, also impose several other requirements with respect to the independence of our directors. Our board of directors has evaluated the independence of its members based upon the rules of the NASDAQ Capital Market and the SEC. Applying these standards, our board of directors has affirmatively determined that, with the exception of Mr. Gilfeather and Mr. Scacco, each of our current directors is an independent director, as defined under the applicable rules. Messrs. Gilfeather and Scacco are not independent because both are executive officers of Orange County Bancorp, Inc., the Bank or HVIA. In evaluating the independence of our independent directors, we found no transactions between Orange County Bancorp, Inc., the Bank or HVIA and our independent directors that are not required to be reported under "Certain Relationships and Related Party Transactions," below, and that had an impact on our determination as to the independence of our directors.

Committees of the Board of Directors

We conduct business through meetings of our board of directors and its committees. The board of directors of the Company has established standing committees, including an Audit/Risk Committee, Compensation Committee, and a Corporate Governance and Nominating Committee. Each of these committees operates under a written charter, which governs its composition, responsibilities and operations.

Our board of directors also may establish such other committees as it deems appropriate, in accordance with applicable law and regulations and our corporate governance documents.

Audit/Risk Committee. The Audit/Risk Committee assists the board of directors in fulfilling its responsibilities for general oversight of the integrity of our financial statements, compliance with legal and regulatory requirements, the independent registered public accounting firm’s qualifications and independence, and the performance of our internal audit and risk assessment function and the independent registered public accounting firm. Among other things, the Audit/Risk Committee:

- appoints, evaluates and determines the compensation of our independent registered public accounting firm;
- reviews and approves the scope of the annual audit, audit fees and financial statements;
- reviews disclosure controls and procedures, internal controls, internal audit function and corporate policies with respect to financial information;
- oversees investigations into complaints concerning financial matters, if any;
- reviews related party transactions as required; and
- annually reviews the Audit/Risk Committee charter and the committee’s performance.

The Audit/Risk Committee works closely with management as well as our independent registered public accounting firm. The Audit/Risk Committee has the authority to obtain advice and assistance from and receive appropriate funding to engage outside legal, accounting or other advisors as the Audit/Risk Committee deems necessary to carry out its duties.

The Audit/Risk Committee is composed solely of members who satisfy the applicable independence and other requirements of the SEC and the NASDAQ Capital Market for Audit/Risk Committees and Director Jonathan Rouis qualifies as an “audit committee financial expert” under applicable SEC rules. The Audit/Risk Committee has adopted a written charter that among other things, specifies the scope of its rights and responsibilities.

Compensation Committee. The Compensation Committee is responsible for discharging the board of directors’ responsibilities relating to compensation of the executives and directors. Among other things, the Compensation Committee:

- evaluates compensation strategies;
- reviews and approves objectives relevant to executive officer compensation;
- evaluates performance and determines the compensation of the Chief Executive Officer and other executive officers in accordance with those objectives;
- reviews and oversees compensation and benefit plans;
- recommends to the board of directors compensation for directors; and
- annually reviews the Compensation Committee charter and the committee’s performance.

The Compensation Committee is composed solely of members who satisfy the applicable independence requirements of the SEC and the NASDAQ Capital Market. The Compensation Committee has adopted a written charter that, among other things, specifies the scope of its rights and responsibilities.

Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee is responsible for making recommendations to our board of directors regarding candidates for directorships and the size and composition of our board of directors. In addition, the Corporate Governance and Nominating Committee is responsible for overseeing our corporate governance guidelines and reporting and making recommendations to our board of directors concerning governance matters. Among other things, the Corporate Governance and Nominating Committee:

- identifies qualified individuals to be directors consistent with the criteria approved by the board of directors and recommending director nominees to the full board of directors;

- reviews the structure of the committees of the board of directors;
- develops and recommends procedures for reviewing shareholder recommendations for director nominees;
- develops the Company’s code of business conduct and ethics;
- oversees management succession planning;
- leads the board of directors in its annual performance review;
- develops and recommends corporate governance guidelines; and
- annually reviews the Corporate Governance and Nominating Committee’s charter and the committee’s performance.

The Corporate Governance and Nominating Committee is composed solely of members who satisfy the applicable independence requirements of the SEC and the NASDAQ Capital Market. The Corporate Governance and Nominating Committee has adopted a written charter that, among other things, specifies the scope of its rights and responsibilities.

Code of Business Conduct and Ethics

Our board of directors has adopted a code of business conduct and ethics (our “Code of Ethics”) that applies to our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. The Code of Ethics is available upon written request to Corporate Secretary, Orange County Bancorp, Inc., 212 Dolson Avenue, Middletown, New York 10940.

If we amend or grant any waiver from a provision of our Code of Ethics that applies to such officers, we will publicly disclose such amendment or waiver on our website and as required by applicable law, including by filing a Current Report on Form 8-K.

EXECUTIVE COMPENSATION

As an emerging growth company under the JOBS Act, we have opted to comply with the executive compensation disclosure rules applicable to “smaller reporting companies” as such term is defined in the rules promulgated under the Securities Act of 1933, which permit us to limit reporting of executive compensation to our principal executive officer and our two other most highly compensated executive officers, which are referred to as our “named executive officers.”

The compensation reported in the Summary Compensation Table below is not necessarily indicative of how we will compensate our named executive officers in the future. We will continue to review, evaluate and modify our compensation framework to maintain a competitive total compensation package. As such, and as a result of our becoming a publicly traded company, the compensation program following this offering could vary from our historical practices.

Our named executive officers, which consist of our principal executive officer and the Company’s two other most highly compensated executive officers during the year ended December 31, 2020, are:

- Michael J. Gilfeather, President, Chief Executive Officer and Director;
- Joseph A. Ruhl, Executive Vice President and Regional President; and
- John P. Bartolotta, Executive Vice President and Regional President.

Summary Compensation Table

The following table sets forth information regarding the compensation paid, awarded to, or earned for our fiscal year ended December 31, 2020 for each of our named executive officers.

Summary Compensation Table									
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) ⁽¹⁾	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Comp Earnings (\$) ⁽²⁾	All Other Compensation (\$) ⁽³⁾	Total (\$)
Michael J. Gilfeather <i>President, Chief Executive Officer and Director</i>	2020	440,000	—	110,000	—	220,000	8,497	116,257	894,754
Joseph A. Ruhl <i>Executive Vice President and Regional President</i>	2020	300,000	5,000	48,000	—	130,000	12,514	88,002	583,516
John P. Bartolotta <i>Executive Vice President and Regional President</i>	2020	300,000	—	48,000	—	122,000	12,514	92,411	574,925

(1) These amounts represent the aggregate grant date fair value for outstanding stock awards granted during the year indicated, computed in accordance with FASB ASC Topic 718. The assumptions used to determine the value of stock awards are described in Note 10 to the Notes to the Consolidated Financial Statements appearing elsewhere in the prospectus.

(2) These amounts represent preferential earnings on the named executive officer's SERP account during the year ended December 31, 2020.

(3) The amounts in this column represent all other compensation not reported in prior columns in this table, including perquisites, the aggregate value of which exceeds \$10,000. This column consists of the following payments:

Officer	Perquisites (\$) ⁽¹⁾	Life Insurance (\$) ⁽²⁾	KSOP (\$) ⁽³⁾	SERP (\$) ⁽⁴⁾	Total (\$)
Michael J. Gilfeather	21,096	2,386	32,775	60,000	116,257
Joseph A. Ruhl	9,396	—	28,606	50,000	88,002
John P. Bartolotta	9,636	—	32,775	50,000	92,411

(1) Includes the value of the executive's automobile allowance.

(2) This amount represents the taxable income associated with the named executive officer's life insurance benefit.

(3) This amount represents matching and employer discretionary contributions to the Orange County Bancorp, Inc. Employee Stock Ownership and Savings Plan.

(4) This amount represents employer contributions to the executive's SERP account.

Employment Agreement with Michael Gilfeather. Orange County Bancorp and the Bank are parties to an employment agreement with Michael Gilfeather, President and Chief Executive Officer of Orange County Bancorp and the Bank. The agreement has an initial three-year term and renews automatically for one year thereafter. The agreement provides Mr. Gilfeather's base salary, which is currently \$440,000. The board may consider increasing, but not decreasing, Mr. Gilfeather's base salary under the terms of the employment agreement. In addition to base salary, Mr. Gilfeather is eligible to participate in the short-term and long-term incentive compensation programs of Orange County Bancorp and the Bank, which includes the Annual Incentive Plan and the 2019 Equity Incentive Plan. Mr. Gilfeather's annual target bonus opportunities under the Annual Incentive Plan and 2019 Equity Incentive Plan are, at a minimum, 35% and 20% of base salary,

respectively. Mr. Gilfeather is also entitled to participate in the Bank's supplemental executive retirement plan and all employee benefit plans, arrangements and perquisites offered to employees and officers of the Bank, and to reimbursement of reasonable travel and other business expenses incurred in the performance of his duties, including memberships in organizations as Mr. Gilfeather and the board mutually agree is necessary and appropriate.

The agreement further provides that in the event of Mr. Gilfeather's termination by the Bank without cause (as defined in the agreement) or Mr. Gilfeather's resignation for good reason (as defined in the agreement) (in either case, a "qualifying termination"), Mr. Gilfeather would be entitled to a severance payment equal to 100% of his annual base salary, plus his average annual cash bonus paid during the term of his agreement. Mr. Gilfeather would also receive an additional cash payment equal to the pro-rata portion of his annual cash bonus for the year during which his qualifying termination occurred. In addition, Mr. Gilfeather would be entitled to receive COBRA premium payments until the earlier of (1) the sixth month after his date of termination or (2) the date on which he first becomes eligible for health insurance with another employer.

In the event of a qualifying termination upon or within 12 months of a change in control of Orange County Bancorp, the agreement provides that Mr. Gilfeather will be entitled to a change in control severance payment equal to two times his: (1) base salary in effect immediately before the change in control (or if higher, the rate in effect on the date of termination); and (2) average cash bonus paid during the term of the agreement. In addition, Mr. Gilfeather would be entitled to receive COBRA premium payments for 12 months following his date of termination. The agreement provides that gross payments due to Mr. Gilfeather in the event of a change in control will be reduced to avoid an excess parachute payment under Section 280G of the Internal Revenue Code.

The agreement provides for a one-year non-competition covenant and two-year non-solicitation covenants related to employees and customers, provided, however, that such covenants will cease immediately upon a change in control.

Employment Agreements with Joseph Ruhl and John Bartolotta. Orange County Bancorp and the Bank are parties to individual employment agreements with Joseph Ruhl, Executive Vice President and Regional President, and John Bartolotta, Executive Vice President and Regional President. Each agreement has an initial three-year term and renews automatically for one year thereafter. The agreements provide each executive with a base salary of \$300,000 as well as an annual bonus opportunity, subject to performance goals established by the compensation committee. In addition, the executive is entitled to participate in long-term incentive compensation program, supplemental executive retirement plan, health and welfare insurance coverage, and perquisites, including reimbursement of travel and other reasonable business expenses incurred during the performance of the executive's duties.

The agreements provide that in the event of a qualifying termination, the executive would be entitled to a severance payment equal to 100% of the executive's base salary paid in a lump sum cash payment within thirty (30) days following executive's date of termination. Additionally, the executive will be entitled to monthly installment payments, each equal to the monthly COBRA premium in effect as of the date of the executive's termination of employment for the level of coverage in effect for the executive under the Bank's group health plan for up to six months following the executive's date of termination.

In the event of a qualifying termination upon or within 12 months of a change in control of Orange County Bancorp, the agreements provide that each executive will be entitled to a change in control severance payment equal to two times his annual base salary. The executive will be entitled to monthly installment payments, each equal to the monthly COBRA premium in effect as of the date of executive's termination of employment for the level of coverage in effect for executive under the Bank's group health plan for up to six months following the executive's date of termination. The agreements provide that the gross payments due to the executive in the event of a change in control will be reduced to avoid an excess parachute payment under Section 280G of the Internal Revenue Code.

The agreements restrict Messrs. Ruhl and Bartolotta from competing against the Bank, Orange County Bancorp and all affiliates both while employed and for a 12-month period (18-month, in the case of

a termination for cause or without good reason) after the executive's date of termination; provided, however, that such restrictions will not apply in the event of a termination upon or within 12 months of a change in control.

Incentive Compensation Plans

2019 Equity Incentive Plan. Our shareholders approved the 2019 Equity Incentive Plan to provide employees and directors of Orange County Bancorp and/or the Bank with additional incentives to promote the growth and performance of Orange County Bancorp and the Bank and to further align the interests of our directors and management with the interests of our shareholders by increasing their ownership interests in the common stock of Orange County Bancorp. The 2019 Equity Incentive Plan is administered by the Compensation Committee of the board of directors of Orange County Bancorp. The 2019 Equity Incentive Plan authorizes the issuance of up to 145,000 shares of common stock (as adjusted for the stock split in the form of a stock dividend), which may be delivered pursuant to the exercise of stock options or issued as grants of restricted stock awards or restricted stock units. No stock options have been granted to our executive officers under the plan. During 2020, Messrs. Gilfeather, Ruhl, and Bartolotta each received a restricted stock award grant with a grant date fair value equal to \$110,000, \$48,000 and \$48,000, respectively.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information as of December 31, 2020 regarding the Company's equity compensation plan that has been approved by stockholders. The Company has no equity-based benefit plans that were not approved by stockholders.

	Number of securities to be issued upon exercise of outstanding options and rights	Weighted average option exercise price	Number of securities remaining available for issuance under plan
2019 Equity Incentive Plan	—	\$ —	107,745

Annual Incentive Plan. The Bank's Annual Incentive Plan is available to all officers of the Bank. The Annual Incentive Plan is designed to provide participants with incentives and motivation to increase the Bank's profitability and growth while maintaining its safety and soundness. The Annual Incentive Plan provides annual cash awards to participants based on overall bank-wide, department and/or individual performance goals established annually.

Each participant can achieve cash incentive awards, depending on the satisfaction of certain performance goals. Annual incentive awards are calculated as a percentage of a plan participant's effective base pay as of December 31st for a given performance period and paid in cash. Awards will be determined based on a combination of Bank performance and individual performance. Generally, the Bank must satisfy at least one (1) of its performance measures at a minimum threshold level for an incentive award to be earned. However, if no Bank performance goals are achieved at the minimum threshold level, the Board of Directors may, in its sole discretion, approve an incentive award based solely on individual performance.

Each participant's annual incentive award is payable in a cash lump sum as soon as practicable following the completion of the plan year, provided, however, that such payment will be made no later than March 15 following the end of the plan year. A participant must be actively employed on the last day of the plan year in order to receive the annual cash incentive award. Based on the foregoing, Messrs. Gilfeather, Ruhl, and Bartolotta earned \$220,000, \$130,000 and \$122,000, respectively, under the Annual Incentive Plan for the 2020 plan year.

Supplemental Executive Retirement Plans

Orange County Bancorp and the Bank maintain a non-qualified account balance supplemental executive retirement plan for Mr. Gilfeather (the "SERP") that provides supplemental retirement benefits to Mr. Gilfeather. Under the SERP, the Bank has established a bookkeeping account on behalf of Mr. Gilfeather. In connection with the hiring of Mr. Gilfeather, he received a one-time contribution of \$15,000 to his SERP account, which accrues interest at a rate equal to the *Wall Street Journal* prime rate,

plus 100 basis points. The board of directors, in its sole discretion, may authorize additional contributions to Mr. Gilfeather's SERP account. Pursuant to the SERP's five-year vesting schedule, which commenced on April 7, 2014, Mr. Gilfeather's SERP account balance became fully vested as of April 7, 2019. The SERP account will be distributed in a lump sum within a 45-day period following Mr. Gilfeather's separation from service; provided, however, that the SERP account will be distributed in a lump sum within 30-days following a change in control.

In addition, Messrs. Gilfeather, Ruhl, and Bartolotta are participants in the Bank's performance-based supplemental executive retirement plan (the "Performance SERP"), a non-qualified account balance plan that provides supplemental retirement benefits to each executive. Under the Performance SERP, the Bank has established a bookkeeping account on behalf of each executive. Each year through 2024, Mr. Gilfeather is eligible for an annual performance contribution of \$60,000, provided certain pre-established financial goals are satisfied. These contributions vest one year after the contribution is credited to Mr. Gilfeather's Performance SERP account. The board of directors, in its sole discretion, may authorize additional contributions to Mr. Gilfeather's Performance SERP account at any time. Notwithstanding the foregoing, Mr. Gilfeather's Performance SERP account will become immediately vested upon his attainment of age 65 or upon a change in control. The vested portion of Mr. Gilfeather's Performance SERP account becomes payable upon separation from service (other than for cause) and will be paid in five equal annual installments. In the event that Mr. Gilfeather's employment is terminated within 12 months following a change in control, the Performance SERP account will be distributed in a lump sum as soon as practicable following his termination. In the event Mr. Gilfeather is terminated for cause, the entire Performance SERP account balance will be forfeited.

Messrs. Ruhl and Bartolotta each received an initial discretionary contribution of \$50,000 and an initial performance contribution of \$100,000 to their individual Performance SERP accounts, which become vested after six years of service with the Bank. In addition, the executives are each eligible for annual performance contributions of \$50,000, provided certain pre-established financial goals are satisfied for the applicable performance period. The Board, in its sole discretion, may authorize additional contributions to the executives' Performance SERP accounts at any time. The annual performance contributions and any subsequent discretionary contributions vest upon the completion of two years of service with the Bank from the date the contribution is made. Notwithstanding the foregoing, the executives' Performance SERP accounts will become immediately fully vested upon the attainment of age 65 (or age 62 with ten years of service) or upon a change in control. The Performance SERP account balances for Messrs. Ruhl and Bartolotta become payable upon separation from service after attaining age 65 (or age 62 with ten years of service) and will be paid in five equal annual installments. If the executive separates from service prior to attaining age 65 (or age 62 with ten years of service), other than for cause or voluntary resignation, the vested portions of the executive's Performance SERP account balance will be paid in a lump sum within 30 days of the executive's date of separation from service. In the event of a change in control, the executive will become fully vested in his Performance SERP account, which will be paid in a lump sum. In the event the executive is terminated for cause, the entire Performance SERP account balance will be forfeited.

Tax-Qualified Retirement Plans

Pension Plan. The Bank maintains the New York State Bankers Retirement System Volume Submitter Plan, as adopted by Orange County Trust Company (the "Pension Plan"), a tax-qualified defined benefit plan for eligible employees. Messrs. Gilfeather, Ruhl, and Bartolotta are eligible to participate in the Pension Plan just like other employees. An employee must complete one year of service as well as 1,000 hours and have attained age 21 to be eligible to participate in the Pension Plan.

Under the Pension Plan, if a participant retires after attaining age 65, the participant will receive the normal retirement benefit in the form of a life annuity, with a guaranty that at least sixty (60) monthly payments will be made, in an annual amount equal to one and one-half percent (1.5%) of the participant's average annual compensation multiplied by the participant's years of service (with a maximum of forty (40) years). If a participant retires prior to age 65 but after attaining age 55 with five years of service, the participant will be entitled to a reduced early retirement benefit.

KSOP. The Orange County Bancorp, Inc. Employee Stock Ownership and Savings Plan as amended and restated (the “KSOP”), is a tax-qualified defined contribution plan for eligible employees of the Company, the Bank or HVIA. Messrs. Gilfeather, Ruhl, and Bartolotta are eligible to participate in the KSOP just like other employees. An employee must have completed 500 hours of service in a six-month computation period and attain age 21 to be eligible to participate in the KSOP.

Under the KSOP, a participant may elect to defer, on a pre-tax basis, the maximum amount of his or her salary as permitted by the Internal Revenue Code. For 2021, the salary deferral contribution limit is \$19,500, provided, however, that a participant over age 50 may contribute an additional \$6,500 to the KSOP for a total of \$26,000. If a participant does not affirmatively elect not to defer, the participant will automatically be enrolled with a deferral rate of 6%. A participant is always 100% vested in his or her salary deferral contributions. The Bank also currently provides participants with matching contributions and a safe harbor profit sharing contribution to active participants in the 401(k) plan. Additionally, the Bank may make discretionary employer profit-sharing contributions to the KSOP which may be in the form of Orange County Bancorp stock. A participant is always 100% vested in his or her salary deferral contributions, safe harbor contributions and employer discretionary profit-sharing contributions, if any. Matching contributions vest at a rate of 20% per year after one year of service.

Outstanding Equity Awards at Fiscal Year End

The following table shows stock awards outstanding for each of our named executive officers as of December 31, 2020.

Name	Grant Date	Stock Awards	
		Number of shares of stock that have not vested ⁽¹⁾	Market value of shares of stock that have not vested ⁽²⁾
Michael J. Gilfeather	3/16/2018	720	\$19,620
	2/15/2019	2,716	74,011
	2/21/2020	3,636	99,081
Joseph A. Ruhl	3/16/2018	473	\$12,889
	2/15/2019	1,146	31,229
	2/21/2020	1,586	43,219
John P. Bartolotta	3/16/2018	473	\$12,889
	2/15/2019	1,146	31,229
	2/21/2020	1,586	43,219

(1) All awards vest in approximately 33% increments on the first, second and third anniversary of the date of grant.

(2) Market value is calculated on the basis of \$27.25 per share, which was the closing sales price for our common stock as reported on the OTCQX on December 31, 2020.

Director Compensation

The following table sets forth for the year ended December 31, 2020 certain information as to total compensation paid to non-employee directors. Mr. Gilfeather and Mr. Scacco do not receive any additional compensation for service on our board of directors and Orange Bank & Trust Company’s board of directors.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) ⁽¹⁾	All Other Compensation (\$) ⁽²⁾	Total (\$)
Louis Heimbach	\$ 117,380	—	—	\$117,380
Gregory F. Holcombe	\$ 70,368	—	—	\$ 70,368
Susan G. Metzger	\$ 67,860	—	—	\$ 67,860
William D. Morrison	\$ 70,368	—	—	\$ 70,368
Virginia K. Rizzo	\$ 67,860	—	—	\$ 67,860
Jonathan F. Rouis	\$ 70,368	—	—	\$ 70,368
Richard B. Rowley	\$ 70,368	—	—	\$ 70,368
Terry R. Saturno	\$ 67,860	—	—	\$ 67,860

(1) No director had any outstanding stock awards at December 31, 2020.

(2) Perquisites and personal benefits for each director did not exceed in the aggregate \$10,000.

Director Fees

During the year ended December 31, 2020, each director of Orange County Bancorp received a fee of \$13,104, and the Chairman of the Board received a fee of \$21,876 payable in 12 installments for attending board and committee meetings. During the year ended December 31, 2020, each director of the Bank received a fee of \$54,756 and the Chairman of the Board received a fee of \$87,504 payable in 12 installments for attending board and committee meetings. Directors Holcombe, Rowley, Morrison and Rouis each receive an additional annual fee of \$2,508 for serving on the Directors Loan Committee. Mr. Gilfeather and Mr. Scacco do not receive any compensation for their service as a director.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In addition to the compensation arrangements with directors and executive officers described in “Executive Compensation” above, the following is a description of transactions since January 1, 2018, to which we have been a party in which the amount involved exceeded or will exceed \$120,000, and in which any of our directors, executive officers or beneficial holders of more than five percent of our capital stock, or their immediate family members or entities affiliated with them, had or will have a direct or indirect material interest.

Policies and Procedures Regarding Related Party Transactions

Transactions by the Company or Orange Bank & Trust Company with related parties are subject to certain regulatory requirements and restrictions, including Sections 23A and 23B of the Federal Reserve Act (which govern certain transactions by Orange Bank & Trust Company with its affiliates) and the Federal Reserve’s Regulation O (which governs certain loans by Orange Bank & Trust Company to its executive officers, directors and principal stockholders).

Under applicable SEC and NASDAQ rules, related party transactions are transactions in which we are a participant, the amount involved exceeds \$120,000 and a related party has or will have a direct or indirect material interest. Related parties of the Company include directors (including nominees for election as directors), executive officers, five percent stockholders and the immediate family members of these persons. In determining whether to approve a related party transaction, the board of directors will consider, among other factors, the fairness of the proposed transaction, the direct or indirect nature of the related party’s interest in the transaction, the appearance of an improper conflict of interests for any director or executive officer taking into account the size of the transaction and the financial position of the related party, whether the transaction would impair an outside director’s independence, the acceptability of the transaction to our regulators and the potential violations of other corporate policies.

Banking Relationships

The Sarbanes-Oxley Act of 2002 generally prohibits publicly traded companies from making loans to their executive officers and directors, but it contains a specific exemption from the prohibition for loans made by federally insured financial institutions, such as Orange Bank & Trust Company, to their executive officers and directors in compliance with federal banking regulations. At March 31, 2021, all of our loans to directors and executive officers were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to Orange Bank & Trust Company, and did not involve more than the normal risk of collectability or present other unfavorable features. These loans were performing according to their original terms at March 31, 2021, and were made in compliance with federal banking regulations.

At March 31, 2021, the aggregate amount of extensions of credit to our directors, executive officers, principal stockholders and their associates was \$4.2 million, or approximately 3.4% of our total equity. At March 31, 2021, unfunded commitments totaled \$1.0 million.

Directed Share Program

At our request, the underwriters have reserved up to _____ shares of our common stock offered by this prospectus for sale, at the initial public offering price, to our directors, officers, principal shareholders, employees, business associates, and related persons who have expressed an interest in purchasing our common stock in this offering. We will offer these shares to the extent permitted under applicable regulations in the United States through a directed share program. See the section entitled “Underwriting — Directed Share Program.”

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information as of March 31, 2021 regarding the beneficial ownership of our common stock, and as adjusted to reflect the completion of this offering:

- each stockholder known by us to beneficially own more than 5% of our outstanding common stock;
- each of our directors;
- each of our executive officers;
- all of our directors and executive officers as a group; and
- each selling stockholder.

We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally provide that a person is the beneficial owner of securities if such person has or shares the power to vote or direct the voting of securities, or to dispose or direct the disposition of securities, or has the right to acquire such powers within 60 days. For purposes of calculating each person's percentage ownership, common stock issuable pursuant to options exercisable within 60 days are included as outstanding and beneficially owned for that person or group, but are not deemed outstanding for the purposes of computing the percentage ownership of any other person.

The percentage of beneficial ownership is based on 4,490,973 shares of our common stock outstanding as of March 31, 2021 and [•] shares to be outstanding after the completion of this offering (or [•] shares if the underwriters exercise their purchase option in full), in each case including [•] shares of restricted stock awarded under our stock incentive plan but not vested as of such date.

Unless otherwise indicated, the address for each listed stockholder is: c/o Orange County Bancorp, Inc., 212 Dolson Avenue, Middletown, New York 10940.

Name and Address of Beneficial Owner	Shares Beneficially Owned as of March 31, 2021		Shares to be Sold in the Offering	Shares Beneficially Owned After the Offering	
	Number of Shares	Percent		Number of Shares	Percent, assuming no exercise of underwriters' purchase option
Directors:					
Louis Heimbach	53,459 ⁽¹⁾	1.2%			
Michael J. Gilfeather	30,657 ⁽²⁾	*			
Gregory F. Holcombe	70,944 ⁽³⁾	1.6%			
Susan G. Metzger	7,098 ⁽⁴⁾	*			
William D. Morrison	51,948 ⁽⁵⁾	1.2%			
Virginia K. Rizzo	5,000 ⁽⁶⁾	*			
Jonathan F. Rouis	1,100 ⁽⁷⁾	*			
Richard B. Rowley	245,634 ⁽⁸⁾	5.5%			
Terry R. Saturno	18,451 ⁽⁹⁾	*			
Gustave J. Scacco	1,000 ⁽¹⁰⁾	*			
Executive Officers:					
Robert L. Peacock	13,596 ⁽¹¹⁾	*			
Michael J. Coulter	6,292 ⁽¹²⁾	*			
Joseph A. Ruhl	9,373 ⁽¹³⁾	*			
John P. Bartolotta	8,950 ⁽¹⁴⁾	*			
Gregory Sousa	2,763 ⁽¹⁵⁾	*			

Name and Address of Beneficial Owner	Shares Beneficially Owned as of March 31, 2021		Shares to be Sold in the Offering	Shares Beneficially Owned After the Offering	
	Number of Shares	Percent		Number of Shares	Percent, assuming no exercise of underwriters' purchase option
All directors and executive officers as a group (15 persons total)	526,265	11.7%			
5% Stockholders (other than above):					
Banc Fund IX LP Banc Fund VIII LP 20 North Wacker, Suite 3300, Chicago, Illinois 60606	243,181 ⁽¹⁶⁾	5.4%			
John Morrison, IV 12210 Aspen Lane Stafford, Texas 77477	277,094 ⁽¹⁷⁾	6.2%			
Robert Morrison 35 Front Jacques Street, Apt. #2 Somerville, Massachusetts 02145	327,092 ⁽¹⁸⁾	7.3%			
Eugene Morrison, II and Jean Morrison 4969 Bakersfield Drive Nesbit, Mississippi 38651	250,000 ⁽¹⁹⁾	5.6%			
Selling Stockholders:					
[•]					

* Less than 1%

- (1) Mr. Heimbach has sole voting and investment power over 3,054 shares and shared voting and investment power over 50,405 shares.
- (2) Includes 6,818 shares of unvested restricted stock. Mr. Gilfeather has sole voting and investment power over 23,839 shares.
- (3) Mr. Holcombe has shared voting and investment power over 54,635 shares. Mr. Holcombe's wife has shared voting and investment power over 16,309 shares.
- (4) Ms. Metzger has sole voting and investment power over 7,098.
- (5) Mr. William D. Morrison has sole voting and investment power over 51,948 shares.
- (6) Ms. Rizzo has sole voting and investment power over 5,000 shares.
- (7) Mr. Rouis has sole voting and investment power over 1,100 shares.
- (8) Mr. Rowley has sole voting and investment power over 245,634 shares.
- (9) Ms. Saturno has sole voting and investment power over 17,891 shares and shared voting and investment power over 560 shares.
- (10) Mr. Scacco has sole voting and investment power over 1,000 shares.
- (11) Includes 2,633 shares of unvested restricted stock. Mr. Peacock has sole voting and investment power over 10,963 shares.

- (12) Includes 2,552 shares of unvested restricted stock. Mr. Coulter has sole voting and investment power over 3,740 shares.
- (13) Includes 2,872 shares of unvested restricted stock. Mr. Ruhl has sole voting and investment power over 6,501 shares.
- (14) Includes 2,872 shares of unvested restricted stock. Mr. Bartolotta has sole voting and investment power over 5,078 shares and shared voting and investment power over 1,000 shares.
- (15) Includes 2,763 shares of unvested restricted stock. Mr. Sousa has sole voting and investment power over 674 shares.
- (16) Banc Fund IX LP has sole voting and investment power over 207,649 shares. Banc Fund VIII LP has sole voting and investment power over 35,532 shares.
- (17) Mr. John Morrison, IV has sole voting and investment power over 277,094 shares.
- (18) Mr. Robert Morrison has sole voting and investment power over 327,092 shares.
- (19) Mr. Eugene Morrison, II has shared voting and investment power over 150,000 shares. Mrs. Jean Morrison has sole voting and investment power over 100,000 shares.

DESCRIPTION OF CAPITAL STOCK

The following is a summary of the material rights of our capital stock and related provisions of our certificate of incorporation and bylaws. This discussion may not contain all of the information regarding our capital stock that is important to you. Reference is made to the more detailed provisions of our certificate of incorporation and bylaws, copies of which are filed with the SEC as exhibits to the registration statement of which this prospectus is a part.

General

Our authorized capital consists of 15,000,000 shares of common stock, \$0.50 par value, and no shares of preferred stock. At March 31, 2021, there were 4,490,973 shares of common stock outstanding. All issued and outstanding shares at that date were, and the shares of common stock to be issued upon completion of this offering will be, fully paid and nonassessable. Immediately following the completion of this offering, we will have [•] shares of common stock outstanding (assuming the underwriters do not exercise their option to purchase any additional shares). At March 31, 2021, there were 28,878 shares of unvested restricted stock outstanding under the Company's 2019 Equity Incentive Plan.

Common Stock

Dividends. Delaware law generally limits dividends to our capital surplus or, if there is no capital surplus, our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. The holders of our common stock will be entitled to receive and share equally in dividends as may be declared by our board of directors out of funds legally available therefor.

Voting Rights. The holders of our common stock have exclusive voting rights in Orange County Bancorp. They elect our board of directors and act on other matters as are required to be presented to them under Delaware 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 does not have any right to cumulate votes in the election of directors.

Liquidation or Dissolution. In the unlikely event of liquidation, dissolution or winding up of Orange County Bancorp, 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 Orange County Bancorp available for distribution.

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

Restrictions on Acquisition of Orange County Bancorp, Inc.

The following discussion is a general summary of the material provisions of Delaware law, our Certificate of Incorporation and bylaws and certain other regulatory provisions that may be deemed to have an "anti-takeover" effect. The following description is necessarily general and is not intended to be a complete description of the document or regulatory provision in question.

Delaware Law and Our Certificate of Incorporation and Bylaws

Directors. The board of directors is divided into three classes. The members of each class are elected for a term of three years and only one class of directors is elected annually. Thus, it would generally take at least two annual elections to replace a majority of the board of directors. In addition, the board of directors has the power to fill board vacancies, whether occurring by reason of an increase in the number of directors or by resignation, death, removal or otherwise.

No cumulative Voting. The Certificate of Incorporation does not provide for cumulative voting for the election of directors.

Plurality Voting. The Certificate of Incorporation provides that the directors will be elected by the plurality of the shares voted in person or represented by proxy and entitled to vote at the meeting.

Shareholder Nominations and Proposals. The Bylaws provide that any shareholder desiring to make a nomination for the election of directors or a proposal for new business at an annual meeting of shareholders must submit written notice to the Company at least 90 days prior to the anniversary date of the previous year's annual meeting. In order for a shareholder to make a director nomination, such shareholder or group of shareholders must beneficially own more than 5% of the Company's outstanding common stock and have held such stock for at least one year prior to the date of the recommendation.

Special Meetings of Shareholders. For a special shareholders' meeting to be called by shareholders, our Bylaws require the request of record holders of at least 25% of the outstanding shares of our capital stock entitled to vote at a meeting to call a special shareholders' meeting.

Restrictions on Removing Directors from Office. The Bylaws provide that directors may be removed only for cause, and only by the affirmative vote of the holders of at least a majority of the voting power of all of our then-outstanding common stock entitled to vote generally in the election of directors.

Business Combinations with Related Persons. Under the Certificate of Incorporation, business combinations between the Company and a person owning 10% or more of the Company's stock must be approved by the affirmative vote of at least 80% of the votes entitled to be cast and a majority of the outstanding votes entitled to be cast, excluding any shares owned by the 10% shareholder. This super-majority vote requirement does not apply if two-thirds of the directors that are unaffiliated with the related person ("disinterested directors") approve the business combination. Delaware law provides a similar restriction on business combinations with interested shareholders, which also does not apply if the business combination is approved by two-thirds of the disinterested directors.

Change in Control Law and Regulations. Under the Change in Bank Control Act, a federal law, no person may acquire control of an insured bank or its parent holding company unless the FRB has been given 60 days' prior written notice and has not issued a notice disapproving the proposed acquisition. The FRB takes into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition. In addition, federal regulations provide that no company may acquire control of a bank without the prior approval of the FRB. Any company that acquires such control becomes a "bank holding company" subject to registration, examination and regulation by the FRB.

Control, as defined under federal law, means ownership, control of or holding irrevocable proxies representing more than 25% of any class of voting stock, control in any manner of the election of a majority of the company's directors, or a determination by the FRB that the acquirer has the power to direct, or directly or indirectly exercise a controlling influence over, the management or policies of the institution. Acquisition of more than 10% of any class of a bank holding company's voting stock constitutes a rebuttable determination of control under the regulations under certain circumstances including where, as will be the case with Orange County Bancorp, the issuer has registered securities under Section 12 of the Securities Exchange Act of 1934. FRB regulations provide that parties seeking to rebut control will be provided an opportunity to do so in writing.

The FRB adopted a final rule, effective September 30, 2020, that revised its framework for determining whether a company, under the Bank Holding Company Act, has a "controlling influence" over a bank or bank holding company.

Listing and Trading

Our common stock is currently not listed on any securities exchange. We have applied to have our common stock approved for listing on the NASDAQ Capital Market under the symbol "OBT."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A., Canton, Massachusetts.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there was a limited public market for shares of our common stock. Shares of our common stock were quoted on the OTCQX Market, under the symbol “OCBI.” Future sales of substantial amounts of our common stock in the public market, or the perception that such sales may occur, could adversely affect market prices prevailing from time to time. Furthermore, because only a limited number of shares will be available for sale shortly after this offering due to existing contractual and legal restrictions on resale as described below, there may be sales of substantial amounts of our common stock in the public market after the restrictions lapse. This may adversely affect the prevailing market price and our ability to raise equity capital in the future.

Upon completion of this offering, we will have [•] shares of common stock outstanding. Of these shares, [•] shares of our common stock (or [•] shares if the underwriters exercise their purchase option in full) sold in this offering will be freely transferable without restriction or further registration under the Securities Act of 1933, except for any shares purchased by our “affiliates,” as that term is defined in Rule 144 under the Securities Act of 1933, including those shares purchased by certain of our directors, officers and principal shareholders through the directed share program described in the section entitled “Underwriting.” The remaining [•] shares of our common stock (or [•] shares if the underwriters exercise their purchase option in full) outstanding are “restricted shares” as defined in Rule 144. Restricted shares may be sold in the public market only if registered under the Securities Act of 1933 or if they qualify for an exemption from registration under Rule 144. As a result of the contractual 180-day lock-up period described below, [•] of these shares will be available for sale in the public market only after 180 days from the date of this prospectus (generally subject to volume and other offering limitations).

Rule 144

In general, a person who has beneficially owned restricted shares of our common stock for at least six months would be entitled to sell such securities, provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the 90 days preceding, the sale and (ii) we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Persons who have beneficially owned restricted shares of our common stock for at least six months but who are our affiliates at the time of, or any time during the 90 days preceding, the sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of the following:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately [•] shares immediately after this offering (or approximately [•] shares if the underwriters exercise their purchase option in full); or
- the average weekly trading volume of our common stock on the NASDAQ Capital Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale;

provided, in each case, that we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Such sales both by affiliates and by non-affiliates must also comply with the manner of sale and notice provisions of Rule 144 to the extent applicable.

Registration Statement on Form S-8

In connection with or as soon as practicable following the completion of this offering, we intend to file a registration statement with the SEC on Form S-8 to register an aggregate of approximately [•] shares of our common stock reserved for future issuance under our equity incentive plans, as described further under “Executive Compensation — Incentive Compensation Plans.” That registration statement will become effective upon filing and shares of common stock covered by such registration statement will be eligible for sale in the public market immediately after the effective date of such registration statement (unless held by affiliates) subject to the lock-up agreements described below.

Lock-up Agreements

We, the selling stockholders and each of our directors and executive officers and certain other persons have agreed, subject to certain exceptions, not to offer, pledge, sell, contract to sell, sell any option or contract

to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, otherwise dispose of or transfer any shares of our common stock or any securities convertible into or exchangeable or exercisable for common stock for a period of 180 days after the date of this prospectus, without the prior written consent of Piper Sandler & Co. See “Underwriting.” The underwriters do not have any present intention or arrangement to release any shares of our common stock subject to lock-up agreements prior to the expiration of the 180-day lock-up period.

**CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES
FOR NON-U.S. HOLDERS OF COMMON STOCK**

The following is a summary of certain material United States federal income tax consequences relevant to non-U.S. holders, as defined below, of the purchase, ownership and disposition of our common stock. The following summary is based on current provisions of the Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations and judicial and administrative authority, all of which are subject to change, possibly with retroactive effect. This section does not consider state, local, estate or foreign tax consequences, nor does it address tax consequences to special classes of investors including, but not limited to, tax-exempt organizations, insurance companies, banks or other financial institutions, partnerships or other entities classified as partnerships for United States federal income tax purposes, dealers in securities, persons liable for the alternative minimum tax, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, persons who have acquired our common stock as compensation or otherwise in connection with the performance of services, or persons that will hold our common stock as a position in a hedging transaction, “straddle,” “conversion transaction” or other risk reduction transaction. Tax consequences may vary depending upon the particular status of an investor. The summary is limited to non-U.S. holders who will hold our common stock as “capital assets” (generally, property held for investment). Investors should consult their tax advisors concerning the U.S. federal income tax consequences in light of their own specific situation, as well as consequences arising under other federal tax laws (such as the federal estate, gift or Medicare tax laws) and the laws of any other taxing jurisdiction.

As used herein, a non-U.S. holder is:

- a non-resident alien;
- a foreign corporation (or any other entity treated as a corporation for U.S. federal income tax purposes);
- an estate, the income of which is not subject to U.S. federal income taxation regardless of its source; or
- a trust that does not have in effect a valid election under the U.S. Treasury Regulations, to be treated as a United States person and either (i) no court within the United States is able to exercise primary supervision over the trust’s administration or (ii) no United States person has the authority to control all substantial decisions of that trust.

If an entity or arrangement treated as a partnership for United States federal income tax purposes holds our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. If you are treated as a partner in such an entity holding our common stock, you should consult your tax advisor as to the United States federal income tax consequences applicable to you.

Distributions

Distributions with respect to our common stock will be treated as dividends when paid to the extent of our current or accumulated earnings and profits as determined for United States federal income tax purposes. Except as described below, if you are a non-U.S. holder of our shares, dividends paid to you are subject to withholding of United States federal income tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate. Even if you are eligible for a lower treaty rate, we and other payors will generally be required to withhold at a 30% rate (rather than the lower treaty rate) on dividends paid to you, unless you have furnished to us or another payor, as applicable:

- A valid Internal Revenue Service Form W-8BEN or, in the case of a foreign entity stockholder, an IRS Form W-8BEN-E (or an acceptable substitute form) upon which you certify, under penalties of perjury, your status as a non-United States person and your entitlement to the lower treaty rate with respect to such payments, or
- In the case of payments made outside the United States to an offshore account (generally, an account maintained by you at an office or branch of a bank or other financial institution at any location outside the United States), a valid Internal Revenue Service Form W-8IMY or other

documentary evidence establishing your entitlement to the lower treaty rate in accordance with United States Treasury regulations.

If you are eligible for a reduced rate of U.S. withholding tax under a tax treaty, you may obtain a refund of any amounts withheld in excess of that rate by timely filing a refund claim with the Internal Revenue Service.

If dividends paid to you are “effectively connected” with your conduct of a trade or business within the United States, or, if required by a tax treaty, the dividends are attributable to a permanent establishment that you maintain in the United States, we and other payors generally are not required to withhold tax from the dividends, provided that you have furnished to us or another payor a valid Internal Revenue Service Form W-8ECI or an acceptable substitute form upon which you represent, under penalties of perjury, that:

- You are a non-United States person, and
- The dividends are effectively connected with your conduct of a trade or business within the United States and are includible in your gross income.

“Effectively connected” dividends are generally taxed on a net income basis at rates applicable to United States citizens, resident aliens and domestic United States corporations. If you are a corporate non-U.S. holder, “effectively connected” dividends that you receive may, under certain circumstances, be subject to an additional “branch profits tax” at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Sale or Other Disposition of our Common Stock

If you are a non-U.S. holder, you generally will not be subject to United States federal income or withholding tax on gain realized on the sale, exchange or other disposition of our common stock unless (i) you are a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or (ii) the gain is “effectively connected” with your conduct of a trade or business in the United States or the gain is attributable to a permanent establishment or fixed base that you maintain in the United States; or (iii) we are or have been a U.S. real property holding corporation for U.S. federal income tax purposes at any time within the shorter of the five-year period ending on the date of the disposition, and the non-U.S. holder’s holding period and certain other conditions are satisfied. Gain that is effectively connected with the conduct of a trade or business in the United States generally will be subject to U.S. federal income tax, net of certain deductions, at regular U.S. federal income tax rates. If the non-U.S. holder is a foreign corporation, the branch profits tax described above also may apply to such effectively connected gain. An individual non-U.S. holder who is subject to U.S. federal income tax because the non-U.S. holder was present in the United States for 183 days or more during the year of sale or other disposition of our common stock will be subject to a flat 30% tax (or lower rate as specified by any applicable income tax treaty) on the gain derived from such sale or other disposition, which may be offset by U.S. source capital losses. We believe we currently are not, and do not anticipate becoming, a USRPHC. Because the determination of whether we are a USRPHC depends, however, on the fair market value of our United States real property interests as defined in the Code relative to the fair market value of our non-U.S. real property interests and our other business assets, there can be no assurance we currently are not a USRPHC or will not become one in the future. Gain from a disposition of our common stock described in (iii) above will be subject to tax generally as if the gain were effectively connected with the conduct of a trade or business in the United States, except that the “branch profits tax” will not apply.

Information Reporting and Backup Withholding

Payment of dividends, and the tax withheld on those payments, are subject to information reporting requirements. These information reporting requirements apply regardless of whether withholding was reduced or eliminated by an applicable income tax treaty. Under the provisions of an applicable income tax treaty or agreement, copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides. U.S. backup withholding will generally apply on payment of dividends to non-U.S. holders unless such non-U.S. holders furnish to the payor a Form W-8BEN or, in the case of a foreign entity stockholder, Form W-8BEN-E

(or other applicable form), or otherwise establish an exemption and the payor does not have actual knowledge or reason to know that the holder is a U.S. person, as defined under the Code, that is not an exempt recipient.

Payment of the proceeds of a sale of our common stock within the United States or conducted through certain U.S.-related financial intermediaries is subject to information reporting and, depending on the circumstances, backup withholding, unless the non-U.S. holder, or beneficial owner thereof, as applicable, certifies that it is a non-U.S. holder on Form W-8BEN or, in the case of a foreign entity stockholder, Form W-8BEN-E (or other applicable form), or otherwise establishes an exemption and the payor does not have actual knowledge or reason to know the holder is a U.S. person, as defined under the Code, that is not an exempt recipient.

Any amount withheld under the backup withholding rules from a payment to a non-U.S. holder is allowable as a credit against the non-U.S. holder's United States federal income tax, which may entitle the non-U.S. holder to a refund, provided that the non-U.S. holder timely provides the required information to the Internal Revenue Service. Moreover, certain penalties may be imposed by the Internal Revenue Service on a non-U.S. holder who is required to furnish information but does not do so in the proper manner. Non-U.S. holders should consult with their tax advisors regarding the application of backup withholding in their particular circumstances and the availability of and procedure for obtaining an exemption from backup withholding under current Treasury regulations.

Foreign Account Tax Compliance Act

Under Sections 1471 through 1474 of the Code and the Treasury regulations and administrative guidance promulgated thereunder (collectively, Foreign Account Tax Compliance Act, or FATCA), a 30% withholding tax may be imposed on distributions of dividends and payments of gross proceeds from the sale or other disposition of our common stock made to a "foreign financial institution" or a "non-financial foreign entity" (in each case, as defined in the Code), regardless of whether such foreign institution or entity is a beneficial owner or an intermediary. To avoid such withholding, in the case of a foreign financial institution, the foreign financial institution must undertake certain diligence and reporting obligations and, in the case of a non-financial foreign entity, the non-financial foreign entity must either certify it does not have any "substantial United States owners" (as defined in the Code) or furnish identifying information regarding each substantial United States owner and satisfy certain other requirements, unless the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules.

If the payee is a foreign financial institution and is subject to the diligence and reporting requirements described above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "U.S. persons" or "U.S.-owned foreign entities" (in each case, as defined in the Code), annually report certain information about such accounts and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. A foreign financial institution generally certifies compliance with these requirements on a valid Internal Revenue Service Form W-8BEN-E. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

If the payee is a non-financial foreign entity, it generally provides the required certification on a valid Internal Revenue Service Form W-8BEN-E. Foreign entities located in jurisdictions that have an intergovernmental agreement with the United States governing these withholding and reporting requirements may be subject to different rules.

Withholding under FATCA generally applies to payments of dividends on our common stock and to payments of gross proceeds from a sale or other disposition of our shares. However, withholding agents may rely on recently proposed U.S. Treasury Regulations that would no longer require FATCA withholding on payments of gross proceeds. A withholding agent such as a broker, not the Bank, will determine whether or not to implement gross proceeds FATCA withholding.

Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes of withholding taxes imposed FATCA by filing a United States federal income tax return.

UNDERWRITING

We, the selling stockholders and Piper Sandler & Co., as representative for the underwriters named below will enter into an underwriting agreement with respect to the shares of common stock being offered hereby. Subject to the terms and conditions contained in the underwriting agreement, each underwriter will severally and not jointly agree to purchase, and we and the selling shareholders, collectively, have agreed to sell the number of shares of our common stock set forth in the table below.

Name	Number of Shares
Piper Sandler & Co.	
Stephens Inc.	
Total	

The underwriting agreement provides that the underwriters' obligation to purchase shares of our common stock depends on the satisfaction of the conditions contained in the underwriting agreement, including:

- the representations and warranties made by us are true and agreements have been performed;
- there is no material adverse change in the financial markets or in our business; and
- we deliver customary closing documents.

Subject to these conditions, the underwriters are committed to purchase and pay for all such shares of common stock if any are purchased. However, the underwriters are not obligated to take or pay for the shares of our common stock covered by the underwriters' purchase option described below, unless and until such option is exercised.

The shares of common stock are being offered by the underwriters, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of certain legal matters by counsel for the underwriter and other conditions specified in the underwriting agreement. The underwriter reserves the right to withdraw, cancel or modify this offer and to reject orders in whole or in part. The underwriting agreement provides that the obligations of the underwriter are conditional and may be terminated at its discretion based on its assessment of the state of the financial markets. The obligations of the underwriter may also be terminated upon the occurrence of the events specified in the underwriting agreement. The underwriting agreement provides that the underwriter is obligated to purchase all the shares of common stock in this offering if any are purchased, other than those shares covered by the purchase option described below.

Purchase Option. We have granted to the underwriters an option, exercisable no later than 30 days after the date of this prospectus, to purchase up to [•] additional shares of common stock at the public offering price less the underwriting discount set forth on the cover page of this prospectus. We will be obligated to sell these shares of common stock to the underwriters to the extent the purchase option is exercised. The underwriters may exercise this option only to cover over-allotments, if any, made in connection with the sale of our common stock offered by this prospectus.

Discounts and Expenses. The underwriters propose to offer the shares of common stock directly to the public at the offering price set forth on the cover page of this prospectus and to certain securities dealers at the public offering price less a concession not in excess of \$[•] per share. The underwriters may allow, and these dealers may re-allow, a concession not in excess of \$[•] per share on sales to other dealers. After the public offering of the common stock, the underwriters may change the offering price and other selling terms.

The following table shows the per share and total underwriting discount that we will pay to the underwriters and the proceeds we will receive and the selling stockholders will receive before expenses. These amounts are shown assuming both no exercise and full exercise of the underwriters' over-allotment option to purchase additional shares.

	Per Share	Total Without Over-Allotment	Total With Over-Allotment
Price to public			
Underwriting discount			
Proceeds to us, before expenses			
Proceeds to selling stockholders, before expenses			

We estimate that the total expenses of the offering, excluding the underwriting discount, will be approximately \$[*] million and are payable by us. We have agreed to reimburse the underwriters for certain actual out-of-pocket expenses in excess of \$100,000 incurred by the underwriters on our behalf in connection with the offering if the offering is consummated and for all such out-of-pocket expenses incurred by the underwriters on our behalf in connection with the offering if the offering is not consummated.

The shares of common stock are being offered by the underwriters, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of certain legal matters by counsel for the underwriters and other conditions specified in the underwriting agreement. The underwriters reserve the right to withdraw, cancel or modify this offer and to reject orders in whole or in part.

Lock-up Agreements. We, each of our executive officers and directors, the selling stockholders and certain other persons, have agreed, subject to certain exceptions for a period of 180 days after the date of this prospectus, not to sell, offer, agree to sell, contract to sell, hypothecate, pledge, grant any option to sell, make any short sale, or otherwise dispose of or hedge, directly or indirectly, any shares of our common stock or securities convertible into, exchangeable or exercisable for any shares of our common stock or warrants or other rights to purchase shares of our common stock or other similar securities without, in each case, the prior written consent of Piper Sandler & Co., as representative of the underwriters. These restrictions are expressly agreed to preclude us, and our executive officers and directors and certain other persons, from engaging in any hedging or other transaction or arrangement that is designed to, or which reasonably could be expected to, lead to or result in a sale, disposition or transfer, in whole or in part, of any of the economic consequences of ownership of our common stock, whether such transaction would be settled by delivery of common stock or other securities, in cash or otherwise.

Indemnification and Contribution. We have agreed to indemnify the underwriters, and persons who control the underwriters, and the underwriters' respective partners, directors, officers, employees and agents, against certain liabilities, including liabilities under the Securities Act of 1933, and to contribute to payments that the underwriters may be required to make in respect of these liabilities.

Stabilization. In connection with this offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids.

- Stabilizing transactions permit bids to purchase shares of common stock so long as the stabilizing bids do not exceed a specified maximum, and are engaged in for the purpose of preventing or retarding a decline in the market price of the common stock while the offering is in progress.
- Over-allotment transactions involve sales by the underwriters of shares of common stock in excess of the number of shares the underwriters are obligated to purchase. This creates a syndicate short position which may be either a covered short position or a naked short position. In a covered short position, the number of shares of common stock over-allotted by the underwriters are not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any short position by exercising their over-allotment option and/or purchasing shares in the open market.
- Syndicate covering transactions involve purchases of common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared with the price at which they may purchase shares through exercise of the over-allotment option. If the underwriters sell more shares than could be covered by exercise of the over-allotment option and, therefore, have a naked

short position, the position can be closed out only by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that after pricing there could be downward pressure on the price of the shares in the open market that could adversely affect investors who purchase in the offering.

- Penalty bids permit the representative to reclaim a selling concession from a syndicate member when the common stock originally sold by that syndicate member is purchased in stabilizing or syndicate covering transactions to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock in the open market may be higher than it would otherwise be in the absence of these transactions. Neither we nor the underwriters make any representation or prediction as to the effect that the transactions described above may have on the price of our common stock. These transactions may be effected on the Nasdaq Capital Market, in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time.

NASDAQ Capital Market Listing. We expect the shares to be approved for listing on the NASDAQ Capital Market, subject to notice of issuance, under the symbol “OBT.”

Offering Price Determination. Before this offering, there has been a limited public market for our common stock. The initial public offering price will be determined through negotiations between us, the selling stockholders and the underwriters. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are:

- the valuation multiples of publicly traded companies that the underwriter believes to be comparable to us;
- our financial information;
- the history of, and the prospects for, our company and the industry in which we compete;
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues;
- our book value; and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

Our Relationship with the Underwriters. The underwriters and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates and have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their respective affiliates may make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Our common stock is being offered by the underwriters, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of certain legal matters by counsel for the underwriters and other conditions.

Electronic Distribution. A prospectus in electronic format may be made available by e-mail or on the websites or through online services maintained by the underwriter or its affiliates. In those cases, prospective

investors may view offering terms online and may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations. Other than the prospectus in electronic format, the information on the underwriters' websites and any information contained on any other website maintained by the underwriters are not part of this prospectus, has not been approved and/or endorsed by the underwriters or us and should not be relied upon by investors.

Selling Restrictions. Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Directed Share Program. At our request, the underwriters have reserved for sale, at the initial public offering price, up to [•]% of the shares of our common stock offered by this prospectus for sale to our directors, officers, principal shareholders, employees, business associates, and related persons. Our directed share program will be administered by Piper Sandler & Co. or its affiliate. Reserved shares purchased by our directors and executive officers will be subject to the lock-up provisions described above. The number of shares of our common stock available for sale to the general public will be reduced to the extent these persons purchase the reserved shares. Any reserved shares of our common stock that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares of common stock offered by this prospectus.

LEGAL MATTERS

The validity of the shares of common stock being offered by this prospectus will be passed upon for us by Luse Gorman, PC, Washington, DC. Certain legal matters will be passed upon for the underwriters by Kilpatrick Townsend & Stockton LLP, Washington, DC.

EXPERTS

The consolidated financial statements of Orange County Bancorp, Inc. and subsidiaries as of December 31, 2020 and 2019 and for each of the two years in the period ended December 31, 2020, included in this prospectus, have been so included in reliance on the report of Crowe LLP, independent registered public accounting firm, upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

Orange County Bancorp, Inc. has filed with the Securities and Exchange Commission a registration statement under the Securities Act of 1933 with respect to the shares of common stock offered hereby. As permitted by the rules and regulations of the Securities and Exchange Commission, this prospectus does not contain all the information set forth in the registration statement. The Securities and Exchange Commission maintains a web site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Securities and Exchange Commission, including Orange County Bancorp, Inc. The statements contained in this prospectus as to the contents of any contract or other document filed as an exhibit to the registration statement are, of necessity, brief descriptions of the material terms of, and should be read in conjunction with, such contract or document.

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Consolidated Financial Statements

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ORANGE COUNTY BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CONDITION
(UNAUDITED)
(Dollar Amounts in thousands except per share data)

	March 31, 2021	December 31, 2020
ASSETS		
Cash and due from banks	\$ 253,091	\$ 121,232
Investment securities – available-for-sale	359,372	330,105
Restricted investment in bank stocks	1,752	1,449
Loans	1,231,628	1,152,738
Allowance for loan losses	(16,283)	(16,172)
Loans, net	1,215,345	1,136,566
Net Premises and equipment	14,048	14,017
Accrued interest receivable	7,319	6,295
Bank owned life insurance	28,691	28,520
Goodwill	5,359	5,359
Intangible assets	1,892	1,963
Other assets	21,885	19,430
TOTAL ASSETS	\$1,908,754	\$1,664,936
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest bearing	\$ 598,493	\$ 521,093
Interest bearing	1,135,066	968,201
Total deposits	1,733,559	1,489,294
Note payable	3,000	3,000
Subordinated notes, net of issuance costs	19,340	19,323
Accrued expenses and other liabilities	17,774	17,896
TOTAL LIABILITIES	1,773,673	1,529,513
STOCKHOLDERS' EQUITY		
Common stock, \$0.50 par value; 15,000,000 shares authorized; 4,533,304 issued; 4,490,973 and 4,483,102 outstanding, at March 31, 2021 and December 31, 2020, respectively	2,266	2,266
Surplus	84,774	85,111
Retained Earnings	51,818	47,683
Accumulated other comprehensive income (loss), net of taxes	(2,559)	1,819
Treasury stock, at cost; 42,331 and 50,202 shares at March 31, 2021 and December 31, 2020, respectively	(1,218)	(1,456)
TOTAL STOCKHOLDERS' EQUITY	135,081	135,423
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,908,754	\$1,664,936

See accompanying notes to unaudited condensed consolidated financial statements

ORANGE COUNTY BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(Dollar Amounts in thousands except per share data)

	Three Months Ended March 31,	
	2021	2020
INTEREST INCOME		
Interest and fees on loans	\$ 13,228	\$ 11,002
Interest on investment securities:		
Taxable	1,127	1,335
Tax exempt	363	126
Interest on Federal funds sold and other	44	180
TOTAL INTEREST INCOME	14,762	12,643
INTEREST EXPENSE		
Interest on savings and NOW accounts	592	956
Interest on time deposits	158	281
Interest on FHLB advances	—	10
Interest on note payable	42	42
Interest on subordinated notes	230	—
TOTAL INTEREST EXPENSE	1,022	1,289
NET INTEREST INCOME	13,740	11,354
Provision for loan losses	66	1,200
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	13,674	10,154
NONINTEREST INCOME		
Service charges on deposit accounts	175	208
Trust income	1,124	1,038
Investment advisory income	1,176	901
Earnings on bank owned life insurance	171	165
Other	246	229
TOTAL NONINTEREST INCOME	2,892	2,541
NONINTEREST EXPENSE		
Salaries	4,547	4,185
Employee benefits	1,126	1,148
Occupancy expense	965	938
Professional fees	907	584
Directors' fees and expenses	242	293
Computer software expense	1,058	794
FDIC assessment	289	169
Advertising expenses	283	314
Advisor expenses related to trust income	121	155
Telephone expenses	133	128
Intangible amortization	71	71
Other	574	812
TOTAL NONINTEREST EXPENSE	10,316	9,591
Income before income taxes	6,250	3,104
Provision for income taxes	1,225	628
NET INCOME	\$ 5,025	\$ 2,476
Basic and diluted earnings per share	\$ 1.12	\$ 0.55
Weighted average shares outstanding	4,483,139	4,510,420

See accompanying notes to unaudited condensed consolidated financial statements

ORANGE COUNTY BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)
(Dollar Amounts in thousands except per share data)

	Three Months Ended March 31,	
	2021	2020
Net Income	<u>\$ 5,025</u>	<u>\$2,476</u>
Other comprehensive income:		
Unrealized gains/losses on securities:		
Unrealized holding gains/(losses) arising during the period	(5,538)	4,790
Tax effect	<u>(1,162)</u>	<u>1,006</u>
Net of tax	(4,376)	3,784
Deferred compensation liability:		
Unrealized loss	(3)	(4)
Tax effect	<u>(1)</u>	<u>(1)</u>
Net of tax	(2)	(3)
Total other comprehensive income/(loss)	<u>(4,378)</u>	<u>3,781</u>
Total comprehensive income	<u>\$ 647</u>	<u>\$6,257</u>

See accompanying notes to unaudited condensed consolidated financial statements

ORANGE COUNTY BANCORP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

(Dollar amounts in thousands except per share data)

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, January 1, 2020	\$ 2,266	\$85,178	\$39,589	\$ (4,044)	\$ (926)	\$122,063
Net income	—	—	2,476	—	—	2,476
Other comprehensive income/(loss), net of taxes	—	—	—	3,781	—	3,781
Cash dividends declared (\$0.20 per share)	—	—	(896)	—	—	(896)
Issue of restricted stock (14,532 shares)	—	(442)	—	—	442	—
Treasury stock purchased (5,125 shares)	—	—	—	—	(152)	(152)
Restricted stock expense	—	87	—	—	—	87
Stock-based compensation (4,332 shares)	—	(31)	—	—	160	129
Balance, March 31, 2020	<u>\$ 2,266</u>	<u>\$84,792</u>	<u>\$41,169</u>	<u>\$ (263)</u>	<u>\$ (476)</u>	<u>\$127,488</u>
Balance, January 1, 2021	\$ 2,266	\$85,111	\$47,683	\$ 1,819	\$(1,456)	\$135,423
Net income	—	—	5,025	—	—	5,025
Other comprehensive income/(loss), net of taxes	—	—	—	(4,378)	—	(4,378)
Cash dividends declared (\$0.20 per share)	—	—	(890)	—	—	(890)
Issue of restricted stock (15,162 shares)	—	(436)	—	—	436	—
Treasury stock purchased (9,695 shares)	—	—	—	—	(269)	(269)
Restricted stock expense	—	100	—	—	—	100
Stock-based compensation (2,404 shares)	—	(1)	—	—	71	70
Balance, March 31, 2021	<u>\$ 2,266</u>	<u>\$84,774</u>	<u>\$51,818</u>	<u>\$ (2,559)</u>	<u>\$(1,218)</u>	<u>\$135,081</u>

See accompanying notes to unaudited condensed consolidated financial statements

ORANGE COUNTY BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Dollar amounts in thousands except per share data)

	Three Months Ended March 31,	
	2021	2020
Cash flows from operating activities		
Net income	\$ 5,025	\$ 2,476
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	66	1,200
Depreciation	327	318
Accretion on loans	(1,184)	(94)
Amortization of intangibles	71	71
Amortization of subordinated notes issuance costs	17	—
Restricted stock expense	100	87
Stock-based compensation	70	129
Net amortization of investment premiums	524	545
Earnings on bank owned life insurance	(171)	(165)
Net change in:		
Accrued interest receivable	(1,024)	(1,439)
Other assets	(1,293)	(533)
Other liabilities	(124)	(1,050)
Net cash from operating activities	2,404	1,545
Cash flows from investing activities		
Purchases of investment securities available-for-sale	(68,980)	(42,040)
Proceeds from sales and paydowns of investment securities available-for-sale	28,094	15,373
Proceeds from maturities and calls of investment securities available-for-sale	5,557	10,900
Purchase of restricted investment in bank stocks	(303)	(3,215)
Proceeds from calls of restricted investment in bank stocks	—	3,373
Loans purchased	(3,025)	(14,174)
Principal returned on loans purchased	4,328	2,976
Net increase in loans	(78,964)	(36,639)
Additions to premises and equipment	(358)	(304)
Net cash from investing activities	(113,651)	(63,750)
Cash flows from financing activities		
Net increase in deposits	244,265	127,488
Net change in FHLB term advances	—	(5,000)
Cash dividends paid	(890)	(896)
Purchases of treasury stock	(269)	(152)
Net cash from financing activities	243,106	121,440
Net change in cash and cash equivalents	131,859	59,235
Beginning cash and cash equivalents	121,232	25,112
Ending cash and cash equivalents	\$ 253,091	\$ 84,347
Supplementary Cash Flow Information		
Interest paid	1,246	1,298
Income taxes paid	15	31

See accompanying notes to unaudited condensed consolidated financial statements

ORANGE COUNTY BANCORP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except per share data)**Note 1 — Summary of Significant Accounting Policies**

Certain information and footnote disclosures normally included in the audited consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto, included herein, for the year ended December 31, 2020 for Orange County Bancorp, Inc. (the “Company”). In the opinion of the management of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting solely of normal and recurring accruals) necessary to present fairly the financial position as of March 31, 2021, the results of operations, comprehensive income, stockholders’ equity for the three months ended March 31, 2021 and 2020 and cash flow statements for the three months ended March 31, 2021 and 2020. The results of operations for any interim period are not necessarily indicative of the results that may be expected for the full year or for any future period.

Nature of Operations and Principles of Consolidation: The unaudited consolidated financial statements include the Company and its wholly owned subsidiaries: Orange Bank & Trust Company (the “Bank”) and Hudson Valley Investment Advisors (“HVIA”), a Registered Investment Advisor, together referred to as “the Company.” Intercompany transactions and balances are eliminated in consolidation.

The Company provides commercial and consumer banking services to individuals, small businesses and local municipal governments as well as trust and investment services through the Bank and HVIA. The Company is headquartered in Middletown, New York, with eight locations in Orange County, New York, five in Westchester County, New York and one in Rockland County, New York. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are commercial real estate, commercial and residential mortgage loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets, and commercial and residential real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. There are no significant concentrations of loans to any one industry or customer. However, the customers’ ability to repay their loans is dependent on the real estate and general economic conditions in the areas in which they operate.

Assets held by the Company in an agency or fiduciary capacity for its customers are excluded from the consolidated financial statements since they do not constitute assets of the Company. Assets held by the Company amounted to \$1,230,150 and \$1,189,119 at March 31, 2021 and December 31, 2020, respectively.

Risk and Uncertainties: On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 as a global pandemic, which continues to spread throughout the United States and around the world. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted to, among other things, provide emergency assistance for individuals, families and businesses affected by the COVID-19 pandemic. The COVID-19 pandemic has adversely affected, and continues to adversely affect economic activity globally, nationally and locally. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the New York metropolitan area in which the Company primarily operates. Although the Company has been able to continue operations while taking steps to ensure the safety of employees and customers, COVID-19 could also potentially create widespread business continuity issues for the Company. This could cause the Company to experience a material adverse effect on business operations, asset valuations, financial condition and results of operations. Material adverse impacts may include all or a combination of valuation impairments on the Company’s intangible assets, investments, and loans.

Use of Estimates: To prepare financial statements in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions based on available information.

ORANGE COUNTY BANCORP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except per share data)**Note 1 — Summary of Significant Accounting Policies (Continued)**

These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

Recent Accounting Pronouncements: On January 1, 2020, the Company adopted Accounting Standards Update (“ASU”) 2018-14, Compensation — Retirement Benefits Topic 715-20. This ASU amends Accounting Standards Codification (“ASC”) 715 to add, remove and clarify disclosure requirements related to defined benefit pension and other postretirement plans. The ASU eliminates the requirement to disclose the amounts in accumulated other comprehensive income expected to be recognized as part of net periodic benefit cost over the next year, and also removes the disclosure requirements for the effects of a one-percentage-point change on the assumed health care costs and the effect of this change in rates on service cost, interest cost and the benefit obligation for postretirement health care benefits. The adoption of the ASU did not have a significant impact on the Company’s consolidated financial statements.

In June, 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-13, Financial Instruments — Credit Losses Topic 326: Measurement of Credit Losses on Financial Instruments. The objective of the ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to form credit loss estimates. In November 2019, the FASB adopted changes to delay the effective date of ASU 2016-13 to January 2023 for certain entities, including certain Securities and Exchange Commission filers, public business entities, and private companies. As a result, the Company is eligible for the delay and will adopt the ASU effective January 1, 2023. The Company is currently evaluating the potential impact the adoption of ASU 2016-13 will have on its consolidated financial statements and results of operations.

Note 2 — Investment Securities

The amortized cost and fair value of investment securities at March 31, 2021 and December 31, 2020:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>Available-for-sale March 31, 2021</u>				
U.S. government agencies	\$ 81,125	\$ 751	\$(1,305)	\$ 80,571
Mortgage-backed securities	175,979	2,606	(1,906)	176,679
Corporate Securities	13,098	116	(76)	13,138
Obligations of states and political subdivisions	88,444	1,006	(466)	88,984
Total debt securities	<u>\$358,646</u>	<u>\$4,479</u>	<u>\$(3,753)</u>	<u>\$359,372</u>
<u>Available-for-sale December 31, 2020</u>				
U.S. government agencies	\$ 82,409	\$1,394	\$ (382)	\$ 83,421
Mortgage-backed securities	157,408	3,633	(257)	160,784
Corporate Securities	10,603	57	(33)	10,627
Obligations of states and political subdivisions	73,421	1,883	(31)	75,273
Total debt securities	<u>\$323,841</u>	<u>\$6,967</u>	<u>\$ (703)</u>	<u>\$330,105</u>

There were no sales of securities during the three months ended March 31, 2021 and 2020.

ORANGE COUNTY BANCORP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except per share data)

Note 2 — Investment Securities (Continued)

The amortized cost and fair value of debt securities as of March 31, 2021 are shown below by contractual maturity. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-sale	
	Amortized Cost	Fair Value
Due in one year or less	\$ 22,713	\$ 22,765
Due after one through five years	9,622	9,713
Due after five through ten years	51,869	51,403
Due after ten years	98,463	98,812
	<u>182,667</u>	<u>182,693</u>
Mortgage-backed securities	175,979	176,679
Total debt securities	<u>\$358,646</u>	<u>\$359,372</u>

Securities pledged at March 31, 2021 and December 31, 2020 had a carrying amount of \$196,887 and \$121,233 and were pledged to secure public deposits.

At March 31, 2021 and December 31, 2020, there were no holdings of securities of any one issuer, other than the US Government and its agencies, in an amount greater than 10% of stockholders' equity.

The following table summarizes securities with unrealized and unrecognized losses at March 31, 2021 and December 31, 2020, aggregated by major security types and length of time in continuous loss position:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<u>Available-for-sale March 31, 2021</u>						
U.S. government agencies	\$ 28,547	\$(1,019)	\$20,060	\$(286)	\$ 48,607	\$(1,305)
Mortgage-backed securities	66,667	(1,857)	13,770	(49)	80,437	(1,906)
Corporate Securities	3,505	(76)	—	—	3,505	(76)
Obligations of states and political subdivisions	24,640	(466)	—	—	24,640	(466)
Total debt securities	<u>\$123,359</u>	<u>\$(3,418)</u>	<u>\$33,830</u>	<u>\$(335)</u>	<u>\$157,189</u>	<u>\$(3,753)</u>
<u>Available-for-sale December 31, 2020</u>						
U.S. government agencies	\$ 17,948	\$ (52)	\$20,779	\$(330)	\$ 38,727	\$ (382)
Mortgage-backed securities	35,580	(208)	1,887	(49)	37,467	(257)
Corporate Securities	1,551	(33)	—	—	1,551	(33)
Obligations of states and political subdivisions	15,373	(31)	—	—	15,373	(31)
Total debt securities	<u>\$ 70,452</u>	<u>\$ (324)</u>	<u>\$22,666</u>	<u>\$(379)</u>	<u>\$ 93,118</u>	<u>\$ (703)</u>

There was no other than temporary impairment loss recognized on any securities at March 31, 2021 or December 31, 2020.

As of March 31, 2021, the Company's security portfolio consisted of 219 securities, 63 of which were in an unrealized loss position. As of December 31, 2020, the Company's security portfolio consisted of 196

ORANGE COUNTY BANCORP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except per share data)**Note 2 — Investment Securities (Continued)**

securities, 36 of which were in an unrealized loss position. Unrealized losses are primarily related to the Company's mortgage backed and U.S. government agency securities as discussed below.

At March 31, 2021, mortgage-backed securities held by the company were issued by U.S. government sponsored entities and agencies. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these securities, and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other than temporarily impaired at March 31, 2021.

The Company's unrealized losses on U.S. government agency securities relate primarily to its investment in Small Business Administration ("SBA") issued securities. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these securities, and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other than temporarily impaired at March 31, 2021.

Note 3 — Loans

Loans at March 31, 2021 and December 31, 2020 were as follows:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Commercial and industrial	\$ 355,415	\$ 299,049
Commercial real estate	709,760	698,130
Commercial real estate construction	76,570	63,544
Residential real estate	58,123	57,941
Home equity	13,197	13,960
Consumer	18,563	20,114
Total	<u>\$1,231,628</u>	<u>\$1,152,738</u>

Included in commercial and industrial loans as of March 31, 2021 and December 31, 2020 were loans issued under the SBAs Paycheck Protection Program ("PPP") of \$121,779 and \$69,874, respectively.

The following table presents the activity in the allowance for loan losses by portfolio segment for each of the three months ended March 31, 2021 and 2020:

	<u>Commercial and Industrial</u>	<u>Commercial Real Estate</u>	<u>Commercial Real Estate Construction</u>	<u>Residential Real Estate</u>	<u>Home Equity</u>	<u>Consumer</u>	<u>Total</u>
<u>March 31, 2021</u>							
Allowance for loan losses:							
Beginning balance	\$4,795	\$9,782	\$ 801	\$381	\$ 77	\$336	\$16,172
Provision for loan losses	149	(195)	201	(35)	(12)	(42)	66
Loans charged-off	(16)	(43)	—	—	—	(5)	(64)
Recoveries	87	1	—	—	—	21	109
Ending balance	<u>\$5,015</u>	<u>\$9,545</u>	<u>\$1,002</u>	<u>\$346</u>	<u>\$ 65</u>	<u>\$310</u>	<u>\$16,283</u>

ORANGE COUNTY BANCORP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 3—Loans (Continued)

	Commercial and Industrial	Commercial Real Estate	Commercial Real Estate Construction	Residential Real Estate	Home Equity	Consumer	Total
March 31, 2020							
Allowance for loan losses:							
Beginning balance	\$5,107	\$5,951	\$ 713	\$384	\$43	\$ 77	\$12,275
Provision for loan losses	(426)	1,603	(113)	2	12	122	1,200
Loans charged-off	—	—	—	—	—	(3)	(3)
Recoveries	6	1	—	—	—	2	9
Ending balance	<u>\$4,687</u>	<u>\$7,555</u>	<u>\$ 600</u>	<u>\$386</u>	<u>\$55</u>	<u>\$198</u>	<u>\$13,481</u>

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of March 31, 2021 and December 31, 2020:

	Commercial and Industrial	Commercial Real Estate	Commercial Real Estate Construction	Residential Real Estate	Home Equity	Consumer	Total
March 31, 2021							
Allowance for loan losses:							
Ending balance:							
individually evaluated for impairment	\$ 456	\$ 1,058	\$ —	\$ 9	\$ —	\$ 26	\$ 1,549
collectively evaluated for impairment	<u>4,559</u>	<u>8,487</u>	<u>1,002</u>	<u>337</u>	<u>65</u>	<u>284</u>	<u>14,734</u>
Total ending allowance balance	<u>\$ 5,015</u>	<u>\$ 9,545</u>	<u>\$ 1,002</u>	<u>\$ 346</u>	<u>\$ 65</u>	<u>\$ 310</u>	<u>\$ 16,283</u>
Loans:							
Ending balance:							
individually evaluated for impairment	\$ 3,694	\$ 18,937	\$ —	\$ 1,223	\$ —	\$ 122	\$ 23,976
collectively evaluated for impairment	<u>351,721</u>	<u>690,823</u>	<u>76,570</u>	<u>56,900</u>	<u>13,197</u>	<u>18,441</u>	<u>1,207,652</u>
Total ending loans balance	<u>\$355,415</u>	<u>\$709,760</u>	<u>\$76,570</u>	<u>\$58,123</u>	<u>\$13,197</u>	<u>\$18,563</u>	<u>\$1,231,628</u>
December 31, 2020							
Allowance for loan losses:							
Ending balance:							
individually evaluated for impairment	\$ 206	\$ 1,084	\$ —	\$ 15	\$ —	\$ 27	\$ 1,332
collectively evaluated for impairment	<u>4,589</u>	<u>8,698</u>	<u>801</u>	<u>366</u>	<u>77</u>	<u>309</u>	<u>14,840</u>
Total ending allowance balance	<u>\$ 4,795</u>	<u>\$ 9,782</u>	<u>\$ 801</u>	<u>\$ 381</u>	<u>\$ 77</u>	<u>\$ 336</u>	<u>\$ 16,172</u>

ORANGE COUNTY BANCORP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except per share data)

Note 3—Loans (Continued)

	Commercial and Industrial	Commercial Real Estate	Commercial Real Estate Construction	Residential Real Estate	Home Equity	Consumer	Total
Loans:							
Ending balance:							
individually evaluated for impairment	\$ 2,410	\$ 19,759	\$ —	\$ 1,358	\$ —	\$ 124	\$ 23,651
collectively evaluated for impairment	296,639	678,371	63,544	56,583	13,960	19,990	1,129,087
Total ending loans balance	<u>\$ 299,049</u>	<u>\$ 698,130</u>	<u>\$ 63,544</u>	<u>\$ 57,941</u>	<u>\$ 13,960</u>	<u>\$ 20,114</u>	<u>\$ 1,152,738</u>

Included in the commercial and industrial loans collectively evaluated for impaired are PPP loans of \$121,779 and \$69,874 as of March 31, 2021 and December 31, 2020, respectively. PPP loans receivable are guaranteed by the SBA and have no allocation of the allowance for loan losses.

The following table presents loans individually evaluated for impairment recognized by class of loans as of March 31, 2021 and December 31, 2020:

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
<u>March 31, 2021</u>			
With no related allowance recorded			
Commercial and industrial	\$ 320	\$ 320	\$ —
Commercial real estate	10,573	9,164	—
Commercial real estate construction	—	—	—
Residential real estate	578	578	—
Home equity	—	—	—
Consumer	—	—	—
Total	<u>\$ 11,471</u>	<u>\$ 10,062</u>	<u>\$ —</u>
With an allowance recorded:			
Commercial and industrial	\$ 3,374	\$ 3,374	\$ 456
Commercial real estate	10,265	9,773	1,058
Commercial real estate construction	—	—	—
Residential real estate	655	645	9
Home equity	—	—	—
Consumer	122	122	26
Total	<u>\$ 14,416</u>	<u>\$ 13,914</u>	<u>\$ 1,549</u>
<u>December 31, 2020</u>			
With no related allowance recorded			
Commercial and industrial	\$ 331	\$ 331	\$ —
Commercial real estate	10,621	9,248	—
Commercial real estate construction	—	—	—

ORANGE COUNTY BANCORP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except per share data)

Note 3 — Loans (Continued)

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
Residential real estate	1,148	1,148	—
Home equity	—	—	—
Consumer	—	—	—
Total	<u>\$12,100</u>	<u>\$10,727</u>	<u>\$ —</u>
With an allowance recorded:			
Commercial and industrial	\$ 2,079	\$ 2,079	\$ 206
Commercial real estate	11,001	10,511	1,084
Commercial real estate construction	—	—	—
Residential real estate	219	210	15
Home equity	—	—	—
Consumer	124	124	27
Total	<u>\$13,423</u>	<u>\$12,924</u>	<u>\$ 1,332</u>

The following table presents the average recorded investment and interest income of loans individually evaluated for impairment recognized by class of loans for the three months ended March 31, 2021 and 2020:

	Average Recorded Investment	Interest Income Recognized ⁽¹⁾
<u>Three Months Ended March 31, 2021</u>		
With no related allowance recorded		
Commercial and industrial	\$ 326	\$ 4
Commercial real estate	9,206	89
Commercial real estate construction	—	—
Residential real estate	578	—
Home equity	—	—
Consumer	—	—
Total	<u>\$10,110</u>	<u>\$ 93</u>
With an allowance recorded:		
Commercial and industrial	\$ 3,477	\$ 45
Commercial real estate	9,800	89
Commercial real estate construction	—	—
Residential real estate	647	6
Home equity	—	—
Consumer	123	2
Total	<u>\$14,047</u>	<u>\$142</u>

ORANGE COUNTY BANCORP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except per share data)

Note 3—Loans (Continued)

	Average Recorded Investment	Interest Income Recognized ⁽¹⁾
<u>Three Months Ended March 31, 2020</u>		
With no related allowance recorded		
Commercial and industrial	\$ 74	\$ 1
Commercial real estate	1,328	20
Commercial real estate construction	—	—
Residential real estate	412	—
Home equity	—	—
Consumer	—	—
Total	<u>\$ 1,814</u>	<u>\$ 21</u>
With an allowance recorded:		
Commercial and industrial	\$ 2,896	\$ 32
Commercial real estate	14,633	229
Commercial real estate construction	—	—
Residential real estate	229	2
Home equity	51	—
Consumer	131	2
Total	<u>\$17,940</u>	<u>\$265</u>

(1) Cash basis interest income approximates interest income recognized.

The following tables present the recorded investment in non-accrual and loans past due over 90 days still on accrual by class of loans as of March 31, 2021 and December 31, 2020:

	Non-accrual		Loans Past Due Over 90 Days Still Accruing	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Commercial and industrial	\$ —	\$ —	\$345	\$457
Commercial real estate	1,345	1,345	—	—
Commercial real estate construction	—	—	—	—
Residential real estate	655	657	2	2
Home equity	—	—	—	—
Consumer	—	—	93	61
Total	<u>\$2,000</u>	<u>\$2,002</u>	<u>\$440</u>	<u>\$520</u>

ORANGE COUNTY BANCORP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except per share data)

Note 3—Loans (Continued)

The following table presents the aging of the recorded investment in past-due loans as of March 31, 2021 and December 31, 2020 by class of loans:

	30–59 Days Past Due	60–89 Days Past Due	Greater Than 90 Days	Total Past Due	Loans Not Past Due
<u>March 31, 2021</u>					
Commercial and industrial	\$181	\$173	\$ 345	\$ 699	\$ 354,716
Commercial real estate	—	—	1,345	1,345	708,415
Commercial real estate construction	—	—	—	—	76,570
Residential real estate	597	—	579	1,176	56,947
Home equity	—	—	—	—	13,197
Consumer	210	293	93	596	17,967
Total	<u>\$988</u>	<u>\$466</u>	<u>\$2,362</u>	<u>\$3,816</u>	<u>\$1,227,812</u>
<u>December 31, 2020</u>					
Commercial and industrial	\$123	\$201	\$ 457	\$ 781	\$ 298,268
Commercial real estate	—	—	1,345	1,345	696,785
Commercial real estate construction	—	—	—	—	63,544
Residential real estate	570	—	580	1,150	56,791
Home equity	—	—	—	—	13,960
Consumer	132	272	61	465	19,649
Total	<u>\$825</u>	<u>\$473</u>	<u>\$2,443</u>	<u>\$3,741</u>	<u>\$1,148,997</u>

As of March 31, 2021 and December 31, 2020, loans in the process of foreclosure were \$1,925 of which \$578 were secured by residential real estate.

As of March 31, 2021 and December 31, 2020, the Company has a recorded investment in Troubled Debt Restructurings (“TDRs”) of \$15,039 and \$15,951 respectively. The Company has allocated \$886 and \$918 of specific allowance for these loans at March 31, 2021 and December 31, 2020, respectively, and there were no commitments to lend additional funds to borrowers whose loans were classified as TDRs. There were no restructured loans that defaulted within the three months ended March 31, 2021 and 2020.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Company’s internal underwriting policy.

There were no loans whose terms were modified resulting in TDRs during the three months ended March 31, 2021 and 2020.

In March 2020, various regulatory agencies, including the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation, (“the agencies”) issued an interagency statement on loan modifications and reporting for financial institutions working with customers affected by COVID-19. The interagency statement was effective immediately and impacted accounting for loan modifications. The agencies confirmed with the staff of the FASB that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief, are not to be considered TDRs.

ORANGE COUNTY BANCORP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except per share data)

Note 3—Loans (Continued)

This includes modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment related to the economic impact of COVID-19. Provisions of the CARES Act largely mirrored the provisions of the interagency statement, providing that modified loans would not be considered TDRs if they were performing at year-end 2019. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time a modification program is implemented or at year-end 2019.

The following table sets forth the composition of these loans by loan segments as of March 31, 2021 and December 31, 2020:

	March 31, 2021		December 31, 2020	
	Number of Loans	Unpaid Principal Balance	Number of Loans	Unpaid Principal Balance
Commercial and industrial	7	\$ 796	9	\$ 3,390
Commercial real estate	15	31,415	19	\$44,782
Consumer	—	—	1	596
Total	<u>22</u>	<u>\$32,211</u>	<u>29</u>	<u>\$48,768</u>

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes loans with an outstanding balance greater than \$350 thousand and non-homogeneous loans, such as commercial and commercial real estate loans. This analysis is performed on an annual basis. The company uses the following definitions for risk ratings:

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or the institution's credit position at some future date.

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass-rated loans.

ORANGE COUNTY BANCORP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except per share data)**Note 3—Loans (Continued)**

Based on the analysis performed as of March 31, 2021 and December 31, 2020, the risk category of loans by class of loans is as follows:

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
March 31, 2021						
Commercial and industrial	\$ 350,348	\$3,001	\$ 2,066	\$—	\$—	\$ 355,415
Commercial real estate	697,515	4,132	8,113	—	—	709,760
Commercial real estate construction	76,570	—	—	—	—	76,570
Residential real estate	56,978	—	1,145	—	—	58,123
Home equity	13,197	—	—	—	—	13,197
Consumer	18,441	—	122	—	—	18,563
Total	<u>\$1,213,049</u>	<u>\$7,133</u>	<u>\$11,446</u>	<u>\$—</u>	<u>\$—</u>	<u>\$1,231,628</u>
December 31, 2020						
Commercial and industrial	\$ 293,763	\$3,023	\$ 2,263	\$—	\$—	\$ 299,049
Commercial real estate	685,808	4,164	8,158	—	—	698,130
Commercial real estate construction	63,544	—	—	—	—	63,544
Residential real estate	56,793	—	1,148	—	—	57,941
Home equity	13,960	—	—	—	—	13,960
Consumer	19,990	—	124	—	—	20,114
Total	<u>\$1,133,858</u>	<u>\$7,187</u>	<u>\$11,693</u>	<u>\$—</u>	<u>\$—</u>	<u>\$1,152,738</u>

Loans to certain directors and principal officers of the Company, including their immediate families and companies in which they are affiliated, amounted to \$4,175 and \$5,392 at March 31, 2021 and December 31, 2020, respectively.

Note 4—Fair Value

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

ORANGE COUNTY BANCORP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 4 — Fair Value (Continued)

The Company used the following methods and significant assumptions to estimate fair value:

Investment Securities: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2), using matrix pricing. Matrix pricing is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

Impaired Loans and Other Real Estate Owned: The fair value of collateral dependent loans that are individually evaluated for impairment is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach and resulted in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted in accordance with the allowance policy.

Appraisals are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by a third-party appraisal management company that the Company has engaged in accordance with internal vendor management policies and approval of the Company's Board of Directors. Once received, the appraisal review function is conducted by the appraisal management company and consists of a review of the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. Through this review, the appraisal management company evaluates the validity of the appraised value and the strength of the conclusions; which are subsequently confirmed by a member of the Credit Department. Discounts to the appraised value are then applied to recognize the carrying costs incurred until disposition, realtor fees, deterioration in the quality of the asset, and the age of the appraisal. The net effect of these adjustments were included in the charge-off to the allowance upon acquisition of the foreclosed property and/or upon partial charge-off of the impaired loan. The most recent analysis of property appraisals including the appropriate discount rates are incorporated into the allowance methodology for the respective loan portfolio segments.

Assets and liabilities measured at fair value on a recurring basis, are summarized below:

	Fair Value Measurements Using:			
	Total at March 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. government agencies	\$ 80,571	\$—	\$ 80,571	\$—
Mortgage-backed securities	176,679	—	176,679	—
Corporate securities	13,138	—	13,138	—
Obligations of states and political subdivisions	88,984	—	88,984	—
Total securities available for sale	<u>\$359,372</u>	<u>\$—</u>	<u>\$359,372</u>	<u>\$—</u>

ORANGE COUNTY BANCORP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except per share data)

Note 4 — Fair Value (Continued)

There were no transfers between Level 1 and Level 2 during the three months ended March 31, 2021.

	Total at December 31, 2020	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. government agencies	83,421	\$—	\$ 83,421	\$—
Mortgage-backed securities	160,784	—	160,784	—
Corporate securities	10,627	—	10,627	—
Obligations of states and political subdivisions	75,273	—	75,273	—
Total securities available for sale	<u>\$330,105</u>	<u>\$—</u>	<u>\$330,105</u>	<u>\$—</u>

There were no transfers between Level 1 and Level 2 during three months ended March 31, 2020.

There were no material collateral dependent, non TDR impaired loans with a specific reserve as of March 31, 2021 or December 31, 2020.

The carrying amounts and estimated fair values of the Company's financial instruments not carried at fair value are as follows at March 31, 2021 and December 31, 2020:

	March 31, 2021				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and due from banks	\$ 253,091	\$ 253,091	\$ 253,091	\$ —	\$ —
Loans, net	1,215,345	1,218,031	—	—	1,218,031
Accrued interest receivable	7,319	7,319	—	1,639	5,680
Restricted investment in bank stocks	1,752	NA	—	—	—
Financial liabilities:					
Deposits	1,733,559	1,733,805	1,643,180	90,625	—
Note payable	3,000	3,065	—	3,065	—
Subordinated notes, net of issuance costs	19,340	19,978	—	19,978	—
Accrued interest payable	83	83	—	83	—
Off-balance sheet financial instruments	—	—	—	—	—

ORANGE COUNTY BANCORP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except per share data)

Note 4 — Fair Value (Continued)

	December 31, 2020				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and due from banks	\$ 121,232	\$ 121,232	\$ 121,232	\$ —	\$ —
Loans, net	1,136,566	1,139,472	—	—	1,139,472
Accrued interest receivable	6,295	6,295	—	1,389	4,906
Restricted investment in bank stocks	1,449	NA	—	—	—
Financial liabilities:					
Deposits	1,489,294	1,489,615	1,398,095	91,520	—
Note payable	3,000	3,087	—	3,087	—
Subordinated notes, net of issuance costs	19,323	19,758	—	19,758	—
Accrued interest payable	307	307	—	307	—
Off-balance sheet financial instruments	—	—	—	—	—

Note 5 — Deposits

A summarized analysis of the Bank's deposits at March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
Non-interest bearing demand accounts	\$ 598,493	\$ 521,093
Interest-bearing demand accounts	276,987	236,951
Money market accounts	599,127	483,044
Savings accounts	168,933	157,007
Certificates of Deposit	90,019	91,199
Total deposits	<u>\$1,733,559</u>	<u>\$1,489,294</u>

Time deposits that meet or exceed the FDIC insurance limit of \$250 at March 31, 2021 and December 31, 2020 were \$24,367 and \$23,747, respectively.

Scheduled maturities of time deposits for the next five years are as follows:

2021	\$63,743
2022	20,434
2023	5,468
2024	374
	<u>\$90,019</u>

Deposits of executive officers, directors and principal officers of the Company, including their immediate families and companies in which they are affiliated, amounted to \$7,211 and \$6,910 at March 31, 2021 and December 31, 2020, respectively.

Note 6 — Pension Plan and Stock Compensation

The Bank has a funded noncontributory defined benefit pension plan that covers substantially all employees meeting certain eligibility requirements. The pension plan was closed to new participants and

ORANGE COUNTY BANCORP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except per share data)**Note 6— Pension Plan and Stock Compensation (Continued)**

benefit accruals were frozen as of December 31, 2015. The plan provides defined benefits based on years of service and final average salary.

The components of net periodic benefit cost for the Company's noncontributory defined benefit pension plan for the three months ended March 31, 2021 and 2020 are as follows:

	Three Months Ended March 31,	
	2021	2020
Service cost	\$ 47	\$ 35
Interest cost	190	230
Expected return on plan assets	(515)	(465)
Amortization of transition cost	(12)	(12)
Amortization of net loss	5	28
Net periodic benefit cost/(income)	<u>\$(285)</u>	<u>\$(184)</u>

The Company has a time based restricted stock plan. For the three months ended March 31, 2021 and 2020 the Company's recognized stock-based compensation costs of \$100 and \$87, respectively. The Company uses the fair value of the common stock on the date of award to measure compensation cost for restricted stock unit awards. Compensation cost is recognized over the vesting period of the award using the straight line method. There were 15,162 and 14,532 restricted stock units granted for the three months ended March 31, 2021 and 2020, respectively. The grants generally vest at the rate of 33% per year with full vesting on the third anniversary date of the grant. Unamortized expense at March 31, 2021 was \$598.

A summary the Company's restricted stock awards activity for the three months ended March 31, 2021 is presented below:

	Shares	Weighted Average Fair Value
Non-vested at beginning of period	25,369	\$ 28.78
Granted	15,162	\$ 28.75
Vested	(11,653)	\$ 28.34
Forfeited	—	\$ —
Non-vested at end of period	<u>28,878</u>	<u>\$ 28.95</u>

Note 7— Accumulated Other Comprehensive Income (Loss)

The following is a summary of changes in accumulated other comprehensive income (loss) by component, net of tax, for the three months ended March 31, 2021 and 2020:

	Unrealized Gains and Losses on Available-for- Sale Securities	Defined Benefit Pension Items	Deferred Compensation Liability	Total
<u>Three Months Ended March 31, 2021</u>				
Beginning balance	\$ 4,949	\$(3,277)	\$147	\$ 1,819
Other comprehensive income/(loss) before reclassification	(4,376)	—	(2)	(4,378)

ORANGE COUNTY BANCORP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except per share data)

Note 7—Accumulated Other Comprehensive Income (Loss) (Continued)

	Unrealized Gains and Losses on Available-for- Sale Securities	Defined Benefit Pension Items	Deferred Compensation Liability	Total
Less amounts reclassified from accumulated other comprehensive income	—	—	—	—
Net current period other comprehensive income/(loss)	(4,376)	—	(2)	(4,378)
Ending balance	<u>\$ 573</u>	<u>\$(3,277)</u>	<u>\$145</u>	<u>\$(2,559)</u>

	Unrealized Gains and Losses on Available-for- Sale Securities	Defined Benefit Pension Items	Deferred Compensation Liability	Total
<u>Three Months Ended March 31, 2020</u>				
Beginning balance	\$ 439	\$(4,642)	\$159	\$(4,044)
Other comprehensive income/(loss) before reclassification	3,784	—	(3)	3,781
Less amounts reclassified from accumulated other comprehensive income	—	—	—	—
Net current period other comprehensive income/(loss)	3,784	—	(3)	3,781
Ending balance	<u>\$4,223</u>	<u>\$(4,642)</u>	<u>\$156</u>	<u>\$(263)</u>

There were no reclassifications out of any components of accumulated other comprehensive income (loss) for the three months ended March 31, 2021 and 2020.

Note 8—Revenue from Contracts with Customers

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within Noninterest Income. The following table presents the Company's gross sources of noninterest income for the three months ended March 31, 2021 and 2020.

	Three Months Ended March 31,	
	2021	2020
Noninterest Income		
Service charges on deposit accounts	\$ 175	\$ 208
Trust income	1,124	1,038
Investment advisory income	1,176	901
Earnings on bank owned life insurance ^(a)	171	165
Other ^(b)	246	229
Total Noninterest Income	<u>\$2,892</u>	<u>\$2,541</u>

(a) Not within the scope of ASC 606.

(b) The Other category includes safe deposit income, checkbook fees, and debit card fee income, totaling

ORANGE COUNTY BANCORP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except per share data)**Note 8— Revenue from Contracts with Customers (Continued)**

\$186 and \$163 for the three months ended March 31, 2021 and 2020, respectively, that are within the scope of ASC 606 and loan related fee income and miscellaneous income, totaling \$60 and \$66 for the three months ended March 31, 2021 and 2020, respectively, which are outside the scope of ASC 606.

The Company earns wealth management fees, which includes trust income and investment advisory income, from its contracts with trust and brokerage customers to manage assets for investment, and/or to transact on their accounts. These fees are primarily earned over time as the Company provides the contracted services and are generally assessed based on a tiered scale of the market value of the assets under management at month-end or quarter-end.

Note 9— Segment Information

The reportable segments are determined by the products and services offered by the Company, primarily distinguished between banking and wealth management. Loans, investments, and deposits provide the revenues in the banking operation, and trust fees and investment management fees provide the revenues in wealth management. All operations are domestic.

Significant segment totals are reconciled to the financial statements as follows:

As of and for the three months ended March 31, 2021	Banking	Wealth Management	Total Segments
Net interest income	\$ 13,740	\$ —	\$ 13,740
Noninterest income	592	2,300	2,892
Provision for loan loss	(66)	—	(66)
Noninterest expenses	(8,672)	(1,644)	(10,316)
Income tax expense	(1,087)	(138)	(1,225)
Net income	\$ 4,507	\$ 518	\$ 5,025
Total assets	\$1,900,373	\$ 8,381	\$1,908,754

As of and for the three months ended March 31, 2020	Banking	Wealth Management	Total Segments
Net interest income	\$ 11,354	\$ —	\$ 11,354
Noninterest income	602	1,939	2,541
Provision for loan loss	(1,200)	—	(1,200)
Noninterest expenses	(8,084)	(1,507)	(9,591)
Income tax expense	(537)	(91)	(628)
Net income	\$ 2,135	\$ 341	\$ 2,476
Total assets	\$1,656,974	\$ 7,962	\$1,664,936

Note 10— Regulatory Capital Matters

The Bank is subject to regulatory capital requirements administered by the federal banking agencies. Capital adequacy guidelines and prompt corrective regulations involve quantitative measures of assets, liabilities and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgements by regulators. Failure to meet the minimum capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks, (Basel III rules), became effective for the Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. Under the Basel III rules, the Bank must hold a capital

ORANGE COUNTY BANCORP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 10—Regulatory Capital Matters (Continued)

conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer was phased in at a rate of 0.625% per year from 0.0% in 2015 to 2.5% for 2019. The net unrealized gain or loss on available for sale securities is included in computing regulatory capital.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion and capital restoration plans are required. Capital levels at March 31, 2021 exceeded the regulatory minimum levels to be considered well capitalized under the prompt corrective action regulations.

Actual and required capital amounts and ratios are presented below at March 31, 2021 and December 31, 2020.

	Actual		For Capital Adequacy Purposes		For Capital Adequacy Purposes with Capital Buffer		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
<u>March 31, 2021</u>								
Total capital to risk weighted assets	\$159,270	13.64%	\$93,434	8.00%	\$115,333	9.875%	\$116,793	10.00%
Tier 1 (Core) capital to risk weighted assets	144,648	12.39%	70,076	6.00%	91,974	7.875%	93,434	8.00%
Common Tier 1 (CET1) to risk weighted assets	144,648	12.39%	52,557	4.50%	74,455	6.375%	75,915	6.50%
Tier 1 (Core) Capital to average assets	144,648	8.19%	70,681	4.00%	N/A	N/A	88,351	5.00%
<u>December 31, 2020</u>								
Total capital to risk weighted assets	\$150,397	13.49%	\$89,207	8.00%	\$110,115	9.875%	\$111,509	10.00%
Tier 1 (Core) capital to risk weighted assets	136,446	12.24%	66,906	6.00%	87,814	7.875%	89,207	8.00%
Common Tier 1 (CET1) to risk weighted assets	136,446	12.24%	50,179	4.50%	71,087	6.375%	72,481	6.50%
Tier 1 (Core) Capital to average assets	136,446	8.16%	66,891	4.00%	N/A	N/A	83,613	5.00%

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Stockholders and Board of Directors of
Orange County Bancorp, Inc.
Middletown, New York

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of condition of Orange County Bancorp, Inc. (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and 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 financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Crowe LLP

Crowe LLP

We have served as the Company's auditor since 2018.

Livingston, New Jersey
April 29, 2021

CONSOLIDATED STATEMENTS OF CONDITION

December 31, 2020 and 2019

(Dollar Amounts in thousands except per share data)

	2020	2019
ASSETS		
Cash and due from banks	\$ 121,232	\$ 25,112
Investment securities – available-for-sale	330,105	254,915
Restricted investment in bank stocks	1,449	1,474
Loans	1,152,738	892,124
Allowance for loan losses	(16,172)	(12,275)
Loans, net	1,136,566	879,849
Net Premises and equipment	14,017	14,599
Accrued interest receivable	6,295	3,202
Bank owned life insurance	28,520	27,818
Goodwill	5,359	5,359
Intangible assets	1,963	2,249
Other assets	19,430	14,975
TOTAL ASSETS	<u>\$1,664,936</u>	<u>\$1,229,552</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest bearing	\$ 521,093	\$ 335,469
Interest bearing	968,201	747,663
Total deposits	1,489,294	1,083,132
FHLB advances	—	5,000
Note payable	3,000	3,000
Subordinated notes, net of issuance costs	19,323	—
Accrued expenses and other liabilities	17,896	16,357
TOTAL LIABILITIES	<u>1,529,513</u>	<u>1,107,489</u>
STOCKHOLDERS' EQUITY		
Common stock, \$0.50 par value; 15,000,000 shares authorized; 4,533,304 issued; 4,483,102 and 4,504,389 outstanding, at December 31, 2020 and 2019, respectively	2,266	2,266
Surplus	85,111	85,178
Retained Earnings	47,683	39,589
Accumulated other comprehensive income (loss), net of taxes	1,819	(4,044)
Treasury stock, at cost; 50,202 and 28,915 shares at December 31, 2020 and 2019, respectively	(1,456)	(926)
TOTAL STOCKHOLDERS' EQUITY	<u>135,423</u>	<u>122,063</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$1,664,936</u>	<u>\$1,229,552</u>

See accompanying notes

CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2020 and 2019
(Dollar Amounts in thousands except per share data)

	2020	2019
INTEREST INCOME		
Interest and fees on loans	\$ 47,522	\$ 40,803
Interest on investment securities:		
Taxable	4,651	5,724
Tax exempt	994	641
Interest on Federal funds sold and other	294	853
TOTAL INTEREST INCOME	53,461	48,121
INTEREST EXPENSE		
Interest on savings and NOW accounts	3,389	3,291
Interest on time deposits	917	1,221
Interest on FHLB advances	10	147
Interest on note payable	160	181
Interest on subordinated notes	246	—
TOTAL INTEREST EXPENSE	4,722	4,840
NET INTEREST INCOME	48,739	43,281
Provision for loan losses	5,413	2,195
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	43,326	41,086
NONINTEREST INCOME		
Service charges on deposit accounts	682	921
Trust income	4,074	3,531
Investment advisory income	4,105	3,927
Investment securities gains(losses)	804	(219)
Earnings on bank owned life insurance	702	690
Other	1,056	964
TOTAL NONINTEREST INCOME	11,423	9,814
NONINTEREST EXPENSE		
Salaries	17,788	16,407
Employee benefits	4,163	4,128
Occupancy expense	3,744	3,523
Professional fees	3,318	2,342
Directors' fees and expenses	1,088	1,108
Computer software expense	4,038	3,133
FDIC assessment	910	370
Advertising expenses	1,191	1,177
Advisor expenses related to trust income	455	377
Telephone expenses	552	459
Intangible amortization	286	286
Other	2,698	3,181
TOTAL NONINTEREST EXPENSE	40,231	36,491
Income before income taxes	14,518	14,409
Provision for income taxes	2,839	2,928
NET INCOME	\$ 11,679	\$ 11,481
Basic and diluted earnings per share	\$ 2.59	\$ 2.56
Weighted average shares outstanding	4,508,508	4,484,317

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31, 2020 and 2019
(Dollar Amounts in thousands except per share data)

	2020	2019
Net Income	<u>\$ 11,679</u>	<u>\$ 11,481</u>
Other comprehensive income:		
Unrealized gains/losses on securities:		
Unrealized holding gain arising during the year	6,512	5,356
Reclassification adjustment for (gains)/losses included in net income	(804)	219
Tax effect	<u>1,198</u>	<u>1,171</u>
Net of tax	4,510	4,404
Defined benefit pension plans:		
Net gain arising during the period	1,664	584
Reclassification adjustment for amortization of prior service cost and net gains included in net periodic pension cost	65	111
Tax effect	<u>364</u>	<u>146</u>
Net of tax	1,365	549
Deferred compensation liability:		
Unrealized loss	(15)	(13)
Tax effect	<u>(3)</u>	<u>(2)</u>
Net of tax	(12)	(11)
Total other comprehensive income	<u>5,863</u>	<u>4,942</u>
Total comprehensive income	<u>\$ 17,542</u>	<u>\$ 16,423</u>

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years Ended December 31, 2020 and 2019
(Dollar amounts in thousands except per share data)

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, January 1, 2019	\$2,266	\$85,496	\$31,695	\$(8,986)	\$(1,192)	\$109,279
Net income	—	—	11,481	—	—	11,481
Other comprehensive income, net of taxes	—	—	—	4,942	—	4,942
Cash dividends declared (\$0.80 per share)	—	—	(3,587)	—	—	(3,587)
Issue of restricted stock (13,873 shares)	—	(375)	—	—	375	—
Treasury stock purchased (16,873 shares)	—	—	—	—	(455)	(455)
Restricted stock expense	—	319	—	—	—	319
Stock-based compensation (6,264 shares)	—	(175)	—	—	346	171
Stock issuance costs	—	(87)	—	—	—	(87)
Balance, December 31, 2019	2,266	85,178	39,589	(4,044)	(926)	122,063
Net income	—	—	11,679	—	—	11,679
Other comprehensive income, net of taxes	—	—	—	5,863	—	5,863
Cash dividends declared (\$0.80 per share)	—	—	(3,585)	—	—	(3,585)
Issue of restricted stock (14,532 shares)	—	(442)	—	—	442	—
Treasury stock purchased (41,201 shares)	—	—	—	—	(1,164)	(1,164)
Restricted stock expense	—	413	—	—	—	413
Stock-based compensation (5,382 shares)	—	(38)	—	—	192	154
Balance, December 31, 2020	<u>\$2,266</u>	<u>\$85,111</u>	<u>\$47,683</u>	<u>\$ 1,819</u>	<u>\$(1,456)</u>	<u>\$135,423</u>

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

(Dollar amounts in thousands except per share data)

	2020	2019
Cash flows from operating activities		
Net income	\$ 11,679	11,481
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	5,413	2,195
Depreciation	1,274	1,189
Accretion on loans	(2,843)	(1,258)
Amortization of intangibles	286	286
Deferred income tax provision (benefit)	(260)	(426)
Investment securities (gains) losses	(804)	219
Restricted stock expense	413	319
Stock-based compensation	154	171
Net amortization of investment premiums	2,329	2,242
Earnings on bank owned life insurance	(702)	(690)
Net change in:		
Accrued interest receivable	(3,093)	(194)
Other assets	(4,029)	(5,331)
Other liabilities	1,527	3,530
Net cash from operating activities	11,344	13,733
Cash flows from investing activities		
Purchases of investment securities available-for-sale	(218,813)	(99,355)
Proceeds from sales and paydowns of investment securities available-for-sale	100,947	82,388
Proceeds from maturities and calls of investment securities available-for-sale	46,860	20,702
Decrease (increase) in restricted investment in bank stocks, net	25	1,048
Loans purchased	(43,305)	(24,540)
Principal returned on loans purchased	17,322	3,821
Net increase in loans	(233,304)	(132,718)
Additions to premises and equipment	(692)	(1,854)
Net cash from investing activities	(330,960)	(150,508)
Cash flows from financing activities		
Net increase in deposits	406,162	178,124
Net change in FHLB overnight advances	(5,000)	(20,500)
Net change in FHLB term advances	—	(10,000)
Repayments of note payable	—	(57)
Issuance of subordinated notes, net of issuance costs	19,323	—
Expenses for proceeds from issuance of common stock	—	(87)
Cash dividends paid	(3,585)	(3,587)
Purchases of treasury stock	(1,164)	(380)
Net cash from financing activities	415,736	143,513
Net change in cash and cash equivalents	96,120	6,738
Beginning cash and cash equivalents	25,112	18,374
Ending cash and cash equivalents	\$ 121,232	\$ 25,112
Supplementary Cash Flow Information		
Interest paid	4,616	4,840
Income taxes paid	3,015	2,876
Supplementary Schedule of Non Cash Investing Activities		
Initial recognition of operating lease right-of-use asset	—	1,368
Initial recognition of operating lease liabilities	—	1,368

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 1 — Summary of Significant Accounting Policies

Nature of Operations and Principles of Consolidation: The consolidated financial statements include Orange County Bancorp, Inc. (the “Company”) and its wholly owned subsidiaries: Orange Bank & Trust Company (the “Bank”) and Hudson Valley Investment Advisors (“HVIA”), a Registered Investment Advisor, together referred to as “the Company.” Intercompany transactions and balances are eliminated in consolidation.

The Company provides commercial and consumer banking services to individuals, small businesses and local municipal governments as well as trust and investment services through the Bank and HVIA. The Company is headquartered in Middletown, New York, with eight locations in Orange County, New York, five in Westchester County, New York and one in Rockland County, New York. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are commercial real estate, commercial and residential mortgage loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets, and commercial and residential real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. There are no significant concentrations of loans to any one industry or customer. However, the customers’ ability to repay their loans is dependent on the real estate and general economic conditions in the areas in which they operate.

Assets held by the Company in an agency or fiduciary capacity for its customers are excluded from the consolidated financial statements since they do not constitute assets of the Company. Assets held by the Company amounted to \$1,189,119 and \$1,102,794 at December 31, 2020 and 2019, respectively.

Risk and Uncertainties: On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 as a global pandemic, which continues to spread throughout the United States and around the world. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, among other things, provide emergency assistance for individuals, families and businesses affected by the COVID-19 pandemic. The COVID-19 pandemic has adversely affected, and continues to adversely affect economic activity globally, nationally and locally. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the New York metropolitan area in which the Company primarily operates. Although the Company has been able to continue operations while taking steps to ensure the safety of employees and customers, COVID-19 could also potentially create widespread business continuity issues for the Company. This could cause the Company to experience a material adverse effect on business operations, asset valuations, financial condition and results of operations. Material adverse impacts may include all or a combination of valuation impairments on the Company’s intangible assets, investments, and loans.

Use of Estimates: To prepare financial statements in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

Cash Flows: Cash and cash equivalents include cash, deposits with other financial institutions with maturities fewer than 90 days, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, restricted investment in bank stocks, and short-term FHLB advances.

Securities: Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities not classified as held to maturity are classified as available for sale. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 1 — Summary of Significant Accounting Policies (Continued)

backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment (“OTTI”) on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings.

For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of purchase premiums and discounts, deferred loan fees and costs and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on loans is discontinued and placed on non-accrual status at the time the loan is 120 days (in the case of residential mortgage loans) or 90 days (in the case of commercial loans) delinquent unless the loan is well-secured and in process of collection. Loans are charged off to the extent principal or interest is deemed uncollectible. Secured consumer loans, except those secured by the borrower’s primary or secondary residence, are charged off upon becoming 180 days past due, or whenever collection is doubtful, whichever occurs first. All unsecured consumer loans are charged off when they become 180 days delinquent or if it is determined that the debt is uncollectible, whichever occurs first. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Non-accrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

All interest accrued but not received for loans placed on non-accrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Concentration of Credit Risk: Most of the Company’s business activity is with customers located within the New York counties of Orange, Westchester and Rockland. Therefore, the Company’s exposure to credit risk is significantly affected by changes in the economy in these counties. The Company’s largest loan segment is non-owner occupied commercial real estate. Property types within this segment include: multi-family properties, retail properties, and general construction loans. Regionally, commercial real estate loans are concentrated within the Company’s primary operating footprint, including Orange, Westchester, and Rockland counties. Commercial and industrial loans are concentrated in Orange County, New York and outside of the Company’s core market, primarily as a result of purchased loans. While industry exposure is widely dispersed, the Company does have a significant concentration of commercial and industrial loans within the healthcare and social assistance industry.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 1 — Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings ("TDRs") and classified as impaired. Refer to Note 3 for discussion on loan modifications made under the guidelines of the CARES Act.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

All criticized and classified consumer mortgages, commercial loans, and commercial real estate loans are reviewed to determine impairment status. Minimally, loans in which the borrower has filed bankruptcy; loans in non-accrual status; or loans that are considered TDRs would be considered impaired. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. A specific allocation within the allowance for loan losses is established for an impaired loan if its carrying value exceeds its estimated fair value. The estimated fair values of substantially all of the Bank's impaired loans are measured based on the estimated fair value of the loan's collateral.

For commercial loans secured by real estate, estimated fair values of collateral are determined primarily through third-party appraisals. When a real estate secured loan becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the condition of the property. Appraised values are discounted to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value. The discounts also include estimated costs to sell the property.

For commercial and industrial loans secured by non-real estate collateral, such as accounts receivable, inventory and equipment, estimated fair values are determined based on the borrower's financial statements, inventory reports, accounts receivable aging reports, equipment appraisals or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets.

TDRs are individually evaluated for impairment and included in the separately identified impairment disclosures. TDRs are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a TDR is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For TDRs that subsequently default, the Company determines the amount of the allowance on that loan in accordance with the accounting policy for the allowance for loan losses on loans

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 1 — Summary of Significant Accounting Policies (Continued)

individually identified as impaired. The Company incorporates recent historical experience related to TDRs including the performance of TDRs that subsequently default into the calculation of the allowance by loan portfolio segment.

The general component covers loans that are collectively evaluated for impairment. Large groups of smaller balance homogeneous loans, such as consumer, are collectively evaluated for impairment, and accordingly, they are not included in the separately identified impairment disclosures. The general allowance component also includes loans that are not individually identified for impairment evaluation, such as those loans that are individually evaluated but are not considered impaired. The general component is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company over the most recent 4 years. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans (including TDRs); levels of and trends in charge-offs and recoveries; migration of loans to the classification of special mention, substandard, or doubtful; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentration.

In addition, federal regulatory agencies and the New York State Department of Financial Services, as an integral part of their examination process, periodically review the Bank's allowance for loan losses and may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to management.

The loan portfolio is segmented into commercial and industrial, commercial real estate, commercial real estate construction, residential real estate, home equity, and consumer loans.

Commercial and Industrial Lending: The Bank originates commercial and industrial loans primarily to businesses located in its primary market area and surrounding areas. These loans are used for various business purposes which include short-term loans and lines of credit to finance machinery and equipment purchases, inventory and accounts receivable. Generally, the maximum term for loans extended on machinery and equipment is based on the projected useful life of such machinery and equipment. Most business lines of credit are written on demand and may be renewed annually.

Commercial and industrial loans are generally secured with short-term assets; however, in many cases, additional collateral such as real estate is provided as additional security for the loan. Loan-to-value maximum values have been established by the Bank and are specific to the type of collateral. Collateral values may be determined using invoices, inventory reports, accounts receivable aging reports, collateral appraisals, etc.

In underwriting commercial and industrial loans, an analysis of the borrower's character, capacity to repay the loan, the adequacy of the borrower's capital and collateral as well as an evaluation of conditions affecting the borrower is performed. Analysis of the borrower's past, present and future cash flows is also an important aspect of the Bank's analysis.

Commercial loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions.

During 2020, the Bank participated in the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP") created under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The PPP provided funds to guarantee forgivable loans originated by depository institutions to eligible small businesses through the SBA's 7(a) loan guaranty program. These loans are 100% federally guaranteed (principal and interest) and currently not subject to any allocation of allowance for loan losses. An eligible

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 1 — Summary of Significant Accounting Policies (Continued)

business could apply under the PPP during the applicable covered period and receive a loan up to 2.5 times its average monthly “payroll costs” limited to a loan amount of \$10.0 million. The proceeds of the loan could be used for payroll (excluding individual employee compensation over \$100,000 per year), mortgage, interest, rent, insurance, utilities and other qualifying expenses. PPP loans have: (a) an interest rate of 1.0%, (b) a two-year loan term (or five-year loan term for loans made after June 5, 2020) to maturity; and (c) principal and interest payments deferred until the date on which the SBA remits the loan forgiveness amount to the borrower’s lender or, alternatively, notifies the lender no loan forgiveness is allowed. If the borrower did not submit a loan forgiveness application to the lender within 10 months following the end of the 24-week loan forgiveness covered period (or the 8-week loan forgiveness covered period with respect to loans made prior to June 5, 2020 if such covered period is elected by the borrower), the borrower would begin paying principal and interest on the PPP loan immediately after the 10-month period.

On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (the “Economic Aid Act”) became law. Among other things, the Economic Aid Act extended the PPP through May 31, 2021 and allocated additional funds for new PPP loans, to be guaranteed by the SBA. The extension included an authorization to make new PPP loans to existing PPP loan borrowers, and to make loans to parties that did not previously obtain a PPP loan. The Company is participating in the newly extended PPP and will originate loans under the extended program. Loans originated under the extended PPP will have substantially the same terms as existing PPP loans, with a five year loan term.

Commercial Real Estate Lending — The Bank engages in commercial real estate lending in its primary market area and surrounding areas. The Bank’s commercial loan portfolio is secured primarily by commercial retail space and office buildings. Generally, commercial real estate loans have maturities that do not exceed 15 years, amortization provisions that do not exceed 30 years, have loan-to-value ratios of up to 75% of the appraised value of the property, and are typically credit enhanced by personal guarantees of the borrowers.

In underwriting these loans, the Bank performs a thorough analysis of the financial condition of the borrower, the borrower’s credit history, and the reliability and predictability of the cash flow generated by the property securing the loan. Appraisals on properties securing commercial real estate loans originated by the Bank are performed by independent appraisers.

Commercial real estate loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions.

Commercial Real Estate Construction Lending: The Bank engages in commercial real estate construction lending in its primary market area and surrounding areas. The Bank’s commercial real estate construction lending consists of commercial and residential site development loans as well as commercial building construction and residential housing construction loans.

The Bank’s commercial real estate construction loans are generally secured with the subject property. Terms of construction loans depend on the specifics of the project such as estimated absorption rates, estimated time to complete, etc.

In underwriting commercial real estate construction loans, the Bank performs a thorough analysis of the financial condition of the borrower, the borrower’s credit history, the reliability and predictability of the cash flow generated by the project using feasibility studies, market data, etc.

Appraisals on properties securing commercial real estate construction loans originated by the Bank are performed by independent appraisers.

Commercial real estate construction loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions and uncertainties of construction costs.

Residential Real Estate Lending: One-to-four-family residential mortgage loan originations are generated by the Bank’s marketing efforts, its present customers, walk-in customers and referrals. These loans originate primarily within the Bank’s market area or with customers primarily from the market area.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 1 — Summary of Significant Accounting Policies (Continued)

The Bank offers fixed-rate loans with terms up to a maximum of 20 years for both permanent structures and those under construction. The Bank's one- to four-family residential real estate loan originations are secured primarily by properties located in its primary market area and surrounding areas. The majority of the Bank's residential real estate loans originate with a loan-to-value of 80% or less. Loans in excess of 80% are required to have private mortgage insurance.

In underwriting one- to four-family residential real estate loans, the Bank evaluates both the borrower's ability to make monthly payments and the value of the property securing the loan. Properties securing real estate loans made by the Bank are appraised by independent appraisers. The Bank generally requires borrowers to obtain an attorney's title opinion or title insurance, and fire and property insurance (including flood insurance, if necessary) in an amount not less than the amount of the loan. The Bank has not engaged in sub-prime residential mortgage originations.

Residential real estate loans generally present a lower level of risk than other types of loans because they are secured by the borrower's primary residence.

Home Equity Lending: The Bank originates home equity lines of credit and closed-end loans primarily within the Bank's market area or with customers primarily from the market area.

Home equity lines and loans are secured by the borrower's primary residence with a maximum loan-to-value of 85% and a maximum term of 15 years on home equity loans and a 10-year draw period followed by a 15-year repayment period for home equity lines.

In underwriting home equity lines and loans, a thorough analysis of the borrower's financial ability to repay the loan as agreed is performed. The ability to repay shall be determined by the borrower's employment history, current financial conditions, and credit background. The analysis is based primarily on the customer's ability to repay and secondarily on the collateral or security.

Home equity lines and loans generally present a lower level of risk than other types of consumer loans because they are secured by the borrower's primary residence.

The subordinate nature of some home equity lines and loans may make these loans of higher risk than other residential real estate loans.

Consumer Lending: The Bank offers a variety of secured and unsecured consumer loans, including vehicle, loans secured by savings deposits as well as other types of consumer loans.

Consumer loan terms vary according to the type and value of collateral and creditworthiness of the borrower. In underwriting consumer loans, a thorough analysis of the borrower's financial ability to repay the loan as agreed is performed. The ability to repay shall be determined by the borrower's employment history, current financial conditions, and credit background.

Consumer loans may entail greater credit risk than do residential real estate loans particularly in the case of consumer loans which are unsecured or are secured by rapidly depreciable assets, such as automobiles or recreational equipment. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 1 — Summary of Significant Accounting Policies (Continued)

it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Foreclosed Assets: Foreclosed assets are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. Physical possession of real estate property collateralizing a mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Buildings and related components are depreciated using the straight-line method with useful lives ranging from 5 to 50 years. Furniture, fixtures and equipment are depreciated using the straight-line (or accelerated) method with useful lives ranging from 3 to 8 years.

Trust and Investment Advisory Income: The Company earns trust revenue and advisory revenue from a variety of sources including fees from trust administration and other related fiduciary services, custody, investment management and advisory services, employee benefit account and IRA administration, estate settlement, tax service fees, shareholder service fees and brokerage. These fees are generally based on asset values and fluctuate with the market. Some revenue is not directly tied to asset value but is based on a flat fee for services provided. For many of our revenue sources, amounts are not received in the same accounting period in which they are earned. However, each source of wealth management fees is recorded on the accrual method of accounting.

Included in other assets on the balance sheet is a receivable for trust fees and advisory fees that have been earned but not yet collected.

Federal Home Loan Bank (FHLB) Stock: The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Federal Reserve Bank (FRB) Stock: The Bank is a member of its regional Federal Reserve Bank. FRB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Bank Owned Life Insurance: The Bank has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Goodwill and Other Intangible Assets: Goodwill arises from business combinations and is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any non-controlling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exist that indicate that a goodwill impairment test should be performed. The Company has selected December 31 as the date to perform the annual impairment test. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Goodwill is the only intangible asset with an indefinite life on our balance sheet.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 1 — Summary of Significant Accounting Policies (Continued)

Intangible assets consist of acquired customer relationship intangible assets arising from wealth management acquisitions and are amortized on a straight lined basis over their estimated useful lives.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Stock-Based Compensation: Compensation cost is recognized for restricted stock awards issued to employees, based on the fair value of these awards at the date of grant. The market price of the Company's common stock at the date of grant is used for restricted stock awards.

Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. The Company's accounting policy is to recognize forfeitures as they occur.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Company recognizes interest and/or penalties related to income tax matters in miscellaneous expense.

Retirement Plans: Pension expense is the net of service and interest cost, return on plan assets and amortization of gains and losses not immediately recognized. Employee 401(k) and profit sharing plan expense is the amount of matching contributions. Deferred compensation and supplemental retirement plan expense allocates the benefits over years of service.

Earnings per Common Share: Basic earnings per common share is net income divided by the weighted average number of common shares outstanding during the period. All outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends are considered participating securities for this calculation. Earnings and dividends per share are restated for all stock splits and stock dividends through the date of issuance of the financial statements. The Company currently maintains a simple capital structure, which includes restricted stock with participation rights to dividends, thus there are no dilutive effects on earnings per share.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale, changes in the funded status of the pension plan and deferred compensation, which are also recognized as separate components of equity.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 1 — Summary of Significant Accounting Policies (Continued)

Restrictions on Cash: Cash on hand or on deposit with the Federal Reserve Bank was required to meet regulatory reserve and clearing requirements.

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to shareholders.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Segment Disclosure: The reportable segments are determined by the products and services offered by the Company, primarily distinguished between banking and wealth management.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

Recent Accounting Pronouncements: On January 1, 2020, the Company adopted ASU 2018-14, Compensation — Retirement Benefits Topic 715-20. This ASU amends ASC 715 to add, remove and clarify disclosure requirements related to defined benefit pension and other postretirement plans. The ASU eliminates the requirement to disclose the amounts in accumulated other comprehensive income expected to be recognized as part of net periodic benefit cost over the next year, and also removes the disclosure requirements for the effects of a one-percentage-point change on the assumed health care costs and the effect of this change in rates on service cost, interest cost and the benefit obligation for postretirement health care benefits. The adoption of the ASU did not have a significant impact on the Corporation's consolidated financial statements.

In 2019, the Company adopted ASU No. 2016-02, Leases Topic 842 and subsequent amendments thereto, which requires the company to recognize most leases on the balance sheet. The standard was adopted under a modified retrospective approach as of the date of adoption and elected to apply several of the available practical expedients, including

- Carry over historical lease determination and lease classification conclusions
- Carry over of historical initial direct cost balances for existing leases
- Accounting for lease and non-lease components in contracts in which the Company is a lessee as a single lease component

Adoption of the leasing standard resulted in the recognition of right-of-use assets of \$1,367, and operating lease liabilities of \$1,367 in 2019. These amounts were determined based on the present value of remaining minimum lease payments, discounted using the Company's incremental borrowing rate as of the date of adoption. There was no material impact to the timing of expense or income recognition in the Company's Consolidated Statements of Income. Prior periods were not restated. Disclosures about the Company's leasing activities are presented in Note 14-Leases.

In June, 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses Topic 326: Measurement of Credit Losses on Financial Instruments. The objective of the ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to form credit loss estimates. In November 2019, the FASB adopted changes to delay the effective date of ASU 2016-13 to January 2023 for certain entities, including certain Securities and Exchange

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 1 — Summary of Significant Accounting Policies (Continued)

Commission filers, public business entities, and private companies. As a result, the Company is eligible for the delay and will adopt CECL effective January 1, 2023. The Company is currently evaluating the potential impact the adoption of ASU 2016-13 will have on its consolidated financial statements and results of operations.

Correction of Prior Period Error: During the preparation of the consolidated financial statements as of and for the year ended December 31, 2020, we corrected an immaterial error related to the historical lack of recognition of deferred costs related to loan originations on our consolidated financial statements as of and for the year ended December 31, 2019. We evaluated the impact and concluded that it was not material to our 2019 consolidated financial statements and corrected the omission, resulting in an increase in loans of \$1,420 from \$890,704 to \$892,124 and an increase in total stockholders' equity of \$1,122 from \$120,941 to \$122,063. For the year ended December 31, 2019, the effects of the correction reduced interest and fees on loans and salaries expense by \$174 and \$659, respectively, while provision for income taxes increased by \$102. Net income for the same period increased \$383 from \$11,098 to \$11,481 and basic and diluted earnings per share increased \$0.09 from \$2.47 to \$2.56, as a result of the correction.

Note 2 — Investment Securities

The amortized cost and fair value of investment securities at December 31, 2020 and 2019 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>Available-for-sale December 31, 2020</u>				
U.S. government agencies	\$ 82,409	\$ 1,394	\$ (382)	\$ 83,421
Mortgage-backed securities	157,408	3,633	(257)	\$ 160,784
Corporate Securities	10,603	57	(33)	\$ 10,627
Obligations of states and political subdivisions	73,421	1,883	(31)	\$ 75,273
Total debt securities	<u>\$323,841</u>	<u>\$6,967</u>	<u>\$ (703)</u>	<u>\$330,105</u>
<u>Available-for-sale December 31, 2019</u>				
U.S. government agencies	\$ 84,746	\$ 273	\$ (730)	\$ 84,289
Mortgage-backed securities	158,246	1,463	(620)	\$ 159,089
Obligations of states and political subdivisions	11,367	170	—	\$ 11,537
Total debt securities	<u>\$254,359</u>	<u>\$1,906</u>	<u>\$(1,350)</u>	<u>\$254,915</u>

The proceeds from sales of securities and associated gains and losses are listed below:

	2020	2019
Proceeds	\$23,238	\$30,280
Gross gains	954	41
Gross losses	150	260

The tax (provision) benefit related to these net realized gains and losses was \$(169) and \$46 for 2020 and 2019, respectively.

The amortized cost and fair value of debt securities as of December 31, 2020 are shown by contractual maturity. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 2 — Investment Securities (Continued)

	Available-for-sale	
	Amortized Cost	Fair Value
Due in one year or less	\$ 35,891	\$ 36,033
Due after one through five years	33,585	34,030
Due after five through ten years	49,248	49,797
Due after ten years	47,709	49,461
	166,433	169,321
Mortgage-backed securities	157,408	160,784
Total debt securities	<u>\$323,841</u>	<u>\$330,105</u>

Securities pledged at year-end 2020 and 2019 had a carrying amount of \$121,233 and \$105,709 and were pledged to secure public deposits.

Mortgage-backed securities are issued by FNMA, FHLMC, or GNMA. Obligations of states and political subdivisions consist of general obligations of municipalities in the state of New York.

At year-end 2020 and 2019, there were no holdings of securities of any one issuer, other than the US Government and its agencies, in an amount greater than 10% of shareholders' equity.

The following table summarizes securities with unrealized and unrecognized losses at December 31, 2020 and 2019, aggregated by major security types and length of time in continuous loss position:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<u>Available-for-sale December 31, 2020</u>						
U.S. government agencies	\$17,948	\$ (52)	\$20,779	\$ (330)	\$ 38,727	\$ (382)
Mortgage-backed securities	35,580	(208)	1,887	(49)	37,467	(257)
Corporate Securities	1,551	(33)			1,551	(33)
Obligations of states and political subdivisions	15,373	(31)	—	—	15,373	(31)
Total debt securities	<u>\$70,452</u>	<u>\$(324)</u>	<u>\$22,666</u>	<u>\$ (379)</u>	<u>\$ 93,118</u>	<u>\$ (703)</u>
<u>Available-for-sale December 31, 2019</u>						
U.S. government agencies	\$18,502	\$ (87)	\$26,404	\$ (643)	\$ 44,906	\$ (730)
Mortgage-backed securities	23,941	(182)	36,272	(438)	60,213	(620)
Obligations of states and political subdivisions	—	—	—	—	—	—
Total debt securities	<u>\$42,443</u>	<u>\$(269)</u>	<u>\$62,676</u>	<u>\$(1,081)</u>	<u>\$105,119</u>	<u>\$(1,350)</u>

There was no other than temporary impairment loss recognized on any securities at December 31, 2020 or 2019.

As of December 31, 2020, the Company's security portfolio consisted of 196 securities, 36 of which were in an unrealized loss position. As of December 31, 2019, the Company's security portfolio consisted of 156 securities, 42 of which were in an unrealized loss position. Unrealized losses are related to the Company's mortgage backed and U.S. government agency securities as discussed below.

At December 31, 2020, mortgage-backed securities held by the company were issued by U.S. government sponsored entities and agencies. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these securities,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 2 — Investment Securities (Continued)

and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other than temporarily impaired at December 31, 2020.

The Company's unrealized losses on U.S. government agency securities relate primarily to its investment in SBA issued securities. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these securities, and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other than temporarily impaired at December 31, 2020.

Note 3 — Loans

Loans at year-end were as follows:

	2020	2019
Commercial and industrial	\$ 299,049	\$222,111
Commercial real estate	698,130	534,407
Commercial real estate construction	63,544	56,412
Residential real estate	57,941	65,290
Home equity	13,960	11,668
Consumer	20,114	2,236
Total	\$1,152,738	\$892,124

Included in commercial and industrial loans as of December 31, 2020 were PPP loans of \$69.0 million.

The following table presents the activity in the allowance for loan losses by portfolio segment for each of the years ending December 31, 2020 and 2019:

	Commercial and Industrial	Commercial Real Estate	Commercial Real Estate Construction	Residential Real Estate	Home Equity	Consumer	Total
<u>December 31, 2020</u>							
Allowance for loan losses:							
Beginning balance	\$ 5,107	\$5,951	\$713	\$384	\$43	\$ 77	\$12,275
Provision for loan losses	917	4,046	88	48	34	280	5,413
Loans charged-off	(1,239)	(219)	—	(51)	—	(28)	(1,537)
Recoveries	10	4	—	—	—	7	21
Ending balance	\$ 4,795	\$9,782	\$801	\$381	\$77	\$336	\$16,172

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 3 — Loans (Continued)

	Commercial and Industrial	Commercial Real Estate	Commercial Real Estate Construction	Residential Real Estate	Home Equity	Consumer	Total
<u>December 31, 2019</u>							
Allowance for loan losses:							
Beginning balance	\$3,883	\$5,708	\$567	\$353	\$105	\$ 47	\$10,663
Provision for loan losses	1,469	645	146	(84)	(61)	80	2,195
Loans charged-off	(352)	(453)	—	(41)	(1)	(59)	(906)
Recoveries	107	51	—	156	—	9	323
Ending balance	<u>\$5,107</u>	<u>\$5,951</u>	<u>\$713</u>	<u>\$384</u>	<u>\$ 43</u>	<u>\$ 77</u>	<u>\$12,275</u>

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2020 and 2019:

	Commercial and Industrial	Commercial Real Estate	Commercial Real Estate Construction	Residential Real Estate	Home Equity	Consumer	Total
<u>December 31, 2020</u>							
Allowance for loan losses:							
Ending balance:							
individually evaluated for impairment	\$ 206	\$ 1,084	\$ —	\$ 15	\$ —	\$ 27	\$ 1,332
collectively evaluated for impairment	4,589	8,698	801	366	77	309	14,840
Total ending allowance balance	<u>\$ 4,795</u>	<u>\$ 9,782</u>	<u>\$ 801</u>	<u>\$ 381</u>	<u>\$ 77</u>	<u>\$ 336</u>	<u>\$ 16,172</u>
Loans:							
Ending balance:							
individually evaluated for impairment	\$ 2,410	\$ 19,759	\$ —	\$ 1,358	\$ —	\$ 124	\$ 23,651
collectively evaluated for impairment	296,639	678,371	63,544	56,583	13,960	19,990	1,129,087
Total ending loans balance	<u>\$299,049</u>	<u>\$698,130</u>	<u>\$63,544</u>	<u>\$57,941</u>	<u>\$13,960</u>	<u>\$20,114</u>	<u>\$1,152,738</u>
<u>December 31, 2019</u>							
Allowance for loan losses:							
Ending balance:							
individually evaluated for impairment	\$ 446	\$ 655	\$ —	\$ 24	\$ —	\$ 28	\$ 1,153
collectively evaluated for impairment	4,661	5,296	713	360	43	49	11,122
Total ending allowance balance	<u>\$ 5,107</u>	<u>\$ 5,951</u>	<u>\$ 713</u>	<u>\$ 384</u>	<u>\$ 43</u>	<u>\$ 77</u>	<u>\$ 12,275</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 3 — Loans (Continued)

	Commercial and Industrial	Commercial Real Estate	Commercial Real Estate Construction	Residential Real Estate	Home Equity	Consumer	Total
Loans:							
Ending balance:							
individually evaluated for impairment	\$ 502	\$ 12,127	\$ —	\$ 224	\$ —	\$ 132	\$ 12,985
collectively evaluated for impairment	221,609	522,280	56,412	65,066	11,668	2,104	879,139
Total ending loans balance	<u>\$ 222,111</u>	<u>\$ 534,407</u>	<u>\$ 56,412</u>	<u>\$ 65,290</u>	<u>\$ 11,668</u>	<u>\$ 2,236</u>	<u>\$ 892,124</u>

Included in the commercial and industrial loans collectively evaluated for impaired are PPP loans of \$69.0 million as of December 31, 2020. PPP loans receivable are guaranteed by the SBA and have no allocation of the allowance for loan losses.

The following table presents information related to impaired loans by class of loans as of and for the year ended December 31, 2020 and 2019:

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
<u>December 31, 2020</u>						
With no related allowance recorded						
Commercial and industrial	\$ 331	\$ 331	\$ —	\$ 169	\$ 23	\$ 23
Commercial real estate	10,621	9,248	—	4,937	296	296
Commercial real estate construction	—	—	—	—	—	—
Residential real estate	1,148	1,148	—	574	44	44
Home equity	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Total	<u>\$12,100</u>	<u>\$10,727</u>	<u>\$ —</u>	<u>\$ 5,680</u>	<u>\$363</u>	<u>\$363</u>
With an allowance recorded:						
Commercial and industrial	\$ 2,079	\$ 2,079	\$ 206	\$ 1,287	\$147	\$147
Commercial real estate	11,001	10,511	1,084	11,005	466	466
Commercial real estate construction	—	—	—	—	—	—
Residential real estate	219	210	15	217	5	5
Home equity	—	—	—	—	—	—
Consumer	124	124	27	128	7	7
Total	<u>\$13,423</u>	<u>\$12,924</u>	<u>\$ 1,332</u>	<u>\$12,637</u>	<u>\$625</u>	<u>\$625</u>
<u>December 31, 2019</u>						
With no related allowance recorded						
Commercial and industrial	\$ 7	\$ 7	\$ —	\$ 28	\$ 1	\$ 1
Commercial real estate	627	627	—	641	40	40
Commercial real estate construction	—	—	—	—	—	—
Residential real estate	—	—	—	—	—	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 3 — Loans (Continued)

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
Home equity	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Total	<u>\$ 634</u>	<u>\$ 634</u>	<u>\$ —</u>	<u>\$ 669</u>	<u>\$ 41</u>	<u>\$ 41</u>
With an allowance recorded:						
Commercial and industrial	\$ 495	\$ 495	\$ 446	\$ 472	\$ 9	\$ 9
Commercial real estate	13,357	11,500	655	11,774	708	708
Commercial real estate construction	—	—	—	—	—	—
Residential real estate	224	224	24	232	10	10
Home equity	—	—	—	—	—	—
Consumer	132	132	28	137	8	8
Total	<u>\$14,208</u>	<u>\$12,351</u>	<u>\$ 1,153</u>	<u>\$12,615</u>	<u>\$735</u>	<u>\$735</u>

The cash basis income received on the impaired loans is approximately equal to interest income recognized on these loans.

The following tables present the recorded investment in non-accrual and loans past due over 90 days still on accrual by class of loans as of December 31, 2020 and December 31, 2019.

	Non-accrual		Loans Past Due Over 90 Days Still Accruing	
	2020	2019	2020	2019
	Commercial and industrial	\$ —	\$ 502	\$457
Commercial real estate	1,345	959	—	—
Commercial real estate construction	—	—	—	—
Residential real estate	657	88	2	416
Home equity	—	—	—	51
Consumer	—	—	61	—
Total	<u>\$2,002</u>	<u>\$1,549</u>	<u>\$520</u>	<u>\$682</u>

The following table presents the aging of the recorded investment in past-due loans as of December 31, 2020 and 2019 by class of loans:

	30–59 Days Past Due	60–89 Days Past Due	Greater Than 90 Days	Total Past Due	Loans Not Past Due
<u>December 31, 2020</u>					
Commercial and industrial	\$123	\$201	\$ 457	\$ 781	\$ 298,268
Commercial real estate	—	—	1,345	1,345	696,785
Commercial real estate construction	—	—	—	—	63,544
Residential real estate	570	—	580	1,150	56,791
Home equity	—	—	—	—	13,960
Consumer	132	272	61	465	19,649
Total	<u>\$825</u>	<u>\$473</u>	<u>\$2,443</u>	<u>\$3,741</u>	<u>\$1,148,997</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 3 — Loans (Continued)

	30 – 59 Days Past Due	60 – 89 Days Past Due	Greater Than 90 Days	Total Past Due	Loans Not Past Due
December 31, 2019					
Commercial and industrial	\$ 525	\$118	\$ 717	\$1,360	\$220,751
Commercial real estate	4,149	183	959	5,291	529,116
Commercial real estate construction	—	—	—	—	56,412
Residential real estate	875	—	416	1,291	63,999
Home equity	125	59	51	235	11,433
Consumer	—	—	—	—	2,236
Total	<u>\$5,674</u>	<u>\$360</u>	<u>\$2,143</u>	<u>\$8,177</u>	<u>\$883,947</u>

As of December 31, 2020, loans in the process of foreclosure were \$1,925 of which \$578 were secured by residential real estate. As of December 31, 2019, loans in the process of foreclosure were \$959 of which \$0 were secured by residential real estate.

Troubled Debt Restructuring:

As of December 31, 2020 and 2019, the Company has a recorded investment in TDRs of \$15,951 and \$12,395 respectively. The Company has allocated \$918 and \$692 of specific allowance for these loans at December 31, 2020 and 2019, respectively, and there were no commitments to lend additional funds to borrowers whose loans were classified as TDRs. There were no restructured loans that defaulted within twelve months of restructure during 2020 or 2019.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Company's internal underwriting policy.

There were no loans whose terms were modified resulting in TDRs during the year ending December 31, 2020 and 2019.

In March 2020, various regulatory agencies, including the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation, ("the agencies") issued an interagency statement on loan modifications and reporting for financial institutions working with customers affected by COVID-19. The interagency statement was effective immediately and impacted accounting for loan modifications. The agencies confirmed with the staff of the FASB that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief, are not to be considered TDRs. This includes modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment related to the economic impact of COVID-19. Provisions of the CARES Act largely mirrored the provisions of the interagency statement, providing that modified loans would not be considered TDRs if they were performing at year-end 2019. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time a modification program is implemented or at year-end 2019. As of December 31, 2020, the Bank had twenty nine deferred loans totaling \$48.8 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 3 — Loans (Continued)

The following table sets forth the composition of these loans by loan segments as of December 31, 2020:

	Number of Loans	Unpaid Principal Balance
Commercial and industrial	9	\$ 3,390
Commercial real estate	19	44,782
Consumer	1	596
Total	<u>29</u>	<u>\$48,768</u>

Credit Quality Indicators: The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes loans with an outstanding balance greater than \$350 thousand and non-homogeneous loans, such as commercial and commercial real estate loans. This analysis is performed on an annual basis. The company uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or the institution's credit position at some future date.

Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass-rated loans.

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
<u>December 31, 2020</u>						
Commercial and industrial	\$ 293,763	\$3,023	\$ 2,263	\$ —	\$ —	\$ 299,049
Commercial real estate	685,808	4,164	8,158	—	—	698,130
Commercial real estate construction	63,544	—	—	—	—	63,544
Residential real estate	56,793	—	1,148	—	—	57,941
Home equity	13,960	—	—	—	—	13,960
Consumer	19,990	—	124	—	—	20,114
Total	<u>\$1,133,858</u>	<u>\$7,187</u>	<u>\$11,693</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$1,152,738</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 3 — Loans (Continued)

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
December 31, 2019						
Commercial and industrial	\$217,994	\$1,581	\$ 2,536	\$ —	\$ —	\$222,111
Commercial real estate	519,416	4,049	10,942	—	—	534,407
Commercial real estate construction	56,412	—	—	—	—	56,412
Residential real estate	64,879	—	411	—	—	65,290
Home equity	11,668	—	—	—	—	11,668
Consumer	2,104	—	132	—	—	2,236
Total	<u>\$872,473</u>	<u>\$5,630</u>	<u>\$14,021</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$892,124</u>

Loans to certain directors and principal officers of the Company, including their immediate families and companies in which they are affiliated, amounted to \$5,392 and \$5,443 at December 31, 2020 and December 31, 2019. Activity for these loans for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Balance, beginning of year	\$5,443	\$ 418
Additions	—	5,069
Repayments	(51)	(44)
Balance, end of year	<u>\$5,392</u>	<u>\$5,443</u>

Note 4 — Fair Value

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate fair value:

Investment Securities: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2), using matrix pricing. Matrix pricing is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

Impaired Loans and Other Real Estate Owned: The fair value of collateral dependent loans that are individually evaluated for impairment is generally based on recent real estate appraisals. These appraisals

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 4 — Fair Value (Continued)

may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach and resulted in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted in accordance with the allowance policy.

Appraisals are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by a third-party appraisal management company that the Company has engaged in accordance with internal vendor management policies and approval of the Company's Board of Directors. Once received, the appraisal review function is conducted by the appraisal management company and consists of a review of the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. Through this review, the appraisal management company evaluates the validity of the appraised value and the strength of the conclusions; which are subsequently confirmed by a member of the Credit Department. Discounts to the appraised value are then applied to recognize the carrying costs incurred until disposition, realtor fees, deterioration in the quality of the asset, and the age of the appraisal. The net effect of these adjustments were included in the charge-off to the allowance upon acquisition of the foreclosed property and/or upon partial charge-off of the impaired loan. The most recent analysis of property appraisals including the appropriate discount rates are incorporated into the allowance methodology for the respective loan portfolio segments.

Assets and liabilities measured at fair value on a recurring basis, are summarized below:

	Total at December 31, 2020	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. government agencies	83,421	\$ —	\$ 83,421	\$ —
Mortgage-backed securities	160,784	—	160,784	—
Corporate securities	10,627	—	10,627	—
Obligations of states and political subdivisions	75,273	—	75,273	—
Total securities available for sale	<u>\$330,105</u>	<u>\$ —</u>	<u>\$330,105</u>	<u>\$ —</u>

	Total at December 31, 2019	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. government agencies	84,289	\$ —	\$ 84,289	\$ —
Mortgage-backed securities	159,089	—	159,089	—
Obligations of states and political subdivisions	11,537	—	11,537	—
Total securities available for sale	<u>\$254,915</u>	<u>\$ —</u>	<u>\$254,915</u>	<u>\$ —</u>

There were no transfers between Level 1 and Level 2 during 2020 or 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 4—Fair Value (Continued)

There were no material collateral dependent impaired loans as of December 31, 2020. Assets measured at fair value on a non-recurring basis as of December 31, 2019 are summarized below:

	Fair Value Measurements Using:			
	Total at December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	\$1,622	\$ —	\$ —	\$1,622

The fair value amounts shown in the above table are impaired loans net of reserves allocated to said loans. The total reserves allocated to these impaired loans are \$364 for December 31, 2019.

The following table presents additional quantitative information about level 3 fair value measured at fair value on a non-recurring basis at December 31, 2019:

December 31, 2020	Fair Value Value	Valuation Technique	Unobservable Input	Range (Average)
Impaired loans	\$1,622	Appraisal of collateral ⁽¹⁾	Appraisal and liquidation adjustments ⁽²⁾	5 – 20% (10)%

(1) Fair value is generally determined through independent appraisals of the underlying collateral that generally include various level 3 inputs which are not identifiable.

(2) Appraisals may be adjusted downward by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range of liquidation expenses and other appraisal adjustments are presented as a percent of the appraisal.

The carrying amounts and estimated fair values of the Company's financial instruments not carried at fair value are as follows at December 31, 2020 and 2019:

	December 31, 2020				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and due from banks	\$ 121,232	\$ 121,232	\$ 121,232	\$ —	\$ —
Loans, net	1,136,566	1,139,472	—	—	1,139,472
Accrued interest receivable	6,295	6,295	—	1,389	4,906
Restricted investment in bank stocks	1,449	NA	—	—	—
Financial liabilities:					
Deposits	1,489,294	1,489,615	1,398,095	91,520	—
Note payable	3,000	3,087	—	3,087	—
Subordinated notes	19,323	19,758	—	19,758	—
Accrued interest payable	307	307	—	307	—
Off-balance sheet financial instruments	—	—	—	—	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 4 — Fair Value (Continued)

	December 31, 2019				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and due from banks	\$ 25,112	\$ 25,112	\$ 25,112	\$ —	\$ —
Loans, net	879,849	879,551	—	—	879,551
Accrued interest receivable	3,202	3,202	—	1,202	2,000
Restricted investment in bank stocks	1,474	NA	—	—	—
Financial liabilities:					
Deposits	1,083,132	1,086,740	994,475	92,265	—
FHLB advances	5,000	4,996	—	4,996	—
Note payable	3,000	3,000	—	3,000	—
Accrued interest payable	200	200	—	200	—
Off-balance sheet financial instruments	—	—	—	—	—

Note 5 — Premises and Equipment

Year-end premises and equipment were as follows:

	2020	2019
Land	\$ 3,152	\$ 3,152
Buildings and improvements	12,727	12,545
Furniture and equipment	6,514	6,183
Leasehold improvements	5,332	5,521
	<u>27,725</u>	<u>27,401</u>
Accumulated depreciation and amortization	(13,708)	(12,802)
Premises and equipment, net	<u>\$ 14,017</u>	<u>\$ 14,599</u>

Depreciation included in occupancy expense on the Consolidated Statements of Income amounted to \$1,274 in 2020 and \$1,189 in 2019.

Note 6 — Goodwill and Intangible Assets

Goodwill: The change in goodwill during the year is as follows:

	2020	2019
Beginning of year	\$5,359	\$5,359
Acquired goodwill impairment	—	—
End of year	<u>\$5,359</u>	<u>\$5,359</u>

Impairment exists when a reporting unit's carrying value of goodwill exceeds its fair value. At December 31, 2020, the Company's reporting unit had positive equity and the Company elected to perform a Step 0 qualitative analysis and concluded that there was no goodwill impairment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 6 — Goodwill and Intangible Assets (Continued)*Acquired Intangible Assets:* Acquired intangible assets were as follows at year-end:

	<u>Gross Intangible Asset</u>	<u>Accumulated Amortization</u>
December 31, 2020		
Customer lists and intangible assets	\$ 4,284	(2,321)
	<u>\$ 4,284</u>	<u>(2,321)</u>
December 31, 2019		
Customer lists and intangible assets	\$ 4,284	(2,035)
	<u>\$ 4,284</u>	<u>(2,035)</u>

Aggregate amortization expense was \$286 for both 2020 and 2019. Estimated amortization expense for each of the next five years is \$286 per year.

Note 7 — Deposits

A summarized analysis of the Bank's deposits at December 31, 2020 and 2019 follows:

	<u>2020</u>	<u>2019</u>
Non-interest bearing demand accounts	\$ 521,093	\$ 335,469
Interest-bearing demand accounts	236,951	166,907
Money market accounts	483,044	368,799
Savings accounts	157,007	123,300
Certificates of Deposit	91,199	88,657
Total deposits	<u>\$1,489,294</u>	<u>\$1,083,132</u>

Time deposits that meet or exceed the FDIC insurance limit of \$250 at year-end 2020 and 2019 were \$23,747 and \$27,373, respectively.

Scheduled maturities of time deposits for the next five years are as follows:

2020 (matured not renewed)	\$ 700
2021	74,061
2022	11,347
2023	5,091
	<u>\$91,199</u>

Deposits of executive officers, directors and principal officers of the Company, including their immediate families and companies in which they are affiliated, amounted to \$6,910 and \$6,620 at December 31, 2020 and 2019, respectively.

Note 8 — FHLB Advances

At year-end, FHLB Advances were as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>
Federal Home Loan Bank (FHLB) advances	<u>\$ —</u>	0.00%	<u>\$5,000</u>	1.81%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 8 — FHLB Advances (Continued)

All outstanding FHLB advances at December 31, 2019 matured during the year ended December 31, 2020. Additionally, the Company has outstanding municipal letters of credit (“MULOC”) outstanding with FHLB for purposes of securing public funds held by the Company. MULOC outstanding were \$119,000 and \$133,000 as of December 31, 2020 and 2019, respectively.

At December 31, 2020 the Bank has no securities and \$537,274 of loans pledged to FHLB under a blanket lien arrangement. The advances and MULOC outstanding at December 31, 2019 were collateralized by \$25,882 of securities along with \$440,325 of loans.

Based on the collateral and the Company’s holding of FHLB stock, the Company was eligible to borrow up to an additional total of \$273,668 at year-end 2020 and \$219,034 at year-end 2019.

Note 9 — Borrowings

At year-end, the Note Payable was as follows:

	2020		2019	
	Amount	Rate	Amount	Rate
Note payable	<u>\$3,000</u>	5.60%	<u>\$3,000</u>	5.60%

On November 16, 2019, the Company refinanced its note payable, with a remaining balance of \$3,000 to an interest only term loan. The loan interest is payable in monthly installments of \$14, is unsecured and matures with a scheduled balloon payment on November 16, 2022.

On September 24, 2020, the Company completed a private placement of \$20 million in aggregate principal amount of fixed-to-floating rate subordinated notes (“Subordinated Notes”) to certain qualified institutional buyers and accredited institutional investors. In conjunction with the issuance, the Company incurred costs of \$694, which are amortized over the life of the borrowings on a level yield basis and are included in interest on subordinated notes on the Consolidated Statements of Income. At December 31, 2020, there were \$19.3 million of Subordinated Notes outstanding, which is net of the unamortized issuance costs. The Subordinated Notes have a maturity date of September 30, 2030 and bear interest, payable semi-annually, at the rate of 4.25% per annum, until September 30, 2025. Commencing on that date, the interest rate applicable to the outstanding principal amount due will reset quarterly to an interest rate per annum equal to the then current three-month secured overnight financing rate plus 413 basis points, payable quarterly until maturity. The Company may, at its option, beginning on September 30, 2025, but not prior thereto except upon the occurrence of certain events specified in the Subordinated Notes agreements, redeem the Subordinated Notes, in whole or in part, subject to obtaining any required regulatory approvals.

Note 10 — Pension and other Post Retirement Plans

The Bank has a funded noncontributory defined benefit pension plan that covers substantially all employees meeting certain eligibility requirements. The pension plan was closed to new participants and benefit accruals were frozen as of December 31, 2015. The plan provides defined benefits based on years of service and final average salary. The Company uses December 31 as the measurement date for its pension plans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 10 — Pension and other Post Retirement Plans (Continued)

Information about changes in obligations and plan assets of the defined benefit pension plan follows:

	<u>2020</u>	<u>2019</u>
Change in projected benefit obligation:		
Beginning of year	\$26,665	\$23,829
Service cost	141	163
Interest cost	920	1,043
Benefits paid	(1,407)	(1,472)
Actuarial loss	3,109	3,102
End of year	<u>\$29,428</u>	<u>\$26,665</u>
Change in fair value of assets:		
Beginning of year	\$31,738	\$24,955
Contributions	3,000	3,000
Actual return on plan assets	6,680	5,238
Benefits paid and expenses	(1,455)	(1,455)
End of year	<u>\$39,963</u>	<u>\$31,738</u>

	<u>2020</u>	<u>2019</u>
Funded status at end of year (plan assets less benefit obligation)	\$10,535	\$5,073

Amounts recognized in accumulated other comprehensive income (loss) at December 31 consist of:

	<u>2020</u>	<u>2019</u>
Total net actuarial loss	\$(4,544)	\$(6,320)
Transition asset	76	123
	<u>\$(4,468)</u>	<u>\$(6,197)</u>

The accumulated benefit obligation was \$29,428 and \$26,665 at year-end 2020 and 2019.

Components of net periodic benefit cost and other amounts recognized in other comprehensive income:

	<u>2020</u>	<u>2019</u>
Service cost	\$ 141	\$ 163
Interest cost	920	1,043
Expected return on plan assets	(1,860)	(1,569)
Amortization of transition cost	(48)	(48)
Amortization of net loss	113	159
Net periodic benefit cost	<u>\$ (734)</u>	<u>\$ (252)</u>
Net gain	\$(1,664)	\$ (584)
Amortization of transition asset	48	48
Amortization of prior service cost	(113)	(159)
Total recognized in other comprehensive income	<u>\$(1,729)</u>	<u>(695)</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$(2,463)</u>	<u>\$ (947)</u>

The components of net periodic benefit cost other than the service cost component are included in employee benefits in the Consolidated Statements of Income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 10 — Pension and other Post Retirement Plans (Continued)

Assumptions

Weighted-average assumptions used to determine the benefit obligations at year-end:

	2020	2019
Discount rate	2.65%	3.55%
Rate of compensation increase	0.00%	0.00%

Weighted-average assumptions used to determine net periodic pension cost:

	2020	2019
Discount rate	3.55%	4.53%
Expected long-term rate of return on plan assets	6.00%	6.50%
Rate of compensation increase	0.00%	0.00%

Investment Strategy and Allocation

The Company is a participant in the New York State Bankers Retirement System (the “System”). The System’s overall investment strategy is to achieve a mix of approximately 97% of investments for long-term growth and 3% for near-term benefit payments with a wide diversification of asset types, fund strategies, and fund managers. The target allocations for the System assets are shown in the table below. Cash equivalents consist primarily of government issues (maturing in less than three months) and short term investment funds. Equity securities primarily include investments in common stock, depository receipts, preferred stock, commingled pension trust funds, exchange traded funds and real estate investment trusts. Fixed income securities include corporate bonds, government issues, credit card receivables, mortgage backed securities, municipals, commingled pension trust funds and other asset backed securities. Other investments are real estate interests and related investments held within a commingled pension trust fund.

The weighted average expected long-term rate of return is estimated based on current trends in the System’s assets as well as projected future rates of return on those assets and reasonable actuarial assumptions based on the guidance provided by Actuarial Standard of Practice (“ASOP”) No. 27 “Selection of Economic Assumptions for Measuring Pension Obligations” for long term inflation, and the real and nominal rate of investment return for a specific mix of asset classes.

The following assumptions were used in determining the long-term rate of return:

Equity securities	Dividend discount model, the smoothed earnings yield model and the equity risk premium model
Fixed income securities	Current yield-to-maturity and forecasts of future yields
Other financial instruments	Comparison of the specific investment’s risk to that of fixed income and equity instruments and other judgments

The long-term rate of return considers historical returns. Adjustments were made to historical returns in order to reflect expectations of future returns. These adjustments were due to factor forecasts by economists and long-term U.S. Treasury yields to forecast long-term inflation. In addition, forecasts by economists and others for long-term GDP growth were factored into the development of assumptions for earnings growth and per capita income.

The System currently prohibits its investment managers from purchasing any security greater than 5% of the portfolio at the time of purchase or greater than 8% at market value in any one issuer. Effective June 25, 2013, the issuer of any security purchased must be located in a country in the MSCI (Morgan Stanley Capital International) World Index. In addition, the following are prohibited: short sales, unregistered stocks

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 10 — Pension and other Post Retirement Plans (Continued)

and margin purchases of equity securities, mortgage backed derivatives that have an inverse floating rate coupon or that are interest only securities, any asset backed security that is not issued by the U.S. Government or its agencies or its instrumentalities, securities of less than Baa2/BBB quality may not be purchased, securities of less than A-quality may not in the aggregate exceed 13% of the investment manager's portfolio. An investment manager's portfolio of commercial mortgage- backed securities and asset backed securities shall not exceed 10% of the portfolio at the time of purchase. In addition, unhedged currency exposure in countries not defined as "high income economies" by the World Bank is prohibited.

The Company's pension plan asset allocation at year-end 2020 and 2019, target allocation and expected long-term rate of return by asset class are as follows:

	2020		2019	
	Target Allocation	Actual Allocation	Target Allocation	Actual Allocation
Asset category:				
Cash equivalents	0.00%	0.00%	0.00%	0.00%
Equity securities	28.25%	31.56%	28.25%	31.75%
Fixed income securities	59.75%	62.60%	59.75%	57.65%
Other financial instruments	12.00%	5.84%	12.00%	10.60%
Total		<u>100.00%</u>		<u>100.00%</u>

Fair Value of Plan Assets

The Company used the following valuation methods and assumptions to estimate the fair value of assets held by the plan:

Fixed Income Securities: Certain fixed income securities are valued at the closing price in the active market in which the bond is traded (Level 1 inputs). Other debt securities are valued on recent bid prices or the average of recent bid and ask price when available (Level 2 inputs) and if not available, they are valued through matrix pricing models developed by sources considered by management to be reliable. Matrix pricing, which is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3). Discounted cash flows are calculated using spread to swap and LIBOR curves that are updated to incorporate loss severities, volatility, credit spread and optionality.

Commingled Pension Trust Funds (CPTF): The fair values of CPTF are based upon the net asset values of the funds reported by the fund managers as of the System's financial statement dates and recent transaction prices (Level 2 inputs).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 10 — Pension and other Post Retirement Plans (Continued)

The fair value of the plan assets at December 31, 2020, by asset class, is as follows:

	Fair Value Measurements at December 31, 2020 Using:			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents:				
Foreign currencies	\$ 2	\$ 2	\$ —	\$ —
	2	2	—	—
Fixed income securities:				
Corporate Bonds	2	—	2	—
	2	—	2	—
Other investments				
Commingled pension trust funds-realty	39,959	—	39,959	—
	39,959	—	39,959	—
Total plan assets	<u>\$39,963</u>	<u>\$ 2</u>	<u>\$39,961</u>	<u>\$ —</u>

The fair value of the plan assets at December 31, 2019, by asset class, is as follows:

	Fair Value Measurements at December 31, 2019 Using:			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents:				
Foreign currencies	\$ 6	\$ 6	\$ —	\$ —
	6	6	—	—
Fixed income securities:				
Corporate Bonds	2	—	2	—
	2	—	2	—
Other Investments				
Commingled pension trust funds-realty	31,730	—	31,730	—
	31,730	—	31,730	—
Total plan assets	<u>\$31,738</u>	<u>\$ 6</u>	<u>\$31,732</u>	<u>\$ —</u>

Contributions: The Company contributed \$3,000 to its pension plan during 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 10 — Pension and other Post Retirement Plans (Continued)

Estimated Future Payments: The following benefit payments which reflect future service, are expected:

	Pension Benefits
2021	\$1,336
2022	1,416
2023	1,478
2024	1,517
2025	1,544
Following 5 years	\$7,704

Supplemental Executive Retirement Plans

The Bank maintains a Supplemental Executive Retirement Plan for two former Chief Executive Officers to restore pension benefits that are limited due to Internal Revenue Service regulations. The benefits accrued under this plan, which are included in accrued expenses and other liabilities in the Consolidated Statements of Condition, were \$709 and \$730 as of December 31, 2020 and 2019, respectively. The Bank recorded expense of \$58 in both 2020 and 2019 in relation to this plan. Supplemental benefits for this plan expected to be paid in each year from 2021 to 2024 are \$79 each year. The aggregate supplemental benefits expected to be paid in the five years from 2025 to 2029 are \$396.

The Bank also maintains a performance based Supplemental Executive Retirement Plan for the Chief Executive Officer and two Executive Vice Presidents. Contributions to this plan are based on achieving certain growth and profitability targets. The Bank recorded expense of \$159 and \$187 for the years ended December 31, 2020 and 2019, respectively.

Deferred Directors' Fee Plan

The Bank and the Company maintain unfunded Deferred Director's Fee Plans within which each director may defer the receipt of meeting fees. The benefits accrued under these plans totaled \$6,703 and \$6,022 at December 31, 2020 and 2019, respectively, which are included in accrued expenses and other liabilities in the Consolidated Statements of Condition. The Bank and the Company recorded an expense of \$817 and \$761 in 2020 and 2019 in relation to these plans.

Deferred Compensation Plan

The Bank and HVIA maintain unfunded Deferred Compensation Plans for certain officers. The benefits accrued under these plans totaled \$209 and \$416 at December 31, 2020 and 2019, respectively, which are included in accrued expenses and other liabilities in the Consolidated Statements of Condition. The Bank and HVIA recorded an expense of \$19 and \$35 in 2020 and 2019, respectively.

Deferred Incentive Retirement Plan

The Bank maintains an unfunded Deferred Incentive Retirement Plan for certain executive officers. The benefits accrued under this plan totaled \$636 and \$716 at December 31, 2020 and 2019, respectively, which are included in accrued expenses and other liabilities in the Consolidated Statements of Condition. The Bank recorded an expense of \$32 and \$37 in 2020 and 2019, respectively.

401(k) Savings Plan

The Company has a 401(k) Plan (Plan) to provide retirement and incidental benefits for its employees. Employees may contribute up to 100% of their annual compensation to the Plan, limited to a maximum

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 10 — Pension and other Post Retirement Plans (Continued)

annual amount as set periodically by the Internal Revenue Service. Effective for Plan Years beginning January 1, 2016, the Company makes a safe harbor non-elective contribution equal to 3% of annual compensation for each eligible employee whether or not the employee elects to defer compensation to the plan. All safe harbor non-elective contributions vest immediately. In addition, effective for Plan Years beginning January 1, 2016, for those employees hired before April 1, 2016, the Plan provides for discretionary contributions according to the following schedule:

<u>Percentage of Compensation</u>	<u>Participant Age Range</u>
1.0%	Under age 35
2.0%	35 years of age, but less than 45
5.0%	45 years of age, but less than 55
8.5%	55 years of age or older

Employees are eligible for the discretionary contribution after completing one year of service. All discretionary contributions vest immediately.

Discretionary contributions were \$501 and \$483 for 2020 and 2019, respectively.

Restricted Stock Grants

The Company has a time based restricted stock plan. For the years ended December 31, 2020 and 2019 the Company's recognized stock-based compensation costs of \$413 and \$319, respectively. The Company uses the fair value of the common stock on the date of award to measure compensation cost for restricted stock unit awards. Compensation cost is recognized over the vesting period of the award using the straight line method. There were 14,532 and 13,873 restricted stock units granted for the years ended December 31, 2020 and 2019, respectively. The grants generally vest at the rate of 33% per year with full vesting on the third anniversary date of the grant. Unamortized expense at December 31, 2020 was \$262.

A summary of the status of the Company's non-vested restricted stock awards as of December 31, 2020, and changes during the year ended December 31, 2020 are presented below:

	<u>Shares</u>	<u>Weighted Average Fair Value</u>
Non-vested at December 31, 2019	24,012	\$ 26.31
Granted	14,532	\$ 30.40
Vested	(10,567)	\$ 25.84
Forfeited	(2,608)	\$ 26.98
Non-vested at December 31, 2020	<u>25,369</u>	<u>\$ 28.78</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 11 — Income Taxes

Income tax expense was as follows:

	2020	2019
Current expense		
Federal	\$3,007	\$ 3,236
State	92	118
Total	3,099	3,354
Deferred expense (benefit)		
Federal	(140)	(339)
State	(393)	(766)
Total	(533)	(1,105)
Change in valuation allowance	273	679
Total provision for income taxes	<u>\$2,839</u>	<u>\$ 2,928</u>

Effective tax rates differ from the federal statutory rate of 21% for 2020 and 2019 applied to income before taxes due to the following:

	2020	2019
Tax expense at statutory rate	\$3,049	\$3,026
(Decrease) increase in taxes resulting from:		
Net earnings on bank-owned life insurance	(147)	(145)
Tax-exempt municipal bond income, net of disallowed interest expense	(198)	(134)
State income tax, net of federal tax benefit	(349)	(498)
Valuation allowance	273	679
Other	211	—
Total provision for income tax	<u>\$2,839</u>	<u>\$2,928</u>

Year-end deferred tax assets and liabilities were due to the following:

	2020	2019
Deferred tax assets:		
Allowance for loan losses	\$ 4,181	\$3,237
Reserve for unfunded commitments	52	167
Deferred loan fees, net of costs	292	268
Deferred compensation	2,319	2,218
Accumulated depreciation	—	70
Non accrual interest	355	387
State NOL	1,977	1,651
Pension/deferred compensation OCI	1,098	1,576
	<u>10,274</u>	<u>9,574</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 11 — Income Taxes (Continued)

	2020	2019
Deferred tax liabilities:		
Intangible assets	(761)	(683)
Organization costs – holding company	(18)	(16)
Organization costs – HVIA	(20)	(17)
Pension	(2,349)	(1,670)
Available for sale securities	(1,279)	(116)
Accumulated depreciation	(353)	—
Accretion	(54)	(41)
	<u>(4,834)</u>	<u>(2,543)</u>
Net deferred tax asset before valuation allowance	5,440	7,031
Valuation allowance	<u>(2,780)</u>	<u>(2,838)</u>
Net deferred tax asset	<u>\$ 2,660</u>	<u>\$ 4,193</u>

The Company has recorded a federal deferred tax asset that based upon an analysis of the evidence, it expects such federal deferred tax asset to be recoverable. The federal deferred tax asset is included in other assets on the balance sheet. However, due to the change in New York State tax legislation passed in March 2014, management has determined that a full valuation allowance, totaling \$2,780, against the New York State portion of the deferred tax asset, which includes state net operating losses, at December 31, 2020 and 2019 is appropriate. At December 31, 2020, the Company has net operating loss carryforwards available for state income tax purposes of approximately \$30.4 million, with expiration dates beginning 2025 through 2030.

The Company did not have any uncertain tax positions at December 31, 2020 and 2019. The Company's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the Consolidated Statements of Income.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of the state of New York. The Company is no longer subject to examination by taxing authorities for years before 2016.

Note 12 — Accumulated Other Comprehensive Income (Loss)

The following is changes in accumulated other comprehensive income (loss) by component, net of tax, for the years ending December 31, 2020 and 2019.

	Unrealized Gains and Losses on Available-for- Sale Securities	Defined Benefit Pension Items	Deferred Compensation Liability	Total
<u>December 31, 2020</u>				
Beginning balance	\$ 439	\$(4,642)	\$159	\$(4,044)
Other comprehensive income (loss) before reclassification	5,145	1,314	(12)	6,447
Less amounts reclassified from accumulated other comprehensive income	(635)	51	—	(584)
Net current period other comprehensive income	<u>4,510</u>	<u>1,365</u>	<u>(12)</u>	<u>5,863</u>
Ending balance	<u>\$4,949</u>	<u>\$(3,277)</u>	<u>\$147</u>	<u>\$ 1,819</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 12—Accumulated Other Comprehensive Income (Loss) (Continued)

	Unrealized Gains and Losses on Available-for- Sale Securities	Defined Benefit Pension Items	Deferred Compensation Liability	Total
December 31, 2019				
Beginning balance	\$ (3,965)	\$ (5,191)	\$ 170	\$ (8,986)
Other comprehensive income (loss) before reclassification	4,577	461	(11)	5,027
Less amounts reclassified from accumulated other comprehensive income (loss)	(173)	88	—	(85)
Net current period other comprehensive income	4,404	549	(11)	4,942
Ending balance	\$ 439	\$ (4,642)	\$ 159	\$ (4,044)

The following is significant amounts reclassified out of each component of accumulated other comprehensive income (loss) for the years ending December 31, 2020 and 2019.

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income		Affected Line Item in the Statement where Net Income is Presented
	2020	2019	
Unrealized gains and losses on available-for-sale securities			
Realized (losses) gains on securities available-for-sale	\$804	\$ (219)	Investment security gains (losses)
Total before tax	804	(219)	
Tax effect	169	(46)	Provision for income taxes
Net of tax	\$635	\$ (173)	
Amortization of defined benefit pension items			
Transition asset	(48)	(48)	Other expense
Actuarial gains (losses)	\$113	\$ 159	Other expense
Total before tax	65	111	
Tax effect	14	23	Provision for income taxes
Net of tax	\$ 51	\$ 88	
Total reclassifications for the period, net of tax	\$686	\$ (85)	

Note 13—Regulatory Capital Matters

The Bank is subject to regulatory capital requirements administered by the federal banking agencies. Capital adequacy guidelines and prompt corrective regulations involve quantitative measures of assets, liabilities and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgements by regulators. Failure to meet the minimum capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks, (Basel III rules), became effective for the Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 13—Regulatory Capital Matters (Continued)

schedule, and fully phased in by January 1, 2019. Under the Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer was phased in at a rate of 0.625% per year from 0.0% in 2015 to 2.5% for 2019. The net unrealized gain or loss on available for sale securities is included in computing regulatory capital. Management believes as of December 31, 2020, the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion and capital restoration plans are required. At year-end 2020 and 2019, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes changed that category.

Actual and required capital amounts and ratios are presented below at year-end.

	Actual		For Capital Adequacy Purposes		For Capital Adequacy Purposes with Capital Buffer		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
2020								
Total capital to risk weighted assets	\$150,397	13.49%	\$89,207	8.00%	\$110,115	9.875%	\$111,509	10.00%
Tier 1 (Core) capital to risk weighted assets	136,446	12.24%	66,906	6.00%	87,814	7.875%	89,207	8.00%
Common Tier 1 (CET1) to risk weighted assets	136,446	12.24%	50,179	4.50%	71,087	6.375%	72,481	6.50%
Tier 1 (Core) Capital to average assets	136,446	8.16%	66,891	4.00%	N/A	N/A	83,613	5.00%
2019								
Total capital to risk weighted assets	\$129,233	13.87%	\$74,517	8.00%	\$ 91,982	9.875%	\$ 93,147	10.00%
Tier 1 (Core) capital to risk weighted assets	117,588	12.62%	55,888	6.00%	73,353	7.875%	74,517	8.00%
Common Tier 1 (CET1) to risk weighted assets	117,588	12.62%	41,916	4.50%	59,381	6.375%	60,545	6.50%
Tier 1 (Core) Capital to average assets	117,588	9.47%	49,664	4.00%	N/A	N/A	62,079	5.00%

Note 14—Leases

The Company enters into leases in the normal course of business primarily for financial centers, back office operations locations, business development offices, and information technology equipment. The Company's leases have remaining terms from one to ten years, some of which include renewal or termination options to extend the lease for up to five years and some include options to terminate the lease upon notification. The Company has no leases that are subject to sub-lease agreements. The Company's leases do not include residual value guarantees or covenants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 14—Leases (Continued)

The Company includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Company will exercise the option. In addition, the Company has elected to account for any non-lease components in its real estate leases as part of the associated lease component. The Company has also elected to not recognize leases with original lease terms of twelve months or less (short-term leases) on the Company's balance sheet.

Leases are classified as operating or financing leases at the lease commencement date. Currently, the Company does not have any leases classified as financing leases. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of the lease payments over the lease term.

The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The Company's incremental borrowing rate is based on the FHLB advance rates, adjusted for the lease term and other factors.

Right-of-use assets and lease liabilities are included in other assets and accrued expenses and other liabilities, respectively, in the Consolidated Statements of Condition. The right-of-use assets as of December 31, 2020 and 2019 were \$1,812 and \$1,368, respectively. Lease liabilities as of December 31, 2020 and 2019 were \$1,812 and \$1,368, respectively.

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2020 are as follows:

Years Ending December 31,	
2021	\$ 625
2022	326
2023	278
2024	220
2025	143
Thereafter	451
Total undiscounted lease payments	\$ 2,043
Discount	\$ 114
Total discounted lease payments	\$ 1,929
Operating lease weighted average remaining lease term (years)	5.69 years
Operating lease weighted average discount rate	2.93%

Rent expense for all operating leases was \$719 in 2020 and \$648 in 2019.

Note 15—Revenue from Contracts with Customers

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within Noninterest Income. The following table presents the Company's gross sources of noninterest income for the twelve months ended December 31, 2020 and 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 15 — Revenue from Contracts with Customers (Continued)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Noninterest Income		
Service charges on deposit accounts	\$ 682	\$ 921
Trust income	4,074	3,531
Investment advisory income	4,105	3,927
Investment securities gains (losses) ^(a)	804	(219)
Earnings on bank owned life insurance ^(a)	702	689
Other ^(b)	1,056	965
Total Noninterest Income	<u>\$11,423</u>	<u>\$9,814</u>

(a) Not within the scope of ASC 606.

(b) The Other category includes safe deposit income, checkbook fees, and debit card fee income, totaling \$657 and \$666 for 2020 and 2019, respectively, that are within the scope of ASC 606 and loan related fee income and miscellaneous income, totaling \$399 and \$299 for 2020 and 2019, respectively, which are outside the scope of ASC 606.

The Company earns wealth management fees, which includes trust income and investment advisory income, from its contracts with trust and brokerage customers to manage assets for investment, and/or to transact on their accounts. These fees are primarily earned over time as the Company provides the contracted services and are generally assessed based on a tiered scale of the market value of the assets under management at month-end or quarter-end.

Note 16 — Financial Instruments with Off-Balance Sheet Risk

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing need of its customers. These financial instruments consist primarily of commitments to extend credit (typically mortgages and commercial loans) and, to a lesser extent, standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the Consolidated Statements of Condition.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligation as it does for on balance sheet instruments. The Bank does not anticipate any material losses from these commitments.

Commitments to extend credit, including commitments to grant loans and unfunded commitments under 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 many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extensions of credit, is based on management's credit evaluation of the customer. Collateral held varies but may include accounts receivable, inventory, property and equipment and income-producing commercial properties. On loans secured by real estate, the Bank generally requires loan to value ratios of no greater than 80%.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 16 — Financial Instruments with Off-Balance Sheet Risk (Continued)

arrangements and similar transactions. The terms of the letters of credit vary and may have renewal features. The credit risk involved in using letters of credit is essentially the same as that involved in extending loans to customers. The Bank holds collateral supporting those commitments for which collateral is deemed necessary. Management believes that the proceeds obtained through a liquidation of such collateral would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees.

The Bank has not been required to perform on any financial guarantees, and has not incurred any losses on its commitments, during the past two years.

A summary of the Bank's Commitments at December 31, 2020 and 2019 were as follows:

	2020	2019
Commitments to extend credit	\$230,200	\$207,733
Standby letters of credit	6,510	4,738

Note 17 — Contingencies

The Company is subject to claims and lawsuits which arise primarily in the ordinary course of business. Based on information presently available and advice received from legal counsel representing the Company in connection with any such claims and lawsuits, it is the opinion of management that the disposition or ultimate determination of any such claims and lawsuits will not have a material effect on the consolidated financial position, consolidated results or liquidity of the Company.

Note 18 — Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through April 29, 2021, which is the date the financial statements were available to be issued.

On February 19, 2021 the Company's board of director's declared a quarterly cash dividend of \$0.20 per share on the Company's common stock. The dividend was paid on March 15, 2021 to shareholders of record as of March 3, 2021.

Note 19 — Parent Company Information

Financial Information for the Company only is presented in the following tables:

Condensed Statements of Condition

	December 31,	
	2020	2019
Assets		
Cash and due from banks	\$ 10,929	\$ 2,359
Investment in subsidiaries	145,497	120,832
Goodwill and intangible assets	2,136	2,421
Other assets	26	24
Total assets	<u>\$158,588</u>	<u>\$125,636</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 19—Parent Company Information (Continued)

	December 31,	
	2020	2019
Liabilities and stockholders' equity		
Subordinated notes, net of issuance costs	\$ 19,323	\$ —
Note payable	3,000	3,000
Other liabilities	842	573
Total liabilities	<u>23,165</u>	<u>3,573</u>
Total stockholders' equity	135,423	122,063
Total liabilities and stockholders' equity	<u>\$158,588</u>	<u>\$125,636</u>

Condensed Statements of Income and Comprehensive Income

	Years ended December 31,	
	2020	2019
Operating Income		
Dividend income from operating subsidiaries	\$ 4,511	\$ 4,591
Total operating income	4,511	4,591
Operating Expenses		
Interest on borrowings	407	181
Salaries and employee benefits	514	362
Professional fees	142	141
Directors' fees and expenses	164	223
Intangible amortization	286	286
Other expenses and income taxes	450	140
Total operating expenses	<u>1,963</u>	<u>1,333</u>
Equity in undistributed earnings of subsidiary	9,131	8,223
Net income	<u>\$11,679</u>	<u>\$11,481</u>
Comprehensive income	<u>\$17,542</u>	<u>\$16,423</u>

Condensed Statements of Cash Flows

	Years ended December 31,	
	2020	2019
Cash flows from operating activities		
Net income after equity in undistributed earnings of subsidiary	\$11,679	\$11,481
Adjustments to reconcile net income to net cash provided by operating activities		
Equity in undistributed earnings of subsidiary companies	(9,131)	(8,223)
Stock-based compensation	154	171
Amortization of intangibles	286	286
Restricted stock expense	413	319
Other, net	595	68
Net cash provided by (used in) operating activities	<u>3,996</u>	<u>4,102</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

Note 19 — Parent Company Information (Continued)

	Years ended December 31,	
	2020	2019
Cash flows from investing activities		
Investment in operating subsidiary	(10,000)	(6,500)
Net cash used in investing activities	(10,000)	(6,500)
Cash flows from financing activities		
Proceeds from the issuance of common stock (net of costs)	—	(87)
Repayment of note payable	—	(57)
Issuance of subordinated notes, net of issuance costs	19,323	
Dividends paid, common stock	(3,585)	(3,587)
Purchases of treasury stock	(1,164)	(380)
Net cash (used in) provided by financing activities	14,574	(4,111)
Net increase in cash and cash equivalents	8,570	(6,509)
Cash and cash equivalents at beginning of year	2,359	8,868
Cash and cash equivalents at end of year	<u>\$ 10,929</u>	<u>\$ 2,359</u>

Note 20 — Segment Information

The reportable segments are determined by the products and services offered by the Company, primarily distinguished between banking and wealth management. Loans, investments, and deposits provide the revenues in the banking operation, and trust fees and investment management fees provide the revenues in wealth management. All operations are domestic.

Significant segment totals are reconciled to the financial statements as follows:

2020	Banking	Wealth Management	Total Segments
Net interest income	\$ 48,739	\$ —	\$ 48,739
Noninterest income	3,365	8,058	11,423
Provision for loan loss	(5,413)	—	(5,413)
Noninterest expenses	(33,838)	(6,393)	(40,231)
Income tax expense	(2,510)	(329)	(2,839)
Net income	<u>\$ 10,343</u>	<u>\$ 1,336</u>	<u>\$ 11,679</u>
Total assets	<u>\$1,656,517</u>	<u>\$ 8,419</u>	<u>\$1,664,936</u>
2019	Banking	Wealth Management	Total Segments
Net interest income	\$ 43,281	\$ —	\$ 43,281
Noninterest income	2,009	7,805	9,814
Provision for loan loss	(2,195)	—	(2,195)
Noninterest expenses	(31,104)	(5,387)	(36,491)
Income tax expense	(2,601)	(327)	(2,928)
Net income	<u>\$ 9,390</u>	<u>\$ 2,091</u>	<u>\$ 11,481</u>
Total assets	<u>\$1,221,397</u>	<u>\$ 8,155</u>	<u>\$1,229,552</u>

Until _____, 2021, all dealers that buy, sell or trade our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriter and with respect to their unsold allotments or subscriptions.

[•] Shares



COMMON STOCK

PROSPECTUS

PIPER | SANDLER

Stephens

[•], 2021

Neither we nor the underwriters have authorized anyone to provide information different from that contained in this prospectus. When you make a decision about whether to invest in our common stock, you should not rely upon any information other than the information in this prospectus. Neither the delivery of this prospectus nor the sale of our common stock means that information contained in this prospectus is correct after the date of this prospectus. This prospectus is not an offer to sell or solicitation of an offer to buy these shares of common stock in any circumstances under which the offer or solicitation is unlawful.

PART II: INFORMATION NOT REQUIRED IN PROSPECTUS**Item 13. Other Expenses of Issuance and Distribution**

The following table sets forth all costs and expenses, other than underwriting discounts and commissions, in connection with the sale of shares of our common stock being registered, all of which will be paid by us. All amounts shown are estimates, except for the SEC registration fee, the FINRA filing fee and the NASDAQ listing fee.

SEC registration fee	\$	*
NASDAQ listing fee		*
FINRA filing fee		*
Printing fees and expenses		*
Legal fees and expenses		*
Accounting fees and expenses		*
Transfer agent fees and expenses		*
Miscellaneous		*
Total	\$	*

* To be filed by amendment.

Item 14. Indemnification of Directors and Officers

Article X of the Certificate of Incorporation and Article VI of the Bylaws of Orange County Bancorp, Inc. (the "Corporation") set forth circumstances under which directors, officers, employees and agents of the Corporation may be insured or indemnified against liability which they incur in their capacities as such:

ARTICLE X
LIMITATION ON LIABILITY

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability: (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) under Section 174 of the Delaware General Corporation Law; or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE VI
INDEMNIFICATION

Section 1. Subject to Section 3 of this Article VI, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that the person is or was or has agreed to become a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such

action, suit or proceeding if the person acted in good faith and in a manner the person 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 the person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful.

Section 2. Subject to Section 3 of this Article VI, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit 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 shall 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 that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Any indemnification under this Article VI (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the present or former director or officer is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VI, as the case may be. Such determination shall be made (i) by the Board by a majority vote of directors who were not parties to such action, suit or proceeding, even though less than a quorum, (ii) by a committee of such directors designated by majority vote of such directors, even though less than a quorum; (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iv) by the stockholders. To the extent, however, that a director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith, without the necessity of authorization in the specific case.

Section 4. Notwithstanding any contrary determination in the specific case under Section 3 of this Article VI, and notwithstanding the absence of any determination thereunder, any director or officer may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections 1 and 2 of this Article VI. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director or officer is proper in the circumstances because he or she has met the applicable standards of conduct set forth in Sections 1 or 2 of this Article VI, as the case may be. Neither a contrary determination in the specific case under Section 3 of this Article VI nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 4 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 5. Expenses incurred by a director or officer in defending or investigating a threatened or pending action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation as authorized in this Article VI.

Section 6. The indemnification and advancement of expenses provided by or granted pursuant to this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any Bylaws, agreement, contract, vote of stockholders or disinterested directors or pursuant to the direction (however embodied) of any court of competent jurisdiction or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Sections I and 2 of this Article VI shall be made to the fullest extent permitted by law. The provisions of this Article VI shall not be deemed to preclude the indemnification of any person who is not specified in Sections I or 2 of this Article VI but whom the Corporation has the power or obligation to indemnify under the provisions of the Delaware General Corporation Law or otherwise.

Section 7. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power or the obligation to indemnify him or her against such liability under the provisions of this Article VI.

Section 8. For purposes of this Article VI, references to “the Corporation” shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers, so that any person who is or was a director or officer of such constituent corporation, or is or was a director or officer of such constituent corporation serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VI with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VI, references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the Corporation” shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Corporation” as referred to in this Article VI.

Section 9. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VI shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 10. Notwithstanding anything contained in this Article VI to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 4 hereof), the Corporation shall not be obligated to indemnify any director or officer in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of the Corporation.

Section 11. The Corporation may, to the extent authorized from time to time by the Board, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article VI to directors and officers of the Corporation.

Reference is made to the form of underwriting agreement to be filed as Exhibit 1.1 hereto for provisions providing that the underwriters are obligated under certain circumstances to indemnify our directors, officers and controlling persons against certain liabilities under the Securities Act of 1933, as amended (the “Securities Act”).

Item 15. Recent Sales of Unregistered Securities

The following sets forth information regarding unregistered securities that were sold by the Corporation within the past three years.

- (1) In the past three years, the Corporation has granted 56,385 shares of restricted stock pursuant to

its former 2012 Stock Incentive Plan and its current 2019 Equity Incentive Plan to the Corporation's or its subsidiaries' officers and directors. No underwriter or placement agent was involved in the issuance or sale of any of the common stock, and no underwriting discounts or commissions were paid. The issuance and sale of the common stock described above was made in reliance upon exemptions from registration requirements under Section 4(a)(2) of the Securities Act and pursuant to Rule 701 promulgated under the Securities Act as a transaction by an issuer not involving any public offering and pursuant to benefit plans and contracts relating to compensation.

- (2) On September 24, 2020, the Corporation completed the issuance of \$20 million in aggregate principal amount of fixed-to-floating rate subordinated notes due 2030 to certain qualified institutional buyers and accredited institutional investors. The placement agent for this transaction was Piper Sandler & Co. The aggregate placement agent commission for this transaction was \$500,000. The subordinated notes were issued under an exemption from registration pursuant to Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder as a transaction by an issuer not involving any public offering.
- (3) On October 31, 2018, the Corporation issued an aggregate of 566,783 shares of common stock, par value \$0.50 per share, to accredited investors, at a price of \$29.00 per share, for aggregate consideration of approximately \$16.4 million. No underwriter or placement agent was involved in the issuance or sale of any of the common stock, and no underwriting discounts or commissions were paid. The common stock was issued under an exemption from registration pursuant to Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder as a transaction by an issuer not involving any public offering.

Item 16. Exhibits and Financial Statement Schedules:

The exhibits and financial statement schedules filed as part of this registration statement are as follows:

(a) List of Exhibits

Exhibit No.	Description
1.1	Underwriting Agreement*
3.1	Certificate of Incorporation of Orange County Bancorp, Inc.
3.2	Bylaws of Orange County Bancorp, Inc.
4.1	Form of Common Stock Certificate of Orange County Bancorp, Inc.
4.2	Form of 4.25% Fixed-to-Floating Rate Subordinated Note due 2030 of Orange County Bancorp, Inc.
5	Opinion of Luse Gorman, PC regarding legality of securities being registered*
10.1	Employment Agreement by and between Orange County Bancorp, Inc., Orange Bank & Trust Company and Michael J. Gilfeather, effective as of December 31, 2018
10.2	Employment Agreement by and between Orange Bank & Trust Company and Joseph A. Ruhl, effective as of January 1, 2018
10.3	Employment Agreement by and between Orange Bank & Trust Company and John P. Bartolotta, effective as of January 1, 2018
10.4	Orange Bank & Trust Company Performance-Based Supplemental Executive Retirement Plan
10.5	Participation Agreement under the Orange Bank & Trust Company Performance-Based Supplemental Executive Retirement Plan for Michael J. Gilfeather
10.6	Participation Agreement under the Orange Bank & Trust Company Performance-Based Supplemental Executive Retirement Plan for Joseph A. Ruhl
10.7	Participation Agreement under the Orange Bank & Trust Company Performance-Based Supplemental Executive Retirement Plan for John P. Bartolotta
10.8	Orange Bank & Trust Company Supplemental Executive Retirement Plan for Michael J.

Exhibit No.	Description
	Gilfeather
10.9	Orange Bank & Trust Company Annual Incentive Plan
10.10	Orange County Bancorp, Inc. 2019 Equity Incentive Plan
10.11	Form of Subordinated Note Purchase Agreement, dated as of September 24, 2020, by and between Orange County Bancorp, Inc. and the several Purchasers
21	Subsidiaries of Orange County Bancorp, Inc.
23.1	Consent of Crowe LLP*
23.2	Consent of Luse Gorman, PC (set forth in Exhibit 5)*
24.1	Power of Attorney (set forth on the signature page to this Registration Statement)*

* To be filed by amendment.

(b) Financial Statement Schedules

No financial statement schedules are filed because the required information is not applicable or is included in the consolidated financial statements or related notes.

Item 17. Undertakings

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the indemnification provisions described herein, or otherwise, the registrant has been advised that in the opinion of the SEC 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.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus as filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus 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.

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 Middletown, State of New York on _____, 2021.

ORANGE COUNTY BANCORP, INC.

By: _____

Michael J. Gilfeather
 President and Chief Executive Officer
 (Duly Authorized Representative)

POWER OF ATTORNEY

We, the undersigned directors of Orange County Bancorp, Inc. (the "Company"), severally constitute and appoint Michael J. Gilfeather with full power of substitution, our true and lawful attorney and agent, to do any and all things and acts in our names in the capacities indicated below which said Michael J. Gilfeather may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with the registration statement on Form S-1 relating to the offering of the Company common stock, including specifically, but not limited to, power and authority to sign for us or any of us in our names in the capacities indicated below the registration statement and any and all amendments (including post-effective amendments) thereto; and we hereby approve, ratify and confirm all that said Michael J. Gilfeather shall do or cause to be done by virtue hereof.

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
_____ Michael J. Gilfeather	President and Chief Executive Officer and Director (Principal Executive Officer)	, 2021
_____ Robert L. Peacock	Senior Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	, 2021
_____ Louis Heimbach	Chairman of the Board	, 2021
_____ Gregory F. Holcombe	Director	, 2021
_____ Susan G. Metzger	Director	, 2021
_____ William D. Morrison	Director	, 2021
_____ Virginia K. Rizzo	Director	, 2021

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>Jonathan F. Rouis</u>	Director	, 2021
<u>Richard B. Rowley</u>	Director	, 2021
<u>Terry R. Saturno</u>	Director	, 2021
<u>Gustave J. Scacco</u>	Director	, 2021

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21	Subsidiaries of Orange County Bancorp, Inc.
23.1	Consent of Crowe LLP*
23.2	Consent of Luse Gorman, PC (set forth in Exhibit 5)*
24.1	Power of Attorney (set forth on the signature page to this Registration Statement)*

* To be filed by amendment.

**AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION OF
ORANGE COUNTY BANCORP, INC.**

THE UNDERSIGNED, for the purpose of organizing a corporation pursuant to Section 102 of the Delaware General Corporation Law, does hereby certify that the Certificate of Incorporation of Orange County Bancorp, Inc. was duly adopted in accordance with the provisions of Section 102 of the Delaware General Corporation Law and further certifies as follows:

**ARTICLE I
NAME OF CORPORATION**

The name of the corporation is Orange County Bancorp, Inc. (the "Corporation").

**ARTICLE H
REGISTERED OFFICE AND AGENT**

The address of the registered office of the Corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

**ARTICLE III
PURPOSE**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law.

**ARTICLE IV
CAPITAL STOCK**

The total number of shares of capital stock which the Corporation shall have authority to issue is 15,000,000 shares, all of which shall be common stock, par value \$0.50 per share.

**ARTICLE V
BOARD OF DIRECTORS**

Section 1. Number of Directors. The number of directors of the Corporation shall be determined as provided in the Bylaws of the Corporation, but shall not be less than five nor more than 13.

Section 2. Classification of Board. The directors of the Corporation shall be divided into three classes with respect to term of office, each class to contain, as near as possible, one- third of the entire number of the Board, with the terms of office of one class expiring each successive year. At each annual meeting of stockholders, the successors to the class of directors whose term expires at that time shall be elected by the stockholders to serve until the annual meeting of stockholders held three years thereafter and until their successors are elected and qualified.

Section3. Elections of Directors. Elections of directors need not be by written ballot unless the bylaws of the Corporation shall so provide.

ARTICLE VI
INFORMAL ACTION BY STOCKHOLDERS

Any action required to be taken at any annual or special meeting of the stockholders, or any other action which may be taken at any annual or special meeting of stockholders, may be taken without a meeting, without prior notice and without a vote, if consent in writing, setting forth the action so taken, shall be given by all of the stockholders entitled to vote with respect to the subject matter.

ARTICLE VII
BYLAWS

The Board of Directors shall have the power to adopt, amend or repeal the Bylaws of the Corporation. However, any bylaw so adopted or amended by the Board of Directors may be repealed, and any bylaw so repealed by the Board of Directors may be reinstated, by vote of the holders of a majority of the shares of capital stock of the Corporation entitled to vote, in which case the Board of Directors shall not thereafter take any action with respect to the Bylaws which is inconsistent with the action so taken by the stockholders.

ARTICLE VIII
NOTICES

The name and mailing address of the incorporator of this Corporation is:

Stephanie G. Nygard, Esq.
Thacher Proffitt & Wood LLP
Two World Financial Center
New York, New York 10282

ARTICLE IX
BUSINESS COMBINATIONS WITH INTERESTED STOCKHOLDERS

The stockholder vote required to approve Business Combinations (as hereinafter defined) shall be as set forth in this section.

A. (1) Except as otherwise expressly provided in this Article IX, the affirmative vote of the holders of (i) at least 80% of the outstanding shares entitled to vote thereon (and, if any class or series of shares is entitled to vote thereon separately, the affirmative vote of the holders of at least 80% of the outstanding shares of each such class or series), and (ii) at least a majority of the outstanding shares entitled to vote thereon, not including shares deemed beneficially owned by a Related Person (as hereinafter defined), shall be required in order to authorize any of the following:

- (a) any merger or consolidation of the Corporation with or into a Related Person (as hereinafter defined);
- (b) any sale, lease, exchange, transfer or other disposition, including without limitation, a mortgage, or any other capital device, of all or any Substantial Part (as hereinafter defined) of the assets of the Corporation (including without limitation any voting securities of a subsidiary) or of a subsidiary, to a Related Person;
- (c) any merger or consolidation of a Related Person with or into the Corporation or a subsidiary of the Corporation;
- (d) any sale, lease, exchange, transfer or other disposition of all or any Substantial Part of the assets of a Related Person to the Corporation or a subsidiary of the Corporation;
- (e) the issuance of any securities of the Corporation or a subsidiary of the Corporation to a Related Person;

(f) the acquisition by the Corporation or a subsidiary of the Corporation of any securities of a Related Person;

(g) any reclassification of the common stock of the Corporation, or any recapitalization involving the common stock of the Corporation; and

(h) any agreement, contract or other arrangement providing for any of the transactions described in this Article.

(2) Such affirmative vote shall be required notwithstanding any other provision of this Certificate, any provision of law, or any agreement with any regulatory agency or national securities exchange which might otherwise permit a lesser vote or no vote.

(3) The term "Business Combination" as used in this Article IX shall mean any transaction which is referred to in any one or more of subparagraphs A(1)(a) through (h) above.

B. The provisions of paragraph A shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by any other provision of this certificate, any provision of law, or any agreement with any regulatory agency or national securities exchange, if the Business Combination shall have been approved by a two-thirds vote of the Continuing Directors (as hereinafter defined); provided, however, that such approval shall only be effective if obtained at a meeting at which a Continuing Director Quorum (as hereinafter defined) is present.

C. For the purposes of this Article IX the following definitions apply:

(1) The term "Related Person" shall mean and include (a) any individual, corporation, partnership or other person or entity which together with its "affiliates" (as that term is defined in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended), "beneficially owns" (as that term is defined in Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended) in the aggregate 10% or more of the outstanding shares of the common stock of the Corporation; and (b) any "affiliate" (as that term is defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended) of any such individual, corporation, partnership or other person or entity. Without limitation, any shares of the common stock of the Corporation which any Related Person has the right to acquire pursuant to any agreement, or upon exercise or conversion rights, warrants or options, or otherwise, shall be deemed "beneficially owned" by such Related Person.

(2) The term "Substantial Part" shall mean more than 25 percent of the total assets of the Corporation, as of the end of its most recent fiscal year ending prior to the time the determination is made.

(3) The term "Continuing Director" shall mean any member of the board of directors of the Corporation who is unaffiliated with the Related Person and was a member of the board prior to the time that the Related Person became a Related Person, and any successor of a Continuing Director who is unaffiliated with the Related Person and is recommended to succeed a Continuing Director by a majority of Continuing Directors then on the board.

(4) The term "Continuing Director Quorum" shall mean two-thirds of the Continuing Directors capable of exercising the powers conferred on them.

D. Notwithstanding any other provisions of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the Corporation's voting stock required by law or this Certificate of Incorporation, the affirmative vote of the holders of at least 80% of the voting power of all of the then outstanding shares of the Corporation's voting stock, voting together as a single class, shall be required to alter, amend or repeal this Article IX.

ARTICLE X
LIMITATION ON LIABILITY

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability: (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) under Section 174 of the Delaware General Corporation Law; or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Notwithstanding any other provisions of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the Corporation's voting stock required by law or this Certificate of Incorporation, the affirmative vote of the holders of at least 80% of the voting power of all of the then outstanding shares of the Corporation's voting stock, voting together as a single class, shall be required to alter, amend or repeal this Article X. Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

BYLAWS OF ORANGE COUNTY BANCORP, INC.**ARTICLE I
OFFICES**

Section 1. Registered Office. The registered office of Orange County Bancorp, Inc. (the "Corporation") in the State of Delaware shall be in the City of Wilmington, County of New Castle.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors (the "Board") may from time to time designate or the business of the Corporation may require.

**ARTICLE II
STOCKHOLDERS**

Section 1. Annual Meetings. An annual meeting of the stockholders of the Corporation for the election of directors and the transaction of any other business that may properly come before such meeting shall be held at such place, on such date and at such time as the Board shall each year fix, which date shall be within 13 months subsequent to the later of the date of incorporation of the Corporation or the last annual meeting of stockholders of the Corporation.

Section 2. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, may be called at any time by the Chairman of the Board, the President or by resolution of the directors then in office and shall be called by the Chairman of the Board, the President or the Secretary upon the written request of the holders of record of not less than 25% of the outstanding capital stock of the Corporation entitled to vote at the meeting. Special meetings shall be held on the date and at the time and place as may be designated by the Board. At a special meeting, no business shall be transacted and no corporate action shall be taken other than that stated in the notice of meeting.

Section 3. Notice of Meetings. Except as otherwise required by law, written notice stating the place, date and time of any meeting of stockholders and the purpose or purposes for which the meeting is called shall be given by the Corporation to each stockholder of record entitled to vote at such meeting, either personally or by mail, not less than 10 nor more than 60 days before the date of such meeting. If mailed, such notice shall be deemed to be given when deposited in the U.S. mail, with postage thereon prepaid, addressed to the stockholder at his or her address as it appears on the stock transfer books or records of the Corporation as of the record date prescribed in Section 5 of this Article II, or at such other address as the stockholder shall have furnished in writing to the Secretary of the Corporation. Notice of any special meeting shall indicate that the notice is being issued by or at the direction of the person or persons calling such meeting. When any meeting of stockholders, either annual or special, is adjourned to another time or place, no notice of the adjourned meeting need be given, other than an announcement at the meeting at which such adjournment is taken giving the time and place to which the meeting is adjourned. However, if the date of any adjourned meeting is more than 30 days after the date for which the meeting was originally noticed, or if, after adjournment, the Board fixes a new record date for the adjourned meeting, written notice of the place, date and time of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

Section 4. Waiver of Notice. Notice of any annual or special meeting need not be given to any stockholder who submits a signed waiver of notice of any meeting, in person or by proxy, whether before or after the meeting. The attendance of any stockholder at a meeting, in person or by proxy, shall constitute a waiver of notice by such stockholder, except where a stockholder attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

Section 5. Fixing of Record Date. For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or stockholders entitled to receive payment of any dividend or other distribution or the allotment of any rights, or in order to make a determination of stockholders for any other purpose, the Board shall fix in advance a date as the record date for any such determination of stockholders, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board. Such date in any case shall be not more than 60 days and, in the case of a meeting of stockholders, not less than 10 days, prior to the date on which the particular action requiring such determination of stockholders is to be taken. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, and, for determining stockholders entitled to receive payment of any dividend or other distribution or allotment of rights or for any other purpose, the record date shall be at the close of business on the day on which the Board adopts a resolution relating thereto. Any determination of stockholders entitled to notice of or to vote at any meeting of stockholders shall, unless otherwise provided by the Board, also apply to any adjournment thereof.

Section 6. Quorum. The holders of a majority of the shares of the capital stock of the Corporation issued and outstanding and entitled to vote thereat, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders, except as otherwise provided by law, these Bylaws or the Certificate of Incorporation of the Corporation. If less than a majority of such shares is represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted at the meeting as originally noticed. When a quorum is once present to organize a meeting of stockholders, such quorum is not broken by the subsequent withdrawal of any stockholders.

Section 7. Conduct of Meetings. The Chairman of the Board shall serve as chairman at all meetings of the stockholders or, if a Chairman has not been elected by the Board or the Chairman is absent or otherwise unable to so serve, the President shall serve as chairman.

If the President is absent or otherwise unable to so serve, such other person as shall be appointed by a majority of the entire Board shall serve as chairman at any meeting of stockholders held in such absence. The Secretary of the Corporation or, if the Secretary is absent or otherwise unable to so serve, such other person as the chairman of the meeting shall appoint shall serve as secretary of the meeting. The chairman of the meeting shall conduct all meetings of the stockholders in accordance with the best interests of the Corporation and shall have the authority and discretion to establish reasonable procedural rules for the conduct of such meetings, including such regulation of the manner of voting and the conduct of discussion as he or she shall deem appropriate. The chairman of the meeting shall also have the authority to adjourn the meeting from time to time and from place to place as he or she may deem necessary and in the best interests of the Corporation.

Section 8. Proxies. Each stockholder entitled to vote at any meeting may vote either in person or by proxy. All proxies shall be in writing, signed by the stockholder or by his or her duly authorized attorney-in-fact, and shall be filed with the Secretary of the Corporation before being voted. No proxy shall be valid after the expiration of 11 months from the date of its execution unless otherwise provided in the proxy. The attendance at any meeting by a stockholder who shall have previously given a proxy applicable thereto shall not, as such, have the effect of revoking the proxy. The Corporation may treat any duly executed proxy as not revoked and in full force and effect until it receives a duly executed instrument revoking it, or a duly executed proxy bearing a later date.

Section 9. Voting; Voting of Shares in the Name of Two or More Persons. Except for the election of directors or as otherwise provided by law or the Certificate of Incorporation, at all meetings of stockholders all matters shall be determined by a majority vote of the stockholders present, in person or by proxy, and entitled to vote thereat. Directors shall, except as otherwise required by law or the Certificate of Incorporation, be elected by a plurality of the votes cast by the stockholders entitled to vote in the election. When ownership of shares stands in the name of two or more persons, in the absence of written directions to the Corporation to the contrary, at any meeting of the stockholders of the Corporation any one or more of such stockholders may cast, in person or by proxy, all votes to which such ownership is entitled. If an attempt is made to cast conflicting votes, in person or by proxy, by several persons in whose names shares of stock stand, the vote or votes to which those persons are entitled shall be cast as directed by a majority of those holding such stock and present, in person or by proxy, at such meeting. If such conflicting votes are evenly split on any particular matter, each faction may vote the securities in question proportionally or any person voting the shares, or a beneficiary, if any, may apply to the Court of Chancery or such other court as may have jurisdiction to appoint an additional person to act with the persons so voting the shares, which shall then be voted as determined by a majority of such persons and the person appointed by the court.

Section 10. Inspectors of Election. In advance of any meeting of stockholders, the Board may appoint one or more persons, other than officers, directors or nominees for office, as inspectors of election to act at such meeting or any adjournment thereof. Such appointment shall not be altered at the meeting. If inspectors of election are not so appointed, the chairman of the meeting shall make such appointment at the meeting. If any person appointed as inspector fails to appear or fails or refuses to act at the meeting, the vacancy so created may be filled by appointment by the Board in advance of the meeting or at the meeting by the chairman of the meeting. Each inspector, before entering upon the discharge of the duties of inspector, shall take and sign an oath to faithfully execute the duties of inspector with strict impartiality and according to the best of such inspector's ability. The duties of the inspectors of election shall include: determining the number of shares outstanding and the voting power of each share, the shares represented at the meeting, the existence of a quorum and the validity and effect of proxies; receiving votes, ballots or consents; hearing and deciding all challenges and questions arising in connection with the right to vote; counting and tabulating all votes, ballots or consents; determining the results; and doing such acts as are proper to the conduct of the election or the vote with fairness to all stockholders. The inspectors shall make a report in writing of any challenge, question or matter determined by them and execute a certificate of any fact found by them. Any report or certificate made by them shall be *prima facie* evidence of the facts stated and of the vote as certified by them. Each inspector shall be entitled to a reasonable compensation for his or her services, to be paid by the Corporation.

Section 11. Procedure for Nominations. The Board, or a committee appointed by the Board, shall act as nominating committee for selecting the nominees for election as directors of the Corporation. Except in the case of a nominee substituted as a result of the death of, or the incapacity, withdrawal or other inability to serve as a nominee, the nominating committee shall deliver written nominations to the Secretary of the Corporation at least 30 days prior to the date of the annual meeting. Provided the nominating committee makes such nominations, no nominations for directors except those made by the nominating committee shall be voted upon at the annual meeting of stockholders. The nominating committee will consider director nominations from stockholders if the stockholder or group of stockholders making the nomination, individually or in the aggregate, beneficially own more than 5% of the Corporation's outstanding common stock and have held such stock for at least one year prior to the date of the recommendation. In order to be considered by the nominating committee, a stockholder nomination must be received by the Secretary of the Corporation in writing at least 90 days in advance of the anniversary of the date of the prior year's annual meeting of stockholders and must be accompanied by the following information: (i) the name, age, business address and residence address of the nominee, (ii) the principal occupation or employment of such person, (iii) such person's written consent to serve as a director if elected, and (iv) a description of all arrangements or understandings between the stockholder and the nominee or any other person or persons (naming such person or persons) pursuant to which the nomination is to be made by the stockholder and any business, blood or marital relationship between the nominating stockholder and the nominee. At the request of the Board, any person nominated by the Board for election as a director shall furnish to the Secretary that information required to be set forth in a stockholder's notice of nomination that pertains to the nominee, together with the required written consent. Except as provided in Article II, Section 12 and Article IV, Section 11, no person shall be eligible for election as a director of the Corporation unless nominated by the nominating committee in accordance with the procedures set forth in this Section 11.

Section 12. Substitution of Nominees. If a person is validly designated as a nominee in accordance with Section 11 of this Article II and shall thereafter become unwilling or unable to stand for election to the Board, the Board may designate a substitute nominee upon delivery, not fewer than five days prior to the date of the meeting for the election of such nominee, of a written notice to the Secretary setting forth such information regarding such substitute nominee as would have been required to be delivered to the Secretary pursuant to Section 11 of this Article II had such substitute nominee been initially proposed as a nominee. Such notice shall include a signed consent of the substitute nominee to serve as a director of the Corporation if elected.

Section 13. New Business. Any new business to be taken up at the annual meeting at the request of the Chairman, if one has been elected by the Board, or the President shall be stated in writing and timely filed, as set forth below, with the Secretary of the Corporation, and all business so stated, proposed and filed shall be considered at the annual meeting. Any proposal offered by any stockholder may be made at the annual meeting and the same may be discussed and considered, but unless properly brought before the meeting such proposal shall not be acted upon at the meeting. For a proposal to be properly brought before an annual meeting by a stockholder, the stockholder must be a stockholder of record and the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be received by the Secretary of the Corporation at least 90 days in advance of the anniversary of the date of the prior year's annual meeting of stockholders. A stockholder's notice to the Secretary shall set forth as to the matter the stockholder proposes to bring before the annual meeting (a) a brief description of the proposal desired to be brought before the annual meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; (b) the name and address of the stockholder proposing such business; (c) the class and number of shares of the Corporation which are owned of record by the stockholder and the dates upon which he or she acquired such shares; (d) the identification of any person employed, retained, or to be compensated by the stockholder submitting the proposal, or any person acting on his or her behalf, to make solicitations or recommendations to stockholders for the purpose of assisting in the passage of such proposal, and a brief description of the terms of such employment, retainer or arrangement for compensation; and (e) all such other information regarding such proposal as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission or required to be delivered to the Corporation pursuant to the proxy rules of the Securities and Exchange Commission (whether or not the Corporation is then subject to such rules). This provision shall not prevent the consideration and approval or disapproval at an annual meeting of reports of officers, directors and committees of the Board or the management of the Corporation, but in connection with such reports, no new business shall be acted upon at such annual meeting unless stated and filed as herein provided. This provision shall not constitute a waiver of any right of the Corporation under the proxy rules of the Securities and Exchange Commission or any other rule or regulation to omit a stockholder's proposal from the Corporation's proxy materials. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that any new business was not properly brought before the meeting in accordance with the provisions hereof, and, if the chairman should so determine, the chairman shall declare to the meeting that such new business was not properly brought before the meeting and shall not be considered.

ARTICLE III
CAPITAL STOCK

Section 1. Certificates of Stock. Certificates evidencing ownership of shares of stock of the Corporation shall be in such form as shall be approved by the Board, provided that each certificate shall, when issued, state upon the face thereof (a) that the Corporation is a corporation organized under the laws of the State of Delaware; (b) the name of the person to whom the certificate is issued; (c) the number of shares, class and series, if any, that the certificate represents; and (d) the par value of each share represented by the certificate. Each certificate shall further state that the Corporation will furnish to any stockholder upon request and without charge a statement of the rights and preferences of the shares of each class or series of stock, or shall set forth such statement on the certificate itself. The certificates shall be numbered in the order of their issue and shall be signed by the Chairman, if one has been elected, the President or any Senior Vice President and by the Secretary or any Assistant Secretary. Any or all of the signatures on the certificates may be facsimile signatures. In case any officer or officers who shall have signed any such certificate shall cease to be such officer or officers of the Corporation, whether because of death, resignation or otherwise, before such certificate shall have been delivered by the Corporation, such certificate may nevertheless be adopted by the Corporation and be issued and delivered as though the person or persons who signed such certificate have not ceased to be such officer or officers of the Corporation.

Notwithstanding the foregoing, the Board may provide by resolution that some or all of any or all classes or series of the Corporation's stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation.

Section 2. Transfer Agent and Registrar. The Board shall have the power to appoint one or more transfer agents and registrars for the transfer and registration of certificates of stock of any class, and may require that stock certificates shall be countersigned and registered by one or more of such transfer agents and registrars.

Section 3. Registration and Transfer of Shares. Subject to the provisions of the Certificate of Incorporation of the Corporation, the name of each person owning a share of the capital stock of the Corporation shall be entered on the books of the Corporation together with the number of shares held by him or her, the numbers of the certificates covering such shares and the dates of issue of such certificates. The shares of stock of the Corporation shall be transferable on the books of the Corporation by the holders thereof in person, or by their duly authorized attorneys or legal representatives, in the case of certificated shares, on surrender and cancellation of certificates for a like number of shares accompanied by an assignment or power of transfer endorsed thereon or attached thereto, duly executed, with such guarantee or proof of the authenticity of the signature as the Corporation or its agents may reasonably require and with proper evidence of payment of all applicable transfer taxes or, in the case of uncertificated shares, upon delivery of proper transfer instructions for the number of shares involved. A record shall be made of each transfer.

Section 4. Lost, Destroyed and Mutilated Certificates. The holder of any shares of stock of the Corporation shall immediately notify the Corporation of any loss, theft, destruction or mutilation of the certificates therefor. The Corporation may issue, or cause to be issued, a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it alleged to have been lost, stolen or destroyed upon evidence satisfactory to the Corporation of the loss, theft or destruction of the certificate, and, in the case of mutilation, the surrender of the mutilated certificate. The Corporation may, in its discretion, require the owner of the lost, stolen or destroyed certificate, or his or her legal representatives, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it by reason of the issue of such new certificate, or may refer such owner to such remedy or remedies as he or she may have under the laws of the State of Delaware.

Section 5. Holder of Record. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder thereof in fact and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided by law.

ARTICLE IV
BOARD OF DIRECTORS

Section 1. Responsibilities; Number of Directors. The business and affairs of the Corporation shall be under the direction of the Board. The number of directors constituting the entire Board shall be such number not less than 5 nor more than 13 as may be fixed from time to time by action of the stockholders or resolution of the Board.

Section 2. Qualifications. Each director shall be at least eighteen (18) years of age. Subject to availability, each director shall at all times own at least 1,000 shares of common stock of the Corporation. Each director of the Corporation must reside in a county within the State of New York in which the Corporation or any of its subsidiaries maintains an office or in any adjacent county within the State of New York. A person is not qualified to serve as director if he or she: (1) is under indictment for, or has ever been convicted of, a criminal offense involving dishonesty or breach of trust and the penalty for such offense could be imprisonment for more than one year, or (2) is a person against whom a banking agency has, within the past ten years, issued a cease and desist order for conduct involving dishonesty or breach of trust and that order is final and not subject to appeal, or (3) has been found either by a regulatory agency whose decision is final and not subject to appeal or by a court to have (i) breached a fiduciary duty involving personal profit or (ii) committed a willful violation of any law, rule or regulation governing banking, securities, commodities or insurance, or any final cease and desist order issued by a banking, securities, commodities or insurance regulatory agency.

Section 3. Regular and Annual Meetings. An annual meeting of the Board for the election of officers shall be held, without notice other than these Bylaws, immediately after, and at the same place as, the annual meeting of the stockholders of the Corporation, or at such other time and place as the Board may fix by resolution. The Board may provide, by resolution, the time and place for the holding of regular meetings of the Board without notice other than such resolution.

Section 4. Special Meetings. Special meetings of the Board, for any purpose, may be called at any time by or at the request of the Chairman, if one has been elected, or the President. Special meetings of the Board shall also be called by the Secretary upon the written request of at least one-third of the directors then in office. The persons authorized to call special meetings of the Board shall give notice of such meetings in the manner prescribed by these Bylaws and may fix any place, within or without the Corporation's regular business area, as the place for holding any special meeting of the Board called by such persons. No business shall be conducted at a special meeting other than that specified in the notice of meeting.

Section 5. Conduct of Meetings. Meetings of the Board shall be presided over by the Chairman, if a Chairman has been elected by the Board. If a Chairman has not been elected by the Board or the Chairman is absent or otherwise unable to preside over the meeting, the presiding officer shall be the President. If the Chairman is unable to preside over the board meetings for an extended period of time, the President will convene a board or special meeting as soon as practicable so that the Board of Directors may select a new Chairman. If the President is absent or otherwise unable to preside over the meeting, the presiding officer shall be such other person as shall be appointed by a majority of the directors present. The Secretary, or in the absence or disability of the Secretary, a person appointed by the Chairman (or other presiding person), shall act as secretary of the meeting. The Chairman (or other presiding person) shall conduct all meetings of the Board in accordance with the best interests of the Corporation and shall have the authority and discretion to establish reasonable procedural rules for the conduct of Board meetings.

Section 6. Notice of Meetings; Waiver of Notice. Except as otherwise provided in these Bylaws, at least 24 hours' notice of any meeting shall be given to each director if given in person or by telephone, facsimile or other electronic transmission, at least two business days' notice of any meeting shall be given if notice is given in writing and delivered by courier, and at least four business days' notice of any meeting shall be given if notice is given in writing and delivered by postage-prepaid mail. The notice shall designate the place and time at which the meeting is to be held. The purpose of any special meeting shall be stated in the notice. Such notice shall be deemed given when sent or given to any mail or courier service or sent by facsimile or electronic transmission. Any director may waive notice of any meeting by filing a signed waiver of notice with the Secretary of the Corporation, whether before or after the meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 7. Quorum and Voting Requirements. A quorum at any meeting of the Board shall consist of a majority of the directors then in office or such greater number as shall be required by law, these Bylaws or the Certificate of Incorporation of the Corporation. If less than a quorum is present, the majority of those directors present may adjourn the meeting to another time and place without further notice. At such adjourned meeting at which a quorum shall be represented, any business may be transacted that might have been transacted at the meeting as originally noticed. Except as otherwise provided by law, the Certificate of Incorporation of the Corporation or these Bylaws, a majority vote of the directors present at a meeting, if a quorum is present at the time of such vote, shall constitute an act of the Board.

Section 8. Resignation. Any director may resign at any time by sending a written notice of such resignation to the principal office of the Corporation addressed to the Chairman, if one has been elected, or the President. Unless otherwise specified therein, such resignation shall take effect upon receipt thereof.

Section 9. Removal. Notwithstanding any other provision of the Certificate of Incorporation of the Corporation or these Bylaws, any director or the entire Board of the Corporation may be removed at any time, but only for cause and only by the affirmative vote of a majority of the holders of record of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors at a meeting of the stockholders called for that purpose. For purposes of this Section 9, conduct worthy of removal for "cause" shall mean (a) conduct as a director of the Corporation or a subsidiary of the Corporation that involves willful material misconduct, breach of fiduciary duty, pecuniary gain or gross negligence in the performance of duties, or (b) conduct, whether or not as a director of the Corporation or a subsidiary of the Corporation, that involves dishonesty or breach of fiduciary duty and is punishable by imprisonment for a term exceeding one year under state or federal law.

Section 10. Vacancies. Subject to the limitations prescribed by law, the Certificate of Incorporation of the Corporation and these Bylaws, all vacancies in the office of director (whether due to resignation, retirement, removal, an increase in the number of directors or otherwise) shall be filled by the affirmative vote of a majority of the directors then holding office. No person shall be elected a director unless nominated at a previous regular or special meeting, called for that purpose, upon the recommendation of the Board, or a committee appointed by the Board. 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 his or her successor shall be elected and qualified.

Section 11. Compensation. From time to time, as the Board deems necessary, the Board may fix the compensation of and provide for the reasonable expenses of its members to attend meetings of the Board and its committees. The compensation may include, without limitation, an annual stipend or a fee per meeting or a combination of both.

Section 12. Action by Consent of Directors. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board, or any committee thereof, may be taken without a meeting if all members of the Board or such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the Board or such committee.

Section 13. Committees. The Board may, by resolution adopted by a majority of the entire Board at any meeting, authorize such committees, as from time to time it may deem necessary or appropriate for the conduct of the business of the Corporation. The members of each committee so authorized shall be appointed by the Board from its members and shall serve for such term as shall be prescribed by the Board. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided by resolution of the Board, shall have and may exercise all the powers and authority of the Board except as provided in the Delaware General Corporation Law. Each committee shall keep regular minutes of its meetings and report the same to the Board when required.

ARTICLE V
OFFICERS

Section 1. Designation of Executive Officers. The Board shall, at each annual meeting, elect a President and a Secretary, and may elect a Chairman and such other officers as the Board from time to time may deem necessary or the business of the Corporation may require. Any number of offices may be held by the same person except that no person may simultaneously hold the offices of President and Secretary.

Section 2. Election. The election of all officers shall be made by a vote of a majority of the directors then in office. If such election is not held at the meeting held annually for the election of officers, such officers may be so elected at any subsequent regular meeting or at a special meeting of the Board called for that purpose, in the same manner above provided. Each person elected shall have such authority, bear such title and perform such duties as provided in these Bylaws and as the Board may prescribe from time to time. All officers elected or appointed by the Board shall assume their duties immediately upon their election and shall hold office at the pleasure of the Board. Whenever a vacancy occurs among the officers, it may be filled at any regular or special meeting called for that purpose, in the same manner as above provided.

Section 3. Term of Office and Removal. Each officer shall serve until his or her successor is elected and duly qualified, the office is abolished or he or she resigns or is removed. Any officer may be removed at any regular or special meeting of the Board called for that purpose, with or without cause, by an affirmative vote of a majority of the directors then in office.

Section 4. Chairman of the Board. The Chairman, if one has been elected by the Board, shall, subject to the direction of the Board, perform all duties and have all powers that are commonly incident to the office of the Chairman or are delegated to him or her by the Board. The Chairman shall preside at all meetings of the stockholders and the Board, shall make recommendations to the Board regarding appointments to all committees and shall have authority to sign instruments in the name of the Corporation.

Section 5. President and Chief Executive Officer. The President shall be the Chief Executive Officer of the Corporation and shall, subject to the direction of the Board, oversee all the major activities of the Corporation and its subsidiaries and be responsible for assuring that the policy decisions of the Board are implemented as formulated. The President shall be responsible, in consultation with such officers and members of the Board as he or she deems appropriate, for planning the growth of the Corporation. The President shall be responsible for stockholder relations and relations with investment bankers or other similar financial institutions, and shall be empowered to designate officers of the Corporation and its subsidiaries to assist in such activities. The President, under authority given to him or her, shall have the authority to sign instruments in the name of the Corporation. The President shall have general supervision and direction of all of the Corporation's officers and personnel, subject to and consistent with policies enunciated by the Board. The President shall have such other powers as may be assigned to him or her by the Chairman, if one has been elected, or by the Board. In the absence of or disability of the Chairman, or if the office of the Chairman is vacant by reason of death, resignation, failure of the Board to elect a Chairman or otherwise, the President or such other person who the Board shall designate, shall exercise the powers and perform the duties which otherwise would fall upon the Chairman. A member of the Board also serving as the Corporation's President shall cease to be a member of the Board immediately upon his or her retirement, death, resignation, removal, or other termination of employment as President of the Corporation.

Section 6. Secretary. The Secretary shall attend all meetings of the Board and of the stockholders and shall record, or cause to be recorded, all votes and minutes of all proceedings of the Board and of the stockholders and of the Executive Committee in a book or books to be kept for that purpose. All other committees shall designate a record keeper to take and keep all records of the committee. The Secretary shall perform such executive and administrative duties as may be assigned by the Board or the President. The Secretary shall keep or cause to be kept accurate and complete records of the ownership of shares of the Corporation. The Secretary shall have charge of the seal of the Corporation, shall submit such reports and statements as may be required by law or by the Board, shall conduct all correspondence relating to the Board and its proceedings and shall have such other powers and duties as are generally incident to the office of Secretary and as may be assigned to him or her by the Board, the Chairman, if one has been elected, or the President.

Section 7. Vice Presidents. Executive Vice Presidents, Senior Vice Presidents and Vice Presidents may be appointed by the Board to perform such duties as may be prescribed by these Bylaws, the Board, the Chairman, if one has been elected, or the President as permitted by the Board.

Section 8. Other Officers and Employees. Other officers and employees appointed by the Board shall have such authority and shall perform such duties as may be assigned to them, from time to time, by the Board or, to the extent not inconsistent with the duties assigned by the Board, by the Chairman, if one has been elected, or the President.

Section 9. Compensation of Officers and Others. The compensation, if any, of all officers, employees and agents shall be fixed from time to time by the Board or by any committee or officer authorized by the Board to do so.

ARTICLE VI
INDEMNIFICATION

Section 1. Actions, Suits or Proceedings Other Than Those by or in the Right of the Corporation. Subject to Section 3 of this Article VI, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that the person is or was or has agreed to become a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person 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 the person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful.

Section 2. Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 3 of this Article VI, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit 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 shall 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 that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Authorization of Indemnification. Any indemnification under this Article VI (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the present or former director or officer is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VI, as the case may be. Such determination shall be made (i) by the Board by a majority vote of directors who were not parties to such action, suit or proceeding, even though less than a quorum, (ii) by a committee of such directors designated by majority vote of such directors, even though less than a quorum; (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iv) by the stockholders. To the extent, however, that a director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith, without the necessity of authorization in the specific case.

Section 4. Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 3 of this Article VI, and notwithstanding the absence of any determination thereunder, any director or officer may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections 1 and 2 of this Article VI. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director or officer is proper in the circumstances because he or she has met the applicable standards of conduct set forth in Sections 1 or 2 of this Article VI, as the case may be. Neither a contrary determination in the specific case under Section 3 of this Article VI nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 4 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 5. Expenses Payable in Advance. Expenses incurred by a director or officer in defending or investigating a threatened or pending action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation as authorized in this Article VI.

Section 6. Nonexclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by or granted pursuant to this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any Bylaws, agreement, contract, vote of stockholders or disinterested directors or pursuant to the direction (however embodied) of any court of competent jurisdiction or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Sections 1 and 2 of this Article VI shall be made to the fullest extent permitted by law. The provisions of this Article VI shall not be deemed to preclude the indemnification of any person who is not specified in Sections 1 or 2 of this Article VI but whom the Corporation has the power or obligation to indemnify under the provisions of the Delaware General Corporation Law or otherwise.

Section 7. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power or the obligation to indemnify him or her against such liability under the provisions of this Article VI.

Section 8. Certain Definitions. For purposes of this Article VI, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers, so that any person who is or was a director or officer of such constituent corporation, or is or was a director or officer of such constituent corporation serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VI with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VI, references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VI.

Section 9. Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VI shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 10. Limitation on Indemnification. Notwithstanding anything contained in this Article VI to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 4 hereof), the Corporation shall not be obligated to indemnify any director or officer in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of the Corporation.

Section 11. Indemnification of Employees and Agents. The Corporation may, to the extent authorized from time to time by the Board, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article VI to directors and officers of the Corporation.

ARTICLE VII **AMENDMENTS**

These Bylaws, except as provided by law or the Certificate of Incorporation, or as otherwise set forth in these Bylaws, may be amended or repealed by the Board or by the affirmative vote of a majority of the holders of record of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors. Notwithstanding the foregoing, any provision of these Bylaws that contains a supermajority voting requirement shall only be altered, amended, rescinded or repealed by a vote of the Board or the stockholders entitled to vote thereon that is not less than the supermajority specified in such provision.

NUMBER
OC



SHARES

Orange County Bancorp, Inc.

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

CUSIP: 68417L 10 7
SEE REVERSE FOR CERTAIN DEFINITIONS

THIS CERTIFIES that

is the owner of

FULLY PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK, PAR VALUE \$0.50 PER SHARE OF

Orange County Bancorp, Inc.

transferable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

IN WITNESS WHEREOF, the said Corporation has caused this certificate to be signed by the facsimile signatures of its duly authorized officer and its Corporate seal to be hereunto affixed.

Dated:

VICE PRESIDENT AND CORPORATE SECRETARY



PRESIDENT AND CEO

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	- as tenants in common	UNIF GIFT MIN ACT	- _____ Custodian _____
			(Cust) (Minor)
TEN ENT	- as tenants by the entireties		Under Uniform Gifts to Minors Act
JT TEN	- as joint tenants with right of survivorship and not as tenants in common		_____ (State)

Additional abbreviations may also be used though not in the above list

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE)

_____ Shares of
the Common Stock represented by the within Certificate, and do hereby irrevocably constitute and appoint _____

_____ Attorney
to transfer the said shares on the books of the within named corporation with full power of substitution in the premises.

Dated, _____

X _____

X _____

NOTICE: THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THIS CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER.

Signature(s) Guaranteed

BY: _____

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS ASSOCIATIONS, AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM) PURSUANT TO SEC RULE 17Ad-15.

ORANGE COUNTY BANCORP, INC.

FORM OF 4.25% FIXED TO FLOATING RATE SUBORDINATED NOTE DUE SEPTEMBER 30, 2030

THE INDEBTEDNESS EVIDENCED BY THIS SUBORDINATED NOTE IS NOT A DEPOSIT AND IS NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY OR FUND.

THE INDEBTEDNESS EVIDENCED BY THIS SUBORDINATED NOTE IS SUBORDINATED AND JUNIOR IN RIGHT OF PAYMENT TO SENIOR INDEBTEDNESS (AS DEFINED IN SECTION 3 (SUBORDINATION) OF THIS SUBORDINATED NOTE) OF ORANGE COUNTY BANCORP, INC. (THE "COMPANY"), INCLUDING OBLIGATIONS OF THE COMPANY TO ITS GENERAL AND SECURED CREDITORS AND IS UNSECURED. IT IS INELIGIBLE AS COLLATERAL FOR ANY EXTENSION OF CREDIT BY THE COMPANY OR ANY OF ITS SUBSIDIARIES.

THIS SUBORDINATED NOTE IS A GLOBAL SUBORDINATED NOTE WITHIN THE MEANING OF SECTION 5 OF THIS SUBORDINATED NOTE AND IS REGISTERED IN THE NAME OF CEDE & CO AS NOMINEE OF THE DEPOSITORY TRUST COMPANY ("DTC") OR A NOMINEE OF DTC. THIS SUBORDINATED NOTE IS EXCHANGEABLE FOR SUBORDINATED NOTES REGISTERED IN THE NAME OF A PERSON OTHER THAN DTC OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN SECTION 5 OF THIS SUBORDINATED NOTE, AND NO TRANSFER OF THIS SUBORDINATED NOTE (OTHER THAN A TRANSFER OF THIS SUBORDINATED NOTE AS A WHOLE BY DTC TO A NOMINEE OF DTC OR BY A NOMINEE OF DTC TO DTC OR ANOTHER NOMINEE OF DTC) MAY BE REGISTERED EXCEPT IN LIMITED CIRCUMSTANCES SPECIFIED IN THIS SUBORDINATED NOTE.

UNLESS THIS SUBORDINATED NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY SUBORDINATED NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO, OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS SUBORDINATED NOTE WILL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS SUBORDINATED NOTE WILL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 5 OF THIS SUBORDINATED NOTE.

IN THE EVENT OF LIQUIDATION ALL HOLDERS OF SENIOR INDEBTEDNESS OF THE COMPANY SHALL BE ENTITLED TO BE PAID IN FULL WITH SUCH INTEREST AS MAY BE PROVIDED BY LAW BEFORE ANY PAYMENT SHALL BE MADE ON ACCOUNT OF PRINCIPAL OF OR INTEREST ON THIS SUBORDINATED NOTE. AFTER PAYMENT IN FULL OF ALL SUMS OWING TO SUCH HOLDERS OF SENIOR INDEBTEDNESS, THE HOLDER OF THIS SUBORDINATED NOTE, TOGETHER WITH THE HOLDERS OF ANY OBLIGATIONS OF THE COMPANY RANKING ON A PARITY WITH THE SUBORDINATED NOTES, SHALL BE ENTITLED TO BE PAID FROM THE REMAINING ASSETS OF THE COMPANY THE UNPAID PRINCIPAL AMOUNT OF THIS SUBORDINATED NOTE PLUS ACCRUED AND UNPAID INTEREST THEREON BEFORE ANY PAYMENT OR OTHER DISTRIBUTION, WHETHER IN CASH, PROPERTY OR OTHERWISE, SHALL BE MADE (I) WITH RESPECT TO ANY OBLIGATION THAT BY ITS TERMS EXPRESSLY IS JUNIOR IN THE RIGHT OF PAYMENT TO THE SUBORDINATED NOTES, (II) WITH RESPECT TO ANY INDEBTEDNESS BETWEEN THE COMPANY AND ANY OF ITS SUBSIDIARIES OR AFFILIATES OR (III) ON ACCOUNT OF ANY SHARES OF CAPITAL STOCK OF THE COMPANY.

THIS SUBORDINATED NOTE WILL BE ISSUED AND MAY BE TRANSFERRED ONLY IN MINIMUM DENOMINATIONS OF \$100,000 AND MULTIPLES OF \$1,000 IN EXCESS THEREOF. ANY ATTEMPTED TRANSFER OF THIS SUBORDINATED NOTE IN A DENOMINATION OF LESS THAN \$100,000 SHALL BE DEEMED TO BE VOID AND OF NO LEGAL EFFECT WHATSOEVER. ANY SUCH PURPORTED TRANSFEREE SHALL BE DEEMED NOT TO BE THE HOLDER OF THIS SUBORDINATED NOTE FOR ANY PURPOSE, INCLUDING, BUT NOT LIMITED TO, THE RECEIPT OF PAYMENTS ON THIS SUBORDINATED NOTE, AND SUCH PURPORTED TRANSFEREE SHALL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN THIS SUBORDINATED NOTE.

THIS SUBORDINATED NOTE MAY BE SOLD ONLY IN COMPLIANCE WITH APPLICABLE FEDERAL AND STATE SECURITIES LAWS. THIS SUBORDINATED NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS, OR ANY OTHER APPLICABLE SECURITIES LAWS. NEITHER THIS SUBORDINATED NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

CERTAIN ERISA CONSIDERATIONS:

THE HOLDER OF THIS SUBORDINATED NOTE, OR ANY INTEREST HEREIN, BY ITS ACCEPTANCE HEREOF OR THEREOF AGREES, REPRESENTS AND WARRANTS THAT IT IS NOT AN EMPLOYEE BENEFIT PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER PLAN OR ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”) (EACH, A “PLAN”), OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” BY REASON OF ANY PLAN’S INVESTMENT IN THE ENTITY, AND NO PERSON INVESTING “PLAN ASSETS” OF ANY PLAN MAY ACQUIRE OR HOLD THIS SUBORDINATED NOTE OR ANY INTEREST HEREIN, UNLESS SUCH PURCHASER OR HOLDER IS ELIGIBLE FOR THE EXEMPTIVE RELIEF AVAILABLE UNDER U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION 96-23, 95-60, 91-38, 90-1 OR 84-14 OR ANOTHER APPLICABLE EXEMPTION OR ITS PURCHASE AND HOLDING OF THIS SUBORDINATED NOTE, OR ANY INTEREST HEREIN, ARE NOT PROHIBITED BY SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE WITH RESPECT TO SUCH PURCHASE AND HOLDING. ANY PURCHASER OR HOLDER OF THIS SUBORDINATED NOTE OR ANY INTEREST HEREIN WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE AND HOLDING THEREOF THAT EITHER: (I) IT IS NOT AN EMPLOYEE BENEFIT PLAN OR OTHER PLAN TO WHICH TITLE I OF ERISA OR SECTION 4975 OF THE CODE IS APPLICABLE, A TRUSTEE OR OTHER PERSON ACTING ON BEHALF OF ANY SUCH EMPLOYEE BENEFIT PLAN OR OTHER PLAN, OR ANY OTHER PERSON OR ENTITY USING THE “PLAN ASSETS” OF ANY SUCH PLAN OR OTHER PLAN TO FINANCE SUCH PURCHASE OR (II) SUCH PURCHASE OR HOLDING WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE FOR WHICH FULL EXEMPTIVE RELIEF IS NOT AVAILABLE UNDER APPLICABLE STATUTORY OR ADMINISTRATIVE EXEMPTION.

ANY FIDUCIARY OF ANY PLAN WHO IS CONSIDERING THE ACQUISITION OF THIS SUBORDINATED NOTE OR ANY INTEREST HEREIN SHOULD CONSULT WITH HIS OR HER LEGAL COUNSEL PRIOR TO ACQUIRING THIS SUBORDINATED NOTE OR ANY INTEREST HEREIN.

ORANGE COUNTY BANCORP, INC.

4.25% FIXED TO FLOATING RATE SUBORDINATED NOTE DUE SEPTEMBER 30, 2030

1. **Subordinated Notes.** This Subordinated note is one of an issue of notes of Orange County Bancorp, Inc., a Delaware corporation (the “Company”), designated as the “4.25% Fixed to Floating Rate Subordinated Notes due 2030” (the “Subordinated Notes”) issued pursuant to that Subordinated Note Purchase Agreement dated as of the date upon which this Subordinated Note was originally issued (the “Issue Date”) between the Company and the several purchasers of the Subordinated Notes identified in the signature pages thereto (the “Purchase Agreement”).

2. **Payment.** The Company, for value received, promises to pay to Cede & Co., or its registered assigns, as nominee of The Depository Trust Company, or its registered assigns, the principal sum of [·] (U.S.) (\$[·]), plus accrued but unpaid interest on September 30, 2030 (the “Maturity Date”) and to pay interest thereon (i) from and including the original issue date of the Subordinated Notes to but excluding September 30, 2025 or the earlier redemption date contemplated by Section 4 (Redemption) of this Subordinated Note (the “Fixed Rate Period”), at the rate of 4.25% per annum, computed on the basis of a 360-day year consisting of twelve 30-day months and payable semi-annually in arrears on March 30 and September 30 of each year (each payment date, a “Fixed Interest Payment Date”), beginning March 30, 2021, and (ii) from and including September 30, 2025 to but excluding the Maturity Date or earlier redemption date contemplated by Section 4 (Redemption) of this Subordinated Note (the “Floating Rate Period”), at the rate per annum, reset quarterly, equal to the Floating Interest Rate (as defined below) determined on the Floating Interest Determination Date (as defined below) of the applicable interest period plus 413 basis points, provided, that in the event the Floating Interest Rate is less than zero, then the Floating Interest Rate shall be deemed to be zero, computed on the basis of a 360-day year and the actual number of days elapsed and payable quarterly in arrears (each quarterly period a “Floating Interest Period”) on March 30, June 30, September 30 and December 30 of each year (each payment date, a “Floating Interest Payment Date”). Dollar amounts resulting from this calculation shall be rounded to the nearest cent, with one-half cent being rounded up. The term “Floating Interest Determination Date” means the date upon which the Floating Interest Rate is determined by the Calculation Agent pursuant to the Three-Month Term SOFR Conventions.

- (a) An “Interest Payment Date” is either a Fixed Interest Payment Date or a Floating Interest Payment Date, as applicable.
- (b) The “Floating Interest Rate” means:
 - (i) initially Three-Month Term SOFR (as defined below).
 - (ii) Notwithstanding the foregoing clause (i) of this Section 2(b):

(1) If the Calculation Agent, determines prior to the relevant Floating Interest Determination Date that a Benchmark Transition Event and its related Benchmark Replacement Date (each of such terms as defined below) have occurred with respect to Three-Month Term SOFR, then the Company shall promptly provide notice of such determination to the Noteholders and Section 2(c). (Effect of Benchmark Transition Event) will thereafter apply to all determinations, calculations and quotations made or obtained for the purposes of calculating the Floating Interest Rate payable on the Subordinated Notes during a relevant Floating Interest Period.

(2) However, if the Calculation Agent, determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Three-Month Term SOFR, but for any reason the Benchmark Replacement has not been determined as of the relevant Floating Interest Determination Date, the Floating Interest Rate for the applicable Floating Interest Period will be equal to the Floating Interest Rate on the last Floating Interest Determination Date for the Subordinated Notes, as determined by the Calculation Agent (as defined below).

(iii) If the then-current Benchmark is Three-Month Term SOFR and any of the foregoing provisions concerning the calculation of the interest rate and the payment of interest during the Floating Rate Period are inconsistent with any of the Three-Month Term SOFR Conventions (as defined below) determined by the Company, then the relevant Three-Month Term SOFR Conventions will apply.

(c) Effect of Benchmark Transition Event.

(i) If the Calculation Agent determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time (as defined below) in respect of any determination of the Benchmark (as defined below) on any date, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Subordinated Notes during the relevant Floating Interest Period in respect of such determination on such date and all determinations on all subsequent dates.

(ii) In connection with the implementation of a Benchmark Replacement, the Company will have the right to make Benchmark Replacement Conforming Changes from time to time, and such changes shall become effective without consent from the relevant Noteholders (as defined below) or any other party.

(iii) Any determination, decision or election that may be made by the Company or by the Calculation Agent pursuant to the benchmark transition provisions set forth herein, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date, and any decision to take or refrain from taking any action or any selection:

- (1) will be conclusive and binding absent manifest error;
- (2) if made by the Company, will be made in the Company's sole discretion;

(3) if made by the Calculation Agent, will be made after consultation with the Company, and the Calculation Agent will not make any such determination, decision or election to which the Company reasonably objects; and

(4) notwithstanding anything to the contrary in this Subordinated Note or the Purchase Agreement, shall become effective without consent from the relevant Noteholders (as defined below) or any other party.

(iv) For the avoidance of doubt, after a Benchmark Transition Event and its related Benchmark Replacement Date have occurred, interest payable on this Subordinated Note for the Floating Rate Period will be an annual rate equal to the sum of the applicable Benchmark Replacement and the spread specified on the face hereof.

(v) As used in this Subordinated Note:

(1) “Benchmark” means, initially, Three-Month Term SOFR; provided that if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Three-Month Term SOFR or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement.

(2) “Benchmark Replacement” means the Interpolated Benchmark with respect to the then-current Benchmark; provided that if (a) the Calculation Agent cannot determine the Interpolated Benchmark as of the Benchmark Replacement Date or (b) the then-current Benchmark is Three-Month Term SOFR and a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Three-Month Term SOFR (in which event no Interpolated Benchmark with respect to Three-Month Term SOFR shall be determined), then “Benchmark Replacement” means the first alternative set forth in the order below that can be determined by the Calculation Agent, as of the Benchmark Replacement Date:

- a. The sum of (i) Compounded SOFR and (ii) the Benchmark Replacement Adjustment;
- b. the sum of: (i) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark for the applicable Corresponding Tenor and (ii) the Benchmark Replacement Adjustment;
- c. the sum of: (i) the ISDA Fallback Rate and (ii) the Benchmark Replacement Adjustment;
- d. the sum of: (i) the alternate rate of interest that has been selected by the Company as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar denominated floating rate notes at such time and (ii) the Benchmark Replacement Adjustment.

(3) “Benchmark Replacement Adjustment” means the first alternative set forth in the order below that can be determined by the Calculation Agent, as of the Benchmark Replacement Date:

a. the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

b. if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment;

c. the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Company giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar denominated floating rate notes at such time.

(4) “Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Floating Interest Period,” timing and frequency of determining rates with respect to each Floating Interest Period and making payments of interest, rounding of amounts or tenors and other administrative matters) that the Company decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Company decides that adoption of any portion of such market practice is not administratively feasible or if the Company determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Company determines is reasonably necessary).

(5) “Benchmark Replacement Date” means the earliest to occur of the following events with respect to the then-current Benchmark:

a. in the case of clause (a) of the definition of “Benchmark Transition Event,” the relevant Reference Time in respect of any determination;

b. in the case of clause (b) or (c) of the definition of “Benchmark Transition Event,” the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark; or

c. in the case of clause (d) of the definition of “Benchmark Transition Event,” the date of such public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for purposes of such determination.

(6) “Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

a. if the Benchmark is Three-Month Term SOFR, (i) the Relevant Governmental Body has not selected or recommended a forward-looking term rate for a tenor of three months based on SOFR, (ii) the development of a forward-looking term rate for a tenor of three months based on SOFR that has been recommended or selected by the Relevant Governmental Body is not complete or (iii) the Company determines that the use of a forward-looking rate for a tenor of three months based on SOFR is not administratively feasible;

b. a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that such administrator has ceased or will cease to provide the Benchmark, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;

c. a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark; or

d. a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

(7) “Calculation Agent” means such bank or other entity (which may be the Company or an affiliate of the Company) as may be appointed by the Company to act as Calculation Agent for the Subordinated Notes during the Floating Rate Period.

(8) “Compounded SOFR” means the compounded average of SOFRs for the applicable Corresponding Tenor, with the rate, or methodology for this rate, and conventions for this rate being established by the Company or its designee in accordance with:

a. the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded SOFR; *provided that*:

b. if, and to the extent that, the Company or its designee determines that Compounded SOFR cannot be determined in accordance with clause (a) above, then the rate, or methodology for this rate, and conventions for this rate that have been selected by the Company or its designee giving due consideration to any industry-accepted market practice for U.S. dollar denominated floating rate notes at such time.

For the avoidance of doubt, the calculation of Compounded SOFR will exclude the Benchmark Replacement Adjustment.

(9) “Corresponding Tenor” with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding Business Day adjustment) as the applicable tenor for the then-current Benchmark.

(10) “FRBNY” means the Federal Reserve Bank of New York.

(11) “FRBNY’s Website” means the website of the FRBNY at <http://www.newyorkfed.org>, or any successor source.

(12) “Interpolated Benchmark” with respect to the Benchmark means the rate determined for the Corresponding Tenor by interpolating on a linear basis between: (1) the Benchmark for the longest period (for which the Benchmark is available) that is shorter than the Corresponding Tenor and (2) the Benchmark for the shortest period (for which the Benchmark is available) that is longer than the Corresponding Tenor.

(13) “ISDA” means the International Swaps and Derivatives Association, Inc. or any successor thereto.

(14) “ISDA Definitions” means the 2006 ISDA Definitions published by the ISDA or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

(15) “ISDA Fallback Adjustment” means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark for the applicable tenor.

(16) “ISDA Fallback Rate” means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

(17) “Reference Time” with respect to any determination of a Benchmark means (1) if the Benchmark is Three-Month Term SOFR, the time determined by the Calculation Agent after giving effect to the Three-Month Term SOFR Conventions, and (2) if the Benchmark is not Three-Month Term SOFR, the time determined by the Calculation Agent after giving effect to the Benchmark Replacement Conforming Changes.

(18) “Relevant Governmental Body” means the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and/or the FRBNY, or a committee officially endorsed or convened by the Federal Reserve and/or the FRBNY or any successor thereto.

(19) “SOFR” means the daily Secured Overnight Financing Rate provided by the FRBNY, as the administrator of the benchmark (or a successor administrator), on the FRBNY’s Website.

(20) “Term SOFR” means the forward-looking term rate for the Corresponding Tenor based on SOFR that has been selected or recommended by the Relevant Governmental Body.

(21) “Term SOFR Administrator” means any entity designated by the Relevant Governmental Body as the administrator of Term SOFR (or a successor administrator).

(22) “Three-Month Term SOFR” means the rate for Term SOFR for a tenor of three months that is published by the Term SOFR Administrator at the Reference Time for any Floating Interest Period, as determined by the Calculation Agent after giving effect to the Three-Month Term SOFR Conventions.

(23) “Three-Month Term SOFR Conventions” means any determination, decision or election with respect to any technical, administrative or operational matter (including with respect to the manner and timing of the publication of Three-Month Term SOFR, or changes to the definition of “Floating Interest Period”, timing and frequency of determining Three-Month Term SOFR with respect to each Floating Interest Period and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Company decides may be appropriate to reflect the use of Three-Month Term SOFR as the Benchmark in a manner substantially consistent with market practice (or, if the Company decides that adoption of any portion of such market practice is not administratively feasible or if the Company determines that no market practice for the use of Three-Month Term SOFR exists, in such other manner as the Company determines is reasonably necessary).

(24) “Unadjusted Benchmark Replacement” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(d) In the event that any Fixed Interest Payment Date during the Fixed Rate Period falls on a day that is not a Business Day (as defined below), the interest payment due on that date shall be postponed to the next day that is a Business Day and no additional interest shall accrue as a result of that postponement. In the event that any Floating Interest Payment Date during the Floating Rate Period falls on a day that is not a Business Day (as defined below), the interest payment due on that date shall be postponed to the next day that is a Business Day and interest shall accrue to but excluding the date interest is paid. However, if the postponement would cause the day to fall in the next calendar month during the Floating Interest Period, the Floating Interest Payment Date shall instead be brought forward to the immediately preceding Business Day. The term “Business Day” means any day other than a Saturday or Sunday or any other day on which banking institutions in the State of New York are generally authorized or required by law or executive order to be closed.

3. Subordination.

(a) The indebtedness of the Company evidenced by this Subordinated Note, including the principal and interest on this Subordinated Note, shall be subordinate and junior in right of payment to the prior payment in full of all existing claims of creditors of the Company whether now outstanding or subsequently created, assumed, guaranteed or incurred (collectively, "Senior Indebtedness"), which shall consist of principal of (and premium, if any) and interest, if any, on: (i) all indebtedness and obligations of, or guaranteed or assumed by, the Company for money borrowed, whether or not evidenced by bonds, debentures, securities, notes or other similar instruments, and including, but not limited to all obligations to the Company's general and secured creditors; (ii) any deferred obligations of the Company for the payment of the purchase price of property or assets acquired other than in the ordinary course of business; (iii) all obligations, contingent or otherwise, of the Company in respect of any letters of credit, bankers' acceptances, security purchase facilities and similar direct credit substitutes; (iv) any capital lease obligations of the Company; (v) all obligations of the Company in respect of interest rate swap, cap or other agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts, commodity contracts and other similar arrangements or derivative products; (vi) all obligations that are similar to those in clauses (i) through (v) of other persons for the payment of which the Company is responsible or liable as obligor, guarantor or otherwise arising from an off-balance sheet guarantee; (vii) all obligations of the types referred to in clauses (i) through (vi) of other persons secured by a lien on any property or asset of the Company; and (viii) in the case of (i) through (vii) above, all amendments, renewals, extensions, modifications and refundings of such indebtedness and obligations; *except* "Senior Indebtedness" does not include (A) the Subordinated Notes, (B) any obligation that by its terms expressly is junior to, or ranks equally in right of payment with, the Subordinated Notes, or (C) any indebtedness between the Company and any of its subsidiaries or Affiliates. This Subordinated Note is not secured by any assets of the Company or any of its subsidiaries or Affiliates. The term "Affiliate(s)" means, with respect to any Person (as such term is defined in the Purchase Agreement), such Person's immediate family members, partners, members or parent and subsidiary corporations, and any other Person directly or indirectly controlling, controlled by, or under common control with said Person and their respective Affiliates.

(b) In the event of liquidation of the Company, holders of Senior Indebtedness of the Company shall be entitled to be paid in full with such interest as may be provided by law before any payment shall be made on account of principal of or interest on this Subordinated Note. Additionally, in the event of any insolvency, dissolution, assignment for the benefit of creditors or any liquidation or winding up of or relating to the Company, whether voluntary or involuntary, holders of Senior Indebtedness shall be entitled to be paid in full before any payment shall be made on account of the principal of or interest on the Subordinated Notes, including this Subordinated Note. In the event of any such proceeding, after payment in full of all sums owing with respect to the Senior Indebtedness, the registered holders of the Subordinated Notes from time to time (each a "Noteholder" and, collectively, the "Noteholders"), together with the holders of any obligations of the Company ranking on parity with the Subordinated Notes, shall be entitled to be paid from the remaining assets of the Company the unpaid principal thereof, and the unpaid interest thereon before any payment or other distribution, whether in cash, property or otherwise, shall be made (i) with respect to any obligation that by its terms expressly is junior in the right of payment to the Subordinated Notes, (ii) with respect to any indebtedness between the Company and any of its subsidiaries or Affiliates or (iii) on account of any capital stock.

(c) If there shall have occurred and be continuing (i) a default in any payment with respect to any Senior Indebtedness or (ii) an event of default with respect to any Senior Indebtedness as a result of which the maturity thereof is accelerated, unless and until such payment default or event of default shall have been cured or waived or shall have ceased to exist, no payments shall be made by the Company with respect to the Subordinated Notes. The provisions of this paragraph shall not apply to any payment with respect to which the immediately preceding paragraph of this Section 3 (Subordination) would be applicable.

(d) Nothing herein shall act to prohibit, limit or impede the Company from issuing additional debt of the Company having the same rank as the Subordinated Notes or which may be junior or senior in rank to the Subordinated Notes. Each Noteholder, by its acceptance hereof, further acknowledges and agrees that the foregoing subordination provisions are, and are intended to be, an inducement and a consideration for each holder of any Senior Indebtedness, whether such Senior Indebtedness was created or acquired before or after the issuance of the Subordinated Notes, to acquire and continue to hold, or to continue to hold, such Senior Indebtedness, and such holder of Senior Indebtedness shall be deemed conclusively to have relied on such subordination provisions in acquiring and continuing to hold or in continuing to hold such Senior Indebtedness.

4. Redemption.

(a) Redemption Prior to Fifth Anniversary. This Subordinated Note shall not be redeemable by the Company in whole or in part prior to September 30, 2025 except in the event of a: (i) Tier 2 Capital Event (as defined below); (ii) Tax Event (as defined below); or (iii) Investment Company Event (as defined below). Upon the occurrence of a Tier 2 Capital Event, a Tax Event or an Investment Company Event, the Company may redeem this Subordinated Note, subject to Section 4(f) (Regulatory Approvals) hereof, in whole or in part at any time, upon giving not less than 10 days' notice to the holder of this Subordinated Note at an amount equal to 100% of the outstanding principal amount being redeemed plus accrued but unpaid interest, to but excluding the redemption date. "Tier 2 Capital Event" means the Company's good faith determination that, as a result of (1) any amendment to, or change in, the laws, rules or regulations of the United States (including, for the avoidance of doubt, any agency or instrumentality of the United States, including the Federal Reserve and other federal bank regulatory agencies) or any political subdivision of or in the United States that is enacted or becomes effective after the issue date of this Subordinated Note, (2) any proposed change in those laws, rules or regulations that is announced or becomes effective after the issue date of this Subordinated Note, or (3) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules, regulations, policies or guidelines with respect thereto that is announced after the issue date of this Subordinated Note, there is more than an insubstantial risk that the Company will not be entitled to treat the Subordinated Notes then outstanding as Tier 2 capital (or its equivalent) for purposes of capital adequacy guidelines of the Federal Reserve Board, as then in effect and applicable to the Company ("Tier 2 Capital"), for so long as any Subordinated Notes are outstanding. "Tax Event" means the receipt by the Company of an opinion of independent tax counsel experienced in such matters to the effect that as a result of (1) an amendment to or change (including any announced prospective amendment or change) in any law or treaty, or any regulation thereunder, of the United States or any of its political subdivisions or taxing authorities; (2) a judicial decision, administrative action, official administrative pronouncement, ruling, regulatory procedure, regulation, notice or announcement, including any notice or announcement of intent to adopt or promulgate any ruling, regulatory procedure or regulation (any of the foregoing, an "Administrative or Judicial Action"); or (3) an amendment to or change in any official position with respect to, or any interpretation of, an Administrative or Judicial Action or a law or regulation of the United States that differs from the previously generally accepted position or interpretation, in each case, which change or amendment or challenge becomes effective or which pronouncement, decision or challenge is announced on or after the issue date of this Subordinated Note, there is more than an insubstantial risk that interest payable by the Company on the Subordinated Notes is not, or within 90 days of such opinion, will not be, deductible by the Company, in whole or in part, for United States federal income tax purposes. "Investment Company Event" means receipt by the Company of an opinion of independent counsel experienced in such matters to the effect that there is more than an insubstantial risk that the Company is or, within 90 days of the date of such legal opinion will be, considered an "investment company" that is required to be registered under the Investment Company Act of 1940, as amended.

(b) Redemption on or after Fifth Anniversary. On or after September 30, 2025, subject to the provisions of Section 4(f) (Regulatory Approvals) hereof, this Subordinated Note shall be redeemable at the option of and by the Company, in whole or in part from time to time upon any Interest Payment Date, at an amount equal to 100% of the outstanding principal amount being redeemed plus accrued but unpaid interest, to but excluding the redemption date, but in all cases in a principal amount with integral multiples of \$1,000. In addition, the Company may redeem all or a portion of the Subordinated Notes, at any time upon the occurrence of a Tier 2 Capital Event, Tax Event or an Investment Company Event. The redemption referenced in this Section 4(b) (Redemption on or after Fifth Anniversary) shall be subject to the receipt of any required regulatory approval.

(c) Partial Redemption. If less than the then outstanding principal amount of this Subordinated Note is redeemed, (i) a new Subordinated Note shall be issued representing the unredeemed portion without charge to the holder thereof and (ii) such redemption shall be effected on a pro rata basis as to the Noteholders. For purposes of clarity, upon a partial redemption, a like percentage of the principal amount of every Subordinated Note held by every Noteholder shall be redeemed.

(d) No Redemption at Option of Noteholder. This Subordinated Note is not subject to redemption at the option of the holder of this Subordinated Note.

(e) Effectiveness of Redemption. If notice of redemption has been duly given and notwithstanding that this Subordinated Note has been called for redemption but has not yet been surrendered for cancellation, on and after the date fixed for redemption interest shall cease to accrue on the portion of this Subordinated Note called for redemption, this Subordinated Note shall no longer be deemed outstanding with respect to the portion called for redemption and all rights with respect to the portion of this Subordinated Note called for redemption shall forthwith on such date fixed for redemption cease and terminate unless the Company shall default in the payment of the redemption price, except only the right of the holder hereof to receive the amount payable on such redemption, without interest. For purposes of clarity, any redemption made pursuant to the terms of this Subordinated Note shall be made on a pro rata basis, and, for purposes of a redemption processed through DTC, on a “Pro Rata Pass-Through Distribution of Principal” basis, among all of the Subordinated Notes outstanding at the time thereof.

(f) Regulatory Approvals. Any such redemption shall be subject to receipt of any and all required federal and state regulatory approvals or non-objections, including, but not limited to, the consent of the Federal Reserve. In the case of any redemption of this Subordinated Note pursuant to paragraph (b) of this Section 4 (Redemption on or after Fifth Anniversary), the Company will give the holder hereof notice of redemption, which notice shall indicate the aggregate principal amount of Subordinated Notes to be redeemed, not less than thirty (30) nor more than sixty (60) calendar days prior to the redemption date.

(g) Purchase and Resale of the Subordinated Notes. Subject to any required federal and state regulatory approvals and the provisions of this Subordinated Note, the Company shall have the right to purchase any of the Subordinated Notes at any time in the open market, private transactions or otherwise. If the Company purchases any Subordinated Notes, it may, in its discretion, hold, resell or cancel any of the purchased Subordinated Notes.

5. Global Subordinated Notes.

(a) Provided that applicable depository eligibility requirements are met, the Subordinated Notes owned by Noteholders that are Qualified Institutional Buyers and/or institutional “accredited investors” shall be issued in the form of one or more Global Subordinated Notes (each a “Global Subordinated Note”) registered in the name of The Depository Trust Company or another organization registered as a clearing agency under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and designated as Depository by the Company or any successor thereto (the “Depository”) or a nominee thereof and delivered to such Depository or a nominee thereof.

(b) Notwithstanding any other provision herein, no Global Subordinated Note may be exchanged in whole or in part for Subordinated Notes registered, and no transfer of a Global Subordinated Note in whole or in part may be registered, in the name of any person other than the Depository for such Global Subordinated Note or a nominee thereof unless (i) such Depository advises the Company in writing that such Depository is no longer willing or able to properly discharge its responsibilities as Depository with respect to such Global Subordinated Note, and no qualified successor is appointed by the Company within ninety (90) days of receipt by the Company of such notice, (ii) such Depository ceases to be a clearing agency registered under the Exchange Act and no successor is appointed by the Company within ninety (90) days after obtaining knowledge of such event, (iii) the Company elects to terminate the book-entry system through the Depository or (iv) an Event of Default (as defined in Section 6 (Events of Default; Acceleration)) shall have occurred and be continuing. Upon the occurrence of any event specified in clause (i), (ii), (iii) or (iv) of this Section 5(b), the Company or its agent shall notify the Depository and instruct the Depository to notify all owners of beneficial interests in such Global Subordinated Note of the occurrence of such event and of the availability of Subordinated Notes to such owners of beneficial interests requesting the same.

(c) If any Global Subordinated Note is to be exchanged for other Subordinated Notes or canceled in part, or if another Subordinated Note is to be exchanged in whole or in part for a beneficial interest in any Global Subordinated Note, then either (i) such Global Subordinated Note shall be so surrendered for exchange or cancellation as provided in this Section 5 or (ii) the principal amount thereof shall be reduced or increased by an amount equal to the portion thereof to be so exchanged or canceled, or equal to the principal amount of such other Subordinated Note to be so exchanged for a beneficial interest therein, as the case may be, by means of an appropriate adjustment made on the records of the Company or, if applicable, the Company’s registrar and transfer agent (“Registrar”), whereupon the Company or, if applicable, the Registrar, in accordance with the applicable rules and procedures of the Depository (“Applicable Depository Procedures”), shall instruct the Depository or its authorized representative to make a corresponding adjustment to its records. Upon any such surrender or adjustment of a Global Subordinated Note by the Depository, accompanied by registration instructions, the Company shall execute and deliver any Subordinated Notes issuable in exchange for such Global Subordinated Note (or any portion thereof) in accordance with the instructions of the Depository.

(d) Every Subordinated Note executed and delivered upon registration of transfer of, or in exchange for or in lieu of, a Global Subordinated Note or any portion thereof shall be executed and delivered in the form of, and shall be, a Global Subordinated Note, unless such Subordinated Note is registered in the name of a person other than the Depositary for such Global Subordinated Note or a nominee thereof.

(e) The Depositary or its nominee, as the registered owner of a Global Subordinated Note, shall be the holder of such Global Subordinated Note for all purposes under this Subordinated Note, and owners of beneficial interests in a Global Subordinated Note shall hold such interests pursuant to Applicable Depositary Procedures. Accordingly, any such owner's beneficial interest in a Global Subordinated Note shall be shown only on, and the transfer of such interest shall be effected only through, records maintained by the Depositary or its nominee or its Depositary participants. If applicable, the Registrar shall be entitled to deal with the Depositary for all purposes relating to a Global Subordinated Note (including the payment of principal and interest thereon and the giving of instructions or directions by owners of beneficial interests therein and the giving of notices) as the sole holder of the Subordinated Note and shall have no obligations to the owners of beneficial interests therein. The Registrar shall have no liability in respect of any transfers undertaken by the Depositary.

(f) The rights of owners of beneficial interests in a Global Subordinated Note shall be exercised only through the Depositary and shall be limited to those established by law and agreements between such owners and the Depositary and/or its participants.

(g) No holder of any beneficial interest in any Global Subordinated Note held on its behalf by a Depositary shall have any rights with respect to such Global Subordinated Note, and such Depositary may be treated by the Company and any agent of the Company as the owner of such Global Subordinated Note for all purposes whatsoever. Neither the Company nor any agent of the Company will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Subordinated Note or maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Notwithstanding the foregoing, nothing herein shall prevent the Company or any agent of the Company from giving effect to any written certification, proxy or other authorization furnished by a Depositary or impair, as between a Depositary and such holders of beneficial interests, the operation of customary practices governing the exercise of the rights of the Depositary (or its nominee) as holder of any Subordinated Note.

6. Events of Default; Acceleration.

Each of the following events shall constitute an “Event of Default”:

- (a) the entry of a decree or order for relief in respect of the Company by a court having jurisdiction in the premises in an involuntary case or proceeding under any applicable bankruptcy, insolvency, or reorganization law, now or hereafter in effect of the United States or any political subdivision thereof, and such decree or order will have continued unstayed and in effect for a period of sixty (60) consecutive days;
- (b) the commencement by the Company of a voluntary case under any applicable bankruptcy, insolvency or reorganization law, now or hereafter in effect of the United States or any political subdivision thereof, or the consent by the Company to the entry of a decree or order for relief in an involuntary case or proceeding under any such law;
- (c) the Company (i) becomes insolvent or is unable to pay its debts as they mature, (ii) makes an assignment for the benefit of creditors, (iii) admits in writing its inability to pay its debts as they mature or (iv) ceases to be a bank holding company or financial holding company under the Bank Holding Company Act of 1956, as amended;
- (d) the failure of the Company to pay any installment of interest on any of the Subordinated Notes as and when the same will become due and payable, and the continuation of such failure for a period of fifteen (15) days;
- (e) the failure of the Company to pay all or any part of the principal of any of the Subordinated Notes as and when the same will become due and payable;
- (f) the liquidation of the Company (for avoidance of doubt, “liquidation” does not include any merger, consolidation, sale of equity or assets or reorganization (exclusive of a reorganization in bankruptcy) of the Company or any of its subsidiaries);
- (g) the failure of the Company to perform any other covenant or agreement on the part of the Company contained in the Subordinated Notes, and the continuation of such failure for a period of thirty (30) days after the date on which notice specifying such failure, stating that such notice is a “Notice of Default” hereunder and demanding that the Company remedy the same, will have been given, in the manner set forth in Section 22 (Notices), to the Company by a Noteholder; or
- (h) the default by the Company under any bond, debenture, note or other evidence of indebtedness for money borrowed by the Company having an aggregate principal amount outstanding of at least \$25,000,000, whether such indebtedness now exists or is created or incurred in the future, which default (i) constitutes a failure to pay any portion of the principal of such indebtedness when due and payable after the expiration of any applicable grace period or (ii) results in such indebtedness becoming due or being declared due and payable prior to the date on which it otherwise would have become due and payable without, in the case of clause (i), such indebtedness having been discharged or, in the case of clause (ii), without such indebtedness having been discharged or such acceleration having been rescinded or annulled.

Unless the principal amount of this Subordinated Note already shall have become due and payable, if an Event of Default set forth in Section 6(a) or Section 6(b) above shall have occurred and be continuing, the Noteholder, by notice in writing to the Company, may declare the principal amount of this Subordinated Note to be due and payable immediately and, upon any such declaration, the same shall become and shall be immediately due and payable, and the Company waives demand, presentment for payment, notice of nonpayment, notice of protest, and all other notices. Notwithstanding the foregoing, because the Company will treat the Subordinated Notes as Tier 2 Capital, upon the occurrence of an Event of Default other than an Event of Default described in Section 6(a) or Section 6(b), no Noteholder may accelerate the Stated Maturity of the Subordinated Notes and make the principal of, and any accrued and unpaid interest on, the Subordinated Notes, immediately due and payable. The Company, within forty-five (45) calendar days after the receipt of written notice from any Noteholder of the occurrence of an Event of Default with respect to this Subordinated Note, shall mail to all Noteholders, at their addresses shown on the Security Register (as defined in Section 14 (Registration of Transfer, Security Register) below), such written notice of Event of Default, unless such Event of Default shall have been cured or waived before the giving of such notice as certified by the Company in writing.

7. **Failure to Make Payments.** In the event of an Event of Default under Section 6(c), Section 6(d) or Section 6(e) above, the Company will, upon demand of the Noteholder, pay to the Noteholder the amount then due and payable on this Subordinated Note for principal and interest (without acceleration of the Subordinated Note in any manner), with interest on the overdue principal and interest at the per annum rate borne by this Subordinated Note, to the extent permitted by applicable law. If the Company fails to pay such amount upon such demand, the holder of this Subordinated Note may, among other things, institute a judicial proceeding for the collection of the sums so due and unpaid and such amount as shall be sufficient to cover the reasonable costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of such Noteholder, its agents and counsel, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company and collect the amounts adjudged or decreed to be payable in the manner provided by law out of the property of the Company.

Upon the occurrence of a failure by the Company to make any required payment of principal or interest on this Subordinated Note or an Event of Default, until such Event of Default is cured by the Company or waived by the Noteholders in accordance with Section 18 (Waiver and Consent) hereof, except as may be required by any federal or state bank regulatory agency, the Company shall not: (a) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Company's capital stock; (b) make any payment of principal or interest or premium, if any, on or repay, repurchase or redeem any indebtedness of the Company that ranks equal with or junior to the Subordinated Notes; or (c) make any payments under any guarantee that ranks equal with or junior to the Subordinated Notes, other than: (i) any dividends or distributions in shares of, or options, warrants or rights to subscribe for or purchase shares of, any class of the Company's common stock; (ii) any declaration of a non-cash dividend in connection with the implementation of a shareholders' rights plan, or the issuance of stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto; (iii) as a result of a reclassification of the Company's capital stock or the exchange or conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock; (iv) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged; or (v) purchases of any class of the Company's common stock related to the issuance of common stock or rights under any benefit plans for the Company's directors, officers or employees or any of the Company's dividend reinvestment plans (the foregoing clauses (i) through (v) are collectively referred to as the "Permitted Dividends").

8. **Affirmative Covenants of the Company.**

(a) **Notice of Certain Events.** To the extent permitted by applicable statute, rule or regulation, unless the Company is then subject to Section 13 or 15(d) of the Exchange Act, the Company shall provide written notice to the Noteholder of the occurrence of any of the following events as soon as practicable, but in no event later than fifteen (15) Business Days following the Company becoming aware of the occurrence of such event:

(i) The Company or any of its banking subsidiaries become less than “well-capitalized” as defined under the then applicable regulatory capital standards;

(ii) The Company, or any of the Company’s subsidiaries, or any officer of the Company (in such capacity), becomes subject to any formal, written regulatory enforcement action (as defined by the applicable state or federal bank regulatory authority);

(iii) The dollar amount of any nonperforming assets of the Company on a consolidated basis as of the end of a given fiscal quarter as a percentage of the Company’s total loan portfolio exceeds four percent (4.00%);

(iv) The appointment, resignation, removal or termination of the chief executive officer or president of the Company or Orange Bank & Trust Company (the “Bank”); or

(v) There is a change in ownership of 25% or more of the outstanding securities of the Company entitled to vote for the election of directors.

(b) **Payment of Principal and Interest.** The Company covenants and agrees for the benefit of the Noteholder that it will duly and punctually pay the principal of, and interest on, this Subordinated Note, in accordance with the terms hereof.

(c) **Maintenance of Office.** The Company will maintain an office or agency in the Borough of Manhattan, New York, New York or the City of Houston, Texas, where Subordinated Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Company in respect of the Subordinated Notes may be served.

The Company may also from time to time designate one or more other offices or agencies where the Subordinated Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided that no such designation or rescission will in any manner relieve the Company of its obligation to maintain an office or agency in the State of New York or the State of Texas. The Company will give prompt written notice to the Noteholders of any such designation or rescission and of any change in the location of any such other office or agency.

(d) Corporate Existence. The Company will do or cause to be done all things necessary to preserve and keep in full force and effect: (i) the corporate existence of the Company; (ii) the existence (corporate or other) of each subsidiary; and (iii) the rights (constituent governing documents and statutory), licenses and franchises of the Company and each of its subsidiaries; *provided, however*, that the Company will not be required to preserve the existence (corporate or other) of any of its subsidiaries or any such right, license or franchise of the Company or any of its subsidiaries if the Board of Directors of the Company determines that the preservation thereof is no longer desirable in the conduct of the business of the Company and its subsidiaries taken as a whole and that the loss thereof will not be disadvantageous in any material respect to the Noteholders.

(e) Maintenance of Properties. The Company will, and will cause each subsidiary to, cause all its properties used or useful in the conduct of its business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; *provided, however*, that nothing in this Section 8(e) will prevent the Company or any subsidiary from discontinuing the operation and maintenance of any of their respective properties if such discontinuance is, in the reasonable judgment of the Board of Directors of the Company or of any subsidiary, as the case may be, desirable in the conduct of its business.

(f) Transfer of Voting Stock. The Company will not, nor will it permit the Bank to, directly or indirectly, sell, assign, transfer or otherwise dispose of any shares of, securities convertible into, or options, warrants or rights to subscribe for or purchase shares of, Voting Stock (as defined below) of the Bank or any successor thereof or any subsidiary of the Company that is a depository institution and that has consolidated assets equal to 30% or more of the Company's consolidated assets ("Material Subsidiary"), nor will the Company permit the Material Subsidiary to issue any shares of, or securities convertible into, or options, warrants or rights to subscribe for or purchase shares of, Voting Stock of the Material Subsidiary if, in each case, after giving effect to any such transaction and to the issuance of the maximum number of shares of Voting Stock of the Material Subsidiary issuable upon the exercise of all such convertible securities, options, warrants or rights, the Company would cease to own, directly or indirectly, at least 80% of the issued and outstanding Voting Stock of the Material Subsidiary. "Voting Stock" means outstanding shares of capital stock having voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power because of default in dividends or other default.

(g) Waiver of Certain Covenants. The Company may omit in any particular instance to comply with any term, provision or condition set forth in Section 8(c) (Maintenance of Office), Section 8(d) (Corporate Existence), Section 8(e) (Maintenance of Properties), or Section 8(f) (Transfer of Voting Stock) above, with respect to this Subordinated Note if before the time for such compliance the Noteholders of at least a majority in aggregate principal amount of the outstanding Subordinated Notes, by act of such Noteholders, either will waive such compliance in such instance or generally will have waived compliance with such term, provision or condition, but no such waiver will extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver will become effective, the obligations of the Company in respect of any such term, provision or condition will remain in full force and effect.

(h) Tier 2 Capital. Whether or not the Company is subject to consolidated capital requirements under applicable regulations of the Federal Reserve, if all or any portion of the Subordinated Notes ceases to be deemed to be Tier 2 Capital, other than due to the limitation imposed on the capital treatment of subordinated debt during the five (5) years immediately preceding the Stated Maturity of the Subordinated Notes, the Company will promptly notify the Noteholders and thereafter, the Company and the Noteholders will work together in good faith to execute and deliver all agreements as reasonably necessary in order to restructure the applicable portions of the obligations evidenced by the Subordinated Notes to qualify as Tier 2 Capital; *provided, however*, that nothing contained in this Section 8(i) (Tier 2 Capital) shall limit the Company's right to redeem the Subordinated Notes upon the occurrence of a Tier 2 Capital Event pursuant to Section 4(a) (Redemption Prior to Fifth Anniversary) or Section 4(b) (Redemption on or after Fifth Anniversary).

(i) Compliance with Laws. The Company shall comply with the requirements of all laws, regulations, orders and decrees applicable to it or its properties, except for such noncompliance that would not reasonably be expected to have a Material Adverse Effect (as such term is defined in the Purchase Agreement) on the Company and its subsidiaries taken as a whole.

(j) Taxes and Assessments. The Company shall punctually pay and discharge all material taxes, assessments, and other governmental charges or levies imposed upon it or upon its income or upon any of its properties; *provided*, that no such taxes, assessments or other governmental charges need be paid if they are being contested in good faith by the Company.

(k) Financial Statements; Access to Records.

(i) Unless the Company is then subject to Section 13 or 15(d) of the Exchange Act, not later than forty-five (45) days following the end of each semi-annual or quarterly period, as applicable, for which the Company has not submitted a Consolidated Financial Statements for Holding Companies Reporting Form FR Y-9C to the Federal Reserve, upon request, the Company shall provide the Noteholder with a copy of the Company's unaudited parent company only balance sheet and statement of income (loss) for and as of the end of such immediately preceding fiscal quarter, prepared in accordance with past practice. Quarterly financial statements, if required herein, shall be unaudited and need not comply with GAAP.

(ii) Unless the Company is then subject to Section 13 or 15(d) of the Exchange Act, not later than ninety (90) days from the end of each fiscal year, upon request the Company shall provide the Noteholder with copies of the Company's audited financial statements consisting of the consolidated balance sheet of the Company as of the fiscal year end and the related statements of income (loss) and retained earnings, stockholders' equity and cash flows for the fiscal year then ended. Such financial statements shall be prepared in accordance with GAAP applied on a consistent basis throughout the period involved.

(iii) In addition to the foregoing Sections 8(k)(i) and (j), if a Noteholder holds at least fifty percent (50%) in aggregate principal amount (excluding any Subordinated Notes held by Company or any of its Affiliates) of the Subordinated Notes at the time outstanding, the Company agrees to furnish to such Noteholder, upon request, with such financial and business information of the Company and the Bank as such Noteholder may reasonably request as may be reasonably necessary or advisable to allow such Noteholder to confirm compliance by the Company with this Note.

(l) Company Statement as to Compliance. The Company will deliver to the Noteholders, within one hundred twenty (120) days after the end of each fiscal year, an Officer's Certificate covering the preceding fiscal year, stating whether or not, to the best of the certifying officer's knowledge, the Company is in default in the performance and observance of any of the terms, provisions and conditions of this Subordinated Note (without regard to notice requirements or periods of grace) and if the Company will be in default, specifying all such defaults and the nature and status thereof of which such officer may have knowledge.

9. **Negative Covenants of the Company.**

(a) Limitation on Dividends. The Company shall not declare or pay any dividend or make any distribution on capital stock or other equity securities of any kind of the Company if the Company is not "well capitalized" for regulatory purposes immediately prior to the declaration of such dividend or distribution, except for Permitted Dividends.

(b) Merger or Sale of Assets. The Company shall not merge into another entity, effect a Change in Bank Control (as defined below) or convey, transfer or lease substantially all of its properties and assets to any person, unless:

(i) the continuing entity into which the Company is merged or the person which acquires by conveyance or transfer or which leases substantially all of the properties and assets of the Company shall be a corporation, association or other legal entity organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and expressly assumes the due and punctual payment of the principal of and any premium and interest on the Subordinated Notes according to their terms, and the due and punctual performance of all covenants and conditions hereof on the part of the Company to be performed or observed; and

(ii) immediately after giving effect to such transaction, no Event of Default (as defined above), and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing.

"Change in Bank Control" means the sale, transfer, lease or conveyance by the Company, or an issuance of equity securities by the Bank other than to the Company, in either case resulting in ownership by the Company of less than 50% of the Bank.

10. Denominations. The Subordinated Notes are issuable only in registered form without interest coupons in minimum denominations of \$100,000 and integral multiples of \$1,000 in excess thereof.

11. **Charges and Transfer Taxes.** No service charge will be made for any registration of transfer or exchange of this Subordinated Note, or any redemption or repayment of this Subordinated Note, or any conversion or exchange of this Subordinated Note for other types of securities or property, but the Company may require payment of a sum sufficient to pay all taxes, assessments or other governmental charges that may be imposed in connection with the transfer or exchange of this Subordinated Note from the Noteholder requesting such transfer or exchange.

12. **Payment Procedures.** Payment of the principal and interest payable on the Maturity Date will be made by check, by wire transfer or by Automated Clearing House (ACH) transfer in immediately available funds to a bank account in the United States designated by the registered Noteholder if such Noteholder shall have previously provided wire instructions to the Company, upon presentation and surrender of this Subordinated Note at the Payment Office (as defined in Section 22 (Notices) below) or at such other place or places as the Company shall designate by notice to the registered Noteholders as the Payment Office, provided that this Subordinated Note is presented to the Company in time for the Company to make such payments in such funds in accordance with its normal procedures. Payments of interest (other than interest payable on the Maturity Date) shall be made on each Interest Payment Date by wire transfer in immediately available funds or check mailed to the registered Noteholder, as such person's address appears on the Security Register. Interest payable on any Interest Payment Date shall be payable to the Noteholder in whose name this Subordinated Note is registered at the close of business on the fifteenth (15th) calendar day prior to the applicable Interest Payment Date, without regard to whether such date is a Business Day, except that interest not paid on the Interest Payment Date, if any, will be paid to the holder in whose name this Subordinated Note is registered at the close of business on a special record date fixed by the Company (a "Special Record Date"), notice of which shall be given to the Noteholder not less than ten (10) calendar days prior to such Special Record Date. To the extent permitted by applicable law, interest shall accrue, at the rate at which interest accrues on the principal of this Subordinated Note, on any amount of principal or interest on this Subordinated Note not paid when due. All payments on this Subordinated Note shall be applied first against costs and expenses of the Noteholder, if any, for which the Company is liable under this Subordinated Note; then against interest due hereunder; and then against principal due hereunder. The Noteholder acknowledges and agrees that the payment of all or any portion of the outstanding principal amount of this Subordinated Note and all interest hereon shall be *pari passu* in right of payment and in all other respects to the other Subordinated Notes. In the event that the Noteholder receives payments in excess of its pro rata share of the Company's payments to the holders of all of the Subordinated Notes, then the Noteholder shall hold in trust all such excess payments for the benefit of the other Noteholders and shall pay such amounts held in trust to such other holders upon demand by such holders.

13. **Form of Payment.** Payments of principal of and interest on this Subordinated Note shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

14. **Registration of Transfer, Security Register.** Except as otherwise provided herein, this Subordinated Note is transferable in whole or in part, and may be exchanged for a like aggregate principal amount of Subordinated Notes of other authorized denominations, by the Noteholder in person, or by its attorney duly authorized in writing, at the Payment Office or the offices of the Registrar. The Company or its agent (the "Registrar") shall maintain a register providing for the registration of the Subordinated Notes and any exchange or transfer thereof (the "Security Register"). Upon surrender or presentation of this Subordinated Note for exchange or registration of transfer, the Company or the Registrar shall execute and deliver in exchange therefor a Subordinated Note or Subordinated Notes of like aggregate principal amount, each in a minimum denomination of \$100,000 or any amount in excess thereof which is an integral multiple of \$1,000 (and, in the absence of an opinion of counsel satisfactory to the Company to the contrary, bearing the restrictive legend(s) set forth hereinabove) and that is or are registered in such name or names requested by the Noteholder. Any Subordinated Note presented or surrendered for registration of transfer or for exchange shall be duly endorsed and accompanied by a written instrument of transfer in such form as is attached hereto and incorporated herein, duly executed by the Noteholder or its attorney duly authorized in writing, with such tax identification number or other information for each person in whose name a Subordinated Note is to be issued, and accompanied by evidence of compliance with any restrictive legend(s) appearing on such Subordinated Note or Subordinated Notes as the Company may reasonably request to comply with applicable law. No exchange or registration of transfer of this Subordinated Note shall be made on or after (i) the fifteenth (15th) day immediately preceding the Maturity Date or (ii) the due delivery of notice of redemption.

15. **Successors and Assigns.** This Subordinated Note shall be binding upon the Company and inure to the benefit of the Noteholder and its respective successors and permitted assigns. The Noteholder may assign all, or any part of, or any interest in, the Noteholder's rights and benefits hereunder only to the extent and in the manner permitted by the terms of this Note. To the extent of any such assignment, such assignee shall have the same rights and benefits against the Company and shall agree to be bound by and to comply with the terms and conditions of the Purchase Agreement as it would have had if it were the Noteholder hereunder.

16. **Priority.** The Subordinated Notes rank *pari passu* among themselves and *pari passu*, in the event of any insolvency proceeding, dissolution, assignment for the benefit of creditors, reorganization, restructuring of debt, marshaling of assets and liabilities or similar proceeding or any liquidation or winding up of the Company, with all other present or future unsecured subordinated debt obligations of the Company, except any unsecured subordinated debt that, pursuant to its express terms, is senior or subordinate in right of payment to the Subordinated Notes.

17. **Ownership.** Prior to due presentment of this Subordinated Note for registration of transfer, the Company may treat the holder in whose name this Subordinated Note is registered in the Security Register as the absolute owner of this Subordinated Note for receiving payments of principal and interest on this Subordinated Note and for all other purposes whatsoever, whether or not this Subordinated Note be overdue, and the Company shall not be affected by any notice to the contrary.

18. Waiver and Consent.

(a) This Subordinated Note may be amended or waived pursuant to, and in accordance with, the provisions set forth herein and as set forth in Section 7.3 of the Purchase Agreement. Any such consent or waiver given by the Noteholder shall be conclusive and binding upon such Noteholder and upon all subsequent holders of this Subordinated Note and of any Subordinated Note issued upon the registration of transfer hereof or in exchange therefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Subordinated Note. No delay or omission of the Noteholder to exercise any right or remedy accruing upon any Event of Default shall impair such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Any insured depository institution which shall be a Noteholder or which otherwise shall have any beneficial ownership interest in this Subordinated Note shall, by its acceptance of such Subordinated Note (or beneficial interest therein), be deemed to have waived any right of offset with respect to the indebtedness evidenced thereby.

(b) No waiver or amendment of any term, provision, condition, covenant or agreement in the Subordinated Notes shall be effective except with the consent of the Noteholders holding not less than fifty percent (50%) in aggregate principal amount (excluding any Subordinated Notes held by the Company or any of its Affiliates) of the Subordinated Notes at the time outstanding; *provided, however*, that without the consent of each Noteholder of an affected Subordinated Note, no such amendment or waiver may: (i) reduce the principal amount of any Subordinated Note; (ii) reduce the rate of or change the time for payment of interest on any Subordinated Note; (iii) extend the maturity of any Subordinated Note; (iv) change the currency in which payment of the obligations of the Company under the Subordinated Notes are to be made; (v) lower the percentage of aggregate principal amount of outstanding Subordinated Notes required to approve any amendment of the Subordinated Notes; (vi) make any changes to Section 4(c) (Partial Redemption), Section 6 (Events of Default; Acceleration), Section 7 (Failure to Make Payments), Section 16 (Priority), or Section 18 (Waiver and Consent) of the Subordinated Notes that adversely affects the rights of any Noteholder; or (vii) disproportionately affect the rights of any of the holders of the then outstanding Subordinated Notes. Notwithstanding the foregoing, the Company may amend or supplement the Subordinated Notes without the consent of the Noteholders to cure any ambiguity, defect or inconsistency or to provide for uncertificated Subordinated Notes in addition to or in place of certificated Subordinated Notes, or to make any change that does not adversely affect the rights of any Noteholder of any of the Subordinated Notes. No failure to exercise or delay in exercising, by any Noteholder of the Subordinated Notes, of any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right or remedy provided by law, except as restricted hereby. The rights and remedies provided in this Subordinated Note are cumulative and not exclusive of any right or remedy provided by law or equity. No notice or demand on the Company in any case shall, in itself, entitle the Company to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Noteholders to any other or further action in any circumstances without notice or demand. No consent or waiver, expressed or implied, by the Noteholders to or of any breach or default by the Company in the performance of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance of the same or any other obligations of the Company hereunder. Failure on the part of the Noteholders to complain of any acts or failure to act or to declare an Event of Default, irrespective of how long such failure continues, shall not constitute a waiver by the Noteholders of their rights hereunder or impair any rights, powers or remedies on account of any breach or default by the Company.

19. Absolute and Unconditional Obligation of the Company.

(a) No provisions of this Subordinated Note shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal and interest on this Subordinated Note at the times, places and rate, and in the coin or currency, herein prescribed.

(b) No delay or omission of the Noteholder to exercise any right or remedy accruing upon any Event of Default shall impair such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein.

(c) Any insured depository institution which shall be a Noteholder or which otherwise shall have any beneficial ownership interest in this Subordinated Note shall, by its acceptance of such Note (or beneficial interest therein), be deemed to have waived any right of offset with respect to the indebtedness evidenced thereby.

20. No Sinking Fund; Convertibility. This Subordinated Note is not entitled to the benefit of any sinking fund. This Subordinated Note is not convertible into or exchangeable for any of the equity securities, other securities or assets of the Company or any subsidiary of the Company.

21. No Recourse Against Others. No recourse under or upon any obligation, covenant or agreement contained in this Subordinated Note, or for any claim based thereon or otherwise in respect thereof, will be had against any past, present or future shareholder, employee, officer, or director, as such, of the Company or of any predecessor or successor, either directly or through the Company or any predecessor or successor, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of this Subordinated Note by the Noteholder and as part of the consideration for the issuance of this Subordinated Note.

22. Notices. All notices to the Company under this Subordinated Note shall be in writing and addressed to the Company at 212 Dolson Avenue, Middletown, NY 10940, Attention: Chief Financial Officer, or to such other address as the Company may notify to the Noteholder (the "Payment Office"). All notices to the Noteholders shall be in writing and sent by first-class mail to each Noteholder at his or its address as set forth in the Security Register.

23. Further Issues. The Company may, without the consent of the Noteholders, create and issue additional notes having the same terms and conditions of the Subordinated Notes (except for the Issue Date and issue price) so that such further notes shall be consolidated and form a single series with the Subordinated Notes.

24. Governing Law; Interpretation. THIS SUBORDINATED NOTE WILL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF NEW YORK AND WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES THEREOF. THIS SUBORDINATED NOTE IS INTENDED TO MEET THE CRITERIA FOR QUALIFICATION OF THE OUTSTANDING PRINCIPAL AS TIER 2 CAPITAL UNDER THE REGULATORY GUIDELINES OF THE FEDERAL RESERVE, AND THE TERMS HEREOF SHALL BE INTERPRETED IN A MANNER TO SATISFY SUCH INTENT.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has caused this Subordinated Note to be duly executed and attested.

Orange County Bancorp, Inc.

By: _____
Name: Michael Gilfeather
Title: President and Chief Executive Officer

ATTEST:

Name: [·]
Title: [·]

[Signature Page to Subordinated Note]

ASSIGNMENT FORM

To assign this Subordinated Note, fill in the form below: (I) or (we) assign and transfer this Subordinated Note to:

(Print or type assignee's name, address and zip code)

(Insert assignee's social security or tax I.D. No.)

and irrevocably appoint _____ agent to transfer this Subordinated Note on the books of the Company. The agent may substitute another to act for him.

Date: _____ Your signature: _____
(Sign exactly as your name appears on the face of this Subordinated Note)

Tax Identification No: _____

Signature Guarantee: _____
(Signatures must be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to Rule 17Ad-15 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")).

The undersigned certifies that it [is / is not] an Affiliate of the Company and that, to its knowledge, the proposed transferee [is / is not] an Affiliate of the Company.

In connection with any transfer or exchange of this Subordinated Note occurring prior to the date that is one year after the later of the date of original issuance of this Subordinated Note and the last date, if any, on which this Subordinated Note was owned by the Company or any Affiliate of the Company, the undersigned confirms that this Subordinated Note is being:

CHECK ONE BOX BELOW:

- (1) acquired for the undersigned's own account, without transfer;
- (2) transferred to the Company;
- (3) transferred in accordance and in compliance with Rule 144A under the Securities Act of 1933, as amended (the "Securities Act");
- (4) transferred under an effective registration statement under the Securities Act;

- (5) transferred in accordance with and in compliance with Regulation S under the Securities Act;
- (6) transferred to an institutional “accredited investor” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act);
- (7) transferred to an “accredited investor” (as defined in Rule 501(a)(4) under the Securities Act), not referred to in item (6) that has been provided with the information designated under Section 4(d) of the Securities Act; or
- (8) transferred in accordance with another available exemption from the registration requirements of the Securities Act.

Unless one of the boxes is checked, the Company will refuse to register this Subordinated Note in the name of any person other than the registered holder thereof; provided, however, that if box (5), (6), (7) or (8) is checked, the Company may require, prior to registering any such transfer of this Subordinated Note, in its sole discretion, such legal opinions, certifications and other information as the Company may reasonably request to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act such as the exemption provided by Rule 144 under such Act.

Signature: _____

Signature Guarantee: _____
(Signatures must be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to Exchange Act Rule 17Ad-15).

TO BE COMPLETED BY PURCHASER IF BOX (1) OR (3) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Subordinated Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a “qualified institutional buyer” within the meaning of Rule 144A under the Securities Act and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made and entered into, effective as of **December 31, 2018** (the "Effective Date"), by and between **Orange County Bancorp, Inc.**, a Delaware corporation (the "Company"), **Orange Bank & Trust Company**, a wholly-owned subsidiary of the Company (the "Bank") and **Michael J. Gilfeather** ("Executive"). Any reference to the "Employer" in the Agreement shall mean the Bank and the Company.

WHEREAS, the Employer wishes to continue to employ the Executive for the period provided in this Agreement; and

WHEREAS, in order to induce Executive to remain in the employ of the Bank and the Company and to provide further incentive for Executive to achieve the financial and performance objectives of the Bank and the Company, the parties desire to enter into this Agreement; and

WHEREAS, the Employer desires to set forth the rights and responsibilities of Executive and the compensation payable to Executive, as modified from time to time; and

WHEREAS, the Agreement will replace the employment agreement with the Employer dated March 18, 2014 and subsequently amended on September 30, 2015 ("Prior Agreement") in its entirety and the Employer shall have no further obligations to the Executive under the Prior Agreement.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and upon the other terms and conditions hereinafter provided, the parties hereby agree as follows:

1. POSITION AND RESPONSIBILITIES.

During the term of this Agreement, Executive agrees to serve as President and Chief Executive Officer of the Bank and the Company (collectively the "Executive Position"), and will perform the duties and will have all powers associated with such positions as commonly incident to such positions, as well as those delegated to Executive by the Board of Directors of the Bank or the Company (collectively the "Board"). Notwithstanding the foregoing and subject to budgetary limits, the Executive shall have the authority to hire, compensate and terminate the Bank's staff, provided that the hiring (and the terms of employment with respect thereto) or termination of senior officers of the Bank that report directly to the Executive, shall be subject to the prior approval of the Compensation Committee of the Bank. Executive shall report directly to the Board. During the period provided in this Agreement, Executive also agrees to serve, if elected, as an officer or director of any subsidiary or affiliate of the Company and/or the Bank and in such capacity carry out such duties and responsibilities reasonably appropriate to that office. In addition, during the term of this Agreement the Executive may serve as a member of the Bank Board and Company Board and shall not receive any additional compensation or benefits for services as a member of such boards.

2. TERM.

(a) **Term and Annual Renewal.** The initial term of this Agreement and the period of Executive's employment hereunder shall begin as of the Effective Date and shall continue through December 31, 2021 (the "Initial Term"). Commencing on January 1, 2022 and continuing on each January 1st thereafter (the "Renewal Date"), the Initial Term shall extend automatically for one additional year, unless either party by written notice to the other given at least ninety (90) days prior to such Renewal Date notifies the other of its intent not to extend the same. In the event that notice not to extend is given by either party, this Agreement shall terminate as of the last day of the then current term. References herein to the "Term" shall mean the Initial Term, as the same may be renewed. Notwithstanding the preceding provisions of this Section, if a Change of Control (as defined in Section 5(a) hereof) occurs during the Term, the Term shall not end before the first anniversary of the date on which a Change of Control first becomes effective.

(b) **Membership on Other Boards or Organizations.** During the period of his employment hereunder, except for periods of absence occasioned by illness, reasonable vacation periods, and reasonable leaves of absence, Executive will devote all of his business time, attention, skill and efforts to the faithful performance of his duties under this Agreement, including activities and duties related to the Executive Position. Notwithstanding the preceding sentence, subject to the approval of the Board, Executive may serve as a member of the board of directors of business, community and charitable organizations, provided that in each case such service shall not materially interfere with the performance of his duties under this Agreement, adversely affect the reputation of the Employer and its affiliates (as determined by the Board), or present any conflict of interest.

(c) **Continued Employment Following Expiration of Term.** Nothing in this Agreement shall mandate or prohibit a continuation of Executive's employment following the expiration of the term of this Agreement.

3. COMPENSATION, BENEFITS AND REIMBURSEMENT.

(a) **Base Salary.** In consideration of Executive's performance of the responsibilities and duties set forth in this Agreement, the Employer will provide Executive the compensation specified in this Agreement. The Employer will pay or cause to be paid to the Executive a salary of **\$440,000** per year ("Base Salary"). Such Base Salary will be payable in accordance with the customary payroll practices of the Bank. During Term of this Agreement, the Board may consider increasing, but not decreasing, Executive's Base Salary as the Board deems appropriate. Any change in Base Salary will become the "Base Salary" for purposes of this Agreement.

(b) **Annual Bonus.** For each fiscal year of the Bank during the Term, Executive shall be eligible to participate in the Bank's Annual Incentive Plan (or any successor thereto) (the "Annual Bonus Plan"). Executive's bonus opportunities under the Annual Bonus Plan shall be determined by the Compensation Committee of the Board of Directors of the Bank (the "Committee") with a target amount determined annually based on review of market data for similarly situated executives and subject to a minimum target equal to at least 35% of Base Salary for the applicable fiscal year (the "Target Bonus"). The actual amount of Executive's annual bonus shall depend upon the achievement of performance goals established by the Committee. However, the Committee may in its discretion increase Executive's annual bonus opportunity. Annual bonuses awarded to Executive under the Annual Bonus Plan are referred to herein as "Annual Bonuses." The payment of any such Annual Bonus shall be subject to all the terms and conditions of the applicable Annual Bonus Plan, including any underlying award agreement.

(c) **Long-Term Compensation.** During each fiscal year during the Term, the Executive shall be granted the opportunity to earn a long-term incentive award pursuant to the Company's Long Term Incentive Program or any successor program thereto (the "LTIP"). Executive's annual LTIP award opportunity shall be determined by the Committee and subject to a minimum target opportunity equal to at least 20% of Base Salary for the applicable fiscal year. The terms and conditions of any LTIP award (such as the underlying performance goals) shall be subject to the LTIP, including any underlying award agreement. The Executive agrees and acknowledges that the actual value of any LTIP award will be based upon performance in relation to the performance goals used for the award. All LTIP awards granted during the Term will fully vest upon a Change in Control or non-renewal of this Agreement in accordance with Section 4(f) of this Agreement.

(d) **Supplemental Executive Retirement Plan.** The Bank maintains a supplemental executive retirement plan ("SERP") for the benefit of a select group of management. The Executive shall commence participation in the SERP as of the Effective Date. The SERP shall be subject to all applicable laws, rules and regulations, as may exist from time to time. A copy of the SERP and related Participation Agreement is attached hereto as Exhibit A.

(e) **Other Benefit Plans.** During the Term, Executive shall be entitled to participate, on the terms and conditions not less favorable to Executive than other similarly situated executives of the Bank generally, in the Bank's (A) tax-qualified retirement plans; (B) group life, health and disability insurance plans; and (C) any other employee benefit plans and programs and perquisites in accordance with the Bank's customary practices with respect to other similarly situated executives, provided that Executive's participation shall be subject to the terms of such plans and programs; and provided, further, that nothing herein shall limit the Bank's right to amend or terminate any such plans or programs.

(f) **Vacation.** Executive will be entitled to four (4) weeks of paid vacation time each year during the term of this Agreement measured on a calendar year basis, in accordance with the Bank's customary practices, as well as sick leave, holidays and other paid absences in accordance with the Bank's policies and procedures for executives. Any unused paid time off during an annual period will be treated in accordance with the Bank's personnel policies as in effect from time to time.

(g) **Expense Reimbursements.** The Bank will reimburse Executive for all reasonable travel, entertainment and other reasonable expenses incurred by Executive during the course of performing his obligations under this Agreement, including, without limitation, fees for memberships in such organizations as Executive and the Committee mutually agree are necessary and appropriate in connection with the performance of his duties under this Agreement, upon substantiation of such expenses in accordance with applicable policies and procedures of the Bank. Executive shall be provided a car allowance in the amount of \$1,500 per month, with the expense of gas and maintenance incurred be paid or reimbursed to Executive by the Bank. In addition, Executive shall be entitled to reimbursement of membership fees and assessments with respect to a country club located in Orange County, New York relevant to Executive's business activities, as approved by the Compensation Committee of the Board. All reimbursements pursuant to this Section 3(g) shall be reimbursed upon presentation to the Bank of an itemized account of such expense in such form as the Bank may reasonably require.

(h) **Life Insurance.** The Bank shall maintain a ten-year term life insurance policy in an amount equal to one million (\$1,000,000.00) dollars for the benefit of the Executive, which may be continued by the Executive, at his own expense, upon the termination of his employment.

4. TERMINATION AND TERMINATION PAY.

Subject to Section 5 of this Agreement which governs the occurrence of a Change in Control, Executive's employment under this Agreement may be terminated in the following circumstances:

(a) **Death.** This Agreement shall terminate upon Executive's death, in which event the Employer's sole obligation shall be to pay Executive's estate or beneficiary any "Accrued Obligations." For purposes of this Agreement, "Accrued Obligations" shall mean: (1) any accrued and unpaid Base Salary of Executive through his date of death, payable pursuant to the Bank's standard payroll policies; (2) any earned and unpaid bonus of Executive under the Annual Bonus Plan for any completed fiscal year prior to his date of death; (3) any compensation and benefits to the extent payable to Executive based on Executive's participation in any compensation or benefit plan (including pursuant to any individual or group life insurance plan or policy), program or arrangement of the Bank through his date of death, payable in accordance with the terms of such plan, program or arrangement; and (4) any expense reimbursement to which Executive is entitled under the Bank's standard expense reimbursement policy (as applicable) in Section 3(g) hereof.

(b) **Disability.** This Agreement shall terminate in the event Executive becomes "Totally Disabled." For purposes of this Agreement, Executive shall be "Totally Disabled" if Executive is deemed disabled for purposes of eligibility for receipt of disability benefits under the Bank's long-term disability plan, if any, or receipt of Social Security disability benefits. In the event Executive's employment is terminated due to becoming Totally Disabled, the Bank shall pay or provide Executive with any Accrued Obligations. In addition, Executive shall continue to receive his full Base Salary under Section 3(a) of this Agreement until he becomes eligible for and receives disability income under the long-term disability insurance coverage then in effect for the Executive. If Executive elects to continue his group health coverage with the Bank pursuant to COBRA, the Bank shall pay to Executive the "COBRA Payments" for a period of 18 months or, if earlier, until the date on which Executive receives substantially comparable coverage under another group health insurance plan. The "COBRA Payments" shall be monthly installment payments, each equal to the monthly COBRA premium in effect as of the date of Executive's termination of employment for the level of coverage in effect for Executive under the Bank's group health plan.

(c) **Termination for Cause.** The Board may immediately terminate Executive's employment at any time for "Cause." In the event Executive's employment is terminated for Cause, the Employer's sole obligation shall be to pay or provide to Executive any Accrued Obligations. Termination for "Cause" shall mean termination because of, in the good faith determination of the Board, Executive's:

(i) an act of fraud, embezzlement, or theft while employed by the Bank, or indictment or conviction of the Executive for, or plea of no contest to, a felony, conviction of or plea of no contest to a misdemeanor involving moral turpitude, or the arrest and incarceration of Executive for acts by Executive involving moral turpitude;

(ii) gross negligence, insubordination, disloyalty, or dishonesty in the performance of the Executive's duties as an officer of the Bank; willful or reckless failure by the Executive to adhere to the Bank's written policies; intentional wrongful damage by Executive to the business or property of the Company and the Bank, including without limitation its reputation, which in the Board's sole judgment causes material harm to the Company, the Bank or any of its affiliates;

(iii) removal of Executive from office or permanent prohibition of Executive from participating in the affairs of the Bank by an order issued under Section 8(e)(4) or (g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. 1818(e)(4) or (g)(1); or

(iv) acts or omissions in the performance of Executive's duties having a material adverse effect on the Bank that were not done or omitted to be done in good faith or which involved intentional misconduct or a knowing violation of law.

(d) **Voluntary Termination by Executive without Good Reason.** Executive may voluntarily terminate employment during the Term upon at least 30 days prior written notice to the Board. Except upon Executive's voluntary termination "With Good Reason" (as defined below), Executive shall have no right to receive any compensation or benefits under this Agreement or otherwise upon his voluntary termination of employment, except any Accrued Obligations, provided, however, that any unpaid Annual Bonus as of the date of termination shall be forfeited. The Bank may accelerate the date of termination upon receipt of written notice of Executive's voluntary termination.

(e) **Termination Without Cause or With Good Reason.**

(i) The Board may immediately terminate Executive's employment at any time for a reason other than Cause (a termination "Without Cause"), and Executive may, by written notice to the Board, terminate this Agreement at any time within 90 days following an event constituting "Good Reason," as defined below (a termination "With Good Reason"); provided, however, that the Bank shall have 30 days to cure the "Good Reason" condition, but the Bank may waive its right to cure. Any termination of Executive's employment shall have no effect on or prejudice the vested rights of Executive under the Bank's qualified or non-qualified retirement, pension, savings, thrift, profit-sharing or bonus plans, group life, health (including hospitalization, medical and major medical), dental, accident and long-term disability insurance plans or other employee benefit plans or programs, or compensation plans or programs in which Executive was a participant.

- (ii) In the event of termination as described under Section 4(e)(i) and subject to the requirements of Section 4(e)(v), the Bank shall pay or provide to Executive any Accrued Obligations. In addition, the Bank shall pay Executive, or in the event of Executive's subsequent death, Executive's beneficiary or estate, as the case may be, as severance pay, a cash lump sum payment equal to the sum of Executive's Base Salary as of the date of termination, plus his average Annual Bonus paid during the term of this Agreement. The severance pay will be paid to the Executive in the Bank's payroll period following the effective date of the Release as described under Section 4(e)(v) of this Agreement. In the event the Executive is terminated by the Bank or the Company without Cause, the Executive, or in the event of his subsequent death, Executive's beneficiary or estate, as the case may be, will receive an additional cash payment equal to the pro-rata portion of the Executive's Annual Bonus for the year in which the Executive's employment was terminated without Cause, the amount of which, if any, shall be determined by the Board at the time the Board customarily reviews the achievement by senior executives of their respective annual performance goals. The timing of the payment of the pro-rata Annual Bonus, if any, shall be in accordance with the Bank's established practice and subject to the execution of a Release as provided in paragraph (v) of this Section 4(e) .
- (iii) In addition, the Bank shall pay to Executive the COBRA Payments on a monthly basis commencing with the first month following Executive's date of termination and continuing until the earlier of (A) the sixth (0¹¹) month following Executive's date of termination; or (B) such time that the Executive first becomes eligible for health insurance coverage with another employer.
- (iv) "Good Reason" exists if, without Executive's express written consent, any of the following occurs:
 - (A) a material reduction in Executive's Base Salary;
 - (B) a material reduction in Executive's authority, duties or responsibilities from the position and attributes associated with the Executive Position;
 - (C) Executive ceases to report to the Board; or

(D) a change in the geographic location at which Executive must perform services for the Bank by more than 50 miles from the location where it is contemplated that Executive will be performing Executive's duties; provided, however that Executive being requested to oversee activities in (not relocate to) branches outside of New York State shall not constitute "Good Reason" under this Section 4(e)(iv).

(v) Executive shall not be entitled to any payments or benefits under this Section 4(e) unless and until Executive executes a release of claims (the "Release") against the Bank and any affiliate, and their officers, directors, successors and assigns, releasing said persons from any and all claims, rights, demands, causes of action, suits, arbitrations or grievances relating to the employment relationship, including claims under the Age Discrimination in Employment Act, but not including claims for benefits under tax-qualified plans or other benefit plans in which Executive is vested, claims for benefits required by applicable law or claims with respect to obligations set forth in this Agreement that survive the termination of this Agreement. The Release must be executed and become irrevocable by the 60th day following the date of Executive's termination of employment, provided that if the 60-day period spans two (2) calendar years, then, to the extent necessary to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), the payments and benefits described in this Section 4(e) will be paid, or commence, in the second calendar year.

(f) **Non-Renewal by the Board.** In the event the Board elects not to renew this Agreement by giving notice of non-renewal as herein provided, this Agreement and Executive's employment shall terminate at the end of the then current term of this Agreement. Such termination shall constitute a termination Without Cause for purposes of this Agreement.

(g) **Effect on Status as a Director.** In the event of Executive's termination of employment under this Agreement for any reason, such termination shall also constitute Executive's resignation as a director of the Bank or the Company, or any subsidiary or affiliate thereof, to the extent Executive is acting as a director of any of the aforementioned entities.

5. CHANGE IN CONTROL.

(a) **Change in Control Defined.** For purposes of this Agreement, the term "Change in Control" shall mean the occurrence of any of the following events in accordance with Code Section 409A and the regulations and guidance of general application thereunder issued by the U.S. Department of the Treasury, including:

(i) **Change in Ownership:** the date any one person or persons acting as a group (but excluding an intra family acquisition or transfer of stock between members of the Morrison family) accumulates ownership of Company stock constituting more than 50% of the total voting power of Company stock;

- (ii) Change in Effective Control: the date that (A) any one person or persons acting as a group (but excluding an intra family acquisition or transfer of stock between members of the Morrison family) acquires within a 12-month period ownership of Company stock possessing 40% or more of the total voting power of Company stock, or (B) a majority of the Company's board of directors is replaced during any 12-month period by directors whose appointment or election is not endorsed in advance by a majority of the Company's board of directors; or
- (iii) Change in Ownership of a Substantial Portion of Assets: the date that any one person or persons acting as a group (but excluding an intra family acquisition or transfer of stock between members of the Morrison family) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company or the Bank that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Company or the Bank immediately prior to such acquisition.

(b) **Change in Control Benefits.** In the event of a termination of Executive's employment by the Employer (or its successor) Without Cause or by Executive With Good Reason upon or within 12 months of a Change in Control that occurs during the Term, the Bank (or any successor) shall: (i) pay or provide to Executive any Accrued Obligations; and (ii) pay Executive, or in the event of Executive's subsequent death, Executive's beneficiary or estate, as severance pay an amount equal to the sum of two (2) times: (i) Executive's Base Salary (at the rate in effect when the Change in Control occurs or, if higher, at the rate in effect on Executive's date of termination) and (ii) his average Annual Bonus paid during the term of this Agreement. In addition, to the cash payment provide in this paragraph (b), the Bank shall pay to Executive an additional lump sum cash payment equal to twelve (12) times the monthly COBRA charge in effect on the Executive's date of termination for the type of bank-provided group health plan coverage in effect for Executive (e.g., family coverage) on his date of termination. Notwithstanding the foregoing, the payments provided in this Section 5(b) shall be payable to Executive in lieu of any payments or benefits that are payable under Section 4(e). Unless otherwise delayed under Section 11(d) of this Agreement, the payments under this paragraph (b) shall be made within 30 days of Executive's termination of employment.

(c) **280G.** Notwithstanding the preceding paragraphs of this Section, if the payments and benefits to be afforded to Executive under Section 5 hereof (the "Severance Benefits") either alone or together with other payments and benefits which Executive has the right receive from the Company or the Bank (or any affiliate) would constitute a "parachute payment" under Section 280G of the Code, and but for this Section 5, would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Severance Benefits shall be reduced (the "Benefit Reduction") by the minimum amount necessary to result in no portion of the Severance Benefits being subject to the Excise Tax. All determinations required to be made under this Section 5(c) shall be made by tax counsel or a nationally recognized certified public accounting firm or other professional organization that is a certified public accounting firm recognized as an expert in determinations and calculations for purposes of Section 280G of the Code selected by the Bank prior to a Change in Control and reasonably acceptable to Executive, which determinations shall be conclusive and binding on Executive and the Employer absent manifest error.

6. COVENANTS OF EXECUTIVE AFTER TERMINATION OF EMPLOYMENT

(a) Covenant Not to Solicit Employees.

The Executive agrees not to solicit directly or indirectly the services of any officer or employee of the Bank for **two (2) years** after the Executive's employment termination.

(b) Covenant Not to Compete.

(i) The Executive covenants and agrees not to compete directly or indirectly with the Employer for a period of **one (1) year** after termination of his employment. For purposes of this Section 6.2:

(ii) the term compete means:

(A) providing financial products or services on behalf of any financial institution for any person residing in the territory,

(B) assisting (other than through the performance of ministerial or clerical duties) any financial institution in providing financial products or services to any person residing in the territory, or

(C) inducing or attempting to induce any person who was a customer of the Employer at the date of the Executive's employment termination to seek financial products or services from another financial institution.

(iii) the words directly or indirectly mean:

(A) acting as a consultant, officer, director, independent contractor, or employee of any financial institution in competition with the Employer in the territory, or

(B) communicating to such financial institution the names or addresses or any financial information concerning any person who was a customer of the Employer when the Executive's employment terminated.

(iv) the term customer means any person, business entity or other corporation to whom the Employer is providing financial products or services on the date of the Executive's employment termination.

(v) the term financial institution means any bank, savings association, or bank or savings association holding company, trust company, credit union, or any other institution, the business of which is engaging in activities that are financial in nature or incidental to such financial activities as described in Section 4(k) of the Bank Holding Company Act of 1956, other than the Employer or any of its affiliated companies.

- (vi) financial product or service means any product or service that a financial institution, wealth management company or a financial holding company could offer by engaging in any activity that is financial in nature or incidental to such a financial activity under 14 Section 4(k) of the Bank Holding Company Act of 1956 and that is offered by the Employer or an affiliate of the Employer on the date of the Executive's employment termination, including but not limited to banking and wealth management activities and activities that are closely related and a proper incident to banking and wealth management.
- (vii) the term person means any individual or individuals, Company, partnership, fiduciary or association.
- (viii) the term territory means the area within a 50-mile radius from any county in which the Employer has a branch at the date of the Executive's employment termination.
- (ix) If any provision of this Section or any word, phrase, clause, sentence or other portion thereof (including, without limitation, the geographical and temporal restrictions contained therein) is held to be unenforceable or invalid for any reason, the unenforceable or invalid provision or portion shall be modified or deleted so that the provisions hereof, as modified, are legal and enforceable to the fullest extent permitted under applicable law.

(c) Article 6 Survives Termination But Is Void After a Change in Control.

The rights and obligations set forth in this Article 6 shall survive termination of this Agreement. However, Article 6 shall become null and void effective immediately upon a Change in Control.

(d) Confidentiality.

Executive recognizes and acknowledges that the knowledge of the business activities, plans for business activities, and all other proprietary information of the Employer, as it may exist from time to time, are valuable, special and unique assets of the business of the Employer. Executive will not, during or after the term of Executive's employment, disclose any knowledge of the past, present, planned or considered business activities or any other similar proprietary information of the Bank to any person, firm, corporation, or other entity for any reason or purpose whatsoever unless expressly authorized by the Board or required by law. Notwithstanding the foregoing, Executive may disclose any knowledge of banking, financial and/or economic principles, concepts or ideas which are not solely and exclusively derived from the business plans and activities of the Employer. Further, Executive may disclose information regarding the business activities of the Employer to any bank regulator having regulatory jurisdiction over the activities of the Employer pursuant to a formal regulatory request and may disclose information that generally becomes known to and available for use by the public, if not disclosed as a result of Executive's wrongful act or omission. In the event of a breach or threatened breach by Executive of the provisions of this Section, the Employer will be entitled to an injunction restraining Executive from disclosing, in whole or in part, the knowledge of the past, present, planned or considered business activities of the Employer or any other similar proprietary information, or from rendering any services to any person, firm, corporation, or other entity to whom such knowledge, in whole or in part, has been disclosed or is threatened to be disclosed. Nothing herein will be construed as prohibiting the Bank from pursuing any other remedies available to the Employer for such breach or threatened breach, including the recovery of damages from Executive.

(e) Information/Cooperation.

Executive shall, upon reasonable notice, furnish such information and assistance to the Employer as may be reasonably required by the Employer, in connection with any litigation in which it or any of its subsidiaries or affiliates is, or may become, a party; provided, however, that Executive shall not be required to provide information or assistance with respect to any litigation between Executive and the Employer or any affiliates of the Employer.

(f) Enforcement.

Except as otherwise provided, all payments and benefits to Executive under this Agreement shall be subject to Executive's compliance with this Section 6, to the extent applicable. The parties hereto, recognizing that irreparable injury will result to the Employer, the business and property of the Employer in the event of Executive's breach of this Section 6, agree that, in the event of any such breach by Executive, the Employer will be entitled, in addition to any other remedies and damages available, to an injunction to restrain the violation hereof by Executive and all persons acting for or with Executive. Executive represents and admits that Executive's covenants set forth in this Section 6 are reasonable. Nothing herein will be construed as prohibiting the Employer from pursuing any other remedies available to them for such breach or threatened breach, including the recovery of damages from Executive. Executive agrees that Executive will submit to personal jurisdiction of the courts of the State of New York in any action by the Employer to enforce an arbitration award against the Executive or to obtain interim injunctive or other relief pending an arbitration decision.

7. SOURCE OF PAYMENTS.

All payments provided in this Agreement shall be timely paid by check or direct deposit from the general funds of the Bank (or any successor of the Bank).

8. EFFECT ON PRIOR AGREEMENTS AND EXISTING BENEFITS PLANS.

This Agreement, along with any agreement referenced herein, contains the entire understanding between the parties hereto and supersedes any prior employment agreement between the Bank or any predecessor of the Bank and Executive, except that this Agreement shall not affect or operate to reduce any benefit or compensation inuring to Executive under another plan, program or agreement (other than an employment agreement) between the Bank and Executive.

9. NO ATTACHMENT; BINDING ON SUCCESSORS.

(a) Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge, or hypothecation, or to execution, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to affect any such action shall be **null**, void, and of no effect.

(b) The Bank shall require any successor or assignee, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all the business or assets of the Bank, expressly and unconditionally to assume and agree to perform the Bank's obligations under this Agreement, in the same manner and to the same extent that the Bank would be required to perform if no such succession or assignment had taken place.

10. MODIFICATION AND WAIVER.

(a) This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto.

(b) No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel against the enforcement of any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver 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 as to any act other than that specifically waived.

11. REQUIRED PROVISIONS.

Notwithstanding anything herein contained to the contrary, the following provisions shall apply:

(a) The Board may terminate Executive's employment at any time, but any termination by the Bank's Board other than termination for Cause shall not prejudice Executive's right to compensation or other benefits under this Agreement. Executive shall have no right to receive compensation or other benefits under this Agreement for any period after Executive's termination for Cause.

(b) Notwithstanding anything herein contained to the contrary, any payments to Executive by the Company, whether pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with Section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1828(k), and the regulations promulgated thereunder in 12 C.F.R. Part 359.

(c) Notwithstanding anything else in this Agreement to the contrary (with the exception of Section 4(c)(i)), Executive's employment shall not be deemed to have been terminated unless and until Executive has a Separation from Service within the meaning of Code Section 409A. For purposes of this Agreement, a "Separation from Service" shall have occurred if the Bank and Executive reasonably anticipate that either no further services will be performed by Executive after the date of termination (whether as an employee or as an independent contractor) or the level of further services performed is less than 50 percent of the average level of bona fide services in the 36 months immediately preceding the termination. For all purposes hereunder, the definition of Separation from Service shall be interpreted consistent with Treasury Regulation Section 1.409A-1(h)(ii).

(d) Notwithstanding the foregoing, if Executive is a "specified employee" (i.e., a "key employee" of a publicly traded company within the meaning of Section 409A of the Code and the final regulations issued thereunder) and any payment under this Agreement is triggered due to Executive's Separation from Service, then solely to the extent necessary to avoid penalties under Section 409A of the Code, no payment shall be made during the first six (6) months following Executive's Separation from Service. Rather, any payment which would otherwise be paid to Executive during such period shall be accumulated and paid to Executive in a lump sum on the first day of the seventh month following such Separation from Service. All subsequent payments shall be paid in the manner specified in this Agreement.

(e) If the Bank cannot provide Executive or Executive's dependents any continued health insurance or other welfare benefits as required by this Agreement because Executive is no longer an employee, applicable rules and regulations prohibit such benefits or the payment of such benefits in the manner contemplated, or it would subject the Bank to penalties, then the Bank shall pay Executive or Executive's beneficiary or estate in the event of death a cash lump sum payment reasonably estimated to be equal to the value of such benefits or the value of the remaining benefits at the time of such determination. Such cash payment shall be made in a lump sum within 30 days after the later of Executive's date of termination or the effective date of the rules or regulations prohibiting such benefits or subjecting the Bank to penalties.

(f) The right to a series of payments under this Agreement will be treated as a right to a series of separate payments. Each payment under this Agreement that is made within 2-¹/₂ months following the end of the year that contains the termination date is intended to be exempt from Section 409A as a short-term deferral within the meaning of the final regulations under Section 409A. Each payment under this Agreement that is made later than 2-¹/₂ months following the end of the year that contains the termination date is intended to be exempt from Section 409A under the two-times exception of Treasury Reg. § 1.409A-1(b)(9)(iii), up to the limitation on the availability of that exception specified in the regulation. Then, each payment that is made after the two-times exception ceases to be available shall be subject to delay, as necessary, as specified below.

(g) To the extent necessary to comply with Section 409A, references in this Agreement to "termination of employment" or "terminates employment" (and similar references) shall have the same meaning as "Separation from Service" under Section 409A(a)(2)(A)(i) and any governing Internal Revenue Service guidance and Treasury regulations ("Separation from Service"), and no payment subject to Section 409A that is payable upon a termination of employment shall be paid unless and until (and not later than applicable in compliance with Section 409A) the Executive incurs a Separation from Service.

(h) To the extent that any payment of or reimbursement by the Bank to the Executive of eligible expenses under this Agreement constitutes a "deferral of compensation" within the meaning of Section 409A (a "Reimbursement") (i) the Executive must request the Reimbursement (with substantiation of the expense incurred) no later than 90 days following the date on which the Executive incurs the corresponding eligible expense; (ii) subject to any shorter time period provided in any Bank expense reimbursement policy or specifically provided otherwise in this Agreement, the Bank shall make the Reimbursement to the Executive on or before the last day of the calendar year following the calendar year in which the Executive incurred the eligible expense; (iii) the Executive's right to Reimbursement shall not be subject to liquidation or exchange for another benefit; (iv) the amount eligible for Reimbursement in one calendar year shall not affect the amount eligible for Reimbursement in any other calendar year; and (v) except as specifically provided otherwise in this Agreement, the period during which the Executive may incur expenses that are eligible for Reimbursement is limited to five calendar years following the calendar year in which the termination date occurs

(i) Notwithstanding anything in this Agreement to the contrary, Executive understands that nothing contained in this Agreement limits Executive's ability to file a charge or complaint with the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies") about a possible securities law violation without approval of the Bank (or any affiliate). Executive further understands that this Agreement does not limit Executive's ability to communicate with any Government Agency or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Bank (or any affiliate) related to the possible securities law violation. This Agreement does not limit Executive's right to receive any resulting monetary award for information provided to any Government Agency.

12. SEVERABILITY.

If, for any reason, any provision of this Agreement, or any part of any provision, is held invalid, such invalidity shall not affect any other provision of this Agreement or any part of such provision not held so invalid, and each such other provision and part thereof shall to the full extent consistent with law continue in full force and effect.

13. GOVERNING LAW.

This Agreement shall be interpreted, governed and enforced by the laws of the State of New York (without regard to its conflicts of laws rules), but only to the extent not superseded by federal law.

14. ARBITRATION.

In the event of any controversy, dispute or claim arising out of or related to this Agreement or Executive's employment by the Employer, the parties shall negotiate in good faith in an attempt to reach a mutually acceptable settlement of such dispute. If negotiations in good faith do not result in a settlement of any such controversy, dispute or claim, it shall, except as otherwise provided for herein be finally settled by expedited arbitration conducted by a single arbitrator selected as hereinafter provided (the "Arbitrator") in accordance with the National Rules of the American Arbitration Association ("National Rules"), subject to the following (the parties hereby agreeing that, notwithstanding the provisions of Rule 1 of the National Rules, in the event that there is a conflict between the provisions of the National Rules and the provisions of this Agreement, the provisions of this Agreement shall control):

(a) The Arbitrator shall be determined from a list of names of five impartial arbitrators each of whom shall be an attorney experienced in arbitration matters concerning executive employment disputes, supplied by the AAA chosen by Executive and the Employer each in turn striking a name from the list until one name remains (with the Employer being the first to strike a name).

(b) The expenses of the arbitration shall be borne by the Employer; and the Employer shall bear its own legal fees and expenses and pay, at least monthly, all of Executive's legal fees and expenses incurred in connection with such arbitration, except that Executive shall have to reimburse the Employer for his legal fees and expenses if the arbitrator finds that Executive brought an action in bad faith.

(c) The Arbitrator shall determine whether and to what extent any party shall be entitled to damages under this Agreement; provided that no party shall be entitled to punitive or consequential damages (including, in the case of the Employer, any claim for alleged lost profits or other damages that would have been avoided had Executive remained an employee), and each party waives all such rights, if any.

(d) The Arbitrator shall not have the power to add to nor modify any of the terms or conditions of this Agreement. The Arbitrator's decision shall not go beyond what is necessary for the interpretation and application of the provision(s) of this Agreement in respect of the issue before the Arbitrator. The Arbitrator shall not substitute his or her judgment for that of the parties in the exercise of rights granted or retained by this Agreement. The Arbitrator's award or other permitted remedy, if any, and the decision shall be based upon the issue as drafted and submitted by the respective parties and the relevant and competent evidence adduced at the hearing.

(e) The Arbitrator shall have the authority to award any remedy or relief (including provisional remedies and relief) that a court of competent jurisdiction could order or grant. The Arbitrator's written decision shall be rendered within sixty (60) days of the closing of the hearing. The decision reached by the Arbitrator shall be final and binding upon the parties as to the matter in dispute. To the extent that the relief or remedy granted by the Arbitrator is relief or remedy on which a court could enter judgment, a judgment upon the award rendered by the Arbitrator shall be entered in any court having jurisdiction thereof (unless in the case of an award of damages, the full amount of the award is paid within ten (10) days of its determination by the Arbitrator).

Otherwise, the award shall be binding on the parties in connection with their continuing performances of this Agreement and, in any subsequent arbitral or judicial proceedings between the parties.

(f) The arbitration shall take place in Orange County, New York.

(g) The arbitration and all filing, testimony, documents and information relating to or presented during the arbitration proceeding shall be disclosed exclusively for the purpose of facilitating the arbitration process and in any court proceeding relating to the arbitration, and for no other purpose, and shall be deemed to be information subject to the confidentiality provisions of this Agreement.

(h) The parties shall continue performing their respective obligations under this Agreement notwithstanding the existence of a dispute while the dispute is being resolved unless and until such obligations are terminated or expire in accordance with the provisions hereof.

(i) The parties may obtain a pre-hearing exchange of information including depositions, interrogatories, production of documents, exchange of summaries of testimony or exchange of statements of position, and the Arbitrator shall limit such disclosure to avoid unnecessary burden to the parties and shall schedule promptly all discovery and other procedural steps and otherwise assume case management initiative and control to effect an efficient and expeditious resolution of the dispute. At any oral hearing of evidence in connection with an arbitration proceeding, each party and its counsel shall have the right to examine its witness and to cross-examine the witnesses of the other party. No testimony of any witness, or any evidence, shall be introduced by affidavit, except as the parties otherwise agree in writing.

(j) Notwithstanding the dispute resolution procedures contained in this Section 14, either party may apply to any court sitting in Orange County, New York (i) to enforce this agreement to arbitrate, (ii) to seek provisional injunctive relief so as to maintain the status quo until the arbitration award is rendered or the dispute is otherwise resolved, (iii) to confirm any arbitration award, or (iv) to challenge or vacate any final judgment, award or decision of the Arbitrator that does not comport with the express provisions of this Section 14.

15. INDEMNIFICATION.

The Bank shall provide Executive (including Executive's heirs, executors and administrators) with coverage under a standard directors' and officers' liability insurance policy at its expense, and shall indemnify Executive (and Executive's heirs, executors and administrators) in accordance with the charter and bylaws of the Bank and to the fullest extent permitted under applicable law against all expenses and liabilities (including attorneys' fees) reasonably incurred by Executive in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of Executive having been a director or officer of the Bank or any subsidiary or affiliate of the Bank.

16. NOTICE.

For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Bank: Orange Bank&Trust Company
212 Dolson Avenue
Middletown, NY 10940
Attention: Chief Executive Officer

To Executive: Most recent address on file with the Bank

IN WITNESS WHEREOF, the parties have executed this Agreement as of the dates below.

ORANGE BANK & TRUST COMPANY

12/21/18
Date

By: /s/ Louis Heimbach
Name: Louis Heimbach
Title: Chairman

EXECUTIVE

12/21/18

/s/ Michael J. Gilfeather
Michael J. Gilfeather

EXECUTION COPY

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made and entered into, effective as of January 1, 2018 (the "Effective Date"), by and between Orange Bank & Trust Company (the "Bank") and Joseph Ruhl ("Executive"). Any reference to the "Company" shall mean Orange County Bancorp, Inc. or any successor thereto.

WHEREAS, the Bank wishes to assure itself of the continued services of Executive for the period provided in this Agreement; and

WHEREAS, in order to induce Executive to remain in the employ of the Bank and to provide further incentive for Executive to achieve the financial and performance objectives of the Bank, the parties desire to enter into this Agreement; and

WHEREAS, the Bank desires to set forth the rights and responsibilities of Executive and the compensation payable to Executive, as modified from time to time.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and upon the other terms and conditions hereinafter provided, the parties hereby agree as follows:

1. POSITION AND RESPONSIBILITIES.

During the term of this Agreement, Executive agrees to serve as Executive Vice President, Westchester Regional President, of the Bank or any successor position with the Bank as mutually agreed to by the Bank and Executive (Executive's foregoing position or any successor position with the Bank shall be referred to as the "Executive Position"), and will perform the duties and will have all powers associated with such position as commonly incident to such position, as well as those delegated to Executive by the Board of Directors of the Bank or its designee (the "Board"). Executive shall report directly to the Chief Executive Officer of the Bank. During the period provided in this Agreement, Executive also agrees to serve, if elected, as an officer or director of any subsidiary or affiliate of the Bank and in such capacity carry out such duties and responsibilities reasonably appropriate to that office.

2. TERM AND DUTIES.

(a) **Term and Annual Renewal.** The initial term of this Agreement and the period of Executive's employment hereunder shall begin as of the Effective Date and shall continue through December 31, 2020 (the "Initial Term"). Commencing on January 1, 2021 and continuing on each January 1st thereafter (the "Renewal Date"), the Initial Term shall extend automatically for one additional year, unless either the Bank or the Executive by written notice to the other given at least ninety (90) days prior to such Renewal Date notifies the other of its intent not to extend the same. In the event that notice not to extend is given by either the Bank or the Executive, this Agreement shall terminate as of the last day of the then current term. References herein to the "Term" shall mean the Initial Term, as the same may be renewed.

(b) **Membership on Other Boards or Organizations.** During the period of his employment hereunder, except for periods of absence occasioned by illness, reasonable vacation periods, and reasonable leaves of absence, Executive will devote all of his business time, attention, skill and efforts to the faithful performance of his duties under this Agreement, including activities and duties related to the Executive Position. Notwithstanding the preceding sentence, subject to the approval of the Board, Executive may serve as a member of the board of directors of business, community and charitable organizations, provided that in each case such service shall not materially interfere with the performance of his duties under this Agreement, adversely affect the reputation of the Bank or any other affiliates of the Bank (as determined by the Board), or present any conflict of interest.

(c) **Continued Employment Following Expiration of Term.** Nothing in this Agreement shall mandate or prohibit a continuation of Executive's employment following the expiration of the term of this Agreement.

3. COMPENSATION, BENEFITS AND REIMBURSEMENT.

(a) **Base Salary.** In consideration of Executive's performance of the responsibilities and duties set forth in this Agreement, the Bank will provide Executive the compensation specified in this Agreement. The Bank will pay Executive a fixed salary of **\$290,000** per year ("**Base Salary**"). This salary will remain the same for all three years with no additional increases. Such Base Salary will be payable in accordance with the customary payroll practices of the Bank. During the term of this Agreement, the Board may consider increasing, but not decreasing, Executive's Base Salary as the Board deems appropriate. Any change in Base Salary will become the "Base Salary" for purposes of this Agreement.

(b) **Annual Bonus.** For each fiscal year of the Bank during the Term, Executive shall be eligible to participate in the Bank's Annual Incentive Plan (or any successor thereto) (the "**Annual Bonus Plan**"). Executive's target annual bonus under the Annual Bonus Plan shall be determined by the Compensation Committee of the Board (the "**Committee**") and shall be commensurate with the target bonus opportunity available for similarly-situated executives of the Bank generally (the "**Target Bonus**"). The actual amount of Executive's annual bonus shall depend upon the achievement of performance goals established by the Committee. The terms and conditions of the Annual Bonus Plan and the payments to Executive thereunder shall be applied on the basis not less favorable to Executive than to other similarly situated executives of the Bank generally. The Committee may in its discretion increase Executive's annual bonus opportunity. The term Target Bonus, as utilized in this Agreement, shall refer to the Target Bonus as it may be increased. Annual bonuses awarded to Executive under the Annual Bonus Plan are referred to herein as "**Annual Bonuses**." The payment of any such Annual Bonus shall be subject to all the terms and conditions of the applicable Annual Bonus Plan, including any underlying award agreement.

(c) **Long-Term Compensation.** For each fiscal year of the Bank during the Term, Executive shall be eligible to participate in the Company's Long-Term Incentive Plan (the "**LTIP Plan**") and/or any other long-term compensation program established by the Company or the Bank from time to time for executive officers. Executive's target annual equity award opportunity shall be determined by the Committee and shall be no less favorable than the target equity award opportunity available to other similarly-situated executives of the Bank generally, with the actual award to be determined by the Committee on a basis not less favorable to Executive than other similarly-situated executives of the Bank generally. The terms and conditions of any equity award (such as the underlying performance goals and/or vesting requirements) shall be subject to the LTIP Plan, including any underlying award agreement.

(d) **Supplemental Executive Retirement Plan.** For each fiscal year of the Bank during the Tenn, Executive shall be eligible to participate in the Bank's Supplemental Executive Retirement Plan (the "**SERP**"), pursuant to which the Bank shall make an annual contribution to a book-entry account for the benefit of Executive, with the amount and the terms and conditions of the annual contributions (such as the underlying performance goals, vesting requirements and the time and manner in which the benefits will be paid) to be determined pursuant to an underlying Participation Agreement, which shall be reasonable and acceptable to the Bank and Executive.

(e) **Other Benefit Plans.** During the Tenn, Executive shall be entitled to participate, on the terms and conditions not less favorable to Executive than other similarly situated executives of the Bank generally, in the Bank's (A) tax-qualified retirement plans; (B) group life, health and disability insurance plans; and (C) any other employee benefit plans and programs and perquisites in accordance with the Bank's customary practices with respect to other similarly situated executives generally, provided that Executive's participation shall be subject to the terms of such plans and programs; and provided, further, that nothing herein shall limit the Bank's right to amend or terminate any such plans or programs.

(t) **Vacation.** Executive will be entitled to four (4) weeks of paid vacation time each year during the term of this Agreement measured on a calendar year basis, in accordance with the Bank's customary practices, as well as sick leave, holidays and other paid absences in accordance with the Bank's policies and procedures for executives. Any unused paid time off during an annual period will be treated in accordance with the Bank's personnel policies as in effect from time to time.

(g) **Expense Reimbursements.** The Bank will reimburse Executive for all reasonable travel, entertainment and other reasonable expenses incurred by Executive during the course of performing his obligations under this Agreement, including, without limitation, fees for memberships in such organizations as Executive and the Chief Executive Officer mutually agree are necessary and appropriate in connection with the performance of his duties under this Agreement, upon substantiation of such expenses in accordance with applicable policies and procedures of the Bank. Executive shall be provided a car allowance in the amount of \$750.00 per month, with the expense of gas and maintenance incurred be paid or reimbursed to Executive by the Bank. In addition, Executive shall be entitled to reimbursement of membership fees and assessments with respect to a country club located in a county of New York relevant to Executive's business activities, as approved by the Chief Executive Officer. All reimbursements pursuant to this Section 3(g) shall be reimbursed upon presentation to the Bank of an itemized account of such expense in such form as the Bank may reasonably require.

4. TERMINATION AND TERMINATION PAY.

Subject to Section 5 of this Agreement which governs the occurrence of a Change in control, Executive's employment under this Agreement may be terminated in the following circumstances:

(a) **Death.** This Agreement shall terminate upon Executive's death, in which event the Bank's sole obligation shall be to pay Executive's estate or beneficiary any "Accrued Obligations." For purposes of this Agreement, "Accrued Obligations" shall mean: (1) any accrued and unpaid Base Salary of Executive through the date of termination of employment, payable pursuant to the Bank's standard payroll policies; (2) any earned and unpaid bonus of Executive under the Annual Bonus Plan for any completed fiscal year prior to the date of termination of employment; (3) any compensation and benefits to the extent payable to Executive based on Executive's participation in any compensation or benefit plan (including pursuant to any individual or group life insurance plan or policy), program or arrangement of the Bank through the date of termination of employment, payable in accordance with the terms of such plan, program or arrangement; and (4) any expense reimbursement to which Executive is entitled under the Bank's standard expense reimbursement policy (as applicable) in Section 3(g) hereof.

(b) **Disability.** This Agreement shall terminate in the event of Executive becomes "Totally Disabled." For purposes of this Agreement, Executive shall be "Totally Disabled" if Executive is deemed disabled for purposes of eligibility for receipt of disability benefits under the Bank's long-term disability plan, if any, or receipt of Social Security disability benefits. In the event Executive's employment is terminated due to becoming Totally Disabled, the Bank shall pay or provide Executive with any Accrued Obligations. In addition, Executive shall continue to receive his full Base Salary under Section 3(a) of this Agreement until he becomes eligible for and receives disability income under the long-term disability insurance coverage then in effect for the Executive. If Executive elects to continue his group health coverage with the Bank pursuant to COBRA, the Bank shall pay to Executive the "COBRA Payments" for a period of 18 months or, if earlier, until the date on which Executive receives substantially comparable coverage under another group health insurance plan. The "COBRA Payments" shall be monthly installment payments, each equal to the monthly COBRA premium in effect as of the date of Executive's termination of employment for the level of coverage in effect for Executive under the Bank's group health plan.

(c) **Termination for Cause.** The Board may immediately terminate Executive's employment at any time for "Cause." In the event Executive's employment is terminated for Cause, the Bank's sole obligation shall be to pay or provide to Executive any Accrued Obligations. Termination for "Cause" shall mean termination because of, in the good faith determination of the Board, Executive's:

(i) an act of fraud, embezzlement, or theft while employed by the Bank, or indictment or conviction of the Executive for, or plea of no contest to, a felony, conviction of or plea of no contest to a misdemeanor involving moral turpitude, or the arrest and incarceration of Executive for acts by Executive involving moral turpitude;

(ii) gross negligence, insubordination, disloyalty, or dishonesty in the performance of the Executive's duties as an officer of the Bank; willful or reckless failure by the Executive to adhere to the Bank's written policies; intentional wrongful damage by Executive to the business or property of the Company and the Bank, including without limitation its reputation, which in the Board's sole judgment causes material harm to the Company, the Bank or any of its affiliates, provided, however, that the Bank shall provide Executive with written notice specifying Executive's actions or conduct that breached this Section 4(c)(ii) and Executive shall have 30 days to cure or remediate such actions or conduct after receiving such written notice;

(iii) removal of Executive from office or permanent prohibition of Executive from participating in the affairs of the Bank by an order issued under Section 8(e)(4) or (g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. 1818(e)(4) or (g)(1); or

(iv) acts or omissions in the performance of Executive's duties having a material adverse effect on the Bank that were not done or omitted to be done in good faith or which involved intentional misconduct or a knowing violation of law.

(d) **Voluntary Termination by Executive without Good Reason.** Executive may voluntarily terminate employment during the Term upon at least 30 days prior written notice to the Board. Except upon Executive's voluntary termination "With Good Reason" (as defined below), Executive shall have no right to receive any compensation or benefits under this Agreement or otherwise upon his voluntary termination of employment, except any Accrued Obligations, provided, however, that any unpaid Annual Bonus as of the date of termination shall be forfeited. The Bank may accelerate the date of termination upon receipt of written notice of Executive's voluntary termination.

(e) **Termination Without Cause or With Good Reason.**

(i) The Board may immediately terminate Executive's employment at any time for a reason other than Cause (a termination "Without Cause"), and Executive may, by written notice to the Board, terminate this Agreement at any time within 90 days following an event constituting "Good Reason," as defined below (a termination "With Good Reason"); provided, however, that the Bank shall have 30 days to cure the "Good Reason" condition, but the Bank may waive its right to cure. Any termination of Executive's employment shall have no effect on or prejudice the vested rights of Executive under the Bank's qualified or non-qualified retirement, pension, savings, thrift, profit-sharing or bonus plans, group life, health (including hospitalization, medical and major medical), dental, accident and long-term disability insurance plans or other employee benefit plans or programs, or compensation plans or programs in which Executive was a participant.

(ii) In the event of termination as described under Section 4(e)(i) and subject to the requirements of Section 4(e)(v), the Bank shall pay or provide to Executive any Accrued Obligations. In addition, the Bank shall pay Executive, or in the event of Executive's subsequent death, Executive's beneficiary or estate, as the case may be, as severance pay, a cash lump sum payment equal to 100% of Executive's Base Salary, payable within 30 days following Executive's date of termination.

- (iii) In addition, the Bank shall pay to Executive the COBRA Payments on a monthly basis commencing with the first month following Executive's date of termination and continuing until the earlier of (A) the sixth (6th) month following Executive's date of termination; or (B) such time that Executive first becomes eligible for health insurance coverage with another employer.
- (iv) "Good Reason" exists if, without Executive's express written consent, any of the following occurs:
 - (A) a material reduction in Executive's Base Salary;
 - (B) a material reduction in Executive's authority, duties or responsibilities from the position and attributes associated with the Executive Position;
 - (C) Executive ceases to report to the Chief Executive Officer of the Bank; or
 - (D) a change in the geographic location at which Executive must perform services for the Bank by more than 35 miles from the location where it is contemplated that Executive will be performing Executive's duties, provided, however, that Executive being asked/requested to provide services to the Bank at its headquarters in Middletown, NY shall not constitute "Good Reason" under this Section 4(e)(iv).
- (v) Executive shall not be entitled to any payments or benefits under this Section 4(e) unless and until Executive executes a release of claims (the "Release") against the Bank and any affiliate, and their officers, directors, successors and assigns, releasing said persons from any and all claims, rights, demands, causes of action, suits, arbitrations or grievances relating to the employment relationship, including claims under the Age Discrimination in Employment Act, but not including claims for benefits under tax-qualified plans or other benefit plans in which Executive is vested, claims for benefits required by applicable law or claims with respect to obligations set forth in this Agreement that survive the termination of this Agreement. The Release must be executed and become irrevocable by the 60th day following the date of Executive's termination of employment, provided that if the 60-day period spans two (2) calendar years, then, to the extent necessary to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), the payments and benefits described in this Section 4(e) will be paid, or commence, in the second calendar year.

(f) **Effect on Status as a Director.** In the event of Executive's termination of employment under this Agreement for any reason, such termination shall also constitute Executive's resignation as a director of the Bank or the Company, or any subsidiary or affiliate thereof, to the extent Executive is acting as a director of any of the aforementioned entities.

5. CHANGE IN CONTROL.

(a) **Change in Control Defined.** For purposes of this Agreement, the term "Change in Control" shall mean the occurrence of any of the following events in accordance with Code Section 409A and the regulations and guidance of general application thereunder issued by the U.S. Department of the Treasury, including:

- (i) **Change in Ownership:** the date any one person or persons acting as a group (but excluding an intra family acquisition or transfer of stock between members of the Morrison family) accumulates ownership of Company stock constituting more than 50% of the total voting power of Company stock;
- (ii) **Change in Effective Control:** the date that (A) any one person or persons acting as a group (but excluding an intra family acquisition or transfer of stock between members of the Morrison family) acquires within a 12-month period ownership of Company stock possessing 40% or more of the total voting power of Company stock, or (B) a majority of the Company's board of directors is replaced during any 12-month period by directors whose appointment or election is not endorsed in advance by a majority of the Company's board of directors; or
- (iii) **Change in Ownership of a Substantial Portion of Assets:** the date that any one person or persons acting as a group (but excluding an intra family acquisition or transfer of stock between members of the Morrison family) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company or the Bank that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Company or the Bank immediately prior to such acquisition.

(b) **Change in Control Benefits.** In the event of a termination of Executive's employment by the Bank (or any successor) Without Cause or by Executive With Good Reason upon or within 12 months of a Change in Control that occurs during the Term, the Bank (or any successor) (i) the Bank shall pay or provide to Executive any Accrued Obligations; and (ii) pay Executive, or in the event of Executive's subsequent death, Executive's beneficiary or estate, as severance pay an amount equal to two (2) times Executive's Base Salary (at the rate in effect when the Change in Control occurs or, if higher, at the rate in effect on Executive's date of termination) in a lump sum payment within 30 days following Executive's date of termination. In addition, the Bank (or any successor) shall pay to Executive the COBRA Payments on a monthly basis commencing with the first month following Executive's date of termination and continuing until the earlier of (A) the sixth (6th) month following Executive's date of termination; or (B) such time that Executive first becomes eligible for health insurance coverage with another employer. Notwithstanding the foregoing, the payments and benefits provided in this Section 5(b) shall be payable to Executive in lieu of any payments or benefits that are payable under Section 4(e).

(c) **280G.** Notwithstanding the preceding paragraphs of this Section, if the payments and benefits to be afforded to Executive under Section 5 hereof (the "Severance Benefits") either alone or together with other payments and benefits which Executive has the right receive from the Company or the Bank (or any affiliate) would constitute a "parachute payment" under Section 2800 of the Code, and but for this Section 5, would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Severance Benefits shall be reduced (the "Benefit Reduction") by the minimum amount necessary to result in no portion of the Severance Benefits being subject to the Excise Tax. All determinations required to be made under this Section 5(c) shall be made by tax counsel or a nationally recognized certified public accounting firm or other professional organization that is a certified public accounting firm recognized as an expert in determinations and calculations for purposes of Section 2800 of the Code selected by the Bank prior to a Change in Control and reasonably acceptable to Executive, which determinations shall be conclusive and binding on Executive and the Bank absent manifest error.

6. COVENANTS OF EXECUTIVE.

(a) **Non-Competition/Non-Solicitation - Employed with the Bank.** Executive hereby covenants and agrees to comply with the: (1) Non-Solicitation of Employees Covenant; (2) Non-Solicitation of Customers Covenant; and (3) Non-Competition Covenant while employed with Bank during, and after the expiration of, the Term, as applicable.

(b) **Non-Competition/Non-Solicitation - Termination of Employment During the Term.**

- (i) **Termination for Cause/Voluntary Termination Without Good Reason.** In the event of Executive's termination by the Bank for Cause or voluntary resignation without Good Reason during the Term, Executive agrees to comply with the (1) Non-Solicitation of Employees Covenant; (2) Non-Solicitation of Customers Covenant; and (3) Non-Competition Covenant for a period of 18 months following Executive's date of termination.
- (ii) **Involuntary Termination Without Cause/Voluntary Termination With Good Reason.** In the event of Executive's termination by the Bank without Cause or voluntary resignation With Good Reason during the Term, Executive agrees to comply with the (1) Non-Solicitation of Employees Covenant; and (2) Non Solicitation of Customers Covenant for a period of 12 months following Executive's date of termination.

(c) **Non-Competition/Non-Solicitation - Termination of Employment after the Expiration of the Term.** In the event of Executive's termination of employment with the Bank for any reason (or no reason) following the expiration of the Term, Executive agrees to comply with the (1) Non-Solicitation of Employees Covenant and (2) Non-Solicitation of Customers Covenant for a period of 12 months following Executive's date of termination, provided, however, that the foregoing covenants shall only apply to Executive if the expiration of the Term is on account of Executive's election not to renew the Term pursuant to Section 2(a) of this Agreement.

(d) **Non-Competition/Non-Solicitation - Survival of Covenants/Change in Control.** The covenants of Executive set forth in this Sections 6(a) 6(b) and 6(c) shall survive the termination of this Agreement. However, Sections 6(b) and 6(c) shall become null and void effective immediately upon a Change in Control.

(e) **Non-Competition/Non-Solicitation - Certain Definitions.** For purposes of this Agreement, the following capitalized terms are defined as follows:

- (i) "**Non-Solicitation of Employees Covenant**" means that Executive shall not, without the written consent of the Bank, either directly or indirectly solicit, offer employment to, or take any other action intended (or that a reasonable person acting in like circumstances would expect) to have the effect of causing any officer or employee of the Bank, or any of its respective subsidiaries or affiliates, to terminate his or her employment with the Bank and/or accept employment with another employer.
- (ii) "**Non-Solicitation of Customers Covenant**" means that Executive shall not, without the written consent of the Bank, either directly or indirectly induce or attempt to induce any client, customer or other business relation (whether (1) current, (2) former, within the six (6) months after such relationship has been terminated or (3) prospective, provided that there are demonstrable efforts or plans to establish such relationship) of the Bank or any of its respective subsidiaries or affiliates to cease doing business or to reduce the amount of business they have customarily done or contemplate doing with the Bank or any such subsidiary or affiliate, whether or not the relationship with the Bank or such subsidiary or affiliate and such client, customer or other business relation was originally established, in whole or in part, through Executive's efforts, or in any way interfere with the relationship between any such client, customer or business relation, on the one hand, and the Bank or any such affiliate or subsidiary, on the other hand.
- (iii) "**Non-Competition Covenant**" means that Executive shall not, without the written consent of the Bank, either directly or indirectly become an officer, employee, consultant, director, independent contractor, agent, joint venturer, partner or trustee of any savings bank, savings and loan association, savings and loan holding company, commercial bank, credit union, bank or bank holding company, any mortgage or loan broker or any other entity (excluding not-for-profit entities other than credit unions) that competes with the business of the Bank or any of their direct or indirect subsidiaries or affiliates that has a headquarters, or one or more offices, within the New York Counties of Dutchess, Putnam, Sullivan, Westchester, Rockland, Orange or Bronx, or the Connecticut County of Fairfield.

(t) **Confidentiality.** Executive recognizes and acknowledges that the knowledge of the business activities, plans for business activities, and all other proprietary information of the Bank, as it may exist from time to time, are valuable, special and unique assets of the business of the Bank. Executive will not, during or after the term of Executive's employment, disclose any knowledge of the past, present, planned or considered business activities or any other similar proprietary information of the Bank to any person, firm, corporation, or other entity for any reason or purpose whatsoever unless expressly authorized by the Board or required by law. Notwithstanding the foregoing, Executive may disclose any knowledge of banking, financial and/or economic principles, concepts or ideas which are not solely and exclusively derived from the business plans and activities of the Bank. Further, Executive may disclose information regarding the business activities of the Bank to any bank regulator having regulatory jurisdiction over the activities of the Bank pursuant to a formal regulatory request. In the event of a breach or threatened breach by Executive of the provisions of this Section, the Bank will be entitled to an injunction restraining Executive from disclosing, in whole or in part, the knowledge of the past, present, planned or considered business activities of the Bank or any other similar proprietary information, or from rendering any services to any person, firm, corporation, or other entity to whom such knowledge, in whole or in part, has been disclosed or is threatened to be disclosed. Nothing herein will be construed as prohibiting the Bank from pursuing any other remedies available to the Bank for such breach or threatened breach, including the recovery of damages from Executive.

(g) **Information/Cooperation.** Executive shall, upon reasonable notice, furnish such information and assistance to the Bank as may be reasonably required by the Bank, in connection with any litigation in which it or any of its subsidiaries or affiliates is, or may become, a party; provided, however, that Executive shall not be required to provide information or assistance with respect to any litigation between Executive and the Bank or any other subsidiaries or affiliates.

(h) **Reliance.** Except as otherwise provided, all payments and benefits to Executive under this Agreement shall be subject to Executive's compliance with this Section 6, to the extent applicable. The parties hereto, recognizing that irreparable injury will result to the Bank, its business and property in the event of Executive's breach of this Section 6, agree that, in the event of any such breach by Executive, the Bank will be entitled, in addition to any other remedies and damages available, to an injunction to restrain the violation hereof by Executive and all persons acting for or with Executive. Executive represents and admits that Executive's covenants set forth in this Section 6 are reasonable. Nothing herein will be construed as prohibiting the Bank from pursuing any other remedies available to them for such breach or threatened breach, including the recovery of damages from Executive.

7. SOURCE OF PAYMENTS.

All payments provided in this Agreement shall be timely paid by check or direct deposit from the general funds of the Bank (or any successor of the Bank).

8. EFFECT ON PRIOR AGREEMENTS AND EXISTING BENEFITS PLANS.

This Agreement, along with any agreement referenced herein, contains the entire understanding between the parties hereto and supersedes any prior employment agreement between the Bank or any predecessor of the Bank and Executive, except that this Agreement shall not affect or operate to reduce any benefit or compensation inuring to Executive under another plan, program or agreement (other than an employment agreement) between the Bank and Executive.

9. NO ATTACHMENT; BINDING ON SUCCESSORS.

(a) Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge, or hypothecation, or to execution, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to affect any such action shall be null, void, and of no effect.

(b) The Bank shall require any successor or assignee, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all the business or assets of the Bank, expressly and unconditionally to assume and agree to perform the Bank's obligations under this Agreement, in the same manner and to the same extent that the Bank would be required to perform if no such succession or assignment had taken place.

10. MODIFICATION AND WAIVER.

(a) This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto.

(b) No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel against the enforcement of any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver 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 as to any act other than that specifically waived.

11. REQUIRED PROVISIONS.

Notwithstanding anything herein contained to the contrary, the following provisions shall apply:

(a) The Board may terminate Executive's employment at any time, but any termination by the Bank's Board other than termination for Cause shall not prejudice Executive's right to compensation or other benefits under this Agreement. Executive shall have no right to receive compensation or other benefits under this Agreement for any period after Executive's termination for Cause.

(b) Notwithstanding anything herein contained to the contrary, any payments to Executive by the Company, whether pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with Section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1828(k), and the regulations promulgated thereunder in 12 C.F.R. Part 359.

(c) Notwithstanding anything else in this Agreement to the contrary (with the exception of Section 4(c)(i)), Executive's employment shall not be deemed to have been terminated unless and until Executive has a Separation from Service within the meaning of Code Section 409A. For purposes of this Agreement, a "Separation from Service" shall have occurred if the Bank and Executive reasonably anticipate that either no further services will be performed by Executive after the date of termination (whether as an employee or as an independent contractor) or the level of further services performed is less than 50 percent of the average level of bona fide services in the 36 months immediately preceding the termination. For all purposes hereunder, the definition of Separation from Service shall be interpreted consistent with Treasury Regulation Section 1.409A-1(h)(ii).

(d) Notwithstanding the foregoing, if Executive is a "specified employee" (i.e., a "key employee" of a publicly traded company within the meaning of Section 409A of the Code and the final regulations issued thereunder) and any payment under this Agreement is triggered due to Executive's Separation from Service, then solely to the extent necessary to avoid penalties under Section 409A of the Code, no payment shall be made during the first six (6) months following Executive's Separation from Service. Rather, any payment which would otherwise be paid to Executive during such period shall be accumulated and paid to Executive in a lump sum on the first day of the seventh month following such Separation from Service. All subsequent payments shall be paid in the manner specified in this Agreement.

(e) If the Bank cannot provide Executive or Executive's dependents any continued health insurance or other welfare benefits as required by this Agreement because Executive is no longer an employee, applicable rules and regulations prohibit such benefits or the payment of such benefits in the manner contemplated, or it would subject the Bank to penalties, then the Bank shall pay Executive or Executive's beneficiary or estate in the event of death a cash lump sum payment reasonably estimated to be equal to the value of such benefits or the value of the remaining benefits at the time of such determination. Such cash payment shall be made in a lump sum within 30 days after the later of Executive's date of termination or the effective date of the rules or regulations prohibiting such benefits or subjecting the Bank to penalties.

(f) To the extent not specifically provided in this Agreement, any compensation or reimbursements payable to Executive shall be paid or provided no later than two and one-half (2.5) months after the calendar year in which such compensation is no longer subject to a substantial risk of forfeiture within the meaning of Treasury Regulation Section 1.409A-1(d).

(g) Notwithstanding anything in this Agreement to the contrary, Executive understands that nothing contained in this Agreement limits Executive's ability to file a charge or complaint with the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies") about a possible securities law violation without approval of the Bank (or any affiliate). Executive further understands that this Agreement does not limit Executive's ability to communicate with any Government Agency or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Bank (or any affiliate) related to the possible securities law violation. This Agreement does not limit Executive's right to receive any resulting monetary award for information provided to any Government Agency.

12. SEVERABILITY.

If, for any reason, any provision of this Agreement, or any part of any provision, is held invalid, such invalidity shall not affect any other provision of this Agreement or any part of such provision not held so invalid, and each such other provision and part thereof shall to the full extent consistent with law continue in full force and effect.

13. GOVERNING LAW.

This Agreement shall be governed by the laws of the State of New York, but only to the extent not superseded by federal law.

14. PAYMENT OF LEGAL FEES.

To the extent that such payment(s) may be made without triggering penalty under Code Section 409A, all reasonable legal fees paid or incurred by Executive pursuant to any dispute relating to this Agreement shall be paid or reimbursed by the Bank provided that the dispute is resolved in Executive's favor, and such reimbursement shall occur no later than 60 days after the end of the year in which the dispute is settled or resolved in Executive's favor.

15. INDEMNIFICATION.

The Bank shall provide Executive (including Executive's heirs, executors and administrators) with coverage under a standard directors' and officers' liability insurance policy at its expense, and shall indemnify Executive (and Executive's heirs, executors and administrators) in accordance with the charter and bylaws of the Bank and to the fullest extent permitted under applicable law against all expenses and liabilities (including attorneys' fees) reasonably incurred by Executive in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of Executive having been a director or officer of the Bank or any subsidiary or affiliate of the Bank.

16. NOTICE.

For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Bank:

Orange Bank & Trust Company
212 Dolson Avenue
Middletown, NY 10940
Attention: Chief Executive Officer

To Executive:

Most recent address on file with the Bank

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the dates below.

By signing below, the Bank and Executive acknowledge and agree that: (1) this Agreement shall supersede and replace the employment agreement between the Bank and Executive dated January 5, 2015 (the "Prior Agreement") as of the Effective Date; and (2) the Prior Agreement shall be terminated as of the Effective Date.

ORANGE BANK & TRUST COMPANY

11/17/17
Date

By: /s/ Michael J. Gilfeather
Name: Michael J. Gilfeather
Title: President and Chief Executive Officer

11/17/17
Date

/s/ Joseph Ruhl
Joseph Ruhl

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made and entered into, effective as of January 1, 2018 (the "Effective Date"), by and between Orange Bank & Trust Company (the "Bank") and John Bartolotta ("Executive"). Any reference to the "Company" shall mean Orange County Bancorp, Inc. or any successor thereto.

WHEREAS, the Bank wishes to assure itself of the continued services of Executive for the period provided in this Agreement; and

WHEREAS, in order to induce Executive to remain in the employ of the Bank and to provide further incentive for Executive to achieve the financial and performance objectives of the Bank, the parties desire to enter into this Agreement; and

WHEREAS, the Bank desires to set forth the rights and responsibilities of Executive and the compensation payable to Executive, as modified from time to time.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and upon the other terms and conditions hereinafter provided, the parties hereby agree as follows:

1. POSITION AND RESPONSIBILITIES.

During the term of this Agreement, Executive agrees to serve as Executive Vice President, Rockland Regional President, of the Bank or any successor position with the Bank as mutually agreed to by the Bank and Executive (Executive's foregoing position or any successor position with the Bank shall be referred to as the "Executive Position"), and will perform the duties and will have all powers associated with such position as commonly incident to such position, as well as those delegated to Executive by the Board of Directors of the Bank or its designee (the "Board"). Executive shall report directly to the Chief Executive Officer of the Bank. During the period provided in this Agreement, Executive also agrees to serve, if elected, as an officer or director of any subsidiary or affiliate of the Bank and in such capacity carry out such duties and responsibilities reasonably appropriate to that office.

2. TERM AND DUTIES.

(a) **Term and Annual Renewal.** The initial term of this Agreement and the period of Executive's employment hereunder shall begin as of the Effective Date and shall continue through December 31, 2020 (the "Initial Term"). Commencing on January 1, 2021 and continuing on each January 1st thereafter (the "Renewal Date"), the Initial Term shall extend automatically for one additional year, unless either the Bank or the Executive by written notice to the other given at least ninety (90) days prior to such Renewal Date notifies the other of its intent not to extend the same. In the event that notice not to extend is given by either the Bank or the Executive, this Agreement shall terminate as of the last day of the then current term. References herein to the "Term" shall mean the Initial Term, as the same may be renewed.

(b) **Membership on Other Boards or Organizations.** During the period of his employment hereunder, except for periods of absence occasioned by illness, reasonable vacation periods, and reasonable leaves of absence, Executive will devote all of his business time, attention, skill and efforts to the faithful performance of his duties under this Agreement, including activities and duties related to the Executive Position. Notwithstanding the preceding sentence, subject to the approval of the Board, Executive may serve as a member of the board of directors of business, community and charitable organizations, provided that in each case such service shall not materially interfere with the performance of his duties under this Agreement, adversely affect the reputation of the Bank or any other affiliates of the Bank (as determined by the Board), or present any conflict of interest.

(c) **Continued Employment Following Expiration of Term.** Nothing in this Agreement shall mandate or prohibit a continuation of Executive's employment following the expiration of the term of this Agreement.

3. **COMPENSATION, BENEFITS AND REIMBURSEMENT.**

(a) **Base Salary.** In consideration of Executive's performance of the responsibilities and duties set forth in this Agreement, the Bank will provide Executive the compensation specified in this Agreement. The Bank will pay Executive a salary of **\$290,000** per year ("**Base Salary**"). Such Base Salary will be payable in accordance with the customary payroll practices of the Bank. During the term of this Agreement, the Board may consider increasing, but not decreasing, Executive's Base Salary as the Board deems appropriate. Any change in Base Salary will become the "Base Salary" for purposes of this Agreement.

(b) **Annual Bonus.** For each fiscal year of the Bank during the Term, Executive shall be eligible to participate in the Bank's Annual Incentive Plan (or any successor thereto) (the "**Annual Bonus Plan**"). Executive's target annual bonus under the Annual Bonus Plan shall be determined by the Compensation Committee of the Board (the "**Committee**") and shall be commensurate with the target bonus opportunity available for similarly-situated executives of the Bank generally (the "**Target Bonus**"). The actual amount of Executive's annual bonus shall depend upon the achievement of performance goals established by the Committee. The terms and conditions of the Annual Bonus Plan and the payments to Executive thereunder shall be applied on the basis not less favorable to Executive than to other similarly situated executives of the Bank generally. The Committee may in its discretion increase Executive's annual bonus opportunity. The term Target Bonus, as utilized in this Agreement, shall refer to the Target Bonus as it may be increased. Annual bonuses awarded to Executive under the Annual Bonus Plan are referred to herein as "**Annual Bonuses**." The payment of any such Annual Bonus shall be subject to all the terms and conditions of the applicable Annual Bonus Plan, including any underlying award agreement.

(c) **Long-Term Compensation.** For each fiscal year of the Bank during the Term, Executive shall be eligible to participate in the Company's Long-Term Incentive Plan (the "**LTIP Plan**") and/or any other long-term compensation program established by the Company or the Bank from time to time for executive officers. Executive's target annual equity award opportunity shall be determined by the Committee and shall be no less favorable than the target equity award opportunity available to other similarly-situated executives of the Bank generally, with the actual award to be determined by the Committee on a basis not less favorable to Executive than other similarly-situated executives of the Bank generally. The terms and conditions of any equity award (such as the underlying performance goals and/or vesting requirements) shall be subject to the LTIP Plan, including any underlying award agreement.

(d) **Supplemental Executive Retirement Plan.** For each fiscal year of the Bank during the Term, Executive shall be eligible to participate in the Bank's Supplemental Executive Retirement Plan (the "SERP"), pursuant to which the Bank shall make an annual contribution to a book-entry account for the benefit of Executive, with the amount and the terms and conditions of the annual contributions (such as the underlying performance goals, vesting requirements and the time and manner in which the benefits will be paid) to be determined pursuant to an underlying Participation Agreement, which shall be reasonable and acceptable to the Bank and Executive.

(e) **Other Benefit Plans.** During the Term, Executive shall be entitled to participate, on the terms and conditions not less favorable to Executive than other similarly situated executives of the Bank generally, in the Bank's (A) tax-qualified retirement plans; (B) group life, health and disability insurance plans; and (C) any other employee benefit plans and programs and perquisites in accordance with the Bank's customary practices with respect to other similarly situated executives generally, provided that Executive's participation shall be subject to the terms of such plans and programs; and provided, further, that nothing herein shall limit the Bank's right to amend or terminate any such plans or programs.

(f) **Vacation.** Executive will be entitled to four (4) weeks of paid vacation time each year during the term of this Agreement measured on a calendar year basis, in accordance with the Bank's customary practices, as well as sick leave, holidays and other paid absences in accordance with the Bank's policies and procedures for executives. Any unused paid time off during an annual period will be treated in accordance with the Bank's personnel policies as in effect from time to time.

(g) **Expense Reimbursements.** The Bank will reimburse Executive for all reasonable travel, entertainment and other reasonable expenses incurred by Executive during the course of performing his obligations under this Agreement, including, without limitation, fees for memberships in such organizations as Executive and the Chief Executive Officer mutually agree are necessary and appropriate in connection with the performance of his duties under this Agreement, upon substantiation of such expenses in accordance with applicable policies and procedures of the Bank. Executive shall be provided a car allowance in the amount of \$750.00 per month, with the expense of gas and maintenance incurred be paid or reimbursed to Executive by the Bank. In addition, Executive shall be entitled to reimbursement of membership fees and assessments with respect to a country club located in a county of New York relevant to Executive's business activities, as approved by the Chief Executive Officer. All reimbursements pursuant to this Section 3(g) shall be reimbursed upon presentation to the Bank of an itemized account of such expense in such form as the Bank may reasonably require.

4. TERMINATION AND TERMINATION PAY.

Subject to Section 5 of this Agreement which governs the occurrence of a Change in Control, Executive's employment under this Agreement may be terminated in the following circumstances:

(a) **Death.** This Agreement shall terminate upon Executive's death, in which event the Bank's sole obligation shall be to pay Executive's estate or beneficiary any "Accrued Obligations." For purposes of this Agreement, "Accrued Obligations" shall mean: (1) any accrued and unpaid Base Salary of Executive through the date of termination of employment, payable pursuant to the Bank's standard payroll policies; (2) any earned and unpaid bonus of Executive under the Annual Bonus Plan for any completed fiscal year prior to the date of termination of employment; (3) any compensation and benefits to the extent payable to Executive based on Executive's participation in any compensation or benefit plan (including pursuant to any individual or group life insurance plan or policy), program or arrangement of the Bank through the date of termination of employment, payable in accordance with the terms of such plan, program or arrangement; and (4) any expense reimbursement to which Executive is entitled under the Bank's standard expense reimbursement policy (as applicable) in Section 3(g) hereof.

(b) **Disability.** This Agreement shall terminate in the event of Executive becomes "Totally Disabled." For purposes of this Agreement, Executive shall be "Totally Disabled" if Executive is deemed disabled for purposes of eligibility for receipt of disability benefits under the Bank's long-term disability plan, if any, or receipt of Social Security disability benefits. In the event Executive's employment is terminated due to becoming Totally Disabled, the Bank shall pay or provide Executive with any Accrued Obligations. In addition, Executive shall continue to receive his full Base Salary under Section 3(a) of this Agreement until he becomes eligible for and receives disability income under the long-term disability insurance coverage then in effect for the Executive. If Executive elects to continue his group health coverage with the Bank pursuant to COBRA, the Bank shall pay to Executive the "COBRA Payments" for a period of 18 months or, if earlier, until the date on which Executive receives substantially comparable coverage under another group health insurance plan. The "COBRA Payments" shall be monthly installment payments, each equal to the monthly COBRA premium in effect as of the date of Executive's termination of employment for the level of coverage in effect for Executive under the Bank's group health plan.

(c) **Termination for Cause.** The Board may immediately terminate Executive's employment at any time for "Cause." In the event Executive's employment is terminated for Cause, the Bank's sole obligation shall be to pay or provide to Executive any Accrued Obligations. Termination for "Cause" shall mean termination because of, in the good faith determination of the Board, Executive's:

(i) an act of fraud, embezzlement, or theft while employed by the Bank, or indictment or conviction of the Executive for, or plea of no contest to, a felony, conviction of or plea of no contest to a misdemeanor involving moral turpitude, or the arrest and incarceration of Executive for acts by Executive involving moral turpitude;

(ii) gross negligence, insubordination, disloyalty, or dishonesty in the performance of the Executive's duties as an officer of the Bank; willful or reckless failure by the Executive to adhere to the Bank's written policies; intentional wrongful damage by Executive to the business or property of the Company and the Bank, including without limitation its reputation, which in the Board's sole judgment causes material harm to the Company, the Bank or any of its affiliates, provided, however, that the Bank shall provide Executive with written notice specifying Executive's actions or conduct that breached this Section 4(c)(ii) and Executive shall have 30 days to cure or remediate such actions or conduct after receiving such written notice;

(iii) removal of Executive from office or permanent prohibition of Executive from participating in the affairs of the Bank by an order issued under Section 8(e)(4) or (g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. 1818(e)(4) or (g)(1); or

(iv) acts or omissions in the performance of Executive's duties having a material adverse effect on the Bank that were not done or omitted to be done in good faith or which involved intentional misconduct or a knowing violation of law.

(d) **Voluntary Termination by Executive without Good Reason.** Executive may voluntarily terminate employment during the Term upon at least 30 days prior written notice to the Board. Except upon Executive's voluntary termination "With Good Reason" (as defined below), Executive shall have no right to receive any compensation or benefits under this Agreement or otherwise upon his voluntary termination of employment, except any Accrued Obligations, provided, however, that any unpaid Annual Bonus as of the date of termination shall be forfeited. The Bank may accelerate the date of termination upon receipt of written notice of Executive's voluntary termination.

(e) **Termination Without Cause or With Good Reason.**

(i) The Board may immediately terminate Executive's employment at any time for a reason other than Cause (a termination "Without Cause"), and Executive may, by written notice to the Board, terminate this Agreement at any time within 90 days following an event constituting "Good Reason," as defined below (a termination "With Good Reason"); provided, however, that the Bank shall have 30 days to cure the "Good Reason" condition, but the Bank may waive its right to cure. Any termination of Executive's employment shall have no effect on or prejudice the vested rights of Executive under the Bank's qualified or non-qualified retirement, pension, savings, thrift, profit-sharing or bonus plans, group life, health (including hospitalization, medical and major medical), dental, accident and long-term disability insurance plans or other employee benefit plans or programs, or compensation plans or programs in which Executive was a participant.

(ii) In the event of termination as described under Section 4(e)(i) and subject to the requirements of Section 4(e)(v), the Bank shall pay or provide to Executive any Accrued Obligations. In addition, the Bank shall pay Executive, or in the event of Executive's subsequent death, Executive's beneficiary or estate, as the case may be, as severance pay, a cash lump sum payment equal to 100% of Executive's Base Salary, payable within 30 days following Executive's date of termination.

- (iii) In addition, the Bank shall pay to Executive the COBRA Payments on a monthly basis commencing with the first month following Executive's date of termination and continuing until the earlier of (A) the sixth (6th) month following Executive's date of termination; or (B) such time that Executive first becomes eligible for health insurance coverage with another employer.
- (iv) "Good Reason" exists if, without Executive's express written consent, any of the following occurs:
 - (A) a material reduction in Executive's Base Salary;
 - (B) a material reduction in Executive's authority, duties or responsibilities from the position and attributes associated with the Executive Position;
 - (C) Executive ceases to report to the Chief Executive Officer of the Bank; or
 - (D) a change in the geographic location at which Executive must perform services for the Bank by more than 35 miles from the location where it is contemplated that Executive will be performing Executive's duties, provided, however, that Executive being asked/requested to provide services to the Bank at its headquarters in Middletown, NY shall not constitute "Good Reason" under this Section 4(e)(iv).
- (v) Executive shall not be entitled to any payments or benefits under this Section 4(e) unless and until Executive executes a release of claims (the "Release") against the Bank and any affiliate, and their officers, directors, successors and assigns, releasing said persons from any and all claims, rights, demands, causes of action, suits, arbitrations or grievances relating to the employment relationship, including claims under the Age Discrimination in Employment Act, but not including claims for benefits under tax-qualified plans or other benefit plans in which Executive is vested, claims for benefits required by applicable law or claims with respect to obligations set forth in this Agreement that survive the termination of this Agreement. The Release must be executed and become irrevocable by the 60th day following the date of Executive's termination of employment, provided that if the 60-day period spans two (2) calendar years, then, to the extent necessary to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), the payments and benefits described in this Section 4(e) will be paid, or commence, in the second calendar year.

(f) **Effect on Status as a Director.** In the event of Executive's termination of employment under this Agreement for any reason, such termination shall also constitute Executive's resignation as a director of the Bank or the Company, or any subsidiary or affiliate thereof, to the extent Executive is acting as a director of any of the aforementioned entities.

5. CHANGE IN CONTROL.

(a) **Change in Control Defined.** For purposes of this Agreement, the term "Change in Control" shall mean the occurrence of any of the following events in accordance with Code Section 409A and the regulations and guidance of general application thereunder issued by the U.S. Department of the Treasury, including:

- (i) **Change in Ownership:** the date any one person or persons acting as a group (but excluding an intra family acquisition or transfer of stock between members of the Morrison family) accumulates ownership of Company stock constituting more than 50% of the total voting power of Company stock;
- (ii) **Change in Effective Control:** the date that (A) any one person or persons acting as a group (but excluding an intra family acquisition or transfer of stock between members of the Morrison family) acquires within a 12-month period ownership of Company stock possessing 40% or more of the total voting power of Company stock, or (B) a majority of the Company's board of directors is replaced during any 12-month period by directors whose appointment or election is not endorsed in advance by a majority of the Company's board of directors; or
- (iii) **Change in Ownership of a Substantial Portion of Assets:** the date that any one person or persons acting as a group (but excluding an intra family acquisition or transfer of stock between members of the Morrison family) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company or the Bank that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Company or the Bank immediately prior to such acquisition.

(b) **Change in Control Benefits.** In the event of a termination of Executive's employment by the Bank (or any successor) Without Cause or by Executive With Good Reason upon or within 12 months of a Change in Control that occurs during the Term, the Bank (or any successor) (i) the Bank shall pay or provide to Executive any Accrued Obligations; and (ii) pay Executive, or in the event of Executive's subsequent death, Executive's beneficiary or estate, as severance pay an amount equal to two (2) times Executive's Base Salary (at the rate in effect when the Change in Control occurs or, if higher, at the rate in effect on Executive's date of termination) in a lump sum payment within 30 days following Executive's date of termination. In addition, the Bank (or any successor) shall pay to Executive the COBRA Payments on a monthly basis commencing with the first month following Executive's date of termination and continuing until the earlier of (A) the sixth (6th) month following Executive's date of termination; or (B) such time that Executive first becomes eligible for health insurance coverage with another employer. Notwithstanding the foregoing, the payments and benefits provided in this Section 5(b) shall be payable to Executive in lieu of any payments or benefits that are payable under Section 4(e).

(c) **280G.** Notwithstanding the preceding paragraphs of this Section, if the payments and benefits to be afforded to Executive under Section 5 hereof (the "Severance Benefits") either alone or together with other payments and benefits which Executive has the right receive from the Company or the Bank (or any affiliate) would constitute a "parachute payment" under Section 280G of the Code, and but for this Section 5, would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Severance Benefits shall be reduced (the "Benefit Reduction") by the minimum amount necessary to result in no portion of the Severance Benefits being subject to the Excise Tax. All determinations required to be made under this Section 5(c) shall be made by tax counsel or a nationally recognized certified public accounting firm or other professional organization that is a certified public accounting firm recognized as an expert in determinations and calculations for purposes of Section 280G of the Code selected by the Bank prior to a Change in Control and reasonably acceptable to Executive, which determinations shall be conclusive and binding on Executive and the Bank absent manifest error.

6. COVENANTS OF EXECUTIVE.

(a) **Non-Competition/Non-Solicitation — Employed with the Bank.** Executive hereby covenants and agrees to comply with the: (1) Non-Solicitation of Employees Covenant; (2) Non-Solicitation of Customers Covenant; and (3) Non-Competition Covenant while employed with Bank during, and after the expiration of, the Term, as applicable.

(b) **Non-Competition/Non-Solicitation — Termination of Employment During the Term.**

(i) **Termination for Cause/Voluntary Termination Without Good Reason.** In the event of Executive's termination by the Bank for Cause or voluntary resignation without Good Reason during the Term, Executive agrees to comply with the (1) Non-Solicitation of Employees Covenant; (2) Non-Solicitation of Customers Covenant; and (3) Non-Competition Covenant for a period of 18 months following Executive's date of termination.

(ii) **Involuntary Termination Without Cause/Voluntary Termination With Good Reason.** In the event of Executive's termination by the Bank without Cause or voluntary resignation With Good Reason during the Term, Executive agrees to comply with the (1) Non-Solicitation of Employees Covenant; and (2) Non-Solicitation of Customers Covenant for a period of 12 months following Executive's date of termination.

(c) **Non-Competition/Non-Solicitation — Termination of Employment after the Expiration of the Term.** In the event of Executive's termination of employment with the Bank for any reason (or no reason) following the expiration of the Term, Executive agrees to comply with the (1) Non-Solicitation of Employees Covenant and (2) Non-Solicitation of Customers Covenant for a period of 12 months following Executive's date of termination, provided, however, that the foregoing covenants shall only apply to Executive if the expiration of the Term is on account of Executive's election not to renew the Term pursuant to Section 2(a) of this Agreement.

(d) **Non-Competition/Non-Solicitation — Survival of Covenants/Change in Control.** The covenants of Executive set forth in this Sections 6(a) 6(b) and 6(c) shall survive the termination of this Agreement. However, Sections 6(b) and 6(c) shall become null and void effective immediately upon a Change in Control.

(e) **Non-Competition/Non-Solicitation — Certain Definitions.** For purposes of this Agreement, the following capitalized terms are defined as follows:

(i) **"Non-Solicitation of Employees Covenant"** means that Executive shall not, without the written consent of the Bank, either directly or indirectly solicit, offer employment to, or take any other action intended (or that a reasonable person acting in like circumstances would expect) to have the effect of causing any officer or employee of the Bank, or any of its respective subsidiaries or affiliates, to terminate his or her employment with the Bank and/or accept employment with another employer.

(ii) **"Non-Solicitation of Customers Covenant"** means that Executive shall not, without the written consent of the Bank, either directly or indirectly induce or attempt to induce any client, customer or other business relation (whether (1) current, (2) former, within the six (6) months after such relationship has been terminated or (3) prospective, provided that there are demonstrable efforts or plans to establish such relationship) of the Bank or any of its respective subsidiaries or affiliates to cease doing business or to reduce the amount of business they have customarily done or contemplate doing with the Bank or any such subsidiary or affiliate, whether or not the relationship with the Bank or such subsidiary or affiliate and such client, customer or other business relation was originally established, in whole or in part, through Executive's efforts, or in any way interfere with the relationship between any such client, customer or business relation, on the one hand, and the Bank or any such affiliate or subsidiary, on the other hand.

(iii) **"Non-Competition Covenant"** means that Executive shall not, without the written consent of the Bank, either directly or indirectly become an officer, employee, consultant, director, independent contractor, agent, joint venturer, partner or trustee of any savings bank, savings and loan association, savings and loan holding company, commercial bank, credit union, bank or bank holding company, any mortgage or loan broker or any other entity (excluding not-for-profit entities other than credit unions) that competes with the business of the Bank or any of their direct or indirect subsidiaries or affiliates that has a headquarters, or one or more offices, within the New York Counties of Dutchess, Putnam, Sullivan, Westchester, Rockland, Orange or Bronx, or the Connecticut County of Fairfield.

(f) **Confidentiality.** Executive recognizes and acknowledges that the knowledge of the business activities, plans for business activities, and all other proprietary information of the Bank, as it may exist from time to time, are valuable, special and unique assets of the business of the Bank. Executive will not, during or after the term of Executive's employment, disclose any knowledge of the past, present, planned or considered business activities or any other similar proprietary information of the Bank to any person, firm, corporation, or other entity for any reason or purpose whatsoever unless expressly authorized by the Board or required by law. Notwithstanding the foregoing, Executive may disclose any knowledge of banking, financial and/or economic principles, concepts or ideas which are not solely and exclusively derived from the business plans and activities of the Bank. Further, Executive may disclose information regarding the business activities of the Bank to any bank regulator having regulatory jurisdiction over the activities of the Bank pursuant to a formal regulatory request. In the event of a breach or threatened breach by Executive of the provisions of this Section, the Bank will be entitled to an injunction restraining Executive from disclosing, in whole or in part, the knowledge of the past, present, planned or considered business activities of the Bank or any other similar proprietary information, or from rendering any services to any person, firm, corporation, or other entity to whom such knowledge, in whole or in part, has been disclosed or is threatened to be disclosed. Nothing herein will be construed as prohibiting the Bank from pursuing any other remedies available to the Bank for such breach or threatened breach, including the recovery of damages from Executive.

(g) **Information/Cooperation.** Executive shall, upon reasonable notice, furnish such information and assistance to the Bank as may be reasonably required by the Bank, in connection with any litigation in which it or any of its subsidiaries or affiliates is, or may become, a party; provided, however, that Executive shall not be required to provide information or assistance with respect to any litigation between Executive and the Bank or any other subsidiaries or affiliates.

(h) **Reliance.** Except as otherwise provided, all payments and benefits to Executive under this Agreement shall be subject to Executive's compliance with this Section 6, to the extent applicable. The parties hereto, recognizing that irreparable injury will result to the Bank, its business and property in the event of Executive's breach of this Section 6, agree that, in the event of any such breach by Executive, the Bank will be entitled, in addition to any other remedies and damages available, to an injunction to restrain the violation hereof by Executive and all persons acting for or with Executive. Executive represents and admits that Executive's covenants set forth in this Section 6 are reasonable. Nothing herein will be construed as prohibiting the Bank from pursuing any other remedies available to them for such breach or threatened breach, including the recovery of damages from Executive.

7. SOURCE OF PAYMENTS.

All payments provided in this Agreement shall be timely paid by check or direct deposit from the general funds of the Bank (or any successor of the Bank).

8. EFFECT ON PRIOR AGREEMENTS AND EXISTING BENEFITS PLANS.

This Agreement, along with any agreement referenced herein, contains the entire understanding between the parties hereto and supersedes any prior employment agreement between the Bank or any predecessor of the Bank and Executive, except that this Agreement shall not affect or operate to reduce any benefit or compensation inuring to Executive under another plan, program or agreement (other than an employment agreement) between the Bank and Executive.

9. NO ATTACHMENT; BINDING ON SUCCESSORS.

(a) Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge, or hypothecation, or to execution, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to affect any such action shall be null, void, and of no effect.

(b) The Bank shall require any successor or assignee, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all the business or assets of the Bank, expressly and unconditionally to assume and agree to perform the Bank's obligations under this Agreement, in the same manner and to the same extent that the Bank would be required to perform if no such succession or assignment had taken place.

10. MODIFICATION AND WAIVER.

(a) This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto.

(b) No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel against the enforcement of any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver 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 as to any act other than that specifically waived.

11. REQUIRED PROVISIONS.

Notwithstanding anything herein contained to the contrary, the following provisions shall apply:

(a) The Board may terminate Executive's employment at any time, but any termination by the Bank's Board other than termination for Cause shall not prejudice Executive's right to compensation or other benefits under this Agreement. Executive shall have no right to receive compensation or other benefits under this Agreement for any period after Executive's termination for Cause.

(b) Notwithstanding anything herein contained to the contrary, any payments to Executive by the Company, whether pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with Section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1828(k), and the regulations promulgated thereunder in 12 C.F.R. Part 359.

(c) Notwithstanding anything else in this Agreement to the contrary (with the exception of Section 4(c)(i)), Executive's employment shall not be deemed to have been terminated unless and until Executive has a Separation from Service within the meaning of Code Section 409A. For purposes of this Agreement, a "Separation from Service" shall have occurred if the Bank and Executive reasonably anticipate that either no further services will be performed by Executive after the date of termination (whether as an employee or as an independent contractor) or the level of further services performed is less than 50 percent of the average level of bona fide services in the 36 months immediately preceding the termination. For all purposes hereunder, the definition of Separation from Service shall be interpreted consistent with Treasury Regulation Section 1.409A-1(h)(ii).

(d) Notwithstanding the foregoing, if Executive is a "specified employee" (i.e., a "key employee" of a publicly traded company within the meaning of Section 409A of the Code and the final regulations issued thereunder) and any payment under this Agreement is triggered due to Executive's Separation from Service, then solely to the extent necessary to avoid penalties under Section 409A of the Code, no payment shall be made during the first six (6) months following Executive's Separation from Service. Rather, any payment which would otherwise be paid to Executive during such period shall be accumulated and paid to Executive in a lump sum on the first day of the seventh month following such Separation from Service. All subsequent payments shall be paid in the manner specified in this Agreement.

(e) If the Bank cannot provide Executive or Executive's dependents any continued health insurance or other welfare benefits as required by this Agreement because Executive is no longer an employee, applicable rules and regulations prohibit such benefits or the payment of such benefits in the manner contemplated, or it would subject the Bank to penalties, then the Bank shall pay Executive or Executive's beneficiary or estate in the event of death a cash lump sum payment reasonably estimated to be equal to the value of such benefits or the value of the remaining benefits at the time of such determination. Such cash payment shall be made in a lump sum within 30 days after the later of Executive's date of termination or the effective date of the rules or regulations prohibiting such benefits or subjecting the Bank to penalties.

(f) To the extent not specifically provided in this Agreement, any compensation or reimbursements payable to Executive shall be paid or provided no later than two and one-half (2.5) months after the calendar year in which such compensation is no longer subject to a substantial risk of forfeiture within the meaning of Treasury Regulation Section 1.409A-1(d).

(g) Notwithstanding anything in this Agreement to the contrary, Executive understands that nothing contained in this Agreement limits Executive's ability to file a charge or complaint with the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies") about a possible securities law violation without approval of the Bank (or any affiliate). Executive further understands that this Agreement does not limit Executive's ability to communicate with any Government Agency or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Bank (or any affiliate) related to the possible securities law violation. This Agreement does not limit Executive's right to receive any resulting monetary award for information provided to any Government Agency.

12. SEVERABILITY.

If, for any reason, any provision of this Agreement, or any part of any provision, is held invalid, such invalidity shall not affect any other provision of this Agreement or any part of such provision not held so invalid, and each such other provision and part thereof shall to the full extent consistent with law continue in full force and effect.

13. GOVERNING LAW.

This Agreement shall be governed by the laws of the State of New York, but only to the extent not superseded by federal law.

14. PAYMENT OF LEGAL FEES.

To the extent that such payment(s) may be made without triggering penalty under Code Section 409A, all reasonable legal fees paid or incurred by Executive pursuant to any dispute relating to this Agreement shall be paid or reimbursed by the Bank provided that the dispute is resolved in Executive's favor, and such reimbursement shall occur no later than 60 days after the end of the year in which the dispute is settled or resolved in Executive's favor.

15. INDEMNIFICATION.

The Bank shall provide Executive (including Executive's heirs, executors and administrators) with coverage under a standard directors' and officers' liability insurance policy at its expense, and shall indemnify Executive (and Executive's heirs, executors and administrators) in accordance with the charter and bylaws of the Bank and to the fullest extent permitted under applicable law against all expenses and liabilities (including attorneys' fees) reasonably incurred by Executive in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of Executive having been a director or officer of the Bank or any subsidiary or affiliate of the Bank.

16. NOTICE.

For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Bank:	Orange Bank & Trust Company 212 Dolson Avenue Middletown, NY 10940 Attention: Chief Executive Officer
To Executive:	Most recent address on file with the Bank

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the dates below.

By signing below, the Bank and Executive acknowledge and agree that: (1) this Agreement shall supersede and replace the employment agreement between the Bank and Executive dated January 5, 2015 (the "Prior Agreement") as of the Effective Date; and (2) the Prior Agreement shall be terminated as of the Effective Date.

Date: 11/17/17

ORANGE BANK & TRUST COMPANY

By: /s/ Michael J. Gilfeather
Name: Michael J. Gilfeather
Title: President and Chief Executive Officer

/s/ John Bartolotta
John Bartolotta

Date: 11/17/17

**ORANGE BANK & TRUST COMPANY
PERFORMANCE-BASED SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

**ARTICLE I
GENERAL**

1.1 PURPOSE OF THE PLAN. The purpose of the *Orange Bank & Trust Company Performance-Based Supplemental Executive Retirement Plan* (the “Plan”) is to assist the Employer and its affiliates in retaining, attracting and providing supplemental executive retirement benefits to certain key management employees. The Plan is intended at all times to satisfy Section 409A of the Code (and all guidance published thereunder), and the provisions of the Plan shall be construed to effectuate such intent. The Plan is also intended to qualify as a “top hat” plan for purposes of ERISA.

1.2 PLAN BENEFITS GENERALLY. Pursuant to this Plan, the Employer may provide to each Participant a performance-based supplemental retirement benefit, subject to the terms and conditions contained in this Plan and the Participant’s individual Participation Agreement.

1.3 EFFECTIVE DATE. The effective date of this Plan is January 1, 2018.

**ARTICLE II
DEFINITIONS**

2.1 “ADMINISTRATOR” means the Compensation Committee of the Board of Directors.

2.2 “BENEFICIARY” means the person or persons designated by a Participant as his or her beneficiary in accordance with Section 5.6 of the Plan.

2.3 “BOARD OF DIRECTORS” means the Board of Directors of the Employer.

2.4 “CAUSE” shall have the meaning set forth in any employment agreement or change in control agreement between the Employer and the Participant. If the Participant is not a party to an employment agreement or change in control agreement with the Employer, then Cause means a good faith determination of the Board of Directors of the Participant’s:

- (i) personal dishonesty;
- (ii) incompetence;
- (iii) willful misconduct;
- (iv) breach of fiduciary duty involving personal profit;
- (v) intentional failure to perform stated duties; or
- (vi) willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease and desist order.

2.5 **“CHANGE OF CONTROL”** means, for purposes of this Plan, the occurrence of any of the following events in accordance with a change in control as defined in Section 409A of the Code and the rules, regulations, and guidance of general application thereunder issued by the Department of the Treasury, including:

- (i) *Change in ownership*: the date any one person or persons acting as a group (but excluding an intra family acquisition or transfer of stock between members of the Morrison family) accumulates ownership of Company stock constituting more than fifty (50%) percent of the total voting power of Company stock, or
- (ii) *Change in effective control*: the date that (A) any one person or persons acting as a group (but excluding an intra family acquisition or transfer of stock between members of the Morrison family) acquires within a 12-month period ownership of Company stock possessing forty (40%) percent or more of the total voting power of Company stock, or (B) a majority of the Company’s board of directors is replaced during any 12-month period by directors whose appointment or election is not endorsed in advance by a majority of the Company’s board of directors, or
- (iii) *Change in ownership of a substantial portion of assets*: the date that any change in ownership of one person or persons acting as a group (but excluding an intra family acquisition or transfer of stock between members of the Morrison family) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company or the Employer having a total gross fair market value equal to or exceeding 40% of the total gross fair market value of all of the Company’s assets immediately before the acquisition or acquisitions. For this purpose, gross fair market value means the value of the Company’s assets, or the value of the assets being disposed of, determined without regard to any liabilities associated with the assets.

2.6 **“CODE”** means the Internal Revenue Code of 1986, as amended.

2.7 **“COMPANY”** means Orange County Bancorp, Inc. and any successor thereto.

2.8 **“DISABILITY” or “DISABLED”** means (i) the inability of the Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months; or (ii) the Participant is receiving income replacement benefits for a period of not less than three months from the Employer’s accident and health plan by reason of the Participant’s medically-determined physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months; or (iii) the Participant has been determined to be totally disabled by the Social Security Administration; or (iv) the Participant has been determined to be disabled in accordance with a disability insurance program, provided that the definition of disability applied under such disability insurance program complies with the requirements of Treasury Regulation §1.409A-3(i)(4).

Notwithstanding the preceding provisions of this definition, to the extent any provision of this Plan would cause payment of an amount that constitute deferred compensation for purposes of Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”) to be made because of the Participant’s Disability, then there shall not be a Disability that triggers payment until the date (if any) that the Participant is disabled within the meaning of Section 409A(a)(2)(C) of the Code. Any payment that would have been made except for the application of the preceding sentence shall be made in accordance with the payment schedule that would have applied in the absence of a Disability.

2.9 **“EMPLOYER”** means Orange Bank & Trust Company and any successor or assignee, whether direct or indirect, by purchase, merger consolidation or otherwise.

2.10 **“ERISA”** means the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.11 **“EXECUTIVE”** means a management or highly compensated employee of the Employer designated by the Administrator as eligible to participate in the Plan.

2.12 **“PARTICIPANT”** means any Executive who is selected by the Administrator to participate in this Plan by entering into a Participation Agreement in accordance herewith.

2.13 **“PARTICIPATION AGREEMENT”** means a written agreement between the Employer and a Participant, pursuant to which the Employer agrees to provide the Participant with benefits described in the Plan and the Participation Agreement. Each Participation Agreement shall contain such information, terms and conditions as the Administrator, in its discretion, may specify, including, without limitation, the following:

- (a) the effective date of the Participant’s participation in the Plan;
- (b) the Participant’s Normal Retirement Age;
- (c) the benefits to which the Participant is entitled under the Plan and the form of payment for such benefits (i.e. installments or lump sum);
- (d) the identity of the Participant’s Beneficiary; and
- (e) any other provisions which supplement the terms and conditions contained in the Plan and which are not inconsistent with the terms and conditions of the Plan.

2.14 **“PERFORMANCE-BASED CONTRIBUTION” or “P&L CONTRIBUTION”** means an annual Employer contribution based on the attainment of pre-defined financial or performance goals set forth in a Participation Agreement.

2.15 **“PLAN YEAR”** means a twelve (12) month period beginning on January 1st and ending on the following December 31st.

2.16 **“SEPARATION FROM SERVICE”** means a “separation from service” within the meaning of Treasury Regulation Section 1.409A-1(h) (ii) and in accordance with the default rules thereunder which includes termination of the Participant’s employment whether voluntarily or involuntarily, by reason of death, Disability, resignation or discharge.

2.17 **“SPECIFIED EMPLOYEE”** means, in the event of the Employer or any corporate parent is or becomes publicly traded, a “Key Employee” as such term is defined in Code Section 416(i) without regard to paragraph 5 thereof.

2.18 **“SERP ACCOUNT”** means, an account to which the Employer shall credit all Performance-based Contributions or P&L Contributions allocated thereto. Each Participant’s SERP Account shall be utilized solely as a device for the termination and measurement of the amounts to be paid to the Participant pursuant to the Plan and related Participation Agreement. A Participant’s SERP Account shall not constitute or be treated as a trust fund of any kind.

2.19 "YEAR OF SERVICE" means, for purposes of the 2018 Plan Year, a twelve (12) consecutive month period in which a Participant completes at least 1,000 hours of service for the Employer measured from his date of hire with the Employer. For all subsequent Plan Years, a Year of Service shall be determined based on the applicable calendar year.

**ARTICLE III
ELIGIBILITY AND PARTICIPATION**

3.1 ELIGIBILITY. The Plan is available to a select group of management and/or highly compensated employee of the Employer, determined by the Administrator, in its sole discretion, from time to time.

3.2 PARTICIPATION. Each Executive who is eligible to participate in this Plan shall enroll in this Plan by entering into a Participation Agreement and completing such other forms and furnishing such other information as the Administrator may request. An Executive's participation in this Plan shall commence as of the date specified in the Participation Agreement.

**ARTICLE IV
BENEFITS**

4.1 SERP ACCOUNT. The Employer shall maintain for each Participant a SERP Account to which it shall credit all amounts allocated thereto in accordance with Sections 4.2 and 4.3. Each Participant's SERP Account shall be adjusted no less often than annually to reflect the credits made to the SERP Account and the earnings thereon pursuant to Section 4.4 of the Plan. Such adjustments shall be made as long any amount remains credited to the Participant's SERP Account. The amounts allocated and adjustments made shall comprise the balance of the SERP Account at any time.

4.2 PERFORMANCE-BASED CONTRIBUTIONS/P&L CONTRIBUTIONS. The Employer shall make Performance-Based Contributions or P&L Contributions to Participant SERP Accounts from time to time in accordance with the terms and conditions set forth in each Participation Agreement.

4.3 DISCRETIONARY CONTRIBUTIONS. The Employer shall have the right to allocate non-performance-based discretionary contributions to any Participant which the Employer, in its sole discretion, shall determine in accordance with the terms and conditions set forth in each Participation Agreement.

4.4 EARNINGS. Interest shall be credited to each Participant's SERP Account beginning on the first business day of the calendar year, compounded monthly. Interest shall be based on the prime rate as published in *The Wall Street Journal* on the last business day of the preceding calendar year plus one (1%) percent. The interest rate determined as of the first business day of the calendar year shall be the same rate used for the entirety of the calendar year. The Administrator may alter the interest crediting rate formula prospectively with respect to any future Plan Year.

4.5 VESTING. The Participation Agreements shall set forth the vesting schedules (if any) for contributions made under this Plan.

4.6 FORM OF PAYMENT. The Employer shall specify the form of the payment of the SERP Account balance (e.g. lump sum or installment payments) in each Participant's Participation Agreement.

- (a) **Lump Sum.** If a Participant's SERP Account is to be paid in the form of a lump sum the account shall be valued as of the date of the distribution.
- (b) **Installment Payments.**
 - (i) If a Participant's SERP Account is to be paid in the form of installments it shall be valued as of the date that occurs on or immediately prior to the payment date specified in the Participation Agreement and the first installment shall be paid on that payment date. Thereafter, installment payments shall be paid on each successive anniversary of the payment date for the number of years specified in the Participation Agreement. The amount of each installment shall be determined in accordance with subparagraph (ii) below. Notwithstanding the foregoing, if before the date the last installment distribution is processed for payment the Participant dies, the remaining balance of the Participant's SERP Account shall instead be distributed in a lump sum in accordance with the terms of the Participation Agreement.
 - (ii) In determining an installment payment, a Participant's SERP Account shall continue to be credited with earnings as specified in Section 4.4 until the date that immediately precedes the date the first installment payment commences. In determining the value of a Participant's remaining SERP Account balance following an installment payment, such distribution shall reduce the value of the Participant's SERP Account as of the valuation date preceding the payment date for such installment (or partial distribution). The amount to be distributed in connection with any installment payment shall be determined by dividing the value of a Participant's SERP Account as of such preceding valuation date (determined before reduction of the SERP Account as of such valuation date in accordance with the preceding sentence) by the remaining number of installments to be paid with respect to the SERP Account.

**ARTICLE V
SERP BENEFITS**

5.1 SEPARATION OF SERVICE ON OR AFTER ATTAINING NORMAL RETIREMENT AGE. If a Participant has a Separation of Service on or after attaining his Normal Retirement Age, for reasons other than a termination for Cause, the Participant shall be entitled to a benefit equal to the vested percentage of his SERP Account balance. The vesting and distribution of the Participant's SERP Account balance under this Section 5.1 shall be set forth in the Participant's Participation Agreement.

5.2 SEPARATION OF SERVICE PRIOR TO ATTAINING NORMAL RETIREMENT AGE. If a Participant has a Separation from Service prior to attaining Normal Retirement Age, the Participant shall be entitled to the vested percentage of his SERP Account balance. The vesting and distribution of the Participant's SERP Account balance under this Section 5.2 shall be set forth in the Participant's Participation Agreement.

5.3 CHANGE IN CONTROL. In the event of a Change in Control, the Participant shall be 100% vested in his entire SERP Account balance as of the date of the Change in Control. Any payment under this Section 5.3 shall be distributed in accordance with the terms and conditions of each Participation Agreement. If the payment under this Section 5.3, either alone or together with any other payments and benefits the Participant has the right to receive from the Employer, would constitute a "parachute payment" under Section 280G of the Code, and but for this Section 5.3 would be subject to excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then such payments and benefits shall be reduced by the minimum amount necessary to result in no portion of the benefits be subject to the Excise Tax. All determinations required to be made under this Section 5.3 shall be made by tax counsel, recognized compensation consultant or certified public accounting firm that are experts in determinations and calculations for purposes of Section 280G of the Code. All determinations will be conclusive and binding on the Employer and Participants.

5.4 TERMINATION FOR CAUSE. Notwithstanding anything to the contrary in this Plan, if a Participant is terminated for Cause, he will forfeit his entire SERP Account balance (vested and unvested) and his participation in this Plan shall cease.

5.5 DEATH. The Participant's Beneficiary shall be entitled to a distribution of the Participant's vested SERP Account balance in accordance with the terms and conditions of the Participation Agreement.

5.6 DELAYED DISTRIBUTIONS FOR SPECIFIED EMPLOYEES. Notwithstanding the foregoing, if a Participant is a Specified Employee and payment of his SERP Account balance is triggered due to Separation from Service (other than due to Disability or death), then solely to the extent necessary to avoid penalties under Section 409A of the Code, no payment shall be made during the first six (6) months following the Participant's Separation from Service. If payments are scheduled to be made in installments, the first six (6) months of installment payments shall be delayed, aggregated, and paid instead on the first day of the seventh month, after which all installment payments shall be made on their regular schedule.

5.7 BENEFICIARY. The Participant's executed Participation Agreement shall dictate the Participant's rights and responsibilities regarding the Participant's Beneficiary(ies).

ARTICLE VI PLAN ADMINISTRATION

6.1 ADMINISTRATION.

- (a) **General.** The Plan shall be administered by the Administrator. The Administrator shall have sole and absolute discretion to interpret where necessary all provisions of the Plan and each Participation Agreement (including, without limitation, by supplying omissions from, correcting deficiencies in, or resolving inconsistencies or ambiguities in, the language of the Plan, a Participation Agreement, or between the Plan and a Participation Agreement), to determine the rights and status under the Plan of Participants or other persons, to resolve questions or disputes arising under the Plan and to make any determinations with respect to the benefits payable under the Plan and the persons entitled thereto as may be necessary for the purposes of the Plan. The Administrator's determination of the rights of any Executive or former Executive hereunder shall be final and binding on all persons, subject only to the claims procedures outlined in Article 7 hereof.

- (b) **Delegation of Duties.** The Administrator may delegate any of its administrative duties, including, without limitation, duties with respect to the processing, review, investigation, approval and payment of benefits payable hereunder, to a named administrator or administrators.

6.2 REGULATIONS. The Administrator may promulgate any rules and regulations it deems necessary in order to carry out the purposes of the Plan or to interpret the provisions of the Plan; provided, however, that no rule, regulation or interpretation shall be contrary to the provisions of the Plan. The rules, regulations and interpretations made by the Administrator shall, subject only to the claims procedure outlined in Article 7 hereof, be final and binding on all persons.

6.3 REVOCABILITY OF ADMINISTRATOR/EMPLOYER ACTION. Any action taken by the Administrator with respect to the rights or benefits under the Plan of any Executive or former Executive shall be revocable by the Administrator as to payments not yet made to such person in order to correct any incorrect payment to a Participant or a Beneficiary, and then only to the extent necessary to correct such error. Acceptance of any benefits under the Plan constitutes acceptance of, and agreement to, the Administrator's making any appropriate adjustments in future payments to such person to correct any previously made overpayment or underpayment.

6.4 AMENDMENT.

- (a) **Right to Amend.** The Board of Directors, by written instrument, shall have the right to amend the Plan at any time and with respect to any provisions hereof, and all parties hereto or claiming any interest hereunder shall be bound by such amendment; provided, however, that no such amendment shall, without the Participant's consent, decrease or restrict the amount accrued to the date of the amendment.
- (b) **Amendment Required by Law.** Notwithstanding the provisions of Section 6.4(a), the Plan may be amended at any time, retroactively if required, if found necessary, in the opinion of the Administrator, in order to ensure that the Plan is characterized as a non-tax-qualified plan of deferred supplemental retirement compensation maintained for members of a select group of executives and thus exempt from ERISA and in compliance with all other provisions under the Code, as such provisions relate to the original purpose of this Plan, supplemental retirement income to the Participant(s) and/or other related Plan and Employer objectives.

6.5 TERMINATION. Subject to the requirements of Section 409A of the Code, in the event of complete termination of the Plan, the Plan shall cease to operate and the Employer shall pay out to each Participant his vested SERP Account balance (including the unvested portion) as of the date of termination of the Plan. Such complete termination of the Plan shall occur only under the following circumstances and conditions:

- (a) The Board of Directors may terminate the Plan within 12 months of a corporate dissolution taxed under Code Section 331, or with approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A), provided that the amounts deferred under the Plan are included in the Participant's gross income in the latest of: (i) the calendar year in which the Plan terminates; (ii) the calendar year in which the amount is no longer subject to a substantial risk of forfeiture; or (iii) the first calendar year in which the payment is administratively practicable.
- (b) The Board of Directors may terminate the Plan by irrevocable action within 30 days preceding, or 12 months following, a Change in Control, provided that the Plan shall only be treated as terminated if all substantially similar arrangements sponsored by the Employer are terminated so that the Participant and all participants under substantially similar arrangements are required to receive all amounts of compensation deferred under the terminated arrangements within 12 months of the date of the irrevocable termination of the arrangements. For these purposes, "Change in Control" shall be defined in accordance with the Treasury Regulations under Code Section 409A.
- (c) The Board of Directors may terminate the Plan provided that:
 - (i) the termination and liquidation does not occur proximate to a downturn in the financial health of the Employer;
 - (ii) all arrangements sponsored by the Employer that would be aggregated with this Plan under Treasury Regulations Section 1.409A-1(c) if the Participant covered by this Plan was also covered by any of those other arrangements are also terminated;
 - (iii) no payments other than payments that would be payable under the terms of the arrangement if the termination had not occurred are made within 12 months of the termination of the arrangement;
 - (iv) all payments are made within 24 months of the termination of the arrangements; and
 - (v) the Employer does not adopt a new arrangement that would be aggregated with any terminated arrangement under Treasury Regulations Section 1.409A-1(c) if the Participant participated in both arrangements, at any time within three years following the date of termination of the arrangement.

6.6 WITHHOLDING. The Employer shall deduct from any distributions hereunder any taxes or other amounts required by law to be withheld therefrom. This Plan shall permit the acceleration of the time or schedule of a payment to pay employment related taxes as permitted under Treasury Regulation Section 1.409A-3(j) or to pay any taxes that may become due at any time that the arrangement fails to meet the requirements of Section 409A of the and the regulations and other guidance promulgated thereunder. In the latter case, such payments shall not exceed the amount required to be included in income as the result of the failure to comply with the requirements of Section 409A of the Code.

**ARTICLE VII
CLAIMS ADMINISTRATION**

7.1 GENERAL. If a Participant, Beneficiary or his or her representative is denied all or a portion of an expected Plan benefit for any reason and the Participant, Beneficiary or his or her representative desires to dispute the decision of the Administrator, he/she must file a written notification of his or her claim with the Administrator.

7.2 CLAIMS PROCEDURE. Upon receipt of any written claim for benefits, the Administrator shall be notified and shall give due consideration to the claim presented. If any Participant or Beneficiary claims to be entitled to benefits under the Plan and the Administrator determines that the claim should be denied in whole or in part, the Administrator shall, in writing, notify such claimant within ninety (90) days of receipt of the claim that the claim has been denied. The Administrator may extend the period of time for making a determination with respect to any claim for a period of up to ninety (90) days, provided that the Administrator determines that such an extension is necessary because of special circumstances and notifies the claimant, prior to the expiration of the initial ninety (90) day period, of the circumstances requiring the extension of time and the date by which the Administrator expects to render a decision. If the claim is denied to any extent by the Administrator, the Administrator shall furnish the claimant with a written notice setting forth:

- (a) the specific reason or reasons for denial of the claim;
- (b) a specific reference to the Plan provisions on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the provisions of this Article.

7.3 RIGHT OF APPEAL. A claimant who has a claim denied under Section 7.2 may appeal to the Administrator for reconsideration of that claim. A request for reconsideration under this section must be filed by written notice within sixty (60) days after receipt by the claimant of the notice of denial under Section 7.2.

7.4 REVIEW OF APPEAL. Upon receipt of an appeal the Administrator shall promptly take action to give due consideration to the appeal. Such consideration may include a hearing of the parties involved, if the Administrator feels such a hearing is necessary. In preparing for this appeal, the claimant shall be given the right to review pertinent documents and the right to submit in writing a statement of issues and comments. After consideration of the merits of the appeal the Administrator shall issue a written decision which shall be binding on all parties. The decision shall specifically state its reasons and pertinent Plan provisions on which it relies. The Administrator's decision shall be issued within sixty (60) days after the appeal is filed, except that the Administrator may extend the period of time for making a determination with respect to any claim for a period of up to sixty (60) days, provided that the Administrator determines that such an extension is necessary because of special circumstances and notifies the claimant, prior to the expiration of the initial sixty (60) day period, of the circumstances requiring the extension of time and the date by which the Administrator expects to render a decision.

7.5 DESIGNATION. The Administrator may designate any other person of its choosing to make any determination otherwise required under this Article. Any person so designated shall have the same authority and discretion granted to the Administrator hereunder.

7.6 ARBITRATION. The claimant must follow the claims procedures of Section 7.2 and exhaust his administrative remedies before taking any further action with respect to a claim for benefits. Any dispute, controversy or claim arising under or in connection with this Plan that is not resolved through the Plan's administrative procedures shall be settled exclusively by arbitration in Orange County, New York (unless another location is mutually agreed to by the claimant and the Board), in accordance with the rules of the American Arbitration Association then in effect. The arbitrator shall be selected by mutual agreement of the claimant and the Board of Directors. Judgment may be entered on the arbitrators' award in any court having jurisdiction. Unless otherwise provided in the rules of the American Arbitration Association, the arbitrator shall, in the award, allocate between the parties the cost of arbitration, but excluding attorneys' fees and other expenses of the parties, in such proportion as the arbitrators deem just.

ARTICLE VIII MISCELLANEOUS

8.1 ADMINISTRATOR. The Administrator is expressly empowered to interpret the Plan and to determine all questions arising in the administration, interpretation, and application of the Plan; to employ actuaries, accountants, counsel, and other persons it deems necessary in connection with the administration of the Plan; to request any information from the Employer it deems necessary to determine whether the Employer would be considered insolvent or subject to a proceeding in bankruptcy; and to take all other necessary and proper actions to fulfill its duties as Administrator. The Administrator is relieved of all responsibility in connection with its duties hereunder to the fullest extent permitted by law, except any breach of duty to the Participants or Beneficiaries. If any individual shall have been delegated the duties or responsibilities as Administrator, such person shall not be liable for any actions by him or her hereunder unless due to his or her own gross negligence or willful misconduct and shall be indemnified and held harmless by the Employer from and against all personal liability to which he or she may be subject by reason of any act done or omitted to be done in his or her official capacity as Administrator in the good faith administration of the Plan, including all expenses reasonably incurred in his or her defense in the event the Employer fails to provide such defense upon request.

8.2 NO ASSIGNMENT. No benefit under the Plan or a Participation Agreement shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any such action shall be void for all purposes of the Plan or a Participation Agreement. No benefit shall in any manner be subject to the debts, contracts, liabilities, engagements, or torts of any person, nor shall it be subject to attachment or other legal process for or against any person.

8.3 NO EMPLOYMENT RIGHTS. Participation in this Plan and execution of a Participation Agreement shall not be construed to confer upon any Participant the legal right to be retained in the employ of the Employer, or give a Participant or Beneficiary, or any other person, any right to any payment whatsoever, except to the extent of the benefits provided for hereunder. Each Participant shall remain subject to discharge to the same extent as if this Plan had never been adopted and the Participation Agreement had never been executed.

8.4 IDENTITY. If, at any time, any doubt exists as to the identity of any person entitled to any payment hereunder or the amount or time of such payment, the Administrator shall be entitled to hold such sum until such identity or amount or time is determined or until an order of a court of competent jurisdiction is obtained. The Administrator shall also be entitled to pay such sum into court in accordance with the appropriate rules of law. Any expenses incurred by the Employer or Administrator incident to such proceeding or litigation shall be charged against the SERP Account of the affected Participant.

8.5 NO LIABILITY. No liability shall attach to or be incurred by any employee of the Employer or Administrator individually under or by reason of the terms, conditions, and provisions contained in the Plan, or for the acts or decisions taken or made under or in connection with the Plan; and, as a condition precedent to the establishment of this Plan or the receipt of benefits hereunder, or both, such liability, if any, is expressly waived and released by each Participant and by any and all persons claiming benefits under the Plan. Such waiver and release shall be conclusively evidenced by any act or participation in or the acceptance of benefits under this Plan.

8.6 EXPENSES. Except as otherwise provided in the Plan, all expenses incurred in the administration of the Plan shall be paid by the Employer.

8.7 EMPLOYER DETERMINATIONS. Any determinations, actions, or decisions of the Employer (including, but not limited to, Plan amendments and Plan termination) shall be made by the Board of Directors in accordance with its established procedures or by such other individuals, groups, or organizations that have been properly delegated by the Board of Directors to make such determinations or decisions.

8.8 CONSTRUCTION. All questions of interpretation, construction or application arising under or concerning the terms of this Plan and any Participation Agreement shall be decided by the Administrator, in its sole and final discretion, whose decision shall be final, binding and conclusive upon all persons.

8.9 GOVERNING LAW. The provisions of the Plan shall be construed, administered and governed under applicable federal laws and the laws of the State of New York. In applying the laws of the State of New York, no effect shall be given to conflict of laws principles that would cause the laws of another jurisdiction to apply.

8.10 SEVERABILITY. Should any provision of the Plan or any Participation Agreement be deemed or held to be unlawful or invalid for any reason, such fact shall not adversely affect the other provisions, unless such invalidity shall render impossible or impractical the functioning of the Plan and, in such case, the appropriate parties shall immediately adopt a new provision to take the place of the one held illegal or invalid.

8.11 HEADINGS. The headings contained in the Plan are inserted only as a matter of convenience and for reference and in no way define, limit, enlarge, or describe the scope or intent of this Plan nor in any way shall they affect this Plan or the construction of any provision thereof.

8.12 TERMS. Capitalized terms shall have meanings as defined herein. Singular nouns shall be read as plural, masculine pronouns shall be read as feminine, and vice versa, as appropriate.

8.13 OWNERSHIP OF ASSETS; RELATIONSHIP WITH EMPLOYER. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between the Employer and any Participant or any other person. To the extent that any person acquires a right to receive payments from the Employer under this Plan, such right shall be no greater than the right of an unsecured general creditor of the Employer.

8.14 DEPOSITS IN TRUST. The Employer may, at its sole discretion, establish with a corporate trustee a grantor rabbi trust under which all or a portion of the assets of the Plan are to be held, administered and managed. The trust agreement evidencing the trust shall conform with the terms of Revenue Procedure 92-64 or any successor procedure. The Employer in its sole discretion may make deposits to augment the principal of such trust.

8.15 UNFUNDED PLAN. This Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of management or highly compensated employees. This Plan is not intended to create an investment contract, but to provide tax planning opportunities and retirement benefits to eligible individuals who have elected to participate in the Employer's operations and have the ability to materially affect the Employer's profitability and operations.

8.16 SECTION 409A COMPLIANCE. The Employer and each Participant intend that their exercise of authority or discretion under this Agreement shall comply with Section 409A of the Code. If any provision of this Agreement would subject a Participant to additional tax or interest under Section 409A, the Employer shall reform the provision. However, the Employer shall maintain to the maximum extent practicable the original intent of the applicable provision without subjecting the Executive to additional tax or interest, and the Employer shall not be required to incur any additional compensation expense as a result of the reformed provision. Each payment that is payable pursuant to this Plan is intended to constitute a "separate payment" for purpose of Treasury Regulation Section 1.409A-2(b)(ii).

Except as specifically permitted herein or in other sections of this Plan, no acceleration of the time or schedule of any payment may be made hereunder. Notwithstanding the foregoing, payments may be accelerated hereunder by the Employer, in accordance with the provisions of Treasury Regulation Section 1.409A-3(j)(4) and any subsequent guidance issued by the United States Department of the Treasury. Accordingly, payments may be accelerated, in accordance with requirements and conditions of the Treasury Regulations (or subsequent guidance) in the following circumstances:

- (i) as a result of certain domestic relations orders;
- (ii) in compliance with ethics agreements with the federal government;
- (iii) in compliance with ethics laws and conflicts of interest laws;
- (iv) in limited cash-outs (but not in excess of the limit under Code Section 402(g)(1)(B));
- (v) to apply certain offsets in satisfaction of a debt of the Participant to the Employer;
- (vi) in satisfaction of certain bona fide disputes between the Participant and the Employer; or
- (vii) for any other purpose set forth in the Treasury Regulations and subsequent guidance.

8.17 SUCCESSORS. The provisions of this Plan shall bind and inure to the benefit of the Employer and its successors and assigns. The term "successor" as used herein shall include and corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of the Employer, and its successors of any corporation or business entity.

ARTICLE IX
REGULATORY PROVISIONS

9.1 Notwithstanding anything herein contained to the contrary, any SERP Benefit under this Plan and related Participation Agreement is subject to and conditioned upon its compliance with Section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. §1828(k), and the regulations promulgated thereunder in 12 C.F.R. Part 359, *Golden Parachute and Indemnification Payments*.

9.2 If an Executive is removed from office or permanently prohibited from participating in the Employer's affairs by an order issued under Section 8(e)(4) or (g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. 1818(e)(4) or (g)(1), all obligations of the Employer under this Plan and related Participation Agreement shall terminate as to the Executive as of the effective date of the order.

9.3 Notwithstanding any provision of this Plan to the contrary, if the Employer is in "default" or "in danger of default," as those terms are defined in Section 3(x) of the Federal Deposit Insurance Act, 12 U.S.C. 1813(x), all obligations under this Plan shall terminate.

**PARTICIPATION AGREEMENT
UNDER THE
ORANGE BANK & TRUST COMPANY
PERFORMANCE-BASED SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

THIS PARTICIPATION AGREEMENT is effective as of **December 31, 2018** by and between **ORANGE BANK & TRUST COMPANY** (the "Bank"), and **MICHAEL GILFEATHER**, an executive of Orange County Bancorp, Inc. (the "Company") and the Bank (referred to herein as the "Participant" and the "Executive") (the "Participation Agreement").

RECITALS:

WHEREAS, the Company, the Bank and the Executive entered into an employment agreement effective March 18, 2014 and subsequently amended on September 30, 2015 (the "Employment Agreement");

WHEREAS, Section 2.9 of the Employment Agreement provides that the Bank will establish a written supplemental executive retirement plan for the Executive upon the achievement of certain financial goals;

WHEREAS, the Bank maintains the *Orange Bank & Trust Company Performance-based Supplemental Executive Retirement Plan* (the "Plan") for the benefit of a select group of management

WHEREAS, in accordance with Article III of the Plan, the Administrator has determined that the Executive is eligible to commence participation in the Plan under the terms and conditions set forth in this Participation Agreement and outlined in the Plan;

WHEREAS, upon execution of this Participation Agreement. Executive agrees to participate in the Plan under the terms and conditions set forth in this Participation Agreement and the Plan; and

WHEREAS, the obligation set forth in Section 2.9 of the Employment Agreement is hereby set forth in this Participation Agreement and related Plan and no further benefit related to Section 2.9 of the Employment Agreement is owed to the Executive under the Employment Agreement.

NOW, THEREFORE, in consideration of the foregoing and the agreements and covenants set forth herein, the parties agree as follows:

1. **Effective Date of Participation.** The effective date of the Participant's participation in the Plan is December 31, 2018. Capitalized terms have the meanings as stated in this Agreement and the Plan, attached hereto as Exhibit A.
2. **Normal Retirement Age.** The Participant's Normal Retirement Age for purposes of the Plan shall be age 65.
3. **Contributions.**

(a) *Performance-Based Contributions.* Provided that the Participant is employed on December 31st of each Bank fiscal year during the performance-based contribution period (as defined herein), the Bank has One Billion Dollars in Total Assets for two consecutive quarters during an applicable fiscal year in the performance-based contribution period and the Participant satisfies at least 80% of his annual financial goals established for an applicable fiscal year during the performance-based contribution period, the Bank shall credit the Participant's SERP Account with \$60,000 for the applicable fiscal year. For purposes of this Participation Agreement, the performance-based contribution period commences in the first fiscal year the Bank's Total Assets hit One Billion Dollars for two consecutive calendar quarters and ends on December 31, 2024.

The Board of Directors of the Bank (the "Board") will determine, in its sole discretion, whether the Participant achieved his annual financial goals for each fiscal year during the performance-based contribution period and the level of achievement. Following certification of the Participant's annual goals by the Board, performance-based contributions (if any) will be credited to the Participant's SERP Account effective December 31st of the fiscal year in which the applicable contribution applies. Unless otherwise determined by the Board, no performance-based contributions will be made to the Participant's SERP Account after December 31, 2024.

(b) *Discretionary Contributions.* At the sole discretion of the Administrator, a Discretionary Contribution may be credited to the Participant's SERP Account at any time.

4. Vesting. Unless otherwise set forth in this Participation Agreement or the Plan, contributions made under Section 3(a) of this Participation Agreement will vest one (1) year after the contribution is credited to the Participant's SERP Account. Contributions made under Section 3(b) of this Participation Agreement will vest under the terms and conditions set forth at the time the Discretionary Contribution is awarded. Notwithstanding the foregoing, the Participant's entire SERP Account will vest upon a Change in Control, Participant's attainment of Normal Retirement Age, Participant's termination of employment under Section 4(f) of his New Agreement (as defined below) or upon Participant's death.

Subject to the vesting requirements above, any performance-based contribution credited to the Participant's SERP Account shall not be forfeited solely because the Bank's Total Assets in any fiscal year subsequent to a performance-based contribution falls below One Billion Dollars.

5. Form and Timing of Distribution of SERP Account Balance.

(a) *Separation from Service Prior to Attainment of Normal Retirement Age without Cause or for Good Reason.* In the event the Executive has not attained Normal Retirement Age and the Executive has a Separation from Service without Cause or for Good Reason (as such terms are defined in the Executive's employment agreement effective December 31, 2018 (the "New Agreement")), the Executive (or his Beneficiary) shall commence the receipt of his vested SERP account balance (in installments) on the 1st day of the full calendar month following his attainment of Normal Retirement Age. The Executive's SERP Account shall be payable in five (5) substantially equal annual installments.

(b) *Separation from Service on or After Attaining Normal Retirement Age.* Upon attainment of Normal Retirement Age followed by a Separation from Service for reasons other than Cause, the Participant will receive his vested SERP Account balance in installments over a five (5) year period. Payments under this paragraph (b) will commence on the 1st day of the full calendar month following the Participant's Separation from Service.

(c) *Change in Control.* In the event the Participant is terminated upon or within 12 months of a Change in Control, the Participant will receive his SERP benefit in a lump sum as soon as practicable following his Separation from Service. If the payment of the Participant's SERP Account balance, either alone or together with any other payments and benefits the Participant has the right to receive from the Employer, would constitute a "parachute payment" under Section 280G of the Code, such payments and benefits shall be reduced by the minimum amount necessary to result in no portion of such payments and benefits being non-deductible to the Employer pursuant to Section 280G of the Code and subject to excise tax imposed under Section 4999 of the Code.

(d) *Payments following Death.* If the Participant dies prior to the commencement of his SERP benefits, his Beneficiary, or if none is designated his estate, shall receive the vested portion of his SERP Account balance on the 1st day of the second calendar month following the Participant's death. If the Participant dies while in pay status, his Beneficiary, or if none is designated his estate, shall receive the remaining installment payments at the same time and in the same manner they would have been paid to the Participant had he survived.

(e) *Payments following determination of Disability.* In the event the Executive is determined to be “disabled” as defined in the New Agreement, the Executive’s vested SERP Account balance shall be payable in installments commencing on the 1st day of the second calendar month after the Executive’s Separation from Service following a determination that the Executive is disabled. The Executive’s SERP Account shall be payable in five (5) substantially equal annual installments.

(f) *Payments following Separation from Service under Section 4(f) of New Agreement.* In the event the Participant has a Separation from Service under Section 4(f) of the New Agreement, Executive’s vested SERP Account balance shall be distributed (in installments) to the Executive (or his Beneficiary) commencing on the 1st day of the full calendar month following the Executive’s attainment of Normal Retirement Age. The Executive’s SERP Account shall be payable in five (5) substantially equal annual installments.

6. Forfeitures. In the event the Participant is terminated for Cause, voluntarily terminates his employment without Good Reason (as defined in the New Agreement) or breaches a restrictive covenant in the New Agreement, the Executive will forfeit his entire SERP Account balance (vested and un-vested) in accordance with terms of the Plan.

7. Valuation Date. Except in the event of a Change in Control, the Participant’s Separation from Service date shall be the valuation date for purposes of determining the value of the Participant’s SERP Account Balance upon distribution. Installment payments shall be valued in accordance with Section 4.6 of the Plan.

8. Governing Law. This Agreement shall be governed under the laws of the State of New York, but only to the extent not superseded by federal law.

Notwithstanding anything in this Participation Agreement to the contrary, if the Participant is a Specified Employee (as defined in the Plan) at the time of his Separation from Service (for reasons other than Disability or death), the Employer will delay the distribution of the Participant’s SERP Account balance until the first day of the seventh month following the Participant’s Separation from Service.

IN WITNESS WHEREOF, each of the parties has caused this Participation Agreement to be executed as of the day first above written.

PARTICIPANT

ORANGE BANK & TRUST COMPANY

/s/ Michael Gilfeather

Michael Gilfeather

/s/ Louis Heimbach

By: Louis Heimbach
Title: CHAIRMAN

**PARTICIPATION AGREEMENT
UNDER THE
ORANGE BANK & TRUST COMPANY
PERFORMANCE-BASED SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

THIS PARTICIPATION AGREEMENT is effective as of **January 1, 2018** by and between **ORANGE BANK & TRUST COMPANY** (the “Employer”), and **Joseph Ruhl**, an executive of the Employer (referred to herein as the “Participant” and the “Executive”) (the “Participation Agreement”).

RECITALS:

WHEREAS, the Employer and the Executive entered into an employment agreement effective January 1, 2018 (the “Employment Agreement”);

WHEREAS, Section 3(d) of the Employment Agreement provides that for each fiscal year of the Employer during the term of the Employment Agreement (the “Term”), Executive shall be eligible to participate in *the Orange Bank & Trust Company Performance-based Supplemental Executive Retirement Plan*.

WHEREAS, in accordance with Article III of the Plan, the Administrator has determined that the Executive is eligible to commence participation in the Plan under the terms and conditions set forth in this Participation Agreement and outlined in the Plan; and

WHEREAS, upon execution of this Participation Agreement, Executive agrees to participate in the Plan under the terms and conditions set forth in this Participation Agreement and the Plan.

NOW, THEREFORE, in consideration of the foregoing and the agreements and covenants set forth herein, the parties agree as follows:

1. Effective Date of Participation. The effective date of the Participant’s participation in the Plan is January 1, 2018. Capitalized terms have the meanings as stated in this Agreement and the Plan, attached hereto as Exhibit A.

2. Normal Retirement Age. The Participant’s Normal Retirement Age for purposes of the Plan shall be the earlier of: (a) age sixty-five (65) or (b) age sixty-two (62) with ten (10) Years of Service.

3. Contributions.

(a) *P&L Contributions.* Provided that the Participant is employed on December 31st of each calendar year during the Term and the Participant satisfies at least 80% of his financial goal established for each year during the Term, the Employer shall credit the Participant’s SERP Account with the following contributions for each applicable year:

Initial P&L Contribution ¹	\$100,000
Subsequent P&L Contribution ²	\$ 50,000

¹The one-time Initial P&L Contribution rewards the Participant for the West/Roc “pay back” to the Bank in 2018 for its initial losses associated with the establishment of the West/Roc. This calculation is a partially loaded P&L based on a “marginal cost/marginal revenue” basis. All assumptions regarding the P&L calculation are determined by the Bank in its sole discretion.

² For calendar years commencing on January 1, 2019, the Participant will be eligible for a \$50,000 annual SERP contribution (“Subsequent P&L Contribution”) upon satisfaction of at least 80% of the financial goal(s) established by the Chief Executive Officer of the Bank in consultation with the Participant and approved by the Board of Directors for each applicable year.

The Bank's Finance Department in consultation with the Chief Executive Officer will review the results of the Participant's annual financial goals and present them to the Administrator. The Administrator will determine, in its sole discretion, whether the Participant achieved his financial goals for the applicable performance period and the level of achievement. Following certification of the Participant's goals by the Administrator and ratification by the Board of Directors of the Bank, P&L Contributions will be credited to the Participant's SERP Account effective December 31st of the year in which the applicable contribution applies.

(b) *Discretionary Contributions.* At the sole discretion of the Administrator, a Discretionary Contribution may be credited to the Participant's SERP Account at any time. In connection with the Participant's initial participation in the Plan, the Administrator shall make a Discretionary Contribution to the Participant's SERP Account in the amount of \$50,000 as of **May 11, 2018** ("Initial Discretionary Contribution").

4. Vesting. Contributions made under this Participation Agreement are subject to a two-tier vesting schedule as described in paragraphs (a) and (b) below.

(a) *Provisional Vesting.* The Initial Discretionary Contribution (as defined in Section 3(b) herein) and the Initial P&L Contribution (as defined in Section 3 (a) herein) shall provisionally vest upon completion of six (6) Years of Service with the Employer. Subsequent P&L Contributions made under Section 3(a) and Discretionary Contributions (if any) made under Section 3(b), will provisionally vest upon completion of two (2) Years of Service measured from the date of the respective contribution is made. 100% of the Participant's SERP Account balance will provisionally vest upon the Participant's death or Disability, prior to his Normal Retirement Age.

For example: Assuming the Participant is employed by the Employer on January 5, 2021, the Initial P&L Contribution and Discretionary Contribution (2018) will provisionally vest on January 5, 2021 (six year anniversary of the Participant's date of hire). Notwithstanding the foregoing, if the Participant attains Normal Retirement Age on March 1, 2020, he shall become provisionally vested in 100% of the Initial P&L Contribution and Discretionary Contribution (2018) and all other contributions made to his SERP Account. See Section 5 below for additional information on the Participant's rights to his provisionally vested SERP Account balance.

(b) *Full Vesting.* Each P&L Contribution and Discretionary Contribution credited to the Participant's SERP Account will fully vest upon the Participant's Normal Retirement Age and upon a Change in Control. In addition, upon Separation from Service prior to attainment of Normal Retirement Age, the Participant will fully vest in 25% of his provisionally vested SERP Account balance. *See Example in Section 5(a) below.*

5. Form and Timing of Distribution of SERP Account Balance.

(a) *Separation from Service Prior to Attainment of Normal Retirement Age.* In the event the Participant has a Separation from Service for reasons other than Cause, prior to attaining Normal Retirement Age, the Participant (or his Beneficiary) will receive a lump sum payment equal to his fully vested SERP Account balance (determined in accordance with 4(b) above) 30 days following the Participant's Separation from Service.

For example: Participant dies at age 60 with 5 Years of Service with the Employer. His provisionally vested SERP Account Balance is \$200,000 and his un-vested SERP Account \$100,000. Based on the facts, upon the Participant's death he is provisionally vested in 100% of his SERP Account balance (\$300,000). However, because the Participant has not attained Normal Retirement Age, his Beneficiary will receive a lump sum payment equal to \$75,000 and the remainder of his provisionally vested SERP Account balance will be forfeited.

(b) *Separation from Service on or After Attaining Normal Retirement Age.* Upon attainment of Normal Retirement Age followed by a Separation from Service for reasons other than Cause, the Participant will receive his entire vested SERP Account balance (100%) in installments over a five (5) year period. Payments under this paragraph (b) will commence on the 1st day of the full calendar month following the Participant's Separation from Service.

(c) *Change in Control.* The Participant shall receive a lump sum payment equal to 100% of his vested SERP Account balance, valued as of the Change in Control date. Unless otherwise delayed under Section 409A of the Internal Revenue Code, payment under this paragraph (c) will be made 30 days following the Change in Control. If the payment of the Participant's SERP Account balance, either alone or together with any other payments and benefits the Participant has the right to receive from the Employer, would constitute a "parachute payment" under Section 280G of the Code, such payments and benefits shall be reduced by the minimum amount necessary to result in no portion of such payments and benefits being non-deductible to the Employer pursuant to Section 280G of the Code and subject to excise tax imposed under Section 4999 of the Code.

(d) *Payments following Death.* If the Participant dies prior to the distribution of his entire SERP Account balance, the remaining installment payments will be paid in a lump sum to the Participant's Beneficiary, or if none is designated, his estate.

6. Forfeitures. In the event the Participant is terminated for Cause, he will forfeit his entire SERP Account balance (vested and un-vested) in accordance with terms of the Plan. In addition, if the Participant voluntarily terminates his employment PRIOR to attaining his Normal Retirement Age, he will forfeit 100% of his unvested SERP Account balance and 75% of his provisionally vested SERP Account balance.

For example: Participant voluntarily terminates his employment with the Employer at age 60 with 5 Years of Service. His provisionally vested SERP Account Balance is \$200,000 and his un-vested SERP Account balance is \$100,000. Based on the facts, the Participant forfeits all of his unvested SERP Account balance and 75% of his provisionally vested SERP Account balance. Following Separation from Service, the Participant will receive a lump sum payment equal to \$50,000, the remainder of his SERP Account balance will be forfeited.

7. Valuation Date. Except in the event of a Change in Control, the Participant's Separation from Service date shall be the valuation date for purposes of determining the value of the Participant's SERP Account Balance upon distribution. Installment payments shall be valued in accordance with Section 4.6 of the Plan.

8. Governing Law. This Agreement shall be governed under the laws of the State of New York, but only to the extent not superseded by federal law.

Notwithstanding anything in this Participation Agreement to the contrary, if the Participant is a Specified Employee (as defined in the Plan) at the time of his Separation from Service (for reasons other than Disability or death), the Employer will delay the distribution of the Participant's SERP Account balance until the first day of the seventh month following the Participant's Separation from Service.

IN WITNESS WHEREOF, each of the parties has caused this Participation Agreement to be executed as of the day first above written.

PARTICIPANT

ORANGE BANK & TRUST COMPANY

/s/ Joseph Ruhl

Joseph Ruhl

/s/ Michael Gilfeather

By: Michael Gilfeather
Title: President, CEO

**PARTICIPATION AGREEMENT
UNDER THE
ORANGE BANK & TRUST COMPANY
PERFORMANCE-BASED SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

THIS PARTICIPATION AGREEMENT is effective as of **January 1, 2018** by and between **ORANGE BANK & TRUST COMPANY** (the “Employer”), and **John Bartolotta**, an executive of the Employer (referred to herein as the “Participant” and the “Executive”) (the “Participation Agreement”).

RECITALS:

WHEREAS, the Employer and the Executive entered into an employment agreement effective January 1, 2018 (the “Employment Agreement”);

WHEREAS, Section 3(d) of the Employment Agreement provides that for each fiscal year of the Employer during the term of the Employment Agreement (the “Term”), Executive shall be eligible to participate in *the Orange Bank & Trust Company Performance-based Supplemental Executive Retirement Plan*.

WHEREAS, in accordance with Article III of the Plan, the Administrator has determined that the Executive is eligible to commence participation in the Plan under the terms and conditions set forth in this Participation Agreement and outlined in the Plan; and

WHEREAS, upon execution of this Participation Agreement, Executive agrees to participate in the Plan under the terms and conditions set forth in this Participation Agreement and the Plan.

NOW, THEREFORE, in consideration of the foregoing and the agreements and covenants set forth herein, the parties agree as follows:

1. Effective Date of Participation. The effective date of the Participant’s participation in the Plan is January 1, 2018. Capitalized terms have the meanings as stated in this Agreement and the Plan, attached hereto as Exhibit A.

2. Normal Retirement Age. The Participant’s Normal Retirement Age for purposes of the Plan shall be the earlier of: (a) age sixty-five (65) or (b) age sixty-two (62) with ten (10) Years of Service.

3. Contributions.

(a) *P&L Contributions.* Provided that the Participant is employed on December 31st of each calendar year during the Term and the Participant satisfies at least 80% of his financial goal established for each year during the Term, the Employer shall credit the Participant’s SERP Account with the following contributions for each applicable year:

Initial P&L Contribution ¹	\$ 100,000
Subsequent P&L Contribution ²	\$ 50,000

¹The one-time Initial P&L Contribution rewards the Participant for the West/Roc “pay back” to the Bank in 2018 for its initial losses associated with the establishment of the West/Roc. This calculation is a partially loaded P&L based on a “marginal cost/marginal revenue” basis. All assumptions regarding the P&L calculation are determined by the Bank in its sole discretion.

² For calendar years commencing on January 1, 2019, the Participant will be eligible for a \$50,000 annual SERP contribution (“Subsequent P&L Contribution”) upon satisfaction of at least 80% of the financial goal(s) established by the Chief Executive Officer of the Bank in consultation with the Participant and approved by the Board of Directors for each applicable year.

The Bank's Finance Department in consultation with the Chief Executive Officer will review the results of the Participant's annual financial goals and present them to the Administrator. The Administrator will determine, in its sole discretion, whether the Participant achieved his financial goals for the applicable performance period and the level of achievement. Following certification of the Participant's goals by the Administrator and ratification by the Board of Directors of the Bank, P&L Contributions will be credited to the Participant's SERP Account effective December 31st of the year in which the applicable contribution applies.

(b) *Discretionary Contributions.* At the sole discretion of the Administrator, a Discretionary Contribution may be credited to the Participant's SERP Account at any time. In connection with the Participant's initial participation in the Plan, the Administrator shall make a Discretionary Contribution to the Participant's SERP Account in the amount of \$50,000 as of **May 11, 2018** ("Initial Discretionary Contribution").

4. Vesting. Contributions made under this Participation Agreement are subject to a two-tier vesting schedule as described in paragraphs (a) and (b) below.

(a) *Provisional Vesting.* The Initial Discretionary Contribution (as defined in Section 3(b) herein) and the Initial P&L Contribution (as defined in Section 3 (a) herein) shall provisionally vest upon completion of six (6) Years of Service with the Employer. Subsequent P&L Contributions made under Section 3(a) and Discretionary Contributions (if any) made under Section 3(b), will provisionally vest upon completion of two (2) Years of Service measured from the date of the respective contribution is made. 100% of the Participant's SERP Account balance will provisionally vest upon the Participant's death or Disability, prior to his Normal Retirement Age.

For example: Assuming the Participant is employed by the Employer on January 5, 2021, the Initial P&L Contribution and Discretionary Contribution (2018) will provisionally vest on January 5, 2021 (six year anniversary of the Participant's date of hire). Notwithstanding the foregoing, if the Participant attains Normal Retirement Age on March 1, 2020, he shall become provisionally vested in 100% of the Initial P&L Contribution and Discretionary Contribution (2018) and all other contributions made to his SERP Account. *See Section 5 below for additional information on the Participant's rights to his provisionally vested SERP Account balance.*

(b) *Full Vesting.* Each P&L Contribution and Discretionary Contribution credited to the Participant's SERP Account will fully vest upon the Participant's Normal Retirement Age and upon a Change in Control. In addition, upon Separation from Service prior to attainment of Normal Retirement Age, the Participant will fully vest in 25% of his provisionally vested SERP Account balance. *See Example in Section 5(a) below.*

5. Form and Timing of Distribution of SERP Account Balance.

(a) *Separation from Service Prior to Attainment of Normal Retirement Age.* In the event the Participant has a Separation from Service for reasons other than Cause, prior to attaining Normal Retirement Age, the Participant (or his Beneficiary) will receive a lump sum payment equal to his fully vested SERP Account balance (determined in accordance with 4(b) above) 30 days following the Participant's Separation from Service.

For example: Participant dies at age 60 with 5 Years of Service with the Employer. His provisionally vested SERP Account Balance is \$200,000 and his un-vested SERP Account \$100,000. Based on the facts, upon the Participant's death he is provisionally vested in 100% of his SERP Account balance (\$300,000). However, because the Participant has not attained Normal Retirement Age, his Beneficiary will receive a lump sum payment equal to \$75,000 and the remainder of his provisionally vested SERP Account balance will be forfeited.

(b) Separation from Service on or After Attaining Normal Retirement Age. Upon attainment of Normal Retirement Age followed by a Separation from Service for reasons other than Cause, the Participant will receive his entire vested SERP Account balance (100%) in installments over a five (5) year period. Payments under this paragraph (b) will commence on the 1st day of the full calendar month following the Participant's Separation from Service.

(c) Change in Control. The Participant shall receive a lump sum payment equal to 100% of his vested SERP Account balance, valued as of the Change in Control date. Unless otherwise delayed under Section 409A of the Internal Revenue Code, payment under this paragraph (c) will be made 30 days following the Change in Control. If the payment of the Participant's SERP Account balance, either alone or together with any other payments and benefits the Participant has the right to receive from the Employer, would constitute a "parachute payment" under Section 280G of the Code, such payments and benefits shall be reduced by the minimum amount necessary to result in no portion of such payments and benefits being non-deductible to the Employer pursuant to Section 280G of the Code and subject to excise tax imposed under Section 4999 of the Code.

(d) *Payments following Death.* If the Participant dies prior to the distribution of his entire SERP Account balance, the remaining installment payments will be paid in a lump sum to the Participant's Beneficiary, or if none is designated, his estate.

6. **Forfeitures.** In the event the Participant is terminated for Cause, he will forfeit his entire SERP Account balance (vested and un-vested) in accordance with terms of the Plan. In addition, if the Participant voluntarily terminates his employment PRIOR to attaining his Normal Retirement Age, he will forfeit 100% of his unvested SERP Account balance and 75% of his provisionally vested SERP Account balance.

For example: Participant voluntarily terminates his employment with the Employer at age 60 with 5 Years of Service. His provisionally vested SERP Account Balance is \$200,000 and his un-vested SERP Account balance is \$100,000. Based on the facts, the Participant forfeits all of his unvested SERP Account balance and 75% of his provisionally vested SERP Account balance. Following Separation from Service, the Participant will receive a lump sum payment equal to \$50,000, the remainder of his SERP Account balance will be forfeited.

7. **Valuation Date.** Except in the event of a Change in Control, the Participant's Separation from Service date shall be the valuation date for purposes of determining the value of the Participant's SERP Account Balance upon distribution. Installment payments shall be valued in accordance with Section 4.6 of the Plan.

8. **Governing Law.** This Agreement shall be governed under the laws of the State of New York, but only to the extent not superseded by federal law.

Notwithstanding anything in this Participation Agreement to the contrary, if the Participant is a Specified Employee (as defined in the Plan) at the time of his Separation from Service (for reasons other than Disability or death), the Employer will delay the distribution of the Participant's SERP Account balance until the first day of the seventh month following the Participant's Separation from Service.

IN WITNESS WHEREOF, each of the parties has caused this Participation Agreement to be executed as of the day first above written.

PARTICIPANT

ORANGE BANK & TRUST COMPANY

/s/ John Bartolotta

John Bartolotta

/s/ Michael J. Gilfeather

By: Michael J. Gilfeather

Title: President and Chief Executive Officer

ORANGE COUNTY TRUST COMPANY

Supplemental Executive Retirement Plan

For

MICHAEL J. GILFEATHER

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PREAMBLE

This Supplemental Executive Retirement Plan, established as of April 7, 2014 (the "Plan") by Orange County Bancorp, Inc., a Delaware corporation (the "Company ") and Orange County Trust Company (the "Bank") is for the benefit of Michael J. Gilfeather, the President and Chief Executive Officer of each the Company and the Bank (hereinafter , the "Executive").

The purpose of the Plan is to provide the Executive with a nonqualified retirement benefit in the amount of fifteen thousand (\$15,000) dollars that shall vest and become payable in accordance with the terms of this Plan .

The Plan is intended to be an unfunded , non-qualified deferred compensation plan. Neither the Company nor the Bank shall segregate or otherwise identify specific assets to be applied to the purposes of the Plan, nor shall any of them or the Committee (defined below) established under this Plan be deemed to be a trustee of any amounts to be paid under the Plan. Any liability of the Employer to Executive with respect to benefits payable under the Plan shall be based solely upon such contractual obligations, if any, as shall be created by the Plan, and shall give rise only to a claim against the general assets of the Employer. No such liability shall be deemed to be secured by any pledge or any other encumbrance on any specific property of the Company or the Bank.

Article I.

DEFINITIONS

The following words and phrases shall have the meanings hereafter ascribed to them. Those words and phrases which have limited application are defined in the respective Articles in which such terms appear.

- 1.1 "Beneficiary " means such living person or living persons designated by the Executive to receive all or a part of the Retirement Benefit (described in Article 3 of this Plan) after his death, or his personal or legal representative. If the Executive designates no Beneficiary or if no Beneficiary survives the Executive , the Beneficiary shall be the Executive 's estate.
 - 1.2 "Board" means the Board of Directors of the Company and the Board of Directors of the Bank, each as duly constituted from time to time.
 - 1.3 "Change in Control" means a change in control as defined in Internal Revenue Code Section 409A and rules, regulations, and guidance of general application thereunder issued by the Department of the Treasury, including:
 - (a) Change in ownership: a change in ownership of the Company occurs on the date any one person or persons acting as a group (but excluding an intra family acquisition or transfer of stock between members of the Morrison family) accumulates ownership of Company stock constituting more than fifty (50%) percent of the total voting power of Company stock, or
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- (b) Change in effective control: (x) any one person or persons acting as a group (but excluding an intra family acquisition or transfer of stock between members of the Morrison family) acquires within a 12-month period ownership of Company stock possessing forty (40%) percent or more of the total voting power of Company stock, or (y) a majority of the Company 's board of directors is replaced during any 12-month period by directors whose appointment or election is not endorsed in advance by a majority of the Company 's board of directors, or
- (c) Change in ownership of a substantial portion of assets: a change in ownership of a substantial portion of the Company 's assets occurs if in a 12-month period any one person or persons acting as a group (but excluding an intra family acquisition or transfer of stock between members of the Morrison fami ly) acquires from the Company assets having a total gross fair market value equal to or exceeding 40% of the total gross fair market value of all of the Company 's assets immediately before the acquisition or acquisitions. For this purpose , gross fair market value means the value of the Company 's assets, or the value of the assets being disposed of, determined without regard to any liabi lities associated with the assets.
- 1.4 "Code" means the Internal Revenue Code of 1986, as amended from time to time.
- 1.5 "Committee" means the applicable Compensation Committee of the Boards of Directors of the Bank and/or the Company.
- 1.6 "Disability" means (i) the inability of the Executive to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months ; or (ii) the Executive is receiving income replacement benefits for a period of not less than three months from the Employer 's accident and health plan by reason of the Executive 's medically-determined physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months; or (iii) the Executive has been determined to be totally disabled by the Social Security Administration ; or (iv) the Executive has been determined to be disabled in accordance with a disability insurance program , provided that the definition of disability applied under such disability insurance program complies with the requirements of Treasury Regulation §1.409A-3(i)(4).
- 1.7 "Employer" means the Bank and/or the Company, and any successor or assignee, whether direct or indirect, by purchase, merger , consolidation or otherwise.
- 1.8 "Plan Account" means the bookkeeping account established and maintained by the Employer under this Plan using the regulatory accounting principles of the Bank's primary federal regulator, into which appropriate reserves shall be accrued .

- 1.9 "Separation from Service" means a "separation from service" within the meaning of Treas. Reg. §1.409A-1 (h) and in accordance with the default rules thereunder, which includes termination of the Executive's employment with the Company or the Bank, whether voluntarily or involuntarily, by reason of death, retirement, becoming disabled, resignation or discharge.

Article II.

ELIGIBILITY AND VESTING

- 2.1 The Plan is available to the Executive only.
- 2.2 The Executive shall vest in his Retirement Benefit upon completion of five (5) years of service with the Employer with credit for vesting to commence on April 7, 2014. Upon the Executive's death, Disability or a Change in Control, the Executive shall become fully vested in the amounts credited to his Plan Account as of the date of his death, Disability or a Change in Control, if not otherwise already fully vested.

Article III.

RETIREMENT BENEFIT

- 3.1 The Executive shall be entitled to a Retirement Benefit in an amount equal to fifteen thousand (\$15,000) dollars plus accrued interest. Interest shall be based on the prime rate as published in *The Wall Street Journal* on the last business day of the preceding calendar year plus one (1%) percent. The interest shall be credited to Executive's Plan Account beginning on the first business day of the calendar year, compounded monthly. The interest rate determined as of the first business day of the calendar year shall be the same rate used for the entirety of the calendar year. For calendar year 2014, the interest credited to Executive's Plan Account shall be pro-rated to reflect Executive's actual service during 2014. The Board may alter the interest crediting rate formula prospectively with respect to any future Plan Year.
- 3.2 The Bank shall provide to the Participant, as soon as practicable after the end of each calendar year, a statement setting forth the Plan Account balance as of the end of such calendar year.
- 3.3 The Board, in its sole and complete discretion, may authorize additional contributions to the Plan for the benefit of the Executive and may attach vesting and other requirements to such additional contributions, as it determines to be appropriate. Nothing in the preceding sentence shall be construed to require the Board to make any additional contributions or to consider making such additional contributions at any time in the future.
- 3.4 The Executive shall have no right to make contributions to this Plan.
- 3.5 The Executive is a general unsecured creditor of the Company and the Bank for the payment of the Retirement Benefit. The Executive's rights are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by the Executive's creditors.

Article IV.

TIME AND FORM OF PAYMENT OF THE RETIREMENT BENEFIT

- 4.1 Upon the Executive 's Separation from Service for reasons other than a Change in Control, and subject to the vesting requirements and other terms and conditions of this Plan (including the "six-month delay" rule of Section 409A of the Code), the Employer shall pay to the Executive (or his Beneficiary , as applicable) the entire balance of his Plan Account (the Retirement Benefit plus accrued interest through the date of Executive 's Separation from Service) in a lump sum within the forty-five (45) day period following the Executive's Separation from Service. The payment shall be made no later than ten (10) days following the date the release (described in Section 4.3) becomes effective, except that if the forty-five (45) day period spans two taxable years, the payment will be made in the later of the two years following such Separation from Service.
- 4.2 Subject to the other terms and conditions of this Plan (including the "six-month delay" rule of Section 409A of the Code), if the Executive 's Separation from Service is on account of death or Disability , the entire balance of his Plan Account (the Retirement Benefit plus accrued interest through the date of death or Disability) shall immediately vest (if not otherwise already vested) and be paid to the Executive or his Beneficiary , as applicable, in a lump sum as soon as administratively practical following the Executive 's death or Disability.
- 4.3 Notwithstanding anything in this Plan to the contrary, amounts payable under this Article 4 to the Executive or his Beneficiary are contingent upon the Executive and/or the Beneficiary , as applicable, timely signing and not revoking a release of all claims.

Article V.

CHANGE IN CONTROL

- 5.1 Upon the occurrence of a Change in Control, and subject to the other terms and conditions of this Plan, the Executive shall automatically vest, if not otherwise already fully vested, in his Retirement Benefit plus accrued interest calculated through the date of the Change in Control. Subject to the "six-month delay" rule of Section 409A of the Code, the Executive shall be entitled to his Plan Account balance payable as a lump sum no later than thirty (30) days following the Change in Control, such amount to be subject to applicable payroll taxes and withholdings.
- 5.2 If the payment pursuant to this Article 5, either alone or together with any other payments and benefits the Executive has the right to receive from the Employer, would constitute a "parachute payment" under Section 2800 of the Code, such payments and benefits shall be reduced or revised , in the manner determined by the Employer, by the amount, if any, which is the minimum necessary to result in no portion of such payments and benefits being non-deductible to the Employer pursuant to Section 280G of the Code and subject to excise tax imposed under Section 4999 of the Code.

Article VI.

REGULATORY PROVISIONS THAT MAY AFFECT

EXECUTIVE'S RETIREMENT BENEFIT

- 6.1 If the Executive is suspended from office and/or temporarily prohibited from participating in the conduct of the Bank's affairs by a notice served under Section 8(e)(3) (12 U.S.C. §1818(e)(3) or Section 8(g)(1) (12 U.S.C. §1818(g)(1)) of the Federal Deposit Insurance Act ("FDIA "), as amended by the Financial Institutions Reform , Recovery and Enforcement Act of 1989, the Employer shall freeze the Executive 's Plan Account and its obligations under this Plan shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed , the Employer shall restore the amounts credited to the Executive 's Plan Account as of the date of his suspension .
- 6.2 If the Executive is removed and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under Section 8(e)(4) (12 U.S.C. §1818(e)(4)) or Section 8(g)(1) (12 U.S.C. §1818(g)(1)) of the FDIA , all obligations of the Employer under this Plan shall terminate as of the effective date of the order, and Executive shall forfeit his entire Retirement Benefit.
- 6.3 If the Bank is in default as defined in Section 3(x)(1) (12 U.S.C. §18139(x)(1)) of the FDIA, all obligations under this Plan shall terminate as of the date of default, but this paragraph shall not affect any vested rights.
- 6.4 All obligations under this Plan may be terminated (i) at the time the Federal Deposit Insurance Corporation (the "FDIC") enters into an agreement to provide assistance to or on behalf of the Bank under the authority contained in Section 13(c) (12 U .S.C. §1823) of the FDIA; or (ii) at the time the Bank's primary regulator approves a supervisory merger to resolve problems related to operation of the Bank when the Bank is determined by the applicable regulator to be in an unsafe or unsound condition. Any vested rights shall not be affected by such action.
- 6.5 Notwithstanding anything herein contained to the contrary, any Retirement Benefit under this Plan is subject to and conditioned upon its compliance with Section 18(k) of the FDIA, 12 U.S.C. §1828(k), and the regulations promulgated thereunder in 12 C.F.R. Part 359, Golden Parachute and Indemnification Payments.

Article VII.

UNFUNDED PLAN

- 7.1 The Plan shall be administered as an unfunded plan and is not intended to meet the qualification requirements of the Code. Neither the Executive nor his Beneficiary shall be entitled to receive any payment or benefits under this Plan from a qualified trust maintained in connection with the Employer 's qualified plans, if any.

- 7.2 To the extent that the Executive or Beneficiary acquires a right to receive benefits under the Plan, such rights shall be no greater than those rights which guarantee to the Executive or Beneficiary the strongest claim to such benefits, without resulting in the Executive's or Beneficiary's constructive receipt of such benefits.

Article VIII.

ADMINISTRATION OF THE PLAN

- 8.1 Except for the functions reserved to the Board in Section 8.2, the administration of the Plan shall be the responsibility of the Committee. The Committee shall have the power to designate persons other than Committee members to carry out any duty or power which would otherwise be a responsibility of the Committee under the terms of the Plan. The Committee may designate a person who may or may not be a member of the Committee to be the "Administrator" of the Plan.
- 8.2 The Board shall have the power and the duty to take all actions and to make all decisions necessary or proper to carry out the Plan. The determination of the Board as to any question involving the Plan shall be final, conclusive and binding. The Board shall have the power to determine the amount of benefits which shall be payable to the Executive in accordance with the provisions of the Plan and to provide a full and fair review to the Executive if a claim for benefits has been denied in whole or in part.
- 8.3 To the extent permitted by law, the Committee and any person to whom it may delegate any duty or power in connection with administering the Plan, the Company, the Bank, and the officers and directors thereof, shall be entitled to rely conclusively upon, and shall be fully protected in any action taken or suffered by them in good faith in the reliance upon, any actuary, counsel, accountant, other specialist, or other person selected by the Board, or in reliance upon any tables, valuations, certificates, opinions or reports which shall be furnished by any of them. Further, to the extent permitted by law, no member of the Committee, nor the Company, the Bank, nor the officers or directors thereof, shall be liable for any neglect, omission or wrongdoing of any other members of the Committee, agent, officer or employee of the Bank and the Company. Any person claiming benefits under the Plan shall look solely to the Employer for redress.
- 8.4 All expenses incurred before the termination of the Plan that shall arise in connection with the administration of the Plan (including, but not limited to administrative expenses, proper charges and disbursements, compensation and other expenses and charges of any actuary, counsel, accountant, specialist, or other person who shall be employed by the Board in connection with the administration of the Plan), shall be paid by the Employer.
- 8.5 Any person asserting any rights under this Plan must submit a written claim to the Committee within thirty (30) days of denial of a claim. The Committee shall review and evaluate the claim and submit its findings and recommendations to the Board. The Board shall render a decision within a reasonable period of time from the date on which it received the written claim, not to exceed ninety (90) days, unless an extension of time is necessary due to reasonable cause.

- 8.6 The claimant must follow the claims procedures of Section 8.5 and exhaust his administrative remedies before taking any further action with respect to a claim for benefits.
- 8.7 Any dispute, controversy or claim arising under or in connection with this Plan that is not resolved through the administrative procedures shall be settled exclusively by arbitration in Orange County, New York (unless another location is mutually agreed to by the claimant and the Board), in accordance with the rules of the American Arbitration Association then in effect. The arbitrator shall be selected by mutual agreement of the claimant and the Board. Judgment may be entered on the arbitrators' award in any court having jurisdiction. Unless otherwise provided in the rules of the American Arbitration Association, the arbitrator shall, in the award, allocate between the parties the cost of arbitration, but excluding attorneys' fees and other expenses of the parties, in such proportion as the arbitrators deem just.

Article IX.

AMENDMENT OR TERMINATION

- 9.1 The Board shall not suspend or terminate the Plan in whole or in part at any time, or extend, modify, amend or revise the Plan, in any way that would result in the forfeiture by Executive of his Retirement Benefit. Notwithstanding the preceding sentence, the Board may unilaterally terminate or amend the Plan as may be necessary to implement any of the provisions of Article 6 of the Plan, or as may be required by law. Any amendment or termination of the Plan shall be in compliance with Section 409A of the Code and the regulations thereunder.

Article X.

GENERAL PROVISIONS

- 10.1 The Plan shall not be deemed to constitute an employment contract between the Employer and the Executive nor shall anything herein contained be deemed to give the Executive any right to be retained in the employ of the Employer, or to interfere with the right of the Employer to discharge the Executive at any time and to treat the Executive without any regard to the effect which such treatment might have upon Executive's benefits under the Plan.

- 10.2 If the Employer is unable to make payment to the Executive , Beneficiary , or any other person to whom a payment is due under the Plan because it cannot ascertain the identity or whereabouts of the Executive, Beneficiary , or other person after reasonable efforts have been made to identify or locate such person (including a notice of the payment so due mailed to the last known address of the Executive , Beneficiary , or other person shown on the records of the Employer), such payment and all subsequent payments otherwise due to the Executive, Beneficiary or other person shall be forfeited 24 months after the date such payment first became due; *provided* , however, that such payment and any subsequent payments shall be reinstated , retroactively , no later than 60 days after the date on which the Executive, Beneficiary , or other person shall make application therefor. Neither the Company , the Bank, the Committee nor any other person shall have any duty or obligation under the Plan to make any effort to locate or identify any person entitled to benefits under the Plan, other than to mail a notice to such person 's last known mailing address. If upon the payment of any benefits under the Plan, the Employer shall be required to withhold any amounts with respect to such payment by reason of any federal, state or local tax laws, rules or regulations , then the Employer shall be entitled to deduct and withhold such amounts from any such payments.

Article XI.

COMPLIANCE WITH INTERNAL REVENUE CODE SECTION 409A

- 11.1 The Employer and the Executive intend that their exercise of authority or discretion under this Agreement shall comply with Section 409A of the Code. If when the Executive 's employment terminates the Executive is a specified employee, as defined in Section 409A of the Code, and if any payments under this Agreement, including Articles 4 or 5, will result in additional tax or interest to the Executive because of Section 409A, then despite any contrary provision of this Section 11.1, such payments shall be made on the first to occur of the (x) a date that is at least six months after termination of the Executive 's employment for reasons other than the Executive 's death, (y) the date of the Executive 's death, or (z) any earlier date that does not result in additional tax or interest to the Executive under Section 409A. As promptly as possible after the end of the period during which payments are delayed under this provision, the entire amount of the delayed payments shall be paid to the Executive in a single lump sum. Interest shall continue to accrue on the balance of the Executive 's Plan Account through the period during which payments are delayed. If any provision of this Agreement does not satisfy the requirements of Section 409A , such provision shall nevertheless be applied in a manner consistent with those requirements. If any provision of this Agreement would subject the Executive to additional tax or interest under Section 409A , the Employer shall reform the provision. However, the Employer shall maintain to the maximum extent practicable the original intent of the applicable provision without subjecting the Executive to additional tax or interest, and the Employer shall not be required to incur any additional compensation expense as a result of the reformed provision.
- 11.2 Unless permitted under the provisions of Treasury Regulation § 1.409A-3(j)(4), as may from time to time be amended , payment of the Retirement Benefit may not be accelerated.

- 11.3 Subject to the requirements of Treasury Regulation § 1.409A-2(b), the Board may permit a delay in the payment or a change in the form of payment of the Retirement Benefit. A request for any such change shall be made to the Committee and, if approved by the Board, shall become irrevocable not later than thirty (30) days following the Board's approval, subject to the following rules:
- (a) the change shall not become effective until at least twelve (12) months after the date on which the change is approved ;
 - (b) the payment (except in the case of death, disability, or unforeseeable emergency) upon which the change is made is deferred for a period of not less than five (5) years from the date such payment would otherwise have been paid ; and
 - (c) in the case of a payment made at a specified time, the change must be made not less than twelve (12) months before the date the payment is scheduled to be paid.

Article XII.

MISCELLANEOUS

- 12.1 If, for any reason, any provision of this Plan, or any part of any provision is held invalid, such invalidity shall not affect any other provision of this Plan or any part of such provision not held invalid, and each such other provision and part thereof shall to the full extent consistent with law continue in full force and effect.
- 12.2 The provisions of the Plan shall be construed, administered and governed under applicable federal laws and the laws of the State of New York. In applying the laws of the State of New York, no effect shall be given to conflict of laws principles that would cause the laws of another jurisdiction to apply.
- 12.3 This Plan shall be binding upon the Bank and the Company, their successors and assignees. The Bank and the Company shall require any successor or assignee, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all the business or assets of the Bank or the Company, to expressly and unconditionally agree, in writing, to assume and discharge the Bank's and the Company's obligations under this Plan, in the same manner and to the same extent that the Bank and/or the Company would be required to perform if no such succession or assignment had taken place.
- 12.4 Whenever words are used in the masculine or neutral gender in this Plan, they shall be read and construed as in the masculine, feminine or neutral gender, as appropriate.
- 12.5 Headings in this Plan are inserted for reference and convenience only and shall not be deemed a part of the Plan.

IN WITNESS WHEREOF, the Bank and the Company have duly executed this Plan, effective as of the date first above written.

ORANGE COUNTY TRUST COMPANY

By /s/ Louis Heimbach Date: 7/10/15

ORANGE COUNTY BANCROP, INC.

By /s/ Louis Heimbach Date 7/10/15

ORANGE BANK & TRUST COMPANY ANNUAL INCENTIVE PLAN**Introduction and Objectives**

The **Orange Bank & Trust Company Annual Incentive Plan** (“AIP” or “Plan”) is designed to recognize and reward management for their collective and individual contributions to the success of **Orange Bank & Trust Company** (the “Bank”) and its affiliates. The Plan focuses on performance measures that are critical to the Bank’s growth and profitability.

The objectives of the AIP are to:

- Align executive performance with the Bank’s Five-Year Strategic Plan, budget and shareholder interests
- Motivate and reward executives for achieving /exceeding performance goals
- Align pay with Bank and individual performance
- Position the Bank’s total compensation to be competitive with the market.
- Enable the Bank to attract and retain talent needed to drive its success

Eligibility/Participation

All officers of the Bank are eligible to participate in the Plan.

New officers must be employed by September 30th of the Plan Year (January 1 – December 31) to be eligible for that year’s incentive and will receive a prorated award.

Effective Date

This Plan is effective **January 1, 2019**. The Bank retains the right as described below to amend, modify or discontinue the Plan at any time during the specified period.

Performance Period

The performance period and the Plan operate on a calendar year basis (January 1 – December 31). The initial performance period for this Plan will be January 1, 2019 – December 31, 2019.

Administration

This Plan has been approved by the Compensation Committee and the approval ratified by the Board of Directors. At least annually, the Compensation Committee will review the Plan to insure the performance criteria and compensation goals set forth in the Plan and the Appendices attached hereto continue to both: (i) align the Bank’s Five Year Strategic Plan with Incentive Award payouts, and (ii) create an appropriate balance between risk and reward.

The Compensation Committee has designated the Chief Executive Officer and the Director of Human Resources as the “*Plan Administrator*”.

Annual Incentive Award Opportunity

Each Plan participant will have a Threshold, Target and Optimum Incentive Award Opportunity based on competitive market practice for his/her role. The Incentive Award Opportunities will reflect a percentage of base pay for the applicable performance period. Actual Incentive Awards will vary based on Bank and individual performance.

Exclusively for purposes of this Plan, "base pay" is defined as the compensation earned by a participant during the Plan Year for services rendered to the Bank, **excluding the following items:**

- Overtime pay
- KSOP employer contributions
- Equity awards and other incentive compensation
- Cell phone and automobile allowances
- Fringe benefits

Performance Measures

The Bank performance goals for Plan participants may be based on reported Net Income, Efficiency Ratio or both Net Income and Efficiency Ratio. All Plan participants will receive a performance score card that will set forth the Bank performance goals and the additional individual performance measures, as appropriate for each participant.

Calculation of Incentive Awards

Annual Incentive Awards are calculated as a percentage of a Plan participant's effective base pay as of December 31st for a given performance period and paid in cash. Awards will be determined based on a combination of Bank performance and individual performance. Generally, the Bank must satisfy at least one (1) of its performance measures at a minimum Threshold level for an Incentive Award to be earned. However, if no Bank performance goals are achieved at the minimum Threshold level, the Board of Directors may, in its sole discretion, approve an Incentive Award based solely on individual performance.

After the close of the applicable performance period, the Plan Administrator will report the results of the Bank's performance goals to the Compensation Committee. The achievement of the individual performance goals for all participants, other than the Chief Executive Officer, will be reviewed with the Chief Executive Officer and the Human Resources Department and reported to the Compensation Committee. The Compensation Committee will review the Chief Executive Officer's individual performance results and determine the Chief Executive Officer's level of achievement. The Compensation Committee (in consultation with the Board of Directors) has the authority to increase the Chief Executive's Incentive Award for exceptional performance during a Plan Year.

Distribution of Incentive Awards

Incentive Awards will be earned and distributed following Compensation Committee approval. Incentive Awards are considered taxable income to participants in the year paid and will be subject to withholding for required income and other applicable taxes.

Incentive Awards will generally be distributed no later than March 15th following the Plan Year.

Plan participants must be actively employed by the Bank on the date the Incentive Award is distributed in order to earn an Incentive Award.

Changes or Discontinuance

The Bank developed the Plan based on existing business, market and economic conditions; current services; and staff assignments. If substantial changes occur that affect these conditions, services, assignments, or forecasts, the Compensation Committee may, at its sole discretion, waive, change or amend the Plan as it deems appropriate.

The Board of Directors of the Bank may terminate the Plan at any time.

Termination of Employment

Participants must be an active employee of the Bank on the date an Incentive Award is paid to receive earn an award. (See exceptions for death and disability below.)

Reduced Work Schedules, Promotions, and Transfers

If a Participant changes his/her role or is promoted during the Plan Year such that the Incentive Award Opportunity changes, he/she will be eligible for the new role's Incentive Award Opportunity on a pro rata basis (i.e. the award will be prorated based on the number of months employed in the respective positions.)

In the event of an approved leave of absence, the Incentive Award Opportunity level for the Plan Year will be adjusted to reflect the time in active status. For example, a participant on leave status for 13 weeks during the Plan Year will have his or her calculated award reduced by one-fourth (13 weeks/52 weeks) to reflect the period of leave. Employees on an approved FMLA leave will not be reduced for the first 12 weeks.

Disability, Death or Retirement

If a participant is disabled by an accident or illness, his/her Incentive Award for the Plan Year will be prorated so that the award is based on the period of active employment only (i.e. the award will be reduced by the period of time of disability). Disability will be determined in accordance with the Bank's KSOP.

In the event of death, the Bank will pay to the Plan participant's estate the pro rata portion of the Incentive Award that had been earned by the participant as of the date of death. The pro-rated Incentive Award will be distributed to the estate at the same time distributions are made to other Plan participants in the applicable Plan Year.

Individuals who retire prior to December 31st of any Plan Year will not be eligible for a Incentive Award in their year of retirement.

Ethics and Interpretation/Forefeiture

If there is any ambiguity as to the meaning of any terms or provisions of this Plan or any questions as to the correct interpretation of any information contained therein, the Bank's interpretation expressed by the Compensation Committee will be final and binding.

The altering, inflating, and/or inappropriate manipulation of performance/financial results or any other infraction of recognized ethical business standards, will subject the Plan participant to disciplinary action up to and including termination of employment. In addition, any incentive compensation as provided by the Plan to which the participant would otherwise be entitled will be revoked.

Participants who have willfully engaged in any activity, injurious to the Bank, will upon termination of employment, death, or retirement, forfeit any Incentive Award earned during the award period in which the termination occurred.

Miscellaneous

The Plan will not be deemed to give any participant the right to be retained in the employ of the Bank or an affiliate, nor will the Plan interfere with the right of the Bank or an affiliate of the Bank to discharge any participant at any time.

The relationship between Bank employees and the Bank is one of at-will employment. The Plan does not alter the relationship.

This Plan and the transactions and payments hereunder shall, in all respect, be governed by, and construed and enforced in accordance with the laws of the state of New York.

Each provision in this Plan is severable, and if any provision is held to be invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining provisions shall not, in any way, be affected or impaired thereby.

ORANGE COUNTY BANCORP, INC.
2019 EQUITY INCENTIVE PLAN

ARTICLE 1. PURPOSE AND GENERAL PROVISIONS

1.1 Establishment of Plan. Orange County Bancorp, Inc., a Delaware corporation (the “Company”), hereby establishes a stock incentive compensation plan known as the “Orange County Bancorp, Inc. 2019 Equity Incentive Plan” (the “Plan”), as set forth in this document.

1.2 Purpose of Plan. The purpose of the Plan is to promote the long-term growth and profitability of the Company by providing compensation incentives for high levels of performance and productivity by employees, directors and other service providers of the Company and its Subsidiaries. The Plan is intended to strengthen the Company’s existing operations and its ability to attract and retain outstanding individuals upon whose judgment, initiative and efforts the continued success, growth and development of the Company is dependent, as well as encourage such individuals to have a greater personal financial investment in the Company through ownership of its common stock. In addition, the Plan is intended to incentivize employees and other service providers of the Company and its Subsidiaries with long-term based equity compensation and to align their interests with shareholders.

1.3 Types of Awards. Awards under the Plan may be made to eligible Participants in the form of Incentive Stock Options, Nonqualified Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Share Units, Other Awards or any combination thereof.

1.4 Effective Date. The Plan was adopted by the Board of Directors of the Company on April 5, 2019, contingent upon approval by the Company’s stockholders. The Plan will become effective on the date on which the Company’s stockholders approve the Plan (the “Effective Date”).

1.5 Termination of the Plan. No awards shall be granted under the Plan on or after the 10th anniversary of the Effective Date. Awards granted under the Plan on or prior to the date the Plan terminates shall remain outstanding beyond that date in accordance with the terms and conditions of the Plan and the Agreements corresponding to such Awards.

ARTICLE 2. DEFINITIONS

Except where the context otherwise indicates, the following definitions apply:

2.1 “Agreement” means the written or electronic agreement evidencing an Award granted to a Participant under the Plan. As determined by the Committee, each Agreement shall consist of either (i) a written agreement in a form approved by the Committee and executed on behalf of the Company by an officer duly authorized to act on its behalf, or (ii) an electronic notice of an Award in a form approved by the Committee and recorded by the Company (or its designee) in an electronic recordkeeping system used for the purpose of tracking Awards, and if required by the Committee, executed or otherwise electronically accepted by the recipient of the Award in such form and manner as the Committee may require. The Committee may authorize any officer of the Company (other than the particular Award recipient) to execute any or all Agreements on behalf the Company.

2.2 “Award” means an award granted to a Participant under the Plan that consists of one or more Incentive Stock Options, Nonqualified Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Share Units, Other Awards or a combination of these.

2.3 “Board” means the Board of Directors of the Company.

2.4 “Cause” means, unless such term or an equivalent term is otherwise defined by the applicable Agreement or other written agreement between a Participant and an Employer, any of the following:

- (a) the Participant’s theft, dishonesty, embezzlement, willful misconduct, breach of fiduciary duty for personal profit, or falsification of any Employer documents or records;
- (b) any intentional act by the Participant which has a material detrimental effect on an Employer’s reputation or business;
- (c) the Participant’s repeated failure or inability to perform any reasonable assigned duties with the Employer or to abide by an Employer’s code of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct);
- (d) the Participant’s unauthorized use, misappropriation, destruction or diversion of any tangible or intangible asset or corporate opportunity of an Employer (including, without limitation, the Participant’s improper use or disclosure of an Employer’s confidential or proprietary information);
- (e) any material breach by the Participant of any employment or service agreement between the Participant and an Employer, which breach is not cured pursuant to the terms of such agreement; or
- (f) the Participant’s conviction (including any plea of guilty or nolo contendere) of any criminal act involving fraud, dishonesty, misappropriation or moral turpitude, or which impairs the Participant’s ability to perform his or her duties with an Employer.

For purposes of this Plan, no act or failure to act by the Participant shall be deemed to be “willful” unless done or omitted to be done by the Participant not in good faith and without reasonable belief that the Participant’s action or omission was in the best interest of the Company and/or the Employer. Cause shall be determined by the Committee in its sole discretion.

2.5 “Change in Control” For purposes of this Plan, the term “Change in Control” shall mean the occurrence of any of the following events in accordance with Code Section 409A and the regulations and guidance of general application thereunder issued by the U.S. Department of the Treasury, including:

- (a) Change in Ownership: the date any one person or persons acting as a group (but excluding an intra family acquisition or transfer of stock between members of the Morrison family) accumulates ownership of Company stock constituting more than 50% of the total voting power of Company stock;
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(b) Change in Effective Control: the date that (A) any one person or persons acting as a group (but excluding an intra family acquisition or transfer of stock between members of the Morrison family) acquires within a 12-month period ownership of Company stock possessing 40% or more of the total voting power of Company stock, or (B) a majority of the Company's board of directors is replaced during any 12-month period by directors whose appointment or election is not endorsed in advance by a majority of the Company's board of directors; or

(c) Change in Ownership of a Substantial Portion of Assets: the date that any one person or persons acting as a group (but excluding an intra family acquisition or transfer of stock between members of the Morrison family) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company or the Bank that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Company or the Bank immediately prior to such acquisition

2.6 "Code" means the U.S. Internal Revenue Code of 1986, as now in effect and as hereafter amended from time to time. Any reference to a particular section of the Code includes any applicable regulations promulgated under that section. All citations to sections of the Code are to such sections as they may from time to time be amended or renumbered.

2.7 "Committee" means the Compensation Committee of the Board or such other committee consisting of two or more members as may be appointed by the Board to administer this Plan pursuant to Article 3. If, at any time, a Committee has not been appointed by the Board, the Board shall serve as the Committee.

2.8 "Company." means Orange County Bancorp, Inc. and its successors and assigns.

2.9 "Consultant" means a person engaged to provide consulting or advisory services (other than as an Employee or an Non-Employee Director) to an Employer.

2.10 "Disability" means with respect to any Incentive Stock Option, a disability as determined under Code section 22(e)(3), and with respect to any other Award, unless provided otherwise in an Agreement (in which case such definition shall apply for purposes of the Plan with respect to that particular Award), (i) with respect to a Participant who is eligible to participate in a program of long-term disability insurance maintained by the Employer, the date on which the insurer or administrator under such program of long-term disability insurance determines that the Participant is eligible to commence benefits under such program, and (ii) with respect to any Participant (including a Participant who is eligible to participate in a program of long-term disability insurance maintained by the Employer), the Participant's inability, due to physical or mental incapacity, to substantially perform the Participant's duties and responsibilities for the Employer for one hundred eighty (180) days out of any three hundred sixty-five (365) day period or one hundred twenty (120) consecutive days.

2.11 "Effective Date" shall have the meaning ascribed to such term in Section 1.4 hereof.

2.12 "Employee" means any service provider to an Employer whom the Employer treats as a common law employee for U.S. payroll tax purposes.

2.13 "Employer" means the Company and any entity controlled by the Company, controlling the Company or under common control with the Company, including any entity during any period that it is a "parent corporation" or a "subsidiary corporation" with respect to the Company within the meaning of Code Sections 424(e) and 424(f), that employs an Employee or with whom a Consultant has a service relationship, as determined by the Company. With respect to all purposes of the Plan, including but not limited to, the establishment, amendment, termination, operation and administration of the Plan, the Company shall be authorized to act on behalf of all other entities included within the definition of "Employer."

2.14 “Exchange Act” means the Securities Exchange Act of 1934, as now in effect or as hereafter amended. All citations to sections of the Exchange Act or rules thereunder are to such sections or rules as they may from time to time be amended or renumbered.

2.15 “Fair Market Value” of a Share of the Company means, as of the date in question:

(a) if the Stock is listed for trading on a national securities exchange, the closing sale price of a Share on such date, as reported by such exchange or such other source as the Committee deems reliable, or if no such reported sale of the Stock shall have occurred on such date, on the last day prior to such date on which there was such a reported sale;

(b) if the Stock is not listed for trading on a national securities exchange but nevertheless is publicly traded and reported (through the OTC Bulletin Board or otherwise), the closing sale price of a Share on such date as reported by such source as the Committee deems reliable, or if no such reported sale of the Stock shall have occurred on such date, on the last day prior to such date on which there was such a reported sale; or

(c) if the Stock is not publicly traded and reported, the fair market value as determined by the Committee, in good faith and in accordance with uniform principles consistently applied.

For purposes of subsection (a) above, if the Stock is traded on more than one securities exchange on the given date, then the largest exchange on which the Stock is traded shall be referenced to determine Fair Market Value.

Notwithstanding the foregoing but subject to the next paragraph, if the Committee determines in its discretion that an alternative definition of Fair Market Value should be used in connection with the grant, exercise, vesting, settlement or payout of any Award, it may specify such alternative definition in the Agreement applicable to the Award. Such alternative definition may include a price that is based on the opening, actual, high, low, or average selling prices of a Share on the applicable securities exchange on the given date, the trading date preceding the given date, the trading date next succeeding the given date, or an average of trading days.

2.16 “Incentive Stock Option” or “ISO” means an Option which is designated as an “incentive stock option” and intended to meet the requirements of Code section 422.

2.17 “Non-Employee Director” means any individual who is a member of the Board and who is not also employed by the Employer.

2.18 “Nonqualified Stock Option” or “NSO” means any Option which is not designated as an “incentive stock option” or that otherwise does not meet the requirements of Code section 422.

- 2.19 “Option” means an Award granted under Article 5 which is either an Incentive Stock Option or a Nonqualified Stock Option. An Option shall be designated as either an Incentive Stock Option or a Nonqualified Stock Option, and in the absence of such designation, shall be treated as a Nonqualified Stock Option.
- 2.20 “Option Exercise Price” means the price at which a Share may be purchased by a Participant pursuant to the exercise of an Option.
- 2.21 “Other Award” has the meaning ascribed to such term in Article 9.
- 2.22 “Participant” means an Employee, Non-Employee Director or Consultant to whom an Award has been granted under the Plan.
- 2.23 “Performance Period” has the meaning ascribed to such term in Section 8.3.
- 2.24 “Performance Share” means an Award under Article 8 of the Plan that is valued by reference to a Share, which value may be paid to the Participant (by delivery of Stock, cash or other property as the Committee shall determine) upon achievement of such performance objectives during the relevant Performance Period as the Committee shall establish at the time of such Award or thereafter.
- 2.25 “Performance Share Unit” means an Award under Article 8 of the Plan that has a value set by the Committee, or that is determined by reference to a valuation formula specified by the Committee, which value may be paid to the Participant (by delivery of Stock, cash or other property as the Committee shall determine) upon achievement of such performance objectives during the relevant Performance Period as the Committee shall establish at the time of such Award or thereafter.
- 2.26 “Person” shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d) thereof.
- 2.27 “Plan” means this Orange County Bancorp 2019 Equity Incentive Plan set forth herein, as it may be amended from time to time.
- 2.28 “Restricted Stock” means an Award of Shares under Article 7 of the Plan, which Shares are issued with such restrictions as the Committee, in its sole discretion, may impose.
- 2.29 “Restricted Stock Unit” or “RSU” means an Award under Article 7 of the Plan that is valued by reference to a Share, which value may be paid to the Participant by delivery of Shares, cash or other property as the Committee shall determine and that has such restrictions as the Committee, in its sole discretion, may impose.
- 2.30 “Restriction Period” means the period commencing on the date an Award of Restricted Stock or an RSU is granted and ending on such date as the Committee shall determine, during which time the Award is subject to forfeiture as provided in the Agreement.
- 2.31 “Share” means one share of Stock of the Company (as such Share may be adjusted pursuant to the provisions of Section 4.2 of the Plan including any new or different stock or securities resulting from the changes described in Section 4.2).
- 2.32 “Share Pool” has the meaning ascribed to such term in Section 4.1.
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2.33 “Stock” means the Stock of the Company, and any other shares into which such stock may be changed by reason of a recapitalization, reorganization, merger, consolidation or any other change in the corporate structure or capital stock of the Company.

2.34 “Stock Appreciation Right” or “SAR” means an Award granted under Article 6 which provides for delivery of cash, Shares or other property as the Committee shall determine with a value equal to the excess of the Fair Market Value of a Share on the day the Stock Appreciation Right is exercised over the specified purchase price.

2.35 “Subsidiary” means a corporation or other entity of which outstanding shares or ownership interests representing 50% or more of the combined voting power that is entitled to elect the management of such corporation or other entity thereof are owned directly or indirectly by the Company. With respect to all purposes of the Plan, including but not limited to, the establishment, amendment, termination, operation and administration of the Plan, the Company and the Committee shall be authorized to act on behalf of all other entities included within the definition of “Subsidiary.”

ARTICLE 3. ADMINISTRATION; POWERS OF THE COMMITTEE

3.1 General. This Plan shall be administered by the Committee.

3.2 Authority of the Committee.

(a) Subject to the provisions of the Plan, the Committee shall have the full and discretionary authority to (i) select the persons who are eligible to receive Awards under the Plan, (ii) determine the form and substance of Awards made under the Plan and the conditions and restrictions, if any, subject to which such Awards will be made, (iii) modify the terms of Awards made under the Plan, (iv) interpret, construe and administer the Plan and Awards granted thereunder, and (v) adopt, amend, or rescind such rules and regulations, and make such other determinations, for carrying out the Plan as it may deem appropriate in its discretion.

(b) The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Agreement in the manner and to the extent it shall deem desirable.

(c) Acts, determination and decisions of the Committee on all matters relating to the Plan shall be in the Committee’s sole discretion and shall be conclusive, final and binding on all parties.

(d) In the event the Company shall assume outstanding equity awards or the right or obligation to make such awards in connection with the acquisition of another corporation or business entity, the Committee may, in its discretion, make such adjustments in the terms of Awards as it shall deem equitable and appropriate to prevent dilution or enlargement of benefits intended to be made under the Plan.

(e) In making any determination or in taking or not taking any action under the Plan, the Committee may obtain and may rely on the advice of experts, including but not limited to employees of the Company and professional advisors.

3.3 Delegation of Authority. The Committee may, in its discretion, at any time and from time to time, delegate to one or more of its members such of its authority as it deems appropriate. To the extent permitted by law and applicable stock exchange rules, the Committee may also delegate its authority to one or more persons who are not members of the Committee.

3.4 Agreements. Each Award granted under the Plan shall be evidenced by an Agreement. Each Agreement shall be subject to and incorporate, by reference or otherwise, the applicable terms and conditions of the Plan, and any other terms and conditions, not inconsistent with the Plan, as may be imposed by the Committee, including without limitation, provisions related to the consequences of termination of employment. A copy of such Agreement shall be provided to the Participant, and the Committee may, but need not, require that the Participant sign (or otherwise acknowledge receipt of) a copy of the Agreement or a copy of a notice of grant. Each Participant may be required, as a condition to receiving an Award under this Plan, to enter into agreements with the Company containing such restrictive covenants as the Committee may adopt and approve from time to time. The provisions of such restrictive covenants may also be included in, or incorporated by reference in, the Agreement.

3.5 Indemnification. No member or former member of the Committee or the Board or person to whom the Committee has delegated responsibility under the Plan shall be liable for any action or determination made in good faith with respect to the Plan or any Award granted under it. The Company shall indemnify and hold harmless each member and former member of the Committee and the Board and each person to whom the Committee has delegated responsibility under the Plan against all cost or expense (including counsel fees and expenses) or liability (including any sum paid in settlement of a claim with the approval of the Board) arising out of any act or omission to act in connection with the Plan, unless arising out of such member's or former member's own willful misconduct, fraud, bad faith or as expressly prohibited by statute. Such indemnification shall be in addition (without duplication) to any rights to indemnification or insurance the member or former member may have as a director or under the Company's Bylaws or Articles of Incorporation.

ARTICLE 4. SHARES AVAILABLE UNDER THE PLAN

4.1 Number of Shares. Subject to adjustment as provided in this Section 4.1 and in Section 4.3, the aggregate number of Shares that are available for issuance under the terms of the Plan is One Hundred and Forty-Five Thousand (145,000) (the "Share Pool"). All or any portion of the Share Pool may, but is not required to, be issued pursuant to Incentive Stock Options. If Awards are granted in substitution or assumption of awards of an entity acquired, by merger or otherwise, by the Company (or any Subsidiary), to the extent such grant shall not be inconsistent with the terms, limitations and conditions of Code section 422, the number of shares subject to such substitute or assumed Awards shall not increase or decrease the Share Pool.

The Shares issued pursuant to terms of the Plan shall be made available from Shares currently authorized but unissued or Shares currently held (or subsequently acquired) by the Company as treasury shares, including Shares purchased in the open market or in private transactions.

The following rules shall apply for purposes of the determination of the number of Shares available for grants of Awards under the Plan:

(a) Each Option, each Stock Appreciation Right that may be settled in a Share, each share of Restricted Stock, each Restricted Stock Unit that may be settled in a Share, and each Other Award that may be settled in a Share shall be counted as one share subject to an Award and deducted from the Share Pool. Stock Appreciation Rights, Restricted Stock Units and Other Awards that may not be settled in Shares shall not result in a deduction from the Share Pool.

(b) If a Stock Appreciation Right is granted in connection with an Option and the exercise of the Stock Appreciation Right results in the loss of the Option right, the Shares subject to such related Option shall be added back to the Share Pool.

(c) Each Performance Share that may be settled in Shares shall be counted as one Share subject to an Award, based on the number of Shares that would be paid under the Performance Share for achievement of target performance, and deducted from the Share Pool. Each Performance Share Unit that may be settled in Shares shall be counted as a number of Shares subject to an Award equal to the number of Shares that would be paid under the Performance Share Unit for achievement of target performance, with the number determined by dividing the value of the Performance Share Unit at the time of grant by the Fair Market Value of a Share at the time of grant, and this number shall be deducted from the Share Pool. In both cases, in the event that the Award is later settled based on above-target performance, the number of Shares corresponding to the above-target performance, calculated pursuant to the applicable methodology specified above, shall be deducted from the Share Pool at the time of such settlement; in the event that the Award is later settled upon below-target performance, the number of Shares corresponding to the below-target performance, calculated pursuant to the applicable methodology specified above, shall be added back to the Share Pool. Performance Shares and Performance Share Units that may not be settled in Shares shall not result in a deduction from the Share Pool.

(d) If, for any reason, any shares subject to an Award under the Plan are not issued or are returned to the Company, for reasons including, but not limited to (i) a forfeiture of Restricted Stock, a Restricted Stock Unit, a Performance Share, a Performance Share Unit, or Other Award; (ii) the termination, expiration or cancellation of an Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Share, Performance Share Unit, or Other Award; (iii) the settlement of any Award in cash rather than Shares; or (iv) the withholding of Shares for the payment of the exercise price or the taxes on an Award, then such Shares shall again be available for Awards under the Plan and shall be added to the Share Pool.

4.2 Adjustment of Shares. If any change in corporate capitalization, such as a stock split, reverse stock split, stock dividend, or any corporate transaction such as a reorganization, reclassification, merger or consolidation or separation, including a spin-off, of the Company or sale or other disposition by the Company of all or a portion of its assets, any other change in the Company's corporate structure, or any distribution to shareholders (other than an ordinary cash dividend) results in the outstanding Shares, or any securities exchanged therefor or received in their place, being exchanged for a different number or class of shares or other securities of the Company, or for shares of stock or other securities of any other corporation (or new, different or additional shares or other securities of the Company or of any other corporation being received by the holders of outstanding Shares), or a material change in the value of the outstanding Shares as a result of the change, transaction or distribution, then the Committee shall make equitable adjustments, as it determines are necessary and appropriate to prevent the enlargement or dilution of benefits intended to be made available under the Plan, in:

- (a) the number and class of stock or other securities that comprise the Share Pool as set forth in Section 4.1, including, without limitation, with respect to Incentive Stock Options;
- (b) the number and class of stock or other securities subject to outstanding Awards, and which have not been issued or transferred under an outstanding Award;
- (c) the Option Exercise Price under outstanding Options, the exercise price under outstanding Stock Appreciation Rights, and the number of Shares to be transferred in settlement of outstanding Awards; and
- (d) the terms, conditions or restrictions of any Award and Agreement, including but not limited to the price payable for the acquisition of Shares.

It is intended that, if possible, any adjustment contemplated above shall be made in a manner that satisfies applicable legal requirements as well as applicable requirements with respect to taxation (including, without limitation and as applicable under the circumstances, Code section 424 and Code section 409A) and applicable accounting standards, so as to not trigger any charge to earnings with respect to such adjustment.

Without limiting the generality of the above, any good faith determination by the Committee as to whether an adjustment is required in the circumstances and the extent and nature of any such adjustment shall be final, conclusive and binding on all persons.

ARTICLE 5. STOCK OPTIONS

5.1 Grant of Options. Subject to the terms and provisions of the Plan, the Committee may from time to time grant Options to eligible Participants. The Committee shall have sole discretion in determining the number of Shares subject to Options granted to each Participant. The Committee may grant a Participant ISOs, NSOs or a combination thereof, and may vary such Awards among Participants; provided that the Committee may grant ISOs only to individuals who are employees within the meaning of Code section 3401(c) of the Company or its eligible subsidiaries (as defined for this purpose in Code section 424(f)). Notwithstanding anything in this Article 5 to the contrary, except for Options that are specifically designated as intended to be subject to Code section 409A, the Committee may only grant Options to individuals who provide direct services on the date of grant of the Options to the Company or another entity in a chain of entities in which the Company or another such entity has a controlling interest (within the meaning of Treasury Regulation section 1.409A-1(b)(5)(iii)(e)) in each entity in the chain.

5.2 Agreement. Each Option grant shall be evidenced by an Agreement that shall specify the Option Exercise Price, the duration of the Option, the number of Shares to which the Option pertains, the conditions upon which the Option shall become vested and exercisable and such other provisions as the Committee shall determine. The Option Agreement shall further specify whether the Award is intended to be an ISO or an NSO. Any portion of an Option that is not designated in the Agreement as an ISO or otherwise fails or is not qualified as an ISO (even if designated as an ISO) shall be an NSO. Dividend equivalents shall not be paid with respect to Options.

5.3 Option Exercise Price. The per share Option Exercise Price for each Option shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the date the Option is granted. Notwithstanding the foregoing, an Option may be granted with an Option Exercise Price lower than set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another Option in a manner satisfying the provisions of Code section 424(a) relating to a corporate merger, consolidation, acquisition of property or stock, separation, reorganization, or liquidation; provided that the Committee determines that such Option Exercise Price is appropriate to preserve the economic benefit of the replaced award and will not impair the exemption of the Option from Code section 409A (unless the Committee clearly and expressly foregoes such exemption at the time the Option is granted).

5.4 Duration of Options. Each Option shall expire at such time as the Committee shall determine at the time of grant; provided, however, that no Option shall be exercisable later than the tenth (10th) anniversary of its grant date. If an Agreement does not specify an expiration date, the Option's expiration date shall be the 10th anniversary of its grant date.

5.5 Exercise of Options. Options shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall specify, including conditions related to the employment of the Participant with the Employer or provision of services by the Participant to the Employer, which need not be the same for each grant or for each Participant. The Committee may provide in the Agreement for rights upon the occurrence of events specified in the Agreement. Upon exercise of an Option, the number of Shares subject to exercise under any related SAR shall automatically be reduced by the number of Shares represented by the Option or portion thereof which is surrendered.

5.6 Payment. Options shall be exercised, in whole or in part, by the delivery of an oral, written or electronic notice of exercise to the Company or its designated representative in the form prescribed by the Company, setting forth the number of Shares with respect to which the Option is to be exercised and satisfying any requirements that the Committee may apply from time to time and provide for full payment of the Option Exercise Price for such Shares (less any amount previously paid by the Participant to acquire the Option). The Option Exercise Price shall be paid to the Company either: (a) in cash, (b) by check, bank draft, money order or other cash equivalent approved by the Committee, (c) if approved by the Company, by tendering previously acquired Shares (or delivering a certification or attestation of ownership of such Shares) having an aggregate Fair Market Value at the time of exercise equal to the total Option Exercise Price (provided that the tendered Shares must have been held by the Participant for any period required by the Committee), (d) if approved by the Company, by having the Company reduce the number of Shares otherwise issuable to the Participant upon exercise of the Option by the largest whole number of Shares having an aggregate Fair Market Value at the time of exercise that does not exceed the total Option Exercise Price for such Shares and the Participant paying the remainder of such total Option Exercise Price in cash (a "net exercise"), (e) if approved by the Company, by a broker-assisted cash-less exercise, subject to applicable securities law restrictions, (f) by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law; or (g) by a combination of the foregoing. No certificate or cash representing a Share shall be delivered until the full Option Exercise Price has been paid.

5.7 Special Rules for ISOs. The following rules apply notwithstanding any other terms of the Plan.

(a) No ISOs may be granted under the Plan on or after the tenth anniversary of the date of the most recent shareholder approval of the Plan.

(b) In no event shall any Participant who owns (within the meaning of Code section 424(d)) stock of the Company possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any “parent” or “subsidiary” (within the meaning of Code section 424(e) or (f), respectively) be eligible to receive an ISO (i) at an Option Exercise Price less than one hundred ten percent (110%) of the Fair Market Value of a Share on the date the ISO is granted, or (ii) that is exercisable later than the fifth (5th) anniversary date of its grant date.

(c) The aggregate Fair Market Value of Shares with respect to which incentive stock options (within the meaning of Code section 422) granted to a Participant are first exercisable in any calendar year under the Plan and all other incentive stock option plans of the Employer shall not exceed One Hundred Thousand Dollars (\$100,000). For this purpose, Fair Market Value shall be determined with respect to a particular incentive stock option on the date on which such incentive stock option is granted. In the event that this One Hundred Thousand Dollar (\$100,000) limit is exceeded with respect to a Participant, then ISOs granted under this Plan to such Participant shall, to the extent and in the order required by Treasury Regulations under Code section 422, automatically become NSOs granted under this Plan.

(d) Solely for purposes of determining the limit on ISOs that may be granted under the Plan, the provisions of Section 4.1 that replenish the Share Pool shall only be applied to the extent permitted by Code section 422 and the regulations promulgated thereunder.

ARTICLE 6. STOCK APPRECIATION RIGHTS

6.1 Grant of SARs. Subject to the terms and provisions of the Plan, the Committee may grant SARs to Participants in such amounts and upon such terms, and at any time and from time to time, as the Committee shall determine. A Stock Appreciation Right shall entitle the holder, within the specified period (which may not exceed 10 years), to exercise the SAR and receive in exchange therefor a payment having an aggregate value equal to the amount by which the Fair Market Value of a Share on the exercise date exceeds the specified exercise price, times the number of Shares with respect to which the SAR is exercised. The Committee may provide in the Agreement for automatic exercise on a certain date, for payment of the proceeds on a certain date, and/or for accelerated vesting and other rights upon the occurrence of events specified in the Agreement. Notwithstanding anything in this Article 6 to the contrary, except for SARs that are specifically designated as intended to be subject to Code section 409A, the Committee may only grant SARs to individuals who provide direct services on the date of grant of the SARs to the Company or another entity in a chain of entities in which the Company or another such entity has a controlling interest (within the meaning of Treasury Regulation section 1.409A-1(b)(5)(iii)(e)) in each entity in the chain.

6.2 Agreement. Each SAR grant shall be evidenced by an Agreement that shall specify the exercise price, the duration of the SAR, the number of Shares to which the SAR pertains, the conditions upon which the SAR shall become vested and exercisable and such other provisions as the Committee shall determine. Dividend equivalents shall not be paid with respect to SARs.

6.3 Duration of SARs. Each SAR shall expire at such time as the Committee shall determine at the time of grant; provided, however, that no SAR shall be exercisable later than the tenth (10th) anniversary of its grant date. If an Agreement does not specify an expiration date, the SAR's expiration date shall be the 10th anniversary of its grant date.

6.4 Payment. The Committee shall have sole discretion to determine in each Agreement whether the payment with respect to the exercise of a Stock Appreciation Right will be in the form of all cash, all Shares, Other Company Securities, or any combination thereof. Unless and to the extent the Committee specifies otherwise, such payment will be in the form of Shares. If payment is to be made in Shares, the number of Shares shall be determined based on the Fair Market Value of a Share on the date of exercise. The Committee shall have sole discretion to determine and set forth in the Agreement the timing of any payment made in cash or Shares, or a combination thereof, upon exercise of SARs.

6.5 Exercise Price. The exercise price for each Stock Appreciation Right shall be determined by the Committee and shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the date the SAR is granted. Notwithstanding the foregoing, an SAR may be granted with an exercise price lower than set forth in the preceding sentence if such SAR is granted pursuant to an assumption or substitution for another SAR in a manner satisfying the provisions of Code section 424(a) relating to a corporate merger, consolidation, acquisition of property or stock, separation, reorganization, or liquidation; provided that the Committee determines that such SAR exercise price is appropriate to preserve the economic benefit of the replaced award and will not impair the exemption of the SAR from Code section 409A (unless the Committee clearly and expressly foregoes such exemption at the time the SAR is granted).

6.6 Exercise of SARs. SARs shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall specify, including conditions related to the employment of the Participant with the Employer or provision of services by the Participant to the Employer, which need not be the same for each grant or for each Participant. The Committee may provide in the Agreement for rights upon the occurrence of events specified in the Agreement.

ARTICLE 7. RESTRICTED STOCK AND RESTRICTED STOCK UNITS

7.1 Grant of Restricted Stock and Restricted Stock Units. Subject to provisions of the Plan, the Committee may from time to time grant Awards of Restricted Stock and Restricted Stock Units ("RSUs") to Participants. Awards of Restricted Stock and RSUs may be made either alone or in addition to or in tandem with other Awards granted under the Plan.

7.2 Agreement. The Restricted Stock or RSU Agreement shall set forth the terms of the Award, as determined by the Committee, including, without limitation, the number of Shares of Restricted Stock or the number of RSUs granted; the purchase price, if any, to be paid for such Restricted Stock or RSUs, which may be equal to or less than Fair Market Value of a Share and may be zero, subject to such minimum consideration as may be required by applicable law; the restrictions applicable to the Restricted Stock or RSU, the length of the Restriction Period and any circumstances that will shorten or terminate the Restriction Period; and rights of the Participant to vote the Shares during the Restriction Period. The Committee shall have sole discretion to determine and specify in each RSU Agreement whether the RSUs will be settled in the form of all cash, all Shares, or any combination thereof. Unless and to the extent the Committee specifies otherwise, such settlement will be in the form of Shares.

7.3 Certificates. Upon an Award of Restricted Stock to a Participant and/or the vesting of RSUs, Shares shall be registered in the Participant's name. Certificates, if issued, may either (i) be held in custody by the Company until the Restriction Period (if any) expires or until restrictions thereon otherwise lapse, and/or (ii) be issued to the Participant and registered in the name of the Participant, bearing an appropriate restrictive legend and remaining subject to appropriate stop-transfer orders. If required by the Committee, the Participant shall deliver to the Company one or more stock powers endorsed in blank relating to the Restricted Stock. If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock subject to such Restriction Period or RSUs, unrestricted certificates for such Shares shall be delivered to the Participant or registered in the Participant's name on the Company's or transfer agent's records; provided, however, that the Committee may cause such legend or legends to be placed on any such certificates as it may deem advisable under the terms of the Plan and the rules, regulations and other requirements of the Securities and Exchange Commission and any applicable federal or state law. Concurrently with the lapse of any risk of forfeiture applicable to the Restricted Stock, the Participant shall be required to pay to the Company an amount necessary to satisfy any applicable federal, state and local tax requirements as set out in Article 14 below.

7.4 Shareholder Rights; Dividends and Other Distributions. Except as provided in this Article 7 or in the applicable Agreement, a Participant who receives a Restricted Stock Award shall have (during and after the Restriction Period), with respect to such Restricted Stock Award, all of the rights of a shareholder of the Company, including the right to vote the Shares and the right to receive dividends and other distributions to the extent, if any, such Shares possess such rights; provided, however, that (i) any dividends and other distributions payable on such Shares of Restricted Stock during the Restriction Period shall be either automatically reinvested in additional Shares of Restricted Stock or paid to the Company for the account of the Participant, in either case subject to the same restrictions on vesting as the underlying Award, and (ii) all terms and conditions for payment of such dividends and other distributions shall be included in the Agreement related to the Award and shall, to the extent required, comply with the requirements of Code section 409A. The Committee shall determine whether interest shall be paid on such amounts, the rate of any such interest, and the other terms applicable to such amounts (provided again that all such terms shall, to the extent required, comply with Code section 409A). A Participant receiving a Restricted Stock Unit Award shall not possess voting rights and shall accrue dividend equivalents on the Shares subject to the RSU only to the extent provided in the Agreement relating to the Award; provided, however, that (A) any dividend equivalents payable on such Restricted Stock Unit Award shall be subject to the same restrictions on vesting as the underlying Award, and (B) all terms and conditions for payment of such dividend equivalents shall be included in the Agreement related to the Award and shall, to the extent required, comply with the requirements of Code section 409A.

ARTICLE 8. PERFORMANCE SHARES AND PERFORMANCE SHARE UNITS

8.1 Grant of Performance Shares and Performance Share Units. The Committee may grant Performance Shares and Performance Share Units to Participants in such amounts and upon such terms, and at any time and from time to time, as the Committee shall determine.

8.2 Agreement. The Performance Share or Performance Share Unit Agreement shall set forth the terms of the Award, as determined by the Committee, including, without limitation, the number of Performance Shares or Performance Share Units granted; the purchase price, if any, to be paid for such Performance Shares or Performance Share Units, which may be equal to or less than Fair Market Value of a Share and may be zero, subject to such minimum consideration as may be required by applicable law; the performance objectives applicable to the Performance Shares or Performance Share Units as determined pursuant to Article 10; and any additional restrictions applicable to the Performance Shares or Performance Share Units such as continued service. The Committee shall have sole discretion to determine and specify in each Performance Share or Performance Share Unit Agreement whether the Award will be settled in the form of all cash, all Shares, Other Company Securities, or any combination thereof. Unless and to the extent the Committee specifies otherwise, such settlement will be in the form of Shares. Any such Shares may be granted subject to any restrictions deemed appropriate by the Committee.

8.3 Value of Performance Shares and Performance Share Units. Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the date of grant. Each Performance Share Unit shall have an initial value that is established by the Committee at the time of grant. In addition to any non-performance terms applicable to the Award, the Committee shall set performance objectives in its discretion which, depending on the extent to which they are met, will determine the number and/or value of Performance Shares, Performance Share Units or both (as applicable) that will be paid out to the Participant. For purposes of this Article 8, the time period during which the performance objectives must be met shall be called a "Performance Period."

8.4 Earning of Performance Shares and Performance Share Units. Subject to the terms of this Plan, after the applicable Performance Period has ended, the holder of the Performance Shares or Performance Share Units shall be entitled to receive a payout of the number and value of Performance Shares or Performance Share Units, as applicable, earned by the Participant over the Performance Period, if any, to be determined as a function of the extent to which the corresponding performance objectives have been achieved and any applicable non-performance terms have been met.

8.5 Shareholder Rights; Dividends and Other Distributions. A Participant receiving Performance Shares or Performance Share Units shall not possess voting rights. A Participant receiving Performance Shares or Performance Share Units or any other Award that is subject to performance conditions shall accrue dividend equivalents on such Award only to the extent provided in the Agreement relating to the Award; provided, however, that (i) any dividend equivalents payable on Shares subject to such Performance Shares or Performance Share Units shall be subject to the same restrictions on vesting as the underlying Award, and (ii) all terms and conditions for payment of such dividend equivalents shall be included in the Agreement related to the Award and shall, to the extent required, comply with the requirements of Code section 409A.

ARTICLE 9. OTHER AWARDS

The Committee shall have the authority to specify the terms and provisions of other forms of equity-based, equity-related or cash awards not described in Articles 5 through 8 of this Plan that the Committee determines to be consistent with the purpose of the Plan and the interests of the Company ("Other Awards"). Other Awards may provide for (a) cash payments based in whole or in part on the value or future value of Shares, (b) the issuance or future issuance of Shares, (c) cash payments that are not based on the value or future value of Shares, or (d) any combination of the foregoing. A Participant receiving an Other Award (except an Other Award described in (c) above) may accrue dividend equivalents on such Award to the extent provided in the Agreement relating to the Award; provided, however, that (i) that any dividend equivalents payable on such Other Award shall be subject to the same restrictions on vesting as the underlying Award, and (ii) all terms and conditions for payment of such dividend equivalents shall be included in the Agreement related to the Award and shall, to the extent required, comply with the requirements of Code section 409A.

ARTICLE 10. PERFORMANCE MEASURES

10.1 In General. The Committee may, in its discretion, include performance objectives in any Award. The Committee may provide for a threshold level of performance below which no amount of compensation will be paid, and it may provide for the payment of differing amounts of compensation for different levels of performance.

10.2 Definitions of Performance Objectives. If the Committee makes an Award subject to a particular performance objective, the Committee shall adopt or confirm a written definition of that performance objective at the time the performance objective is established.

10.3 Determinations of Performance. For each Award that has been made subject to a performance objective for a Performance Period, the Committee shall determine whether the performance objective has been satisfied as soon as administratively practicable following the close of the Performance Period. If a performance objective applicable for a Performance Period is not achieved, the Committee in its sole discretion may pay all or a portion of that Award based on such criteria as the Committee deems appropriate.

10.4 Adjustments and Exclusions. In determining whether and to what extent any performance objective has been achieved, the Committee may exclude any or all items that are unusual or non-recurring. In addition, the Committee may adjust any performance objective for a Performance Period as it deems equitable to recognize unusual or non-recurring events affecting the Employer, changes in tax laws or regulations or accounting procedures, mergers, acquisitions and divestitures, or any other factors as the Committee may determine. To the extent that a performance objective is based on the price of the Company's common stock, then in the event of any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, any merger, consolidation, spin-off, reorganization, partial or complete liquidation or other distribution of assets (other than a normal cash dividend), issuance of rights or warrants to purchase securities or any other corporate transaction having an effect similar to any of the foregoing, the Committee shall make or provide for such adjustments in such performance objective as the Committee in its sole discretion may in good faith determine to be equitably required in order to prevent dilution or enlargement of the rights of participants.

ARTICLE 11. TERMINATION OF SERVICE OR CHANGE IN CONTROL

11.1 Termination of Service. If a Participant ceases to be an Employee of, or to otherwise perform services for, the Company and its Subsidiaries for any reason, then except to the extent provided otherwise in the applicable Agreement, (i) all of the Participant's Options and SARs that were exercisable on the date of such cessation shall remain exercisable for, and shall otherwise terminate at the end of, a period of three months after the date of such cessation, but in no event after the expiration date of the Options or SARs, (ii) all of the Participant's Options and SARs that were not exercisable on the date of such cessation shall be forfeited immediately upon such cessation, and (iii) all of the Participant's Restricted Stock, RSUs, Performance Shares, Performance Share Units and Other Awards that were not vested on the date of such cessation shall be forfeited immediately upon such cessation. Notwithstanding the preceding provisions of this Article 11, the following special rules shall apply.

(a) The Committee may, in its sole discretion and in such manner as it may from time to time prescribe (including, but not by way of limitation, in granting an Award or in an individual employment agreement, severance plan or individual severance agreement), provide that a Participant shall be eligible for a full or prorated Award in the event of a cessation of the Participant's service relationship with the Employer due to death, disability, involuntary termination without cause or resignation for good reason. With respect to Awards that are subject to one or more performance objectives, the Committee may, in its sole discretion, provide that any such full or prorated Award will be paid prior to when any or all such performance objectives are certified (or without regard to whether they are certified) in the event of a cessation of the Participant's service relationship with the employer due to death, disability, involuntary termination without cause or resignation for good reason.

(b) The Committee may, in its sole discretion, and to the extent applicable, in accordance with the provisions of Code section 409A, determine (i) whether any bona fide leave of absence (including short-term or long-term disability or medical leave) shall constitute a termination of service for purposes of this Plan, and (ii) the impact, if any, of any such leave on outstanding Awards under the Plan.

11.2 Effect of Change in Control. In the event that there occurs a Change in Control, the following provision shall apply to a Participant's Awards, unless otherwise provided by the Committee in an Award Agreement or employment, severance or other agreement with the Participant:

(a) In the case of an Award, all forfeiture conditions and other restrictions applicable to such Award shall lapse and such Award shall be fully payable as of the effective date of the Change in Control without regard to vesting or other conditions, and any such Award carrying a right to exercise that was not previously vested and exercisable shall become fully vested and exercisable as of the effective date of the Change in Control

ARTICLE 12. BENEFICIARY DESIGNATION

To the extent permitted by the Committee, each Participant may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any vested but unpaid Award is to be paid in case of the Participant's death. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company or its designee during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's spouse, and if the Participant has no surviving spouse, to the Participant's estate.

ARTICLE 13. WITHHOLDING TAXES

13.1 Tax Withholding. The Employer shall have the power and the right to deduct or withhold, or require a Participant to remit to the Employer, an amount sufficient to satisfy Federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of or in connection with this Plan or any Award. The Company shall have no obligation to deliver Shares, to release Shares from an escrow, or to make any payment in cash under the Plan until the Employer's tax withholding obligations have been satisfied by the Participant.

13.2 Share Withholding. The Company shall have the right, but not the obligation, to deduct from the Shares issuable to a Participant upon the exercise, vesting or settlement of an Award, or to accept from the Participant the tender of, a number of whole Shares having a Fair Market Value, as determined by the Company, equal to all or any part of the tax withholding obligations of the Employer. The Fair Market Value of any Shares withheld or tendered to satisfy any such tax withholding obligations shall not exceed the total federal, state and local tax withholding obligations and shall be limited to an amount that permits the Company to treat the Award as an equity award for accounting purposes (if such equity treatment would otherwise apply).

ARTICLE 14. AMENDMENT AND TERMINATION

14.1 Amendment or Termination of Plan. The Committee may at any time terminate and from time to time amend the Plan in whole or in part, but no such action shall materially adversely affect any rights or obligations with respect to any Awards previously granted under the Plan, as determined by the Committee, unless such action is necessary to achieve compliance with applicable law or any exchange requirements or listing standards applicable to the Stock, or unless the affected Participants consent in writing. To the extent required by Code section 422 or other applicable law, no amendment shall be effective unless approved by the shareholders of the Company.

14.2 Amendment of Agreement. The Committee may, at any time, amend any outstanding Agreement in its discretion to the extent the Committee determines that such amendment is necessary to achieve compliance with applicable law or any exchange requirements or listing standards, including but not limited to the Dodd-Frank Wall Street Reform and Consumer Protection Act and the guidance thereunder. The Committee may, at any time, amend outstanding Agreements in any other manner not inconsistent with the terms of the Plan; provided, however, except as provided in this Article 15, if such amendment is materially adverse to the Participant, as determined by the Committee, the amendment shall not be effective unless and until the Participant consents, in writing, to such amendment. To the extent not inconsistent with the terms of the Plan, the Committee may, at any time, amend an outstanding Agreement in a manner that is not materially adverse to the Participant without the consent of such Participant.

14.3 Assumption or Cancellation of Awards Upon a Corporate Transaction.

(a) In the event of a sale of all or substantially all of the assets or stock of the Company, the merger of the Company with or into another corporation such that shareholders of the Company immediately prior to the merger exchange their shares of stock in the Company for cash and/or shares of another entity or any other Change in Control or corporate transaction to which the Committee deems this provision applicable (any such event is referred to as a "Corporate Transaction"), the Committee may, in its discretion, cause each Award to be assumed or for an equivalent Award to be substituted by the successor corporation or a parent or subsidiary of such successor corporation and adjusted as appropriate.

(b) In addition or in the alternative, the Committee, in its discretion, may cancel all or certain types of outstanding Awards at or immediately prior to the time of the Corporate Transaction provided that the Committee either (i) provides that the Participant is entitled to a payment (in cash or shares) equal to the value of the portion of the Award that would be vested upon the Corporate Transaction, as determined below and to the extent there is any such value, or (ii) at least 15 days prior to the Corporate Transaction (or, if not feasible to provide 15 days' notice, within a reasonable period prior to the Corporate Transaction), notifies the Participant that, subject to rescission if the Corporate Transaction is not successfully completed within a certain period, the Award will be terminated and, if the Award is an Option, SAR or similar right, provides the Participant the right to exercise the portion of the Option, SAR or similar right that would be vested upon the Corporate Transaction prior to the Corporate Transaction.

(c) For purposes of this provision, the value of the Award that would be vested upon the Corporate Transaction shall be measured as of the date of the Corporate Transaction and shall equal the value of the cash, Shares or other property that would be payable to the Participant for such vested Award (or, if the Award is an Option, SAR or similar right, upon exercise of the vested Award) less the amount of any payment required to be tendered by the Participant upon such exercise. The Committee may adopt such valuation methodologies for outstanding Awards as it deems reasonable in the event of a cash settlement and, in the case of Options, SARs or similar rights, but without limitation on other methodologies, may base such settlement solely upon the excess (if any) of the per share amount payable upon or in respect of such event over the exercise price of such Option, SAR or similar right and may cancel each Option, SAR or similar right with an exercise price greater than the per share amount payable upon or in respect of such event without any payment to the person holding such Option, SAR or similar right. For example, under this provision, in connection with a Corporate Transaction, the Committee can cancel all outstanding Options under the Plan in consideration for payment to the holders thereof of an amount equal to the portion of the consideration that would have been payable to such holders pursuant to the Corporate Transaction if their vested Options had been fully exercised immediately prior to such Corporate Transaction, less the aggregate Option Exercise Price that would have been payable therefor, or if the amount that would have been payable to the Option holders pursuant to such Corporate Transaction if their vested Options had been fully exercised immediately prior thereto would be less than the aggregate Option Exercise Price that would have been payable therefor, the Committee can cancel any or all such Options for no consideration or payment of any kind. Payment of any amount payable pursuant to this cancellation provision may be made in cash or, in the event that the consideration to be received in such transaction includes securities or other property, in cash and/or securities or other property in the Committee's discretion.

ARTICLE 15. MISCELLANEOUS PROVISIONS

15.1 Restrictions on Shares. If the Committee determines that the listing, registration or qualification upon any securities exchange or under any law of Shares subject to any Award is necessary or desirable as a condition of, or in connection with, the granting of same or the issue or purchase of Shares thereunder, no such Award may be exercised in whole or in part (as applicable), no such Award may be paid out (as applicable) and no Shares may be issued pursuant to such Award (as applicable) unless such listing, registration or qualification is effected free of any conditions not acceptable to the Committee. All certificates for Shares delivered under the Plan shall be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any listing standards applicable to the Stock and any applicable federal or state laws, and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions. In making such determination, the Committee may rely upon an opinion of counsel for the Company.

Notwithstanding any other provision of the Plan, the Company shall have no liability to deliver any Shares under the Plan or make any other distribution of the benefits under the Plan unless such delivery or distribution would comply with all applicable state, federal and foreign laws (including, without limitation and if applicable, the requirements of the Securities Act of 1933), and any applicable requirements of any securities exchange or similar entity.

15.2 Rights of a Shareholder. Except as provided otherwise in the Plan or in an Agreement, no Participant awarded an Option, SAR, RSU, Performance Share, Performance Share Unit or Other Award shall have any right as a shareholder with respect to any Shares covered by such Award prior to the date of issuance to him or her or his or her delegate of a certificate or certificates for such Shares or the date the Participant's name is registered on the Company's books as the shareholder of record with respect to such Shares.

15.3 Shareholders' Agreement. The Company may, prior to delivery of Shares to the Participant and as a condition to grant or exercise of any Award, require the Participant to agree in writing to be bound by the terms, conditions and restrictions of any Shareholders Agreement in effect as of the time such Shares would be delivered or as of any preceding date.

15.4 Transferability. No ISO granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than upon the Participant's death, to a beneficiary in accordance with Article 12 or by will or the laws of descent and distribution. Unless the Committee determines otherwise consistent with securities and other applicable laws, rules and regulations, (i) no Award granted under the Plan shall be sold, transferred, pledged, assigned or otherwise alienated or hypothecated by a Participant other than upon the Participant's death, to a beneficiary in accordance with Article 12 or by will or the laws of descent and distribution, and (ii) each Option and SAR outstanding to a Participant may be exercised during the Participant's lifetime only by the Participant or his or her guardian or legal representative (provided that Incentive Stock Options may be exercised by such guardian or legal representative only if permitted by the Code and any regulations promulgated thereunder).

15.5 No Fractional Shares. Unless provided otherwise in the Agreement applicable to an Award, no fractional Shares shall be issued or delivered pursuant to the Plan or any Award and any fractional Share otherwise payable pursuant to an Award shall be forfeited or paid in cash as determined by the Committee, in its discretion.

15.6 No Implied Rights. Neither the adoption and maintenance of the Plan, nor the granting of Awards pursuant to the Plan, shall be deemed to constitute a contract of employment between the Employer and any Employee or to be a condition of the employment of any Person. Nothing in the Plan or any Agreement shall confer upon any Participant any right to continue in the employ or service of the Employer or interfere in any way with the right of the Employer to terminate the Participant's employment or other service relationship at any time and for any reason. Unless otherwise determined by the Committee, no Award granted under the Plan shall be deemed salary or compensation for the purpose of computing benefits under any employee benefit plan, severance program, or other arrangement of the Employer for the benefit of its employees. No Participant shall have any claim to an Award until it is actually granted under the Plan. An Award of any type made in any one year to an eligible Participant shall neither guarantee nor preclude a further grant of that or any other type of Award to such Participant in that year or any subsequent year. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall, except as otherwise provided by the Committee, be no greater than the right of an unsecured general creditor of the Company.

15.7 Transfer of Employee. The transfer of an Employee from the Company to a Subsidiary, from a Subsidiary to the Company, or from one Subsidiary to another shall not be considered a termination of employment; nor shall it be considered a termination of employment if an Employee is placed on military, disability or sick leave or such other leave of absence which is considered by the Committee as continuing intact the employment relationship. If an Employee's employment or other service relationship is with a Subsidiary and that entity ceases to be a Subsidiary of the Company, a termination of employment shall be deemed to have occurred when the entity ceases to be a Subsidiary unless the Employee transfers his or her employment or other service relationship to the Company or its remaining Subsidiaries.

15.8 Expenses of the Plan. The expenses of the Plan shall be borne by the Company. The Company shall not be required to establish any special or separate fund or make any other segregation of assets to assume the payment of any Award under the Plan.

15.9 Compliance with Laws. The Plan and the grant of Awards shall be subject to all applicable federal and state laws, rules, and regulations and to such approvals by any United States government or regulatory agency as may be required.

15.10 Successors. The terms of the Plan and outstanding Awards shall be binding upon the Company and its successors and assigns.

15.11 Tax Elections. Each Participant agrees to give the Committee prompt written notice of any election made by such Participant under Code section 83(b) or any similar provision thereof. Notwithstanding the preceding sentence, the Committee may condition any award on the Participant's not making an election under Code section 83(b).

15.12 Uncertificated Shares. To the extent that the Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange on which Shares are traded.

15.13 Compliance with Code Section 409A. It is intended that the payments and benefits provided under the Plan and any Award or Agreement reflecting an Award shall either be exempt from the application of, or comply with the requirements of Section 409A of the Code. The Plan and all Award Agreements shall be construed in a manner that effects such intent. Nevertheless, the tax treatment of benefits provided under the Plan or any Award is not warranted or guaranteed. Neither the Company or its Subsidiaries nor their respective directors, officers, employees or advisers (other than in his or her capacity as a Participant) shall be held liable for any taxes, interest, penalties or other monetary amounts owed by any Participant or other taxpayers as a result of the Plan or any Award.

15.14 Legal Construction.

(a) If any provision of this Plan or an Agreement is or becomes or is deemed invalid, illegal or unenforceable in any jurisdiction, or would disqualify the Plan or any Agreement under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Agreement, it shall be stricken and the remainder of the Plan or the Agreement shall remain in full force and effect.

(b) Where the context admits, words in any gender shall include the other gender, words in the singular shall include the plural and words in the plural shall include the singular.

(c) To the extent not preempted by federal law, the Plan and all Agreements hereunder shall be construed in accordance with and governed by the laws of the State of Delaware, without giving effect to any choice of law provisions. Unless otherwise provided in the applicable Agreement, the recipient of an Award is deemed to submit to the exclusive jurisdiction and venue of the Federal and state courts of Delaware to resolve any and all issues that may arise out of or relate to the Plan or such Agreement.

15.15 Cancellation or “Clawback” of Awards. The Committee may, to the extent permitted by applicable law and stock exchange rules or by any applicable Company policy or arrangement, and shall, to the extent required, cancel or require reimbursement of any Awards granted to a Participant or any Shares issued or cash received upon vesting, exercise or settlement of any such Awards or sale of Shares underlying such Awards.

FORM OF SUBORDINATED NOTE PURCHASE AGREEMENT

This SUBORDINATED NOTE PURCHASE AGREEMENT (this “Agreement”) is dated as of September 24, 2020, and is made by and among Orange County Bancorp, Inc., a Delaware corporation (the “Company”), and the several purchasers of the Subordinated Notes (as defined herein) identified on the signature pages hereto (each a “Purchaser” and collectively, the “Purchasers”).

RECITALS

WHEREAS, the Company has requested that the Purchasers purchase from the Company up to \$20.0 million in aggregate principal amount of Subordinated Notes, which aggregate amount is intended to qualify as Tier 2 Capital (as defined herein).

WHEREAS, the Company has engaged Piper Sandler & Co., as its exclusive placement agent (“Placement Agent”) for the offering of the Subordinated Notes.

WHEREAS, each of the Purchasers is an institutional “accredited investor” as such term is defined in Rule 501 of Regulation D (“Regulation D”) promulgated under the Securities Act of 1933, as amended (the “Securities Act”) or a QIB (as defined below).

WHEREAS, the offer and sale of the Subordinated Notes by the Company is being made in reliance upon the exemptions from registration available under Section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D promulgated under the Securities Act.

WHEREAS, each Purchaser is willing to purchase from the Company a Subordinated Note in the principal amount set forth on such Purchaser’s respective signature page hereto (the “Subordinated Note Amount”) in accordance with the terms, subject to the conditions and in reliance on, the recitals, representations, warranties, covenants and agreements set forth herein and in the Subordinated Notes.

NOW, THEREFORE, in consideration of the mutual covenants, conditions and agreements herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties, intending to be legally bound, hereto hereby agree as follows:

AGREEMENT**1. DEFINITIONS.**

1.1 Defined Terms. The following capitalized terms used in this Agreement and in the Subordinated Notes have the meanings defined or referenced below. Certain other capitalized terms used only in specific sections of this Agreement may be defined in such sections.

“Affiliate(s)” means, with respect to any Person, such Person’s immediate family members, partners, members or parent and subsidiary corporations, and any other Person directly or indirectly controlling, controlled by, or under common control with said Person and their respective Affiliates.

“Agreement” has the meaning set forth in the preamble hereto.

“Bank” means Orange Bank & Trust Company, a New York-chartered trust company, and wholly owned subsidiary of the Company.

“Business Day” means any day other than a Saturday, Sunday or any other day on which banking institutions in the State of New York are permitted or required by any applicable law or executive order to close.

“Bylaws” means the Bylaws of the Company, as in effect on the Closing Date.

“Charter” means the Certificate of Incorporation of the Company, as in effect on the Closing Date.

“Closing” has the meaning set forth in Section 2.5.

“Closing Date” means September 24, 2020.

“Company” has the meaning set forth in the preamble hereto and shall include any successors to the Company.

“Company Covered Person” has the meaning set forth in Section 4.2.4.

“Company’s Reports” means (i) audited financial statements of the Company for the year ended December 31, 2019; (ii) the unaudited financial statements of the Company for the period ended June 30, 2020; and (iii) the Company’s reports for the year ended December 31, 2019 and the period ended June 30, 2020 as filed with the FRB as required by regulations of the FRB.

“Disbursement” has the meaning set forth in Section 3.1.

“Disqualification Event” has the meaning set forth in Section 4.2.4.

“DTC” has the meaning set forth in Section 3.1.

“Equity Interest” means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person which is not a corporation, and any and all warrants, options or other rights to purchase any of the foregoing.

“Event of Default” has the meaning set forth in the Subordinated Notes.

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

“FDIC” means the Federal Deposit Insurance Corporation.

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

“GAAP” means generally accepted accounting principles in effect from time to time in the United States of America.

“Global Note” has the meaning set forth in Section 3.1.

“Governmental Agency(ies)” means, individually or collectively, any federal, state, county or local governmental department, commission, board, regulatory authority or agency (including, without limitation, each applicable Regulatory Agency) with jurisdiction over the Company or a Subsidiary.

“Governmental Licenses” has the meaning set forth in Section 4.3.

“Hazardous Materials” means flammable explosives, asbestos, urea formaldehyde insulation, polychlorinated biphenyls, radioactive materials, hazardous wastes, toxic or contaminated substances or similar materials, including, without limitation, any substances which are “hazardous substances,” “hazardous wastes,” “hazardous materials” or “toxic substances” under the Hazardous Materials Laws and/or other applicable environmental laws, ordinances or regulations.

“Hazardous Materials Laws” mean any laws, regulations, permits, licenses or requirements pertaining to the protection, preservation, conservation or regulation of the environment which relates to real property, including: the Clean Air Act, as amended, 42 U.S.C. Section 7401 et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251 et seq.; the Resource Conservation and Recovery Act of 1976, as amended, 42 U.S.C. Section 6901 et seq.; the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (including the Superfund Amendments and Reauthorization Act of 1986), 42 U.S.C. Section 9601 et seq.; the Toxic Substances Control Act, as amended, 15 U.S.C. Section 2601 et seq.; the Occupational Safety and Health Act, as amended, 29 U.S.C. Section 651, the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. Section 11001 et seq.; the Mine Safety and Health Act of 1977, as amended, 30 U.S.C. Section 801 et seq.; the Safe Drinking Water Act, 42 U.S.C. Section 300f et seq.; and all comparable state and local laws, laws of other jurisdictions or orders and regulations.

“Indebtedness” means: (i) all items arising from the borrowing of money that, according to GAAP as in effect from time to time, would be included in determining total liabilities as shown on the consolidated balance sheet of the Company; and (ii) all obligations secured by any lien in property owned by the Company or any Subsidiary whether or not such obligations shall have been assumed; *provided, however*, Indebtedness shall not include deposits or other Indebtedness created, incurred or maintained in the ordinary course of the Company’s or the Bank’s business (including, without limitation, federal funds purchased, advances from any Federal Home Loan Bank, secured deposits of municipalities, letters of credit issued by the Company or the Bank and repurchase arrangements) and consistent with customary banking practices and applicable laws and regulations.

“Leases” means all leases, licenses or other documents providing for the use or occupancy of any portion of any Property, including all amendments, extensions, renewals, supplements, modifications, sublets and assignments thereof and all separate letters or separate agreements relating thereto.

“Material Adverse Effect” means, with respect to any Person, any change or effect that (i) is or would be reasonably likely to be material and adverse to the financial condition, results of operations or business of such Person, or (ii) would materially impair the ability of such Person to perform its respective obligations under any of the Transaction Documents, or otherwise materially impede the consummation of the transactions contemplated hereby; *provided, however*, that “Material Adverse Effect” shall not be deemed to include the impact of (1) changes in banking and similar laws, rules or regulations of general applicability or interpretations thereof by Governmental Agencies, (2) changes in GAAP or regulatory accounting requirements applicable to financial institutions and their holding companies generally, (3) changes after the date of this Agreement in general economic or capital market conditions affecting financial institutions or their market prices generally and not specifically related to the Company, the Bank or the Purchasers, (4) direct effects of compliance with this Agreement on the operating performance of the Company, the Bank or the Purchasers, including expenses incurred by the Company, the Bank or the Purchasers in consummating the transactions contemplated by this Agreement, (5) the effects of any action or omission taken by the Company with the prior written consent of the Purchasers, and vice versa, or as otherwise contemplated by this Agreement and the Subordinated Notes, and (6) the effects of the COVID-19 pandemic that do not disproportionately affect the operations or business of the Company and its Subsidiaries in comparison to other banking institutions with similar operations.

“Maturity Date” means September 30, 2030.

“Person” means an individual, a corporation (whether or not for profit), a partnership, a limited liability company, a joint venture, an association, a trust, an unincorporated organization, a government or any department or agency thereof (including a Governmental Agency) or any other entity or organization.

“Placement Agent” has the meaning set forth in the Recitals.

“Property” means any real property owned or leased by the Company or any Affiliate or Subsidiary of the Company.

“Purchaser” or “Purchasers” has the meaning set forth in the preamble hereto.

“QIB” has the meaning set forth in Section 5.8.

“Regulation D” has the meaning set forth in the Recitals.

“Regulatory Agency” means any federal or state agency charged with the supervision or regulation of depository institutions or holding companies of depository institutions, or engaged in the insurance of depository institution deposits, or any court, administrative agency or commission or other authority, body or agency having supervisory or regulatory authority with respect to the Company, the Bank or any of their Subsidiaries.

“Secondary Market Transaction” has the meaning set forth in Section 5.5.

“Securities Act” has the meaning set forth in the Recitals.

“Subordinated Note” means the Subordinated Note (or collectively, the “Subordinated Notes”) in the form attached as Exhibit A hereto, as amended, restated, supplemented or modified from time to time, and each Subordinated Note delivered in substitution or exchange for such Subordinated Note.

“Subordinated Note Amount” has the meaning set forth in the Recitals.

“Subsidiary” means with respect to any Person, any corporation or entity (other than a trust) in which a majority of the outstanding Equity Interest is directly or indirectly owned by such Person.

“Tier 2 Capital” has the meaning given to the term “Tier 2 capital” in 12 C.F.R. Part 217, as amended, modified and supplemented and in effect from time to time or any replacement thereof.

“Tier 2 Capital Event” has the meaning set forth in the Subordinated Notes.

“Transaction Documents” has the meaning set forth in Section 3.2.1.1.

1.2 Interpretations. The foregoing definitions are equally applicable to both the singular and plural forms of the terms defined. The words “hereof”, “herein” and “hereunder” and words of like import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The word “including” when used in this Agreement without the phrase “without limitation,” shall mean “including, without limitation.” All references to time of day herein are references to Eastern Time unless otherwise specifically provided. All references to this Agreement and Subordinated Notes shall be deemed to be to such documents as amended, modified or restated from time to time. With respect to any reference in this Agreement to any defined term, (i) if such defined term refers to a Person, then it shall also mean all heirs, legal representatives and permitted successors and assigns of such Person, and (ii) if such defined term refers to a document, instrument or agreement, then it shall also include any amendment, replacement, extension or other modification thereof.

1.3 **Exhibits Incorporated.** All Exhibits attached are hereby incorporated into this Agreement.

2. **SUBORDINATED DEBT.**

2.1 **Certain Terms.** Subject to the terms and conditions herein contained, the Company proposes to issue and sell to the Purchasers, severally and not jointly, Subordinated Notes in an aggregate principal amount equal to the aggregate of the Subordinated Note Amounts. The Purchasers, severally and not jointly, each agree to purchase the Subordinated Notes from the Company on the Closing Date in accordance with the terms of, and subject to the conditions and provisions set forth in, this Agreement and the Subordinated Notes. The Subordinated Note Amounts shall be disbursed in accordance with Section 3.1. The Subordinated Notes shall bear interest per annum as set forth in the Subordinated Notes. The unpaid principal balance of the Subordinated Notes plus all accrued but unpaid interest thereon shall be due and payable on the Maturity Date, or such earlier date on which such amount shall become due and payable on account of (i) acceleration by the Purchasers in accordance with the terms of the Subordinated Notes and this Agreement or (ii) the Company's delivery of a notice of redemption or repayment in accordance with the terms of the Subordinated Notes.

2.2 **Subordination.** The Subordinated Notes shall be subordinated in accordance with the subordination provisions set forth therein.

2.3 **Maturity Date.** On the Maturity Date, all sums due and owing under this Agreement and the Subordinated Notes shall be repaid in full. The Company acknowledges and agrees that the Purchasers have not made any commitments, either express or implied, to extend the terms of the Subordinated Notes past their Maturity Date, and shall not extend such terms beyond the Maturity Date unless the Company and the Purchasers hereafter specifically otherwise agree in writing.

2.4 **Unsecured Obligations.** The obligations of the Company to the Purchasers under the Subordinated Notes shall be unsecured.

2.5 **The Closing.** The closing of the sale and purchase of the Subordinated Notes (the "Closing") shall occur at the offices of the Company at 10:00 a.m. (local time) on the Closing Date, or at such other place or time or on such other date as the parties hereto may agree.

2.6 **Payments.** The Company agrees that matters concerning payments and application of payments shall be as set forth in this Agreement and in the Subordinated Notes.

2.7 **No Right of Offset.** Each Purchaser hereby expressly waives any right of offset it may have against the Company or any of its Subsidiaries.

2.8 **Use of Proceeds.** The Company shall use the net proceeds from the sale of Subordinated Notes for general corporate purposes, including to support organic growth and potential stock repurchases.

3. **DISBURSEMENT.**

3.1 **Disbursement.** On the Closing Date, assuming all of the terms and conditions set forth in Section 3.2 have been satisfied by the Company and the Company has executed and delivered to each of the Purchasers this Agreement and such Purchaser's Subordinated Note and any other related documents in form and substance reasonably satisfactory to the Purchasers, each Purchaser shall disburse in immediately available funds the Subordinated Note Amount set forth on each Purchaser's respective signature page hereto to the Company in exchange for an electronic securities entitlement through the facilities of the Depository Trust Company ("DTC") with a principal amount equal to such Subordinated Note Amount (the "Disbursement"). The Company will deliver to the Trustee a global certificate (the "Global Note") representing the Subordinated Notes, registered in the name of "Cede & Co." as nominee for DTC.

3.2 **Conditions Precedent to Disbursement.**

3.2.1 Conditions to the Purchasers' Obligation. The obligation of each Purchaser to consummate the purchase of the Subordinated Notes to be purchased by them at Closing and to effect the Disbursement is subject to delivery by or at the direction of the Company to such Purchaser each of the following (or written waiver by such Purchaser prior to the Closing of such delivery):

3.2.1.1 **Transaction Documents.** This Agreement and the Global Note (collectively, the "Transaction Documents"), each duly authorized and executed by the Company.

3.2.1.2 **Authority Documents.**

- (a) A copy, certified by the Secretary or Assistant Secretary of the Company, of the Charter of the Company;
- (b) A certificate of existence of the Company issued by the Secretary of State of the State of Delaware;
- (c) A copy, certified by the Secretary or Assistant Secretary, of the Bylaws of the Company;
- (d) A copy, certified by the Secretary or Assistant Secretary of the Company, of the resolutions of the board of directors of the Company, and any committee thereof, authorizing the issuance of the Subordinated Notes and the execution, delivery and performance of the Transaction Documents;
- (e) An incumbency certificate of the Secretary or Assistant Secretary of the Company certifying the names of the officer or officers of the Company authorized to sign the Transaction Documents and the other documents provided for in this Agreement; and
- (f) The opinion of Luse Gorman, PC, counsel to the Company, dated as of the Closing Date, substantially in the form set forth at Exhibit B attached hereto addressed to the Purchasers and Placement Agent.

3.2.1.3 **Other Documents.** Such other certificates, affidavits, schedules, resolutions, notes and/or other documents which are provided for hereunder or as a Purchaser may reasonably request.

3.2.1.4 **Aggregate Investments.** Prior to, or contemporaneously with the Closing, each Purchaser shall have actually subscribed for the Subordinated Note Amount set forth on such Purchaser's signature page.

3.2.2 Conditions to the Company's Obligation.

3.2.2.1 With respect to a given Purchaser, the obligation of the Company to consummate the sale of the Subordinated Notes and to effect the Closing is subject to delivery by or at the direction of such Purchaser to the Company of this Agreement, duly authorized and executed by such Purchaser.

4. REPRESENTATIONS AND WARRANTIES OF COMPANY.

The Company hereby represents and warrants to each Purchaser as follows:

4.1 Organization and Authority.

4.1.1 Organization Matters of the Company and Its Subsidiaries.

4.1.1.1 The Company is a duly organized corporation, is validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to conduct its business and activities as presently conducted, to own its properties, and to perform its obligations under the Transaction Documents. The Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect. The Company is duly registered as a bank holding company under the Bank Holding Company Act of 1956, as amended.

4.1.1.2 Set forth on Schedule 4.1.1.2 are the direct or indirect Subsidiaries of the Company. Each Subsidiary of the Company other than the Bank either has been duly organized and is validly existing as a corporation or limited liability company, or, in the case of the Bank, has been duly chartered and is validly existing as a New York-chartered trust company, in each case in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and to conduct its business and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not reasonably be expected to result in a Material Adverse Effect. All of the issued and outstanding shares of capital stock or other equity interests in each Subsidiary of the Company have been duly authorized and validly issued, are fully paid and non-assessable and are owned by the Company, directly or through Subsidiaries of the Company, free and clear of any security interest, mortgage, pledge, lien, encumbrance or claim; none of the outstanding shares of capital stock of, or other Equity Interests in, any Subsidiary of the Company were issued in violation of the preemptive or similar rights of any security holder of such Subsidiary of the Company or any other entity.

4.1.1.3 The deposit accounts of the Bank are insured by the FDIC up to applicable limits. The Bank has not received any notice or other information indicating that the Bank is not an "insured depository institution" as defined in 12 U.S.C. Section 1813, nor has any event occurred which could reasonably be expected to adversely affect the status of the Bank as an FDIC-insured institution.

4.1.2 **Capital Stock and Related Matters.** The Charter of the Company authorizes the Company to issue 15,000,000 shares of common stock and no shares of preferred stock. As of the date of this Agreement, there are 4,479,338 shares of the Company's common stock issued and outstanding. All of the outstanding capital stock of the Company has been duly authorized and validly issued and is fully paid and non-assessable. There are, as of the date hereof, no outstanding options, rights, warrants or other agreements or instruments obligating the Company to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of the capital stock of the Company or obligating the Company to grant, extend or enter into any such agreement or commitment to any Person other than the Company except pursuant to the Company's equity incentive plans duly adopted by the Company's Board of Directors.

4.2 No Impediment to Transactions.

4.2.1 **Transaction is Legal and Authorized.** The issuance of the Subordinated Notes, the borrowing of the aggregate of the Subordinated Note Amount, the execution of the Transaction Documents and compliance by the Company with all of the provisions of the Transaction Documents are within the corporate and other powers of the Company.

4.2.2 **Agreement.** This Agreement has been duly authorized, executed and delivered by the Company, and, assuming due authorization, execution and delivery by the other parties hereto, constitutes the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or by general equitable principles.

4.2.3 **Subordinated Notes.** The Subordinated Notes have been duly authorized by the Company and when executed by the Company and issued, delivered to and paid for by the Purchasers in accordance with the terms of the Agreement, will have been duly executed, authenticated, issued and delivered, and will constitute legal, valid and binding obligations of the Company and enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or by general equitable principles.

4.2.4 **Exemption from Registration.** Neither the Company, nor any of its Subsidiaries or Affiliates, nor any Person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with the offer or sale of the Subordinated Notes. Assuming the accuracy of the representations and warranties of each Purchaser set forth in this Agreement, the Subordinated Notes will be issued in a transaction exempt from the registration requirements of the Securities Act. No "bad actor" disqualifying event described in Rule 506(d)(1)(i)-(viii) of the Securities Act (a "Disqualification Event") is applicable to the Company or, to the Company's knowledge, any Person described in Rule 506(d)(1) (each, a "Company Covered Person"). The Company has exercised reasonable care to determine whether any Company Covered Person is subject to a Disqualification Event. The Company has complied, to the extent applicable, with its disclosure obligations under Rule 506(e).

4.2.5 **No Defaults or Restrictions.** Neither the execution and delivery of the Transaction Documents nor compliance with their respective terms and conditions will (whether with or without the giving of notice or lapse of time or both) (i) violate, conflict with or result in a breach of, or constitute a default under: (1) the Charter or Bylaws of the Company; (2) any of the terms, obligations, covenants, conditions or provisions of any corporate restriction or of any contract, agreement, indenture, mortgage, deed of trust, pledge, bank loan or credit agreement, or any other agreement or instrument to which the Company or Bank, as applicable, is now a party or by which it or any of its properties may be bound or affected; (3) any judgment, order, writ, injunction, decree or demand of any court, arbitrator, grand jury, or Governmental Agency applicable to the Company or the Bank; or (4) any statute, rule or regulation applicable to the Company, except, in the case of items (2), (3) or (4), for such violations and conflicts that would not reasonably be expected to have, singularly or in the aggregate, a Material Adverse Effect on the Company and its Subsidiaries taken as a whole, or (ii) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any property or asset of the Company. Neither the Company nor the Bank is in default in the performance, observance or fulfillment of any of the terms, obligations, covenants, conditions or provisions contained in any indenture or other agreement creating, evidencing or securing Indebtedness of any kind or pursuant to which any such Indebtedness is issued, or any other agreement or instrument to which the Company or the Bank, as applicable, is a party or by which the Company or the Bank, as applicable, or any of its properties may be bound or affected, except, in each case, only such defaults that would not reasonably be expected to have, singularly or in the aggregate, a Material Adverse Effect on the Company.

4.2.6 Governmental Consent. No governmental orders, permissions, consents, approvals or authorizations are required to be obtained by the Company that have not been obtained, and no registrations or declarations are required to be filed by the Company that have not been filed in connection with, or, in contemplation of, the execution and delivery of, and performance under, the Transaction Documents, except for applicable requirements, if any, of the Securities Act, the Exchange Act or state securities laws or “blue sky” laws of the various states and any applicable federal or state banking laws and regulations.

4.3 Possession of Licenses and Permits. The Company and its Subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively, “Governmental Licenses”) issued by the appropriate Governmental Agencies necessary to conduct the business now operated by them except where the failure to possess such Governmental Licenses would not, singularly or in the aggregate, have a Material Adverse Effect on the Company or such applicable Subsidiary; the Company and each Subsidiary of the Company is in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, individually or in the aggregate, have a Material Adverse Effect on the Company or such applicable Subsidiary of the Company; all of the Governmental Licenses are valid and in full force and effect, except where the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect on the Company or such applicable Subsidiary of the Company; and neither the Company nor any Subsidiary of the Company has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses.

4.4 Financial Condition.

4.4.1 Company Financial Statements. The audited financial statements of the Company for the year ended December 31, 2019 (including the related notes, where applicable), which have been provided to the Purchasers (i) have been prepared from, and are in accordance with, the books and records of the Company; (ii) fairly present in all material respects the results of operations, cash flows, changes in stockholders’ equity and financial position of the Company and its consolidated Subsidiaries, for the respective fiscal periods or as of the respective dates therein set forth (subject in the case of unaudited statements to recurring year-end audit adjustments normal in nature and amount), as applicable; (iii) complied as to form, as of their respective dates of filing in all material respects with applicable accounting and banking requirements as applicable, with respect thereto; and (iv) have been prepared in accordance with GAAP consistently applied during the periods involved, except, in each case, (x) as indicated in such statements or in the notes thereto, (y) for any statement therein or omission therefrom that was corrected, amended, or supplemented or otherwise disclosed or updated in a subsequent Company’s Report, and (z) to the extent that any unaudited interim financial statements do not contain the footnotes required by GAAP, and were or are subject to normal and recurring year-end adjustments, which were not or are not expected to be material in amount, either individually or in the aggregate. The books and records of the Company have been, and are being, maintained in all material respects in accordance with GAAP and any other applicable legal and accounting requirements. The Company does not have any material liability of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether due or to become due), except for those liabilities that are reflected or reserved against on the consolidated balance sheet of the Company contained in the Company’s Reports for the Company’s most recently completed quarterly or annual fiscal period, as applicable, and for liabilities incurred in the ordinary course of business consistent with past practice or in connection with this Agreement and the transactions contemplated hereby.

4.4.2 Absence of Default. Since the end of the Company's last fiscal year ended December 31, 2019, no event has occurred which either of itself or with the lapse of time or the giving of notice or both, would give any creditor of the Company the right to accelerate the maturity of any material Indebtedness of the Company. The Company is not in default under any other Lease, agreement or instrument, or any law, rule, regulation, order, writ, injunction, decree, determination or award, except where non-compliance could not reasonably be expected to result in a Material Adverse Effect on the Company.

4.4.3 Solvency. After giving effect to the consummation of the transactions contemplated by this Agreement, the Company has capital sufficient to carry on its business and transactions and is solvent and able to pay its debts as they mature. No transfer of property is being made and no Indebtedness is being incurred in connection with the transactions contemplated by this Agreement with the intent to hinder, delay or defraud either present or future creditors of the Company or any Subsidiary of the Company.

4.4.4 Ownership of Property. The Company and each of its Subsidiaries has good and marketable title as to all real property owned by it and good title to all assets and properties owned by the Company and such Subsidiary in the conduct of its businesses, whether such assets and properties are real or personal, tangible or intangible, including assets and property reflected in the most recent balance sheet contained in the Company's Reports or acquired subsequent thereto (except to the extent that such assets and properties have been disposed of in the ordinary course of business, since the date of such balance sheet), subject to no encumbrances, liens, mortgages, security interests or pledges, except (i) those items which secure liabilities for public or statutory obligations or any discount with, borrowing from or other obligations to the Federal Home Loan Bank, inter-bank credit facilities, reverse repurchase agreements or any transaction by the Bank acting in a fiduciary capacity, (ii) statutory liens for amounts not yet delinquent or which are being contested in good faith and (iii) such as do not, individually or in the aggregate, materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company or any of its Subsidiaries. The Company and each of its Subsidiaries, as lessee, has the right under valid and existing Leases of real and personal properties that are material to the Company or such Subsidiary, as applicable, in the conduct of its business to occupy or use all such properties as presently occupied and used by it. Such existing Leases and commitments to Lease constitute or will constitute operating Leases for both tax and financial accounting purposes except as otherwise disclosed in the Company's Reports and the Lease expense and minimum rental commitments with respect to such Leases and Lease commitments are as disclosed in all material respects in the Company's Reports.

4.5 No Material Adverse Change. Since the end of the Company's quarter ended June 30, 2020, to the Company's knowledge, there has been no development or event which has had or could reasonably be expected to have a Material Adverse Effect on the Company or any of its Subsidiaries.

4.6 Legal Matters.

4.6.1 Compliance with Law. Except as previously disclosed, the Company and each of its Subsidiaries (i) has complied with and (ii) is not under investigation with respect to, and, to the Company's knowledge, has not been threatened to be charged with or given any notice of any material violation of any applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government, or any instrumentality or agency thereof, having jurisdiction over the conduct of its business or the ownership of its properties, except where any such failure to comply or violation would not reasonably be expected to have a Material Adverse Effect on the Company and its Subsidiaries taken as a whole. Except as previously disclosed, the Company and each of its Subsidiaries is in compliance with, and at all times prior to the date hereof has been in compliance with, (x) all statutes, rules, regulations, orders and restrictions of any domestic or foreign government, or any Governmental Agency, applicable to it, and (y) its own privacy policies and written commitments to customers, consumers and employees, concerning data protection, the privacy and security of personal data, and the nonpublic personal information of its customers, consumers and employees, in each case except where any such failure to comply, would not result, individually or in the aggregate, in a Material Adverse Effect. Except as previously disclosed, at no time during the two years prior to the date hereof has the Company or any of its Subsidiaries received any written notice asserting any violations of any of the foregoing.

4.6.2 Regulatory Enforcement Actions. Except as previously disclosed, the Company, the Bank and its other Subsidiaries are in compliance in all material respects with all laws administered by and regulations of any Governmental Agency applicable to it or to them, the failure to comply with which would have a Material Adverse Effect. None of the Company, the Bank, the Company's or the Bank's Subsidiaries nor any of their officers or directors is now operating under any restrictions, agreements, memoranda, commitment letter, supervisory letter or similar regulatory correspondence, or other commitments (other than restrictions of general application) imposed by any Governmental Agency, nor are, to the Company's knowledge and except as previously disclosed, (a) any such restrictions threatened, (b) any agreements, memoranda or commitments being sought by any Governmental Agency, or (c) any legal or regulatory violations previously identified by, or penalties or other remedial action previously imposed by, any Governmental Agency remains unresolved.

4.6.3 Pending Litigation. There are no actions, suits, proceedings or written agreements pending, or, to the Company's knowledge, threatened or proposed, against the Company or any of its Subsidiaries at law or in equity or before or by any federal, state, municipal, or other governmental department, commission, board, or other administrative agency, domestic or foreign, that, either separately or in the aggregate, would reasonably be expected to have a Material Adverse Effect on the Company and any of its Subsidiaries, taken as a whole, or affect issuance or payment of the Subordinated Notes; and neither the Company nor any of its Subsidiaries is a party to or named as subject to the provisions of any order, writ, injunction, or decree of, or any written agreement with, any court, commission, board or agency, domestic or foreign, that either separately or in the aggregate, will have a Material Adverse Effect on the Company and any of its Subsidiaries, taken as a whole.

4.6.4 Environmental. No Property is or, to the Company's knowledge, has been a site for the use, generation, manufacture, storage, treatment, release, threatened release, discharge, disposal, transportation or presence of any Hazardous Materials and neither the Company nor any of its Subsidiaries has engaged in such activities. There are no claims or actions pending or, to the Company's knowledge, threatened against the Company or any of its Subsidiaries by any Governmental Agency or by any other Person relating to any Hazardous Materials or pursuant to any Hazardous Materials Law.

4.6.5 Brokerage Commissions. Except for commissions paid to the Placement Agent, neither the Company nor any Affiliate of the Company is obligated to pay any brokerage commission or finder's fee to any Person in connection with the transactions contemplated by this Agreement.

4.6.6 Investment Company Act. Neither the Company nor any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

4.7 **No Misstatement.** No information, exhibit, report, schedule or document, when viewed together as a whole, furnished by the Company to the Purchasers in connection with the negotiation, execution or performance of this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein not misleading in light of the circumstances when made or furnished to Purchasers and as of the date of this Agreement.

4.8 **Internal Accounting Controls.** The Company, the Bank and each other Subsidiary has established and maintains a system of internal control over financial reporting that pertains to the maintenance of records that accurately and fairly reflect the transactions and dispositions of the Company's assets (on a consolidated basis), provides reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that the Company's and the Bank's receipts and expenditures and receipts and expenditures of each of the Company's other Subsidiaries are being made only in accordance with authorizations of the Company management and Board of Directors, and provides reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets of the Company on a consolidated basis that could have a Material Adverse Effect. Such internal control over financial reporting is effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of the Company's financial statements for external purposes in accordance with GAAP. Since the conclusion of the Company's last completed fiscal year, there has not been and there currently is not (i) any significant deficiency or material weakness in the design or operation of its internal control over financial reporting which is reasonably likely to adversely affect its ability to record, process, summarize and report financial information, or (ii) any fraud, whether or not material, that involves management or other employees who have a role in the Company's or the Bank's internal control over financial reporting. The Company (A) has implemented and maintains disclosure controls and procedures reasonably designed and maintained to ensure that material information relating to the Company is made known to the Chief Executive Officer and the Chief Financial Officer of the Company by others within the Company and (B) has disclosed, based on its most recent evaluation prior to the date hereof, to the Company's outside auditors and the audit committee of the Company's Board of Directors any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company's internal controls over financial reporting. Such disclosure controls and procedures are effective for the purposes for which they were established.

4.9 **Tax Matters.** The Company, Bank and each Subsidiary of the Company have (i) filed all material foreign, U.S. federal, state and local tax returns, information returns and similar reports that are required to be filed, and all such tax returns are true, correct and complete in all material respects, and (ii) paid all material taxes required to be paid by it and any other material assessment, fine or penalty levied against it other than taxes (x) currently payable without penalty or interest, or (y) being contested in good faith by appropriate proceedings.

4.10 **Exempt Offering.** To the Company's knowledge, assuming the accuracy of the Purchasers' representations and warranties set forth in this Agreement, no registration under the Securities Act is required for the offer and sale of the Subordinated Notes by the Company to the Purchasers.

4.11 **Representations and Warranties Generally.** The representations and warranties of the Company set forth in this Agreement or in any other document delivered to the Purchasers by or on behalf of the Company pursuant to or in connection with this Agreement are true and correct as of the date hereof and as otherwise specifically provided herein or therein.

5. **GENERAL COVENANTS, CONDITIONS AND AGREEMENTS.**

The Company hereby further covenants and agrees with each Purchaser as follows:

5.1 **Compliance with Transaction Documents.** The Company shall comply with, observe and timely perform each and every one of the covenants, agreements and obligations under the Transaction Documents.

5.2 **Affiliate Transactions.** The Company shall not itself, nor shall it cause, permit or allow any of its Subsidiaries to enter into any material transaction, including, the purchase, sale or exchange of property or the rendering of any service, with any Affiliate of the Company except in the ordinary course of business and pursuant to the reasonable requirements of the Company's or such Affiliate's business and upon terms consistent with applicable laws and regulations and reasonably found by the appropriate board(s) of directors to be fair and reasonable and no less favorable to the Company or such Affiliate than would be obtained in a comparable arm's length transaction with a Person not an Affiliate.

5.3 **Compliance with Laws; Other Agreements.**

5.3.1 **Generally.** The Company shall comply and cause the Bank and each of its other Subsidiaries to comply in all material respects with all applicable statutes, rules, regulations, orders and restrictions in respect of the conduct of its business and the ownership of its properties, except, in each case, where such noncompliance would not reasonably be expected to have a Material Adverse Effect on the Company.

5.3.2 **Regulated Activities.** The Company shall not itself, nor shall it cause, permit or allow the Bank or any other of its Subsidiaries to (i) engage in any business or activity not permitted by all applicable laws and regulations, except where such business or activity would not reasonably be expected to have a Material Adverse Effect on the Company, the Bank and/or such of its Subsidiaries or (ii) make any loan or advance secured by the capital stock of another bank or depository institution, or acquire the capital stock, assets or obligations of or any interest in another bank or depository institution, in each case other than in accordance with applicable laws and regulations and safe and sound banking practices.

5.3.3 **Taxes.** The Company shall and shall cause the Bank and any other of its Subsidiaries to promptly pay and discharge all taxes, assessments and other governmental charges imposed upon the Company, the Bank or any other of its Subsidiaries or upon the income, profits, or property of the Company or any Subsidiary and all claims for labor, material or supplies which, if unpaid, might by law become a lien or charge upon the property of the Company, the Bank or any other of its Subsidiaries. Notwithstanding the foregoing, none of the Company, the Bank or any other of its Subsidiaries shall be required to pay any such tax, assessment, charge or claim, so long as the validity thereof shall be contested in good faith by appropriate proceedings, and appropriate reserves therefor shall be maintained on the books of the Company, the Bank and such other Subsidiary.

5.3.4 **Corporate Existence.** The Company shall do or cause to be done all things reasonably necessary to maintain, preserve and renew its corporate existence and that of the Bank and the other Subsidiaries and its and their rights and franchises, and comply in all material respects with all related laws applicable to the Company, the Bank or the other Subsidiaries.

5.3.5 Dividends, Payments, and Guarantees During Event of Default. Upon the occurrence of an Event of Default (as defined under the Subordinated Notes), until such Event of Default is cured by the Company or waived by the Noteholders (as defined under the Subordinated Notes) in accordance with Section 18 (Waiver and Consent) of the Subordinated Notes and except as required by any federal or state Governmental Agency, the Company shall not (a) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock; (b) make any payment of principal of, or interest or premium, if any, on, or repay, repurchase or redeem any of the Company's Indebtedness that ranks equal with or junior to the Subordinated Notes; or (c) make any payments under any guarantee that ranks equal with or junior to the Subordinated Notes, other than (i) any dividends or distributions in shares of, or options, warrants or rights to subscribe for or purchase shares of, any class of the Company's common stock; (ii) any declaration of a non-cash dividend in connection with the implementation of a shareholders' rights plan, or the issuance of stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto; (iii) as a result of a reclassification of the Company's capital stock or the exchange or conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock; (iv) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged; or (v) purchases of any class of the Company's common stock related to the issuance of common stock or rights under any benefit plans for the Company's directors, officers or employees or any of the Company's dividend reinvestment plans.

5.3.6 Tier 2 Capital. If all or any portion of the Subordinated Notes ceases to be deemed to be Tier 2 Capital, other than due to the limitation imposed on the capital treatment of subordinated debt during the five (5) years immediately preceding the Maturity Date of the Subordinated Notes, the Company will immediately notify the Noteholder (as defined in the Subordinated Note), and thereafter the Company and the Noteholder (as defined in the Subordinated Note) will work together in good faith to execute and deliver all agreements as reasonably necessary in order to restructure the applicable portions of the obligations evidenced by the Subordinated Notes to qualify as Tier 2 Capital; provided, however, that nothing contained in this Agreement shall limit the Company's right to redeem the Subordinated Notes upon the occurrence of a Tier 2 Capital Event as described in the Subordinated Notes.

5.4 Absence of Control. It is the intent of the parties to this Agreement that in no event shall the Purchasers, by reason of any of the Transaction Documents, be deemed to control, directly or indirectly, the Company, and the Purchasers shall not exercise, or be deemed to exercise, directly or indirectly, a controlling influence over the management or policies of the Company.

5.5 Secondary Market Transactions. Each Purchaser shall have the right at any time and from time to time to securitize its Subordinated Notes or any portion thereof in a single asset securitization or a pooled loan securitization of rated single or multi-class securities secured by or evidencing ownership interests in the Subordinated Notes (each such securitization is referred to herein as a "Secondary Market Transaction"). In connection with any such Secondary Market Transaction, the Company shall, at the Company's expense, cooperate with the Purchasers and otherwise reasonably assist the Purchasers in satisfying the market standards to which Purchasers customarily adhere or which may be reasonably required in the marketplace or by applicable rating agencies in connection with any such Secondary Market Transaction. Subject to any written confidentiality obligation, all information regarding the Company may be furnished, without liability except in the case of gross negligence or willful misconduct, to any Purchaser and to any Person reasonably deemed necessary by Purchaser in connection with participation in such Secondary Market Transaction. All documents, financial statements, appraisals and other data relevant to the Company or the Subordinated Notes may be retained by any such Person, subject to the terms of any applicable confidentiality agreements.

5.6 Bloomberg. The Company shall use commercially reasonable efforts to cause the Subordinated Notes to be quoted on Bloomberg L.P.

5.7 Rule 144A Information. While any Subordinated Notes remain "restricted securities" within the meaning of the Securities Act, the Company will make available, upon request, to any seller of such Subordinated Notes the information specified in Rule 144A(d)(4) under the Securities Act, unless the Company is then subject to Section 13 or 15(d) of the Exchange Act.

5.8 DTC Registration. Upon the request of a holder of a Subordinated Note that is either (a) a Qualified Institutional Buyer, as defined in Rule 144A under the Securities Act (each, a “QIB”), or (b) an institutional “accredited investor,” as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act, the Company shall use commercially reasonable efforts to cause the Subordinated Notes held by such QIB to be registered in the name of Cede & Co. as nominee of DTC or a nominee of DTC. For purposes of clarity and pursuant to (and as further described in) the terms of the Subordinated Notes, any redemption made pursuant to the terms of the Subordinated Notes shall be made on a pro rata basis, and, for purposes of a redemption processed through DTC, on a “Pro Rata Pass-Through Distribution of Principal” basis, among all of the Subordinated Notes outstanding at the time thereof.

5.9 NRSRO Rating. The Company will use commercially reasonable efforts to maintain a rating by a nationally recognized statistical rating organization (“NRSRO”) while any Subordinated Notes remain outstanding.

6. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE PURCHASERS.

Each Purchaser hereby represents and warrants to the Company, and covenants with the Company, severally and not jointly, as follows:

6.1 Legal Power and Authority. It has all necessary power and authority to execute, deliver and perform its obligations under this Agreement and to consummate the transactions contemplated hereby. It is an entity duly organized, validly existing and in good standing under the laws its jurisdiction of organization.

6.2 Authorization and Execution. The execution, delivery and performance of this Agreement has been duly authorized by all necessary action on the part of such Purchaser, and, assuming due authorization, execution and delivery by the other parties hereto, this Agreement is a legal, valid and binding obligation of such Purchaser, enforceable against such Purchaser in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors’ rights generally or by general equitable principles.

6.3 No Conflicts. Neither the execution, delivery or performance of the Transaction Documents nor the consummation of any of the transactions contemplated thereby will conflict with, violate, constitute a breach of or a default (whether with or without the giving of notice or lapse of time or both) under (i) its organizational documents, (ii) any agreement to which it is party, (iii) any law applicable to it or (iv) any order, writ, judgment, injunction, decree, determination or award binding upon or affecting it.

6.4 Purchase for Investment. It is purchasing the Subordinated Note for its own account and not with a view to distribution and with no present intention of reselling, distributing or otherwise disposing of the same. It has no present or contemplated agreement, undertaking, arrangement, obligation, indebtedness or commitment providing for, or which is likely to compel, a disposition of the Subordinated Notes in any manner.

6.5 Institutional Accredited Investor. It is and will be on the Closing Date (i) an institutional “accredited investor” as such term is defined in Rule 501(a) of Regulation D and as contemplated by subsections (1), (2), (3) and (7) of Rule 501(a) of Regulation D, and has no less than \$5,000,000 in total assets, or (ii) a QIB.

6.6 Financial and Business Sophistication. It has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the prospective investment in the Subordinated Notes. It has relied solely upon its own knowledge of, and/or the advice of its own legal, financial or other advisors with regard to, the legal, financial, tax and other considerations involved in deciding to invest in the Subordinated Notes.

6.7 Ability to Bear Economic Risk of Investment. It recognizes that an investment in the Subordinated Notes involves substantial risk. It has the ability to bear the economic risk of the prospective investment in the Subordinated Notes, including the ability to hold the Subordinated Notes indefinitely, and further including the ability to bear a complete loss of all of its investment in the Company.

6.8 Information. It acknowledges that (i) it is not being provided with the disclosures that would be required if the offer and sale of the Subordinated Notes were registered under the Securities Act, nor is it being provided with any offering circular or prospectus prepared in connection with the offer and sale of the Subordinated Notes; (ii) it has conducted its own examination of the Company and the terms of the Subordinated Notes to the extent it deems necessary to make its decision to invest in the Subordinated Notes; and (iii) it has availed itself of publicly available financial and other information concerning the Company to the extent it deems necessary to make its decision to purchase the Subordinated Notes. It has reviewed the information set forth in the Company's Reports, the exhibits hereto and the information contained in the data room established by the Company in connection with the transactions contemplated by this Agreement.

6.9 Access to Information. It acknowledges that it and its advisors have been furnished with all materials relating to the business, finances and operations of the Company that have been requested by it or its advisors and have been given the opportunity to ask questions of, and to receive answers from, persons acting on behalf of the Company concerning terms and conditions of the transactions contemplated by this Agreement in order to make an informed and voluntary decision to enter into this Agreement.

6.10 Investment Decision. It has made its own investment decision based upon its own judgment, due diligence and advice from such advisors as it has deemed necessary and not upon any view expressed by any other Person or entity, including the Placement Agent. Neither such inquiries nor any other due diligence investigations conducted by it or its advisors or representatives, if any, shall modify, amend or affect its right to rely on the Company's representations and warranties contained herein. It is not relying upon, and has not relied upon, any advice, statement, representation or warranty made by any Person by or on behalf of the Company, including, without limitation, the Placement Agent, except for the express statements, representations and warranties of the Company made or contained in this Agreement. Furthermore, it acknowledges that (i) the Placement Agent has not performed any due diligence review on behalf of it and (ii) nothing in this Agreement or any other materials presented by or on behalf of the Company to it in connection with the purchase of the Subordinated Notes constitutes legal, tax or investment advice.

6.11 Private Placement; No Registration; Restricted Legends. It understands and acknowledges that the Subordinated Notes are being sold by the Company without registration under the Securities Act in reliance on the exemption from federal and state registration set forth in, respectively, Rule 506(b) of Regulation D promulgated under Section 4(a)(2) of the Securities Act and Section 18 of the Securities Act, or any state securities laws, and accordingly, may be resold, pledged or otherwise transferred only if exemptions from the Securities Act and applicable state securities laws are available to it. It is not subscribing for the Subordinated Notes as a result of or subsequent to any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio, or presented at any seminar or meeting. It further acknowledges and agrees that all certificates or other instruments representing the Subordinated Notes will bear the restrictive legend set forth in the form of Subordinated Note. It further acknowledges its primary responsibilities under the Securities Act and, accordingly, will not sell or otherwise transfer the Subordinated Notes or any interest therein without complying with the requirements of the Securities Act and the rules and regulations promulgated thereunder and the requirements set forth in this Agreement.

6.12 Placement Agent. It will purchase the Subordinated Note(s) directly from the Company and not from the Placement Agent and understands that neither the Placement Agent nor any other broker or dealer has any obligation to make a market in the Subordinated Notes.

6.13 Tier 2 Capital. If the Company provides notice as contemplated in Section 5.3.6 of the occurrence of the event contemplated in such section, thereafter the Company and the Purchasers will work together in good faith to execute and deliver all agreements as reasonably necessary in order to restructure the applicable portions of the obligations evidenced by the Subordinated Notes to qualify as Tier 2 Capital; provided, however, that nothing contained in this Agreement shall limit the Company's right to redeem the Subordinated Notes upon the occurrence of a Tier 2 Capital Event as described in the Subordinated Notes.

6.14 Accuracy of Representations. It understands that each of the Placement Agent and the Company are relying upon the truth and accuracy of the foregoing representations, acknowledgements and agreements in connection with the transactions contemplated by this Agreement.

6.15 Representations and Warranties Generally. The representations and warranties of the Purchaser set forth in this Agreement are true and correct as of the date hereof and will be true and correct as of the Closing Date and as otherwise specifically provided herein. Any certificate signed by a duly authorized representative of the Purchaser and delivered to the Company or to counsel for the Company shall be deemed to be a representation and warranty by the Purchaser to the Company as to the matters set forth therein.

7. MISCELLANEOUS.

7.1 Prohibition on Assignment by the Company. Except as described in Section 9(b) (Merger or Sale of Assets) of the Subordinated Notes, the Company may not assign, transfer or delegate any of its rights or obligations under this Agreement or the Subordinated Notes without the prior written consent of all the Noteholders (as defined in the Subordinated Note). In addition, in accordance with the terms of the Subordinated Notes, any transfer of such Subordinated Notes by the Noteholders (as defined in the Subordinated Note) must be made in accordance with the Assignment Form attached thereto and the requirements and restrictions thereof.

7.2 Time of the Essence. Time is of the essence for this Agreement.

7.3 Waiver or Amendment. Except as may apply to any particular waiving or consenting Noteholder, no waiver or amendment of any term, provision, condition, covenant or agreement herein or in the Subordinated Notes shall be effective except with the consent of at least fifty percent (50%) of the aggregate principal amount (excluding any Subordinated Notes held by the Company or any of its Affiliates) of the Subordinated Notes at the time outstanding; *provided, however*, that without the consent of each holder of an affected Subordinated Note, no such amendment or waiver may: (i) reduce the principal amount of the Subordinated Note; (ii) reduce the rate of or change the time for payment of interest on any Subordinated Note; (iii) extend the maturity of any Subordinated Note; (iv) change the currency in which payment of the obligations of the Company under this Agreement and the Subordinated Notes are to be made; (v) lower the percentage of aggregate principal amount of outstanding Subordinated Notes required to approve any amendment of this Agreement or the Subordinated Notes; (vi) make any changes to Section 4(c) (Partial Redemption), Section 6 (Events of Default; Acceleration), Section 7 (Failure to Make Payments), Section 16 (Priority), or Section 18 (Waiver and Consent) of the Subordinated Notes that adversely affects the rights of any holder of a Subordinated Note; (vii) make any changes to this Section 7.3 (Waiver or Amendment) that adversely affects the rights of any holder of a Subordinated Note; or (viii) disproportionately affect the rights of any of the holders of the then outstanding Subordinated Notes. Notwithstanding the foregoing, the Company may amend or supplement the Subordinated Notes without the consent of the holders of the Subordinated Notes to cure any ambiguity, defect or inconsistency or to provide for uncertificated Subordinated Notes in addition to or in place of certificated Subordinated Notes, or to make any change that does not adversely affect the rights of any holder of any of the Subordinated Notes. No failure to exercise or delay in exercising, by a Purchaser or any holder of the Subordinated Notes, of any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right or remedy provided by law. The rights and remedies provided in this Agreement are cumulative and not exclusive of any right or remedy provided by law or equity. No notice or demand on the Company in any case shall, in itself, entitle the Company to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Purchasers to any other or further action in any circumstances without notice or demand. No consent or waiver, expressed or implied, by the Purchasers to or of any breach or default by the Company in the performance of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance of the same or any other obligations of the Company hereunder. Failure on the part of the Purchasers to complain of any acts or failure to act or to declare an Event of Default, irrespective of how long such failure continues, shall not constitute a waiver by the Purchasers of their rights hereunder or impair any rights, powers or remedies on account of any breach or default by the Company.

7.4 Severability. Any provision of this Agreement which is unenforceable or invalid or contrary to law, or the inclusion of which would adversely affect the validity, legality or enforcement of this Agreement, shall be of no effect and, in such case, all the remaining terms and provisions of this Agreement shall subsist and be fully effective according to the tenor of this Agreement the same as though any such invalid portion had never been included herein. Notwithstanding any of the foregoing to the contrary, if any provisions of this Agreement or the application thereof are held invalid or unenforceable only as to particular persons or situations, the remainder of this Agreement, and the application of such provision to persons or situations other than those to which it shall have been held invalid or unenforceable, shall not be affected thereby, but shall continue valid and enforceable to the fullest extent permitted by law.

7.5 Notices. Any notice which any party hereto may be required or may desire to give hereunder shall be deemed to have been given if in writing and if delivered personally, or if mailed, postage prepaid, by United States registered or certified mail, return receipt requested, or if delivered by a responsible overnight commercial courier promising next business day delivery, addressed:

if to the Company:

Orange County Bancorp, Inc.
212 Dolson Avenue
Middletown, NY 10940
Attention: Chief Financial Officer

with a copy to:

Luse Gorman PC
5335 Wisconsin Avenue, NW #780
Washington, DC 20015
Attention: Benjamin Azoff, Esq.

if to the Purchasers:

To the address indicated on such Purchaser's signature page.

or to such other address or addresses as the party to be given notice may have furnished in writing to the party seeking or desiring to give notice, as a place for the giving of notice; provided that no change in address shall be effective until five (5) Business Days after being given to the other party in the manner provided for above. Any notice given in accordance with the foregoing shall be deemed given when delivered personally or, if mailed, three (3) Business Days after it shall have been deposited in the United States mails as aforesaid or, if sent by overnight courier, the Business Day following the date of delivery to such courier (provided next business day delivery was requested).

7.6 Successors and Assigns. This Agreement shall inure to the benefit of the parties and their respective heirs, legal representatives, successors and assigns; except that, unless a Purchaser consents in writing, no assignment made by the Company in violation of this Agreement shall be effective or confer any rights on any purported assignee of the Company. The term “successors and assigns” will not include a purchaser of any of the Subordinated Notes from any Purchaser merely because of such purchase.

7.7 No Joint Venture. Nothing contained herein or in any document executed pursuant hereto and no action or inaction whatsoever on the part of a Purchaser, shall be deemed to make a Purchaser a partner or joint venturer with the Company.

7.8 Documentation. All documents and other matters required by any of the provisions of this Agreement to be submitted or furnished to a Purchaser shall be in form and substance satisfactory to such Purchaser.

7.9 Entire Agreement. This Agreement and the Subordinated Notes, along with any exhibits thereto, constitute the entire agreement between the parties hereto with respect to the subject matter hereof and may not be modified or amended in any manner other than by supplemental written agreement executed by the parties hereto. No party, in entering into this Agreement, has relied upon any representation, warranty, covenant, condition or other term that is not set forth in this Agreement or in the Subordinated Notes.

7.10 Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to its laws or principles of conflict of laws. Nothing herein shall be deemed to limit any rights, powers or privileges which a Purchaser may have pursuant to any law of the United States of America or any rule, regulation or order of any department or agency thereof and nothing herein shall be deemed to make unlawful any transaction or conduct by a Purchaser which is lawful pursuant to, or which is permitted by, any of the foregoing.

7.11 No Third Party Beneficiary. This Agreement is made for the sole benefit of the Company and the Purchasers, and no other Person shall be deemed to have any privity of contract hereunder nor any right to rely hereon to any extent or for any purpose whatsoever, nor shall any other Person have any right of action of any kind hereon or be deemed to be a third party beneficiary hereunder; *provided*, that the Placement Agent may rely on the representations and warranties contained herein to the same extent as if it were a party to this Agreement.

7.12 Legal Tender of United States. All payments hereunder shall be made in coin or currency which at the time of payment is legal tender in the United States of America for public and private debts.

7.13 Captions; Counterparts. Captions contained in this Agreement in no way define, limit or extend the scope or intent of their respective provisions. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument. In the event that any signature is delivered by facsimile transmission, or by e-mail delivery of a “.pdf” format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile signature page were an original thereof.

7.14 Knowledge; Discretion. All references herein to the Company's or the Bank's knowledge shall be deemed to mean the knowledge of such party based on the actual knowledge of such party's President, Chief Executive Officer and Chief Financial Officer or such other persons holding equivalent offices. All references herein to Purchaser's knowledge shall be deemed to mean the knowledge of such Purchaser based on the actual knowledge of Purchaser's Chief Executive Officer and Chief Financial Officer or such other persons holding equivalent offices. Unless specified to the contrary herein, all references herein to an exercise of discretion or judgment by a Purchaser, to the making of a determination or designation by a Purchaser, to the application of a Purchaser's discretion or opinion, to the granting or withholding of a Purchaser's consent or approval, to the consideration of whether a matter or thing is satisfactory or acceptable to a Purchaser, or otherwise involving the decision making of a Purchaser, shall be deemed to mean that such Purchaser shall decide using the reasonable discretion or judgment of a prudent lender.

7.15 Waiver Of Right To Jury Trial. TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT THAT THEY MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION ARISING IN ANY WAY IN CONNECTION WITH ANY OF THE TRANSACTION DOCUMENTS, OR ANY OTHER STATEMENTS OR ACTIONS OF THE COMPANY OR THE PURCHASERS. THE PARTIES ACKNOWLEDGE THAT THEY HAVE BEEN REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL SELECTED OF THEIR OWN FREE WILL. THE PARTIES FURTHER ACKNOWLEDGE THAT (I) THEY HAVE READ AND UNDERSTAND THE MEANING AND RAMIFICATIONS OF THIS WAIVER, (II) THIS WAIVER HAS BEEN REVIEWED BY THE PARTIES AND THEIR COUNSEL AND IS A MATERIAL INDUCEMENT FOR ENTRY INTO THIS AGREEMENT AND (III) THIS WAIVER SHALL BE EFFECTIVE AS TO EACH OF SUCH TRANSACTION DOCUMENTS AS IF FULLY INCORPORATED THEREIN.

7.16 Expenses. Except as otherwise provided in this Agreement, each of the parties will bear and pay all other costs and expenses incurred by it or on its behalf in connection with the transactions contemplated pursuant to this Agreement.

7.17 Survival. Each of the representations and warranties set forth in this Agreement shall survive the consummation of the transactions contemplated hereby for a period of one year after the date hereof. Except as otherwise provided herein, all covenants and agreements contained herein shall survive until, by their respective terms, they are no longer operative.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Company has caused this Subordinated Note Purchase Agreement to be executed by its duly authorized representative as of the date first above written.

COMPANY:

Orange County Bancorp, Inc.

By:

Name: Michael Gilfeather

Title: President and Chief Executive Officer

[Company Signature Page to Subordinated Note Purchase Agreement]

IN WITNESS WHEREOF, the Purchaser has caused this Subordinated Note Purchase Agreement to be executed by its duly authorized representative as of the date first above written.

PURCHASER:

[INSERT PURCHASER'S NAME]

By: _____

Name: [●]

Title: [●]

Address of Purchaser:

[●]

Principal Amount of Purchased Subordinated Note:

[\$[●]]

[Purchaser Signature Page to Subordinated Note Purchase Agreement]

SCHEDULE 4.1.1.2

Subsidiaries

Subsidiary

Orange Bank & Trust Company

Hudson Valley Investment Advisors, Inc.

State or Other Jurisdiction Of Incorporation

New York

New York

Subsidiaries of the Registrant

The following is a list of the subsidiaries of Orange County Bancorp, Inc.:

<u>Name</u>	<u>State of Incorporation</u>
Orange Bank & Trust Company	New York
Hudson Valley Investment Advisors, Inc.	New York
