

Sino Clean Energy Inc
Form DEF 14A
October 17, 2011

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

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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| <input type="checkbox"/> | Preliminary Proxy Statement |
| <input type="checkbox"/> | Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> | Definitive Proxy Statement |
| <input type="checkbox"/> | Definitive Additional Materials |
| <input type="checkbox"/> | Soliciting Material Pursuant to §240.14a-12 |

SINO CLEAN ENERGY INC.

(Name of Registrant as Specified in Its Charter)
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

SINO CLEAN ENERGY INC.

Room 1502, Building D, Wangzuo International City Building
No. 1 Tangyan Road, Gaoxin District
Xi'an, Shaanxi Province, People's Republic of China

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

to be held on November 18, 2011

TO THE STOCKHOLDERS OF SINO CLEAN ENERGY INC.:

The Annual Meeting of the stockholders of Sino Clean Energy Inc., a Nevada corporation ("Company"), will be held on November 18, 2011, at 9:00 a.m. (China time), at the offices of the Company, located at Room 1502, Building D, Wangzuo International City Building, No. 1 Tangyuan Road, Gaoxin District, Xi'an, Shaanxi Province, the People's Republic of China, for the following purposes:

1. To elect five (5) directors;
2. To ratify appointment of Weinberg & Company, P.A. as the Company's independent accountants for the fiscal year ending December 31, 2011;
3. To conduct an advisory vote approving executive compensation;
4. To conduct an advisory vote regarding the frequency of advisory votes to approve executive compensation;
and
6. To transact any other business as may properly be presented at the Annual Meeting or any adjournment thereof.

The close of business on September 22, 2011 has been fixed as the record date for the determination of stockholders entitled to notice of, and to vote at, the meeting. The stock transfer books of the Company will not be closed. A list of the stockholders entitled to vote at the meeting may be examined at the Company's offices during the 10-day period preceding the meeting.

All stockholders are cordially invited to attend the meeting. Whether or not you expect to attend, you are respectfully requested by the board of directors to sign, date and return the enclosed proxy card promptly. Stockholders who execute proxies retain the right to revoke them at any time prior to the voting thereof. A return envelope which requires no postage if mailed in the United States is enclosed for your convenience. You may obtain directions to the meeting by calling our offices at +86 88447960 ext. 802. This Proxy Statement, a form of proxy and our most recent Annual Report are available to view online at the following internet address: <http://www.sinocei.net>.

By Order of the Board of Directors,

/s/ Baowen Ren
Baowen Ren
Chief Executive Officer

Dated: October 14, 2011

Sino Clean Energy Inc.
Room 1502, Building D,
Wangzuo International City Building
No. 1 Tangyan Road, Gaoxin District
Xi'an, Shaanxi Province, People's Republic of China

PROXY STATEMENT
for
Annual Meeting of Stockholders
to be held on November 18, 2011

PROXY SOLICITATION

The Company is soliciting proxies on behalf of the Board of Directors in connection with the annual meeting of stockholders on November 18, 2011 and at any adjournment thereof. The Company will bear the entire cost of preparing, assembling, printing and mailing this Proxy Statement, the accompanying proxy, and any additional material that may be furnished to stockholders. Proxies also may be solicited through the mails or direct communication with certain stockholders or their representatives by Company officers, directors, or employees, who will receive no additional compensation therefor.

If the enclosed proxy is properly executed and returned, the shares represented thereby will be voted in accordance with the directions thereon and otherwise in accordance with the judgment of the persons designated as proxies. Any proxy on which no direction is specified will be voted for each of the proposals. Any stockholder giving such a proxy has the power to revoke it at any time before it is voted. Written notice of such revocation should be forwarded directly to the Secretary of the Company, at the above address.

The approximate date on which this Proxy Statement and the accompanying form of proxy will first be mailed to the Company's stockholders is October 24, 2011.

Your vote is important. Accordingly, you are urged to sign and return the accompanying proxy card whether or not you plan to attend the meeting. If you do attend, you may vote by ballot at the meeting, thereby canceling any proxy previously given.

GENERAL INFORMATION ABOUT VOTING

Record Date; Outstanding Shares; and Voting Rights

Only stockholders of record at the close of business on September 22, 2011 (the “Record Date”), are entitled to receive notice of, and vote at our annual meeting. As of the Record Date, the Company had outstanding 24,073,465 shares of common stock being the only class of stock entitled to vote at the annual meeting. Each share of our common stock is entitled to one vote on all matters.

Quorum Requirement for the Annual Meeting

The holders of a majority of the shares entitled to vote at the annual meeting must be present at the annual meeting for the transaction of business. This is called a quorum. Your shares will be counted for purposes of determining if there is a quorum, whether representing votes for, against or abstained, if you:

- Are present and vote in person at the Annual Meeting; or
- Have voted on the Internet or by properly submitting a proxy card or vote instruction form by mail.

If a quorum is not present, the annual meeting will be adjourned until a quorum is obtained.

Votes Required for Approval

Proposal 1: Election of Directors. Directors are elected by a plurality vote, and the five nominees who receive the most votes will be elected. In the election of Directors, votes may be cast in favor of all nominees or to withhold voting with respect to specific nominees.

Proposal 2: Ratification of Appointment of Auditors. The affirmative “FOR” vote of a majority of the votes cast is necessary for approval of such proposal. A majority of votes cast means that the number of shares cast “for” the proposal exceeds the number of votes cast “against” that proposal.

Proposal 3: Advisory Vote To Approve Executive Compensation. The advisory vote is not binding on the Company, the Board of Directors, or management, however an affirmative “FOR” vote of a majority of the votes cast will indicate stockholder approval of the executive compensation. This advisory vote is being submitted to stockholders pursuant to Section 14A of the Securities Exchange Act (15 U.S.C. 78n-1).

Proposal 4: Advisory Vote To Approve The Frequency Of Advisory Votes On Executive Compensation. The advisory vote to approve the frequency of advisory votes on executive compensation. is not binding on the Company, the Board of Directors, or management, however an affirmative “FOR” vote of a majority of the votes cast will indicate stockholder approval to hold advisory votes on executive compensation every year. This advisory vote is being submitted to stockholders pursuant to Section 14A of the Securities Exchange Act (15 U.S.C. 78n-1).

Broker Non-Votes and Abstentions

If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may constitute “broker non-votes.” Broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. These matters are referred to as “non-routine” matters. All of the matters scheduled to be voted on at the annual meeting are “non-routine,” except for the proposal to ratify the appointment of Weinberg & Company, P.A., as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2011. In tabulating the voting result for the particular

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proposals set forth above, abstentions and broker non-votes will have no effect on the proposals being voted upon, assuming that a quorum is obtained.

Please note that the rules regarding how brokers may vote your shares have changed. Brokers may no longer vote your shares on the election of directors or on executive compensation matters in the absence of your specific instructions as to how to vote so we encourage you to provide instructions to your broker regarding the voting of your shares.

Tabulation of Votes

The votes received by proxy will be tabulated and certified by our transfer agent, Signature Stock Transfer. All other votes will be tabulated by an inspector of election at the meeting.

VOTING

If you are a stockholder of record, you may vote in person at the annual meeting. We will give you a ballot when you arrive. If you do not wish to vote in person or you will not be attending the annual meeting, you may vote by proxy. If you received a printed copy of these proxy materials by mail, you may vote by proxy using the enclosed proxy card. To vote by proxy using the enclosed proxy card (only if you received a printed copy of these proxy materials by mail), complete, sign and date your proxy card and return it promptly in the envelope provided. You may also fax or email your proxy card to our transfer agent, Signature Stock Transfer, at (972) 612-4122 or signaturestocktransfer.msn.com.

If you vote by proxy, your vote must be received by 12:00 p.m. Eastern Time on November 17, 2011 to be counted.

If you are not a stockholder of record, please follow the directions provided to you by your bank or broker. If you wish to vote in person at the meeting, please contact your bank or broker to learn the procedures necessary to allow you to vote your shares in person.

You may revoke any proxy by notifying the Company in writing at the Company's address, Attn: Secretary, or by voting a subsequent proxy or in person at the Annual Meeting.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Except as otherwise indicated, the following table sets forth certain information regarding our common stock beneficially owned on the record date, September 22, 2011, for (i) each stockholder known to be the beneficial owner of 5% or more of our outstanding common stock, (ii) each executive officer and director, and (iii) all executive officers and directors as a group. In general, a person is deemed to be a “beneficial owner” of a security if that person has or shares the power to vote or direct the voting of such security, or the power to dispose or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which the person has the right to acquire beneficial ownership within 60 days. Shares of common stock subject to options, warrants or convertible securities exercisable or convertible within 60 days of September 22, 2011 are deemed outstanding for computing the percentage of the person or entity holding such options, warrants or convertible securities but are not deemed outstanding for computing the percentage of any other person. To the best of our knowledge, subject to community and marital property laws, all persons named have sole voting and investment power with respect to such shares, except as otherwise noted.

Name and Address of Beneficial Owners (1)	Amount of Beneficial Ownership	Percent of Class	
Baowen Ren, Director and Chief Executive Officer(2)	3,272,855	13.51	%
Wen (Wendy) Fu, Chief Financial Officer (3)	10,000	*	
Hon Wan Chan, Vice President of Finance	10,000	*	
Peng Zhou, Director	75,260	*	
Wenjie Zhang, Director	21	*	
Zhixin Jing, Director	-	-	
Gang Sheng, Director	-	-	
Paul Kam Shing Chiu, Director(4)	100,000	*	
Investwide(5)	2,241,229	9.04	%
Concentra Trust ITF Paragon Managed Accounts(6)	1,857,161	7.53	%
Trillion Growth China LP(7)	1,563,737	6.42	%
All officers and directors as a group (8 total)	3,468,136	14.25	%

* less than 1%

(1) Unless otherwise noted, the address for each of the named beneficial owners is: Room 1502, Building D, Wangzuo International City Building, No. 1 Tangyan Road, Gaoxin District, Xi'an, Shaanxi Province, People's Republic of China.

(2) Consists of 3,114,960 shares of common stock and 157,895 shares of our common stock issuable upon the exercise of Series B Warrants beneficially owned by Mr. Ren.

(3) Represents options to acquire 10,000 shares of common stock.

(4) Represents options to acquire 100,000 shares of common stock.

(5) Consists of 280,702 shares of common stock and 197,368 shares of our common stock issuable upon the exercise of Series B Warrants held by Investwide LLC and 1,236,843 shares of our common stock and 526,316 shares of our common stock issuable upon the exercise of Series B Warrants held by Investwide Capital LLC, based upon

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such investor's holdings as of December 31, 2010. Mr. Yong Li is the Managing Director of Investwide LLC and Investwide Capital LLC and has voting and dispositive power over all shares held by these entities. The address of Investwide LLC and Investwide Capital LLC is 32 Broadway, Suite 1701, New York, New York 10004.

- (6) Consists of 1,264,450 shares of common stock and 592,711 shares of our common stock issuable upon the exercise of Series B Warrants, based upon such investor's holdings as of December 31, 2010. Paradigm Portfolio Management Corporation, as a portfolio manager of the stockholder, has voting and dispositive power over the shares held by Concentra Trust ITF Paradigm Managed Accounts, and claims such beneficial ownership. Kyle Kozuska is the President of Paradigm Portfolio Management Corporation. The address for Paradigm Portfolio Management Corporation is 300-110 21st Street E., Saskatoon, SK, CAN, S7K 0B6.
- (7) Consists of 1,034,965 shares of common stock and 299,287 shares of our common stock issuable upon the exercise of Series B Warrants, based upon such investor's holdings as of December 31, 2010. The limited partners of Trillion Growth China LP have voting and dispositive power over the shares held by the stockholder, and they can be deemed to beneficially own such shares. The address for Trillion Growth China LP is 10th Floor, Bankers Hall West Tower, Calgary, Alberta, T2P 5C5, Canada.
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PROPOSAL 1

ELECTION OF DIRECTORS

Nominees of the Board of Directors

The Board of Directors has nominated Baowen Ren, Peng Zhou, Wenjie Zhang, Zhixin Jing and Paul Kam Shing Chiu for election as directors. Gang Sheng is not standing for re-election. Our directors are appointed for a one-year term to hold office until the next annual meeting of our stockholders to or until their successors are elected and shall qualify. If any nominee becomes unavailable for election, which is not expected, the persons named in the accompanying proxy intend to vote for any substitute whom the Board nominates.

The following pages set forth the names, ages and director start dates of the persons that the Board has nominated for election as directors, their respective principal occupations or brief employment history for the past five years and the names of other publicly-held companies of which each serves or has served as a director during the past five years.

Directors	Position/Title	Age	Company Director Since	Other Public Directorships
Baowen Ren	Chief Executive Officer and Chairman of the Board	41	October 2006	
Peng Zhou	Director	42	October 2006	
Wenjie Zhang (1)(2)(3)	Independent Director	38	October 2006	
Zhixin Jing (1)	Independent Director	51	March 2011	
Paul Kam Shing Chiu (1)	Independent Director	66	August 2011	China Ritar Power Corp.

(1) Serves as a member of the Audit Committee.

(2) Serves as a member of the Compensation Committee.

(3) Serves as a member of the Nominating and Corporate Governance Committee.

Our directors are appointed for a one-year term to hold office until the next annual meeting of our stockholders or until they resign or are removed from office in accordance with our bylaws. Set forth below are the respective principal occupations or brief employment histories of the five nominees and the periods during which each has served as a director of the Company. Any gap in employment background of an individual indicates that the individual did not obtain work experience relevant to his or her role as a director during such period.

Baowen Ren has served as the Company's Chief Executive Officer and Chairman of the Board since October 2006. He is primarily responsible for the overall strategic planning, formulation of the corporate policies, the corporate development and also the day-to-day management of the Group. Mr. Ren has over 16 years of management experience in the manufacturing industry. In 1995, he established the Shaanxi Blue Tide Apparel Manufacturing Group. From January 2003 to December 2009, Mr. Ren served as the Chairman of the Board and Chief Executive

Officer of Suo'ang BST. Mr. Ren, is a prominent figure in China's CWSF industry with over seven years' experience in CWSF research, development and sales. As a member of the China CWSF Research Center, the China Association of Environmental Protection Industry, and the China Association of Low-Carbon Economy, Mr. Ren is very familiar with China's clean energy policies, regulations, directions and the role that CWSF plays within China's clean coal technology plan. Since 2005, Mr. Ren has built the largest CWSF production base in northwest China. In 2008, Mr. Ren issued the paper "The Development of CWSF under the Movement of National Energy Conservation and Emission Reduction", which was adopted by the National CWSF Promotion Work Conference Paper Collection. Mr. Ren has been awarded numerous accolades and acknowledgements for his achievements and success, including a designation as "Shaanxi Top 10 Entrepreneur". Mr. Ren is a member of the Political Consultative Conference Shaanxi Tongchuan Committee. Mr. Ren graduated with a B.A. degree Chinese Language and Literature from Shaanxi Normal University in 1992 and a master degree in business administration from Northwest Jiao Tong University in 2009. Among other qualifications, Mr. Ren brings to the board both executive leadership experience and CWSF manufacturing experience, including production, operation, research and development and sales. Furthermore, Mr. Ren's comprehensive understanding of China's clean energy policies, regulations, and development trends help the board to plan its corporate strategy and practices.

Peng Zhou has served as a director on our Board since October 2006 and as Chief Operating Officer of Shenyang Energy since October 2009. Mr. Zhou is primarily responsible for production, research and product development, and technology teams. He has over 10 years of experience in the industry of manufacturing CWSF. He served as the General Manager of Suo'ang BST from January 2005 to December 2009. In April 2000, Mr. Zhou established Shaanxi Pengyuan Technology Co., Ltd. and served as the General Manger of the company. In 1992, Mr. Zhou graduated from Xi'an Jiao Tong University and received a B.A. degree in Statistics. Mr. Zhou brings to the board over 10 years of operational experience in the industry of CWSF manufacturing, research and development.

Wenjie Zhang has served as a director on our Board since October 2006. Mr. Zhang is primarily responsible for the design and planning of the Company's production facilities. He has over 13 years of experience in business and production facilities construction administration. He was the co-founder of Suo'ang BST. From January 2002 to December 2005, Mr. Zhang was the Manager of Engineering Department of Hanzhong International Trade Co., Ltd. In 1995 Mr. Zhang graduated from the Xi'an Science Institution and received a B.A. degree in Administration, and in 1997 graduated from Shaanxi Hanzhong Business College and received a Bachelor Degree in Business and Trade. Among other qualifications, Mr. Zhang brings to the board over 13 years of experience in engineering and production facilities construction. Mr. Zhang's extensive experience with a local engineering company enables him to provide valuable insight to the board.

Zhixin Jing has served as a director on our Board since March 2011. Mr. Jing is primarily responsible for the Company's financial and accounting function including reviewing the Company's financial position and responsible for the strategic investment planning and corporate finance activities. He has over 18 years of experience in providing corporate finance, restructuring, accounting and audit advisory services. In 2010, Mr. Jing was the General Manager of Shaanxi Branch of Lianhe Credit Management Co., Ltd. From 2005 to 2010, he was an assistant to the chairman of the board of directors of Jiaxin Group and financial advisor to Great Tang Dynasty Xi City Property Co., Ltd. From 1998 to 2004, Mr. Jing was the financial controller of Xi'an City Development and Investment Co. Ltd. which was jointly owned by Xi'an Construction Committee, Xi'an Land Office, Xi'an Development and Reform Commission, Xi'an Public Utilities Administration and Xi'an Planning Bureau. He holds a Bachelor degree in Accounting from Xi'an Jiaotong University. Among other qualifications, Mr. Jing brings the board and Audit Committee over 18 years of comprehensive experience in financial management and corporate finance.

Paul Kam Shing Chiu has served as a director on our Board since August 2011. has been serving as a director of Wai Chong Company, a member of the Chinese Gold & Silver Exchange in Hong Kong, since January 2011. He was also appointed as independent director of China Ritar Power Corp., a Chinese battery manufacturer, and a director of Lightscape Technologies Inc., a company providing LED solution services and engaged in outdoor media advertising in Hong Kong and China, in June 2011. From December 2005 to December 2010, Mr. Chiu was a financial consultant for Lightscape Technologies Inc., responsible for SEC financial reporting and compliance. Mr. Chiu received a bachelor of commerce degree in accounting and business studies from the University of Ottawa in Canada in 1969. He received an MBA from the University of British Columbia in Canada in 1970. Mr. Chiu became a Chartered Accountant of Canada in 1972. He is also a member of the Ontario Institute of Chartered Accountants and Canadian Institute of Chartered Accountants.

Board Leadership Structure and Risk Oversight

It is the role of the board of directors to oversee risk in the risk management process. The risk oversight process is the means by which the board determines that the Company has in place a robust process for identifying, prioritizing, sourcing, managing and monitoring its critical risks and that process is improved continuously as the business environment changes.

The Board conducts appropriate oversight and monitoring to ensure policies are carried out and processes are executed in accordance with management's selected performance goals and risk tolerances. The Audit Committee of the board regularly meets to review financial and operational items with management and the Company's independent auditors. Although the Board does not regularly review formal reports from members of senior management and committees on areas of material risk to the Company, including operational, financial, legal, strategic and regulatory risks, the Company's Board is in regular contact with the Co-Chief Executive Officers, both of whom report directly to the board and who supervise day to day risk management. Through the risk oversight process, the Board:

1. Obtains an understanding of the risks inherent in the corporate strategy and the risk appetite of management in executing that strategy;
2. Assess useful information from internal and external sources about the critical assumptions underlying the strategy; and
3. Stays on alert for organizational dysfunctional behavior that can lead to excessive risk taking, and provides input to executive management regarding critical risk issues on a timely basis.

The Board of Directors believes that Mr. Ren's service as both Chairman of the Board and Chief Executive Officer is in the best interest of us and our stockholders. Mr. Ren possesses detailed and in-depth knowledge of the issues, opportunities and challenges facing us and our business and is thus best positioned to develop agendas that ensure that the Board's time and attention are focused on the most critical matters. His combined role enables decisive leadership, ensures clear accountability, and enhances our ability to communicate our message and strategy clearly and consistently to our stockholders, employees, customers and suppliers.

Family Relationships

There are no family relationships between or among any of our current directors, executive officers or persons nominated or charged by us to become directors or executive officers. There are no family relationships among our officers and directors and the officers and directors of our direct and indirect subsidiaries.

Involvement in Certain Legal Proceedings

None of our directors or executive officers has, during the past ten years:

- (a) Had any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (b) Been convicted in a criminal proceeding or subject to a pending criminal proceeding;
- (c) Been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or any federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, futures, commodities or banking activities; and
- (d) Been found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Compliance with Section 16(a) of the Exchange Act

Based solely on review of the copies of such forms furnished to the Company, or written representations that no reports were required, the Company believes that for the year ended December 31, 2010, our directors and executive officers complied with Section 16(a) filing requirements applicable to them, except that:

Mr. Yong Li, who resigned as a director in November 2010, did not timely file a Form 4 reflecting the conversion of a \$750,000 Senior Secured Convertible Note of the Company into 3,947,368 and 11,228,071 shares of common stock of the Company on October 29, 2009 and March 5, 2010, respectively. Mr. Li subsequently filed a Form 4 on April 1, 2010 reflecting the exercise of the Senior Secured Convertible Note.

Code of Ethics

On December 15, 2008, we adopted a code of ethics that applies to our officers, directors and employees, including our chief executive officer, senior executive officers, principal accounting officer, and other senior financial officers. Our code of ethics is available on our website at www.sinocei.net. A copy of our code of ethics will also be provided to any person without charge, upon written request sent to us at our offices located at Room 1502, Building D, Wangzuo International City Building, No. 1 Tangyan Road, Gaoxin District, Xi'an, Shaanxi Province, the People's Republic of China.

Material Changes to the Procedures by which Security Holders May Recommend Nominees to the Board of Directors

On October 10, 2011, we adopted an amended and restated nominating committee charter. Under such charter, while there have been no material changes to the procedures by which our stockholders may recommend nominees to the board of directors, the board of directors may take into consideration as one of the factors in its evaluation of stockholder-recommended nominees, the size and duration of the share holdings of the recommending stockholder or stockholder group in relation to the total outstanding shares of the Company. The board of directors may also consider the extent to which the recommending stockholder intends to continue holding its interest in the Company, including, in the case of nominees recommended for election at an annual meeting of stockholders, whether the recommending stockholder intends to continue holding its interest at least through the time of such annual meeting.

Board of Directors

Director Qualifications

We seek directors with established strong professional reputations and educational background or work experience in areas relevant to the strategy and operations of our businesses. We also seek directors who possess the qualities of integrity and candor, who have strong analytical skills and who are willing to engage management and each other in a constructive and collaborative fashion. We also seek directors who have the ability and commitment to devote significant time and energy to service on the Board and its committees. We believe that all of our directors meet the foregoing qualifications.

Certain of our directors have strong technological backgrounds that are relevant to our industry. Certain of our directors have backgrounds in accounting, public company reporting, compliance and management. We believe that the backgrounds and skills of our directors bring a wide range of perspectives to the Board.

Meetings of the Board of Directors and Committees

During the fiscal year ended December 31, 2010, the Board of Directors did not meet but took action by unanimous written consent four (4) times. The Audit Committee did not meet but took action by unanimous written consent four (4) times. The Compensation Committee and the Nominating and Corporate Governance Committee did not meet and did not take any action by unanimous written consent during the fiscal year ended December 31, 2010. Each director is expected to attend meetings of our Board of Directors and meetings of committees of our Board of Directors of which he is a member, and to spend the time necessary to properly discharge his respective duties and responsibilities.

Board Committees

The Board of Directors has an audit committee, a nominating committee and a compensation committee. The Board created the three committees on December 15, 2008 and adopted amended and restated charters for all of such committees on October 10, 2011. We use the definition for independence set forth in Rule 5605(a)(2) of the NASDAQ Marketplace Rules to determine that we have a majority of the Board comprised of "independent" directors, and to determine that the committees of our Board are comprised of "independent" directors. Based on those standards, the Board has determined that Wenjie Zhang, Zhixin Jing, Gang Sheng and Paul Kam Shing Chiu are independent directors, who make up a majority of the directors on our Board. Accordingly, all of the members of the Audit Committee are independent within the meaning of Nasdaq Listing Rule 5605(a)(2).

Nominating and Corporate Governance Committee

The purpose of the nominating and corporate governance committee is to assist the Board of Directors in identifying qualified individuals to become members of our Board of Directors, in determining the composition of the Board of Directors and in monitoring the process to assess Board effectiveness. Wenjie Zhang is an independent member of the nominating and corporate governance committee. The nominating and corporate governance committee operates under a written charter and its criteria for selecting and appointing director nominees include the candidates educational background, past working experience, integrity and reputation in the industry. Diversity, as such, is not a criterion that the committee considers. Mr. Zhang is the Chairman of the nominating and corporate governance committee.

Compensation Committee

The compensation committee is responsible for assisting the Board in determining the compensation of the Company's executive officers, and for providing assistance and recommendations with respect to the compensation policies and practices of the Company. Each of Wenjie Zhang and Gang Sheng are independent members of the compensation committee. The compensation committee operates under a written charter. Mr. Zhang is the Chairman of the compensation committee.

Audit Committee

Our audit committee consists of Wenjie Zhang, Zhixin Jing and Paul Kam Shing Chiu, each of whom is independent. The audit committee engages the Company's independent accountants, reviewing their independence and performance; reviews the Company's financial disclosure, financial statements, and accounting principles, policies, and practices, scope and results of the annual audit, and internal audit and risk management processes and effectiveness of the Company's internal control over financial reporting; reviews related party transactions, and maintains procedures for receipt and handling of reports regarding accounting or financial irregularities. The audit committee operates under a written charter. Mr. Chiu is the Chairman of the audit committee.

The Board of Directors determined that Mr. Chiu possesses accounting or related financial management experience that qualifies him as financially sophisticated within the meaning of Rule 4350(d)(2)(A) of the NASDAQ Marketplace Rules and that he is an "audit committee financial expert" as defined by the rules and regulations of the SEC.

Audit Committee Report

In the performance of this oversight function, the Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2010 with management, and has discussed with the independent auditors the matters required to be discussed by Statement of Auditing Standards No. 61, Communication with Audit

Committee, as currently in effect. The Audit Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as currently in effect, and has discussed with the independent auditors the independent auditors' independence; and based on the review and discussions referred above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 for filing with the SEC.

The members of the Audit Committee are not professionally engaged in the practice of auditing or accounting, are not experts in the fields of accounting or auditing, including in respect of auditor independence. Members of the Committee rely without independent verification on the information provided to them and on the representations made by management and the independent accountants. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal control and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's consideration and discussions referred to above do not assure that the audit of the Company's financial statements has been carried out in accordance with generally accepted accounting principles or that the Company's auditors are in fact "independent".

Based upon the reports, review and discussions described in this report, and subject to the limitations on the role and responsibilities of the Committee referred to above and in the Charter, the Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, be filed with the Securities and Exchange Commission.

As of the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2010, in which the this Audit Committee Report was first published, the members of the Audit Committee were:

Albert Ching-Hwa Pu (Chairman)

Wenjie Zhang

Zhixin Jing

Summary of Compensation

The following summary compensation table indicates the cash and non-cash compensation earned for years ended December 31, 2010 and 2009 by our Chief Executive Officer and Chief Financial Officer and each of our other three highest paid executives, whose total compensation exceeded \$100,000 (if any) for the years ended December 31, 2010 and 2009.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)	Stock Awards (\$)	Nonqualified Non-Equity Deferred Compensation			All Other Compensation (\$)	Total (\$)
					Option Awards (\$)	Incentive Compensation (\$)	Plan Earnings (\$)		
Baowen Ren, CEO	2010	18,182						18,182	
	2009	17,518	-0-	-0-	-0-	-0-	-0-	17,518	
Hon Wan Chan (2)	2010	28,133						28,133	
	2009	26,277	-0-	-0-	-0-	-0-	-0-	26,277	
Wendy Fu CFO(3)	2010	52,857						52,857	
	2009	-0-	-0-	-0-	-0-	-0-	-0-	-0-	

(1) Compensation for the years shown was paid in RMB which, for reporting purposes, has been converted to U.S. dollars at the conversion rate of 6.6RMB to one U.S. dollar for 2010, 6.85 RMB to one U.S. dollar for 2009.

(2) Mr. Chan served as our CFO from December 15, 2008 to February 12, 2010.

(3)

Ms. Fu was appointed CFO on February 12, 2010.

Employment Agreements, Termination of Employment and Change-in-Control Arrangements with our Executive Officers

Described below are the employment agreements we have with our executive officers. The agreements have expired, however each of the executives are continuing to serve pursuant to the terms of the prior agreements. We are reviewing the prior agreements and expect to renew them in the near future. There are no change of control provisions in the employment agreements.

Employment Agreement with Baowen Ren

On June 10, 2010, we entered into an employment agreement with Mr. Baowen Ren to serve as our Chief Executive Officer for a term of one year with an annualized compensation of RMB120,000 (US\$18,182). Mr. Ren is entitled to reimbursement of reasonable business expenses incurred in connection with his employment. We may terminate the employment agreement for cause or if Mr. Ren becomes disabled or dies. The employment agreement may also be terminated by us or Mr. Ren upon 30-day written notice. The employment agreement contains certain restrictive covenants applicable during his employment and thereafter preventing both competition with us and disclosure of our confidential information.

Employment Agreement with Hon Wan Chan

On December 15, 2008, we entered into an employment agreement with Mr. Chan for a term of one year with annualized compensation of RMB180,000 (US\$26,777). Mr. Chan was also entitled to reimbursement of reasonable business expenses incurred in connection with his employment. Concurrent with the employment agreement, we granted Mr. Chan an option to purchase up to 10,000 shares of the Company's common stock pursuant to a non-qualified stock option agreement, at an exercise price equal to the last reported sale price per share in the over-the-counter market on the grant date. Mr. Chan resigned from his position as the Chief Financial Officer of the Company, effective February 12, 2010, but currently serves as the Vice President of Finance.

Employment Agreement with Wen (Wendy) Fu

On February 12, 2010, we entered into an employment agreement with Ms. Fu for a term of one year with a monthly salary of \$5,000. Since March 2011, Ms. Fu has been receiving a monthly salary of \$8,000. Ms. Fu is also entitled to reimbursement of reasonable business expenses incurred in connection with her employment. We may terminate the employment agreement for cause or if Ms. Fu becomes disabled or dies. The employment agreement may also be terminated by us or Ms. Fu upon a 30-day written notice. The employment agreement contains certain restrictive covenants applicable during her employment and thereafter preventing both competition with us and disclosure of our confidential information.

Concurrently with the employment agreement, we granted Ms. Fu an option to purchase up to 10,000 shares of the Company's common stock pursuant to a non-qualified stock option agreement, at an exercise price equal to the last reported sale price per share in the over-the-counter market on the grant date. The option is exercisable for a period of two years from the grant date, unless Ms. Fu's employment is terminated. If the termination arises from Ms. Fu's disability or death, the option is exercisable for up to a period of 12 months following the disability or death; and if we terminate Ms. Fu's employment for cause, the option is terminated immediately. For any other termination, the option is exercisable for up to 3 months following such termination. With respect to shares of common stock that Ms. Fu acquires from exercise of the option, the Company has a 30-day right of first refusal if Ms. Fu proposes to dispose them in any manner.

Outstanding Equity Awards at Fiscal Year-End

Outstanding Equity Awards at Fiscal Year Ended

December 31, 2010

Name	Option Awards					Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unearned Options	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)
Baowen Ren	-	-	-	-	-	-	-	-	-
Wendy Fu	10,000	0	0	\$4.35	2/11/2012	-	-	-	-

Compensation of Directors

The following director compensation disclosure reflects all compensation awarded to, earned by or paid to directors listed below, who served as directors during any period of time for the year ended December 31, 2010. There were no stock or option awards issued to any directors that were outstanding as of December 31, 2010.

DIRECTOR COMPENSATION TABLE

Name	Year	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total
								Total (\$)
Baowen Ren (1)	2010	-	-0-	-0-	-0-	-0-	-0-	-
Peng Zhou (2)	2010	-	-	-	-	-	-	-

Compensation and Personnel Committee Report

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management and, based on its review and discussion, recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

The Compensation and Personnel Committee:

Stephen M. Lounsberry III,
Chairman

David J. Dalrymple
Robert H. Dalrymple

William D. Eggers

Eugene M. Sneeringer Jr.
Richard W. Swan

Tax and Accounting Matters

Section 162(m). Section 162(m) of the Code generally disallows a tax deduction to the Company for compensation in excess of one million dollars paid to the Company's CEO, and to the next four highest paid officers of the Company, unless the compensation qualifies as "performance-based compensation" or falls under certain other specified exceptions under Section 162(m). Generally, to qualify as performance-based compensation, the plan or arrangement must contain specific performance criteria, specific limits on awards and amounts and must have shareholder approval.

Section 409A. Section 409A of the Code generally provides that unless certain requirements are met, amounts deferred under a nonqualified deferred compensation plan are currently includible in an employee's gross income to the extent not subject to a substantial risk of forfeiture. Section 409A applies to most forms of deferred compensation, including but not limited to, nonqualified deferred compensation plans or arrangements, certain equity based performance awards, and severance plans or individual severance arrangements contained within employment agreements. Generally, under Section 409A, any severance arrangement not in compliance with Section 409A covering a NEO pursuant to an employment or change in control agreement which is effective upon termination of employment and any deferrals under a nonqualified deferred compensation plan that do not comply with Section 409A may subject the NEO to: (i) current income inclusion of the relevant amounts; (ii) interest at the IRS underpayment rate; and (iii) an additional 20% excise tax. The Company believes it is operating in compliance with the statutory and regulatory provisions currently in effect.

Sections 4999 and 280G. Section 4999 of the Code imposes a 20% excise tax on certain "excess parachute payments" made to "disqualified individuals." Under Section 280G of the Code, such excess parachute payments are also nondeductible to the Company. If payments that are contingent on a change of control to a disqualified individual (which terms include the NEOs) exceed 2.99 times the individual's "base amount," they constitute "excess parachute payments" to the extent they exceed one times the individual's base amount.

Pursuant to the change in control agreement with Mr. Bentley, the Company will make an indemnification payment to him in the event an excise tax is imposed on "excessive parachute payments" paid to him pursuant to his change in control agreement. Neither the Company nor the Bank is permitted to claim a federal income tax deduction for the portion of the change in control payment that constitutes an "excess parachute payment" or the indemnification payment.

Accounting Considerations. The Audit Committee is informed of the financial statement implications of the components of the compensation program for NEOs.

Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee was an officer or an employee of the Company or any of its subsidiaries during 2013 or any prior period. None of the Company's executive officers has served as a member of a compensation committee or board of directors of any entity that has an executive officer serving as a member of the Company's Board or Compensation Committee.

Executive Officers

The following sets forth certain information regarding the NEOs and other executive officers of the Company and the Bank.

Name	Age	Position
Ronald M. Bentley	61	President and Chief Executive Officer of the Company and the Bank (2007); Chief Operating Officer of the Bank (2006); President, Retail Banking at NBT Bancorp, Inc. (2005); Executive Vice President, Retail Banking and Regional President at NBT Bancorp, Inc. (2003). Mr. Bentley has been with the Company since 2006.
Karl F. Krebs	57	Chief Financial Officer, Treasurer of the Company and Executive Vice President, Chief Financial Officer and Treasurer of the Bank (commencing October 16, 2013); Executive Vice President and Chief Financial Officer of Financial Institutions (2009); Senior Financial Specialist at West Valley Environmental Services, LLC, an environmental remediation services firm, prior to joining Financial Institutions in 2009. President of Robar General Funding Corp., a mortgage and construction loan broker, from 2006 to 2008; Senior Vice President and Line-of-Business Finance Director at Five Star Bank from 2005 to 2006.
Mark A. Severson	60	Chief Financial Officer and Treasurer of the Company and Executive Vice President, Chief Financial Officer and Treasurer of the Bank (2012); Executive Vice President and Treasurer of FNB United Corp., North Carolina (2007-2011); Chief Financial Officer of Camco Financial Corporation, Ohio (2001-2007); Chief Financial Officer of FCNB Corp., Maryland (1990-2001). Mr. Severson joined the Company in May 2012 and terminated employment on September 3, 2013.
John R. Battersby, Jr.	63	Chief Financial Officer, Treasurer and Executive Vice President of the Bank (2012); Chief Financial Officer and Treasurer of the Company (2003); Executive Vice President, Chief Financial Officer and Treasurer of the Bank (2004). Mr. Battersby had been with the Company since 1988 and retired as of December 31, 2012. Mr. Battersby returned as Interim Executive Vice President and Chief Financial Officer from September 18, 2013 to October 15, 2013.
Richard G. Carr	60	Executive Vice President of the Bank (2011) responsible for Business Client Services; Senior Vice President of the Bank (2004). Mr. Carr has been with the Company since 1997.
Louis C. DiFabio	50	Executive Vice President of the Bank (2011) responsible for Retail Client Services; Senior Vice President of the Bank (2005). Mr. DiFabio has been with the Company since 1987.
Karen R. Makowski	57	Executive Vice President, Chief Administrative and Risk Officer (2011); Consultant in regulatory compliance and strategic planning

		(2009); President & CEO, Panther Community Bank Florida (2006). Mrs. Makowski has been with the Company since 2011.
Melinda A. Sartori	56	Executive Vice President of the Bank (2002) responsible for the Wealth Management Group. Mrs. Sartori has been with the Company since 1994.
Anders M. Tomson	46	President, Capital Bank Division of Chemung Canal Trust Company (2011); Senior Vice President and Commercial Real Estate Division Executive at Citizens Bank in Albany (2006-2010). Mr. Tomson has been with the Company since 2011.

Executive Compensation

The following tables summarize compensation information paid or earned by NEOs of the Company and the Bank for the fiscal year ended December 31, 2013, with comparative information for 2012 and 2011 relating to the summary compensation table.

Summary Compensation Table

Name and Principal Position	Year	Salary (1)	Bonus (1)	Stock Awards	Non-Equity Incentive Plan Compensation (4)	Change in Pension Value (5)	All Other Compensation (6)	Total
Ronald M. Bentley	2013	\$428,988	\$128,550	\$117,021(2)	\$21,449	\$69,252	\$105,744	\$871,004
President & Chief Executive Officer	2012	\$404,000	\$121,750	\$112,154 (2)	\$20,250	\$127,703	\$103,121	\$888,978
	2011	\$389,000	\$100,000	\$96,073 (2)	\$19,450	\$88,890	\$22,095	\$715,508
Karl F. Krebs (8) Executive Vice President, Chief Financial Officer and Treasurer	2013	\$36,923	-	-	-	-	\$8,385	\$45,308
John R. Battersby Jr. (7)	2013	\$13,077	-	-	-	-	-	\$13,077
Interim Executive Vice President & Chief Financial Officer	2012	\$211,077	\$50,000	-	-	\$171,212	\$51,896	\$484,185
	2011	\$159,789	\$35,000	\$15,000	-	\$113,818	\$20,117	\$343,724
Mark A. Severson (9) Executive Vice President, Chief Financial Officer & Treasurer	2013	\$163,985	-	-	-	-	\$15,461	\$179,446
	2012	\$113,846	\$25,000	\$49,994	-	-	\$29,544	\$218,384
Richard G. Carr Executive Vice	2013	\$159,473	\$35,000	\$30,000(3)	-	\$37,483	\$21,683	\$283,639

President									
Karen R. Makowski	2013	\$185,571	\$35,000	\$30,000(3)	-	-	\$56,701	\$307,272	
Executive Vice President, Chief Administrative & Risk Officer	2012	\$175,000	\$35,000	\$50,011 (3)	-	-	\$44,830	\$304,841	
	2011	\$16,827	-	-	-	-	\$1,000	\$17,827	
Melinda A. Sartori	2013	\$167,898	\$35,000	\$30,000(3)	-	\$9,638	\$22,639	\$265,175	
Executive Vice President	2012	\$157,984	\$30,000	\$20,000 (3)	-	\$83,898	\$21,152	\$313,034	
	2011	\$153,658	\$25,000	\$15,000 (3)	-	\$70,004	\$20,215	\$283,877	
Anders M. Tomson (10)	2013	\$229,366	\$45,000	\$30,000(3)	-	-	\$70,269	\$374,635	
President, Capital Bank Division	2012	\$215,815	\$45,000	\$30,000 (3)	-	-	\$66,710	\$357,525	
	2011	\$141,346	\$35,000	\$37,950 (3)			\$14,534	\$228,830	

(1) The amounts shown for salary and bonus represent amounts earned in 2013.

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(2) The awards to Mr. Bentley were made under the terms of the Incentive Compensation Plan. The awards are fully vested upon grant and reflect the grant date fair value of the stock calculated as the average of the closing prices of a share of common stock as quoted on the NASDAQ stock market for each of the prior thirty days ending on December 31, 2013. The 2013 stock awards granted to Mr. Bentley do not include director fees in the amount of \$20,979, which are reported in the Director Compensation Table on page 11.

(3) The amounts shown for Madams Makowski and Sartori and Messrs. Carr and Tomson represent shares granted under the Restricted Stock Plan and reflect the grant date fair value computed in accordance with the formula set forth in the Plan, and as reported in Note 12 of the Company's audited consolidated financial statements contained in the Company's Form 10-K for the year ended December 31, 2013. Twenty percent of the restricted stock awarded vests each year commencing with the first anniversary date of the award and is 100 percent vested on the fifth anniversary date. See table below captioned "Grants of Plan-Based Awards." The amount of the awards are determined in the discretion of the Board and there are no specific formulaic targets.

(4) This is an additional cash bonus awarded to Mr. Bentley pursuant to a company-wide 5% cash bonus plan in which all non-sales employees participate. Other NEOs are not eligible to participate in this 5% cash bonus pool.

(5) The amounts shown represent the aggregate change, from December 31, 2012 to December 31, 2013, in the present value of the named executive officers' accumulated pension benefit from the Chemung Canal Trust Company Pension Plan and, for Mr. Bentley, from the Chemung Canal Trust Company Executive Supplemental Retirement Plan.

(6) The amounts shown include matching contributions made by the Bank to the 401(k) Plan, dividends paid on restricted stock, Defined Contribution SERP contribution, and payout of unused vacation and perquisites, such as car and club memberships. The NEOs participate in certain group health, life, disability and medical reimbursement plans, not disclosed in the Summary Compensation Table, that are generally available to salaried employees and do not discriminate in scope, terms and operation. See the table below captioned "All Other Compensation Table."

(7) Mr. Battersby returned as Interim Executive Vice President and Chief Financial Officer from September 18, 2013 to October 15, 2013.

(8) Mr. Krebs joined the Bank on October 16, 2013 as Executive Vice President, Chief Financial Officer and Treasurer.

(9) Mr. Severson left the Company and the Bank on September 3, 2013.

All Other Compensation

Name	401(k) Match	Dividends on Restricted Stock	Automobile	Club Memberships	Payout of Unused Vacation	Defined Contribution SERP	Total
Ronald M. Bentley	\$7,650.00	-	-	\$12,297	-	\$85,798	\$105,744
Karl F. Krebs	-	-	\$1,000	-	-	\$7,385	\$8,385
John R. Battersby Jr.	-	-	-	\$250	-	-	\$250
Mark A. Severson	-	\$1,040	\$4,000	\$3,359	\$7,062	-	\$15,461
Richard G. Carr	\$6,014	\$1,353	\$6,000	\$8,316	-	-	\$21,683
Karen R. Makowski	\$9,063	\$1,441	\$6,000	\$3,083	-	\$37,114	\$56,701
Melinda A. Sartori	\$6,267	\$1,353	\$6,000	\$9,019	-	-	\$22,639
Anders M. Tomson	\$10,200	\$1,901	-	\$12,295	-	\$45,873	\$70,269

Grants of Plan-Based Awards

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock	Grant Date Fair Value of Stock Awards
Ronald M. Bentley	1/15/2014	3,595	\$117,021(1)
	1/16/2013	4,116	\$112,154(1)
John R. Battersby Jr.	12/19/2012	-	-
	12/21/2011	653	\$15,000(3)
	12/15/2010	942	\$20,000(2)
Richard G. Carr	12/20/2013	933	\$30,000(5)
	12/19/2012	788	\$20,000(4)
	12/21/2011	653	\$15,000(3)
	12/15/2010	706	\$15,000(2)
Mark A. Severson	12/19/2012	984	\$25,000(4)
	8/14/2012	1,016	\$25,000(7)
Karen R. Makowski	12/20/2013	933	\$30,000(5)
	12/19/2012	984	\$25,000(4)
	2/6/2012	1,079	\$25,000(6)
Melinda A. Sartori	12/20/2013	933	\$30,000(5)
	12/19/2012	788	\$20,000(4)
	12/21/2011	653	\$15,000(3)
	12/15/2010	706	\$15,000(2)
Anders M. Tomson	12/20/13	933	\$30,000(5)
	12/19/2012	1,181	\$30,000(4)
	12/21/2011	653	\$15,000(3)
	7/8/2011	1,000	\$22,950(8)

(1) This grant was awarded to Mr. Bentley as part of a year-end bonus pursuant to the Incentive Compensation Plan. The stock award is based on the average of the closing prices of a share of Company common stock as quoted on the NASDAQ Stock Market for each of the prior thirty trading days ending on December 31, 2013, which calculates to a grant price of \$32.56 and \$27.25 in 2013.

(2) These amounts represent the market value of \$21.25, the closing price for the Company's common stock on the grant date, December 15, 2010. The stock was awarded under the Restricted Stock Plan.

(3) These amounts represent the market value of \$23.00, the closing price for the Company's common stock on the grant date, December 21, 2011. The stock was awarded under the Restricted Stock Plan.

- (4) These amounts represent the market value of \$25.41, the closing price for the Company's common stock on the grant date, December 19, 2012. The stock was awarded under the Restricted Stock Plan.
- (5) These amounts represent the market value of \$32.18, the average of the closing prices of a share of Company's common stock as quoted on the NASDAQ Stock Market for each of the prior thirty trading days ending on 12/20/2013. The stock was awarded under the Restricted Stock Plan.
- (6) Under the terms of her offer of employment, this amount was granted to Mrs. Makowski upon completion of 90 days of employment and is based on a market value of \$23.18, the closing price of a share of Company's common stock on February 6, 2012.
- (7) Under the terms of his offer of employment, this amount was granted to Mr. Severson upon completion of 90 days of employment and is based on the market value of \$24.60, the closing price of a share of Company's common stock on August 14, 2012. Mr. Severson left the Bank on September 5, 2013; therefore, forfeited all unvested shares.
- (8) Under the terms of his offer of employment, this amount was granted to Mr. Tomson upon completion of 90 days of employment and is based on the market value of \$22.95, the closing price of a share of Company's common stock on July 8, 2011.
- (9) Mr. Krebs joined the Bank on October 16, 2013 as Executive Vice President, Chief Financial Officer and Treasurer.

Outstanding Equity Awards at December 31, 2013

Restricted Stock Awards Under the Restricted Stock Plan

Name	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)(1)	Market Value of Shares or Units of Stock That Have Not Vested (#) (2)
John R. Battersby Jr.	12/21/2011	-	-
	12/15/2010	-	-
	12/20/2013	933	\$31,880.61
Richard G. Carr	12/19/2012	631	\$21,561.27
	12/21/2011	393	\$13,428.81
	12/15/2010	283	\$9,670.11
Karen R. Makowski	12/20/2013	933	\$31,880.61
	12/19/2012	788	\$26,925.96
	2/06/2012	864	\$29,522.88
Melinda A. Sartori	12/20/2013	933	\$31,880.61
	12/19/2012	631	\$21,561.27
	12/21/2011	393	\$13,428.81
Mark A. Severson(3)	12/15/2010	283	\$9,670.11
	12/19/2012	984	\$33,623.28
	8/14/2012	813	\$27,780.21
Anders M. Tomson	12/20/2013	933	\$31,880.61
	12/19/2012	945	\$32,290.65
	12/21/2011	393	\$13,428.81
	7/08/2011	600	\$20,502.00

(1) Restricted stock awards vest over a five year period after the date of the grant.

(2) These amounts represent the market value of \$34.17, the closing price for the Company common stock on December 31, 2013.

(3) Mr. Severson left the Company on September 3, 2013, therefore, forfeiting all unvested stock.

Stock Vested Name	Date of Vesting	Number of Shares Acquired on Vesting	Value Realized on Vesting
John R. Battersby	1/2/2013	1,089	\$33,040.26(1)
	12/21/2012	130	\$3,906.50(2)
	12/14/2012	188	\$4,784.60(3)
	12/15/2011	188	\$4,418.00(4)
Richard G. Carr	12/23/2013	130	\$4,426.50(6)
	12/19/2013	157	\$5,135.47(7)
	12/16/2013	141	\$4,585.32(8)
	12/21/2012	130	\$3,906.50(2)
	12/15/2012	141	\$3,588.45(3)
	12/15/2011	141	\$3,313.50(4)
Karen R. Makowski	2/6/2014	215	\$6,114.60(5)
	12/19/2013	196	\$6,411.16(7)
	2/6/2013	215	\$6,342.50(5)
Melinda A. Sartori	12/23/2013	130	\$4,426.50(6)
	12/19/2013	157	\$5,135.47(7)
	12/16/2013	141	\$4,585.32(8)
	12/21/2012	130	\$3,906.50(2)
	12/14/2012	141	\$3,588.45(3)
	12/15/2011	141	\$3,313.50(4)
Mark A. Severson(11)	8/14/2013	203	\$6,386.38(10)
Anders M. Tomson	12/23/2013	130	\$4,426.50(6)
	12/19/2013	236	\$7,719.56(7)
	7/08/2013	200	\$6,556.00(9)
	12/21/2012	130	\$3,906.50(2)
	7/9/2012	200	\$5,140.00(9)

(1) These amounts represent the market value of \$30.34, the closing price for the Company's common stock on the vesting date. Mr. Battersby retired on 12/31/2012. The Board approved, in accordance with the terms of the Restricted Stock Plan, the accelerated vesting of Mr. Battersby's outstanding unvested shares upon his termination of employment.

(2) These amounts represent the market value of \$30.05, the closing price for the Company's common stock on the 12/21/2012 vesting date.

- (3) These amounts represent the market value of \$25.45, the closing price for the Company's common stock on the 12/14/2012 vesting date.
- (4) These amounts represent the market value of \$23.50, the closing price for the Company's common stock on the 12/15/2011 vesting date.
- (5) In accordance with the terms of Mrs. Makowski's offer of employment, these amounts represent the market value of \$28.44 and \$29.50, respectively the closing prices for the Company's common stock on the 2/6/2014 and 2/6/2013 vesting dates.
- (6) These amounts represent the market value of \$34.05, the closing price for the Company's common stock on the 12/23/2013 vesting date.
- (7) These amounts represent the market value of \$32.71, the closing price for the Company's common stock on the 12/19/2013 vesting date.
- (8) These amounts represent the market value of \$32.52, the closing price for the Company's common stock on the 12/16/2013 vesting date.
- (9) In accordance with the terms of Mr. Tomson's offer of employment, these amounts represent the market value of \$32.78 and \$25.70, the closing price for the Company's common stock on the 7/8/2013 and 7/9/2012 vesting dates.
- (10) In accordance with the terms of Mr. Severson's offer of employment, this amount represents the market value of \$31.46, the closing price for the Company's common stock on 8/14/2013.
- (11) Mr. Severson left the Company on September 3, 2013

Deferred Compensation Plan

The Deferred Compensation Plan is a nonqualified plan that allows a select group of management, including the NEOs, to defer all of their annual compensation, to a future date. Eligible employees are generally highly compensated employees and are designated by the Board from time to time. Deferred amounts are an unfunded liability of the Company. The Plan requires deferral elections be made before the beginning of the calendar year during which the participant will perform the services to which the compensation relates. Participants in the Plan are required to elect a form of distribution, either lump sum payment or annual installments not to exceed ten years, and a time of distribution, either a specified age or a specified date. The terms and conditions for the deferral of compensation are subject to the provisions of 409A of the Code.

Pension Benefits

Tax Qualified Pension Plan: Messrs. Bentley and Carr and Mrs. Sartori are participants in the Pension Plan, a non-contributory defined benefit pension plan. The Pension Plan is a “qualified plan” under the Code and therefore must be funded. Contributions are deposited to the Plan and held in trust. The Pension Plan assets may only be used to pay retirement benefits and eligible plan expenses. As of December 31, 2013, Messrs. Bentley and Carr and Mrs. Sartori had reached age 55 and had completed 5 years of service to be eligible for early retirement.

Under the Pension Plan, pension benefits are based upon final average annual compensation where the annual compensation is total base earnings paid plus 401(k) salary deferrals. Bonuses, overtime, commissions and dividends are excluded. The normal retirement benefit equals 1.2% of final average compensation (highest consecutive five years of annual compensation in the prior ten years) times years of service (up to a maximum of 25 years), plus 1% of average monthly compensation for each additional year of service (up to a maximum of 35 years), plus .65% of average monthly compensation in excess of covered compensation for each year of credited service up to 35 years. Covered compensation is the average of the social security taxable wage bases in effect for the 35 year period prior to normal social security retirement age. Compensation for purposes of determining benefits under the Pension Plan is reviewed annually.

Normal retirement age under the Plan is 65. Participants may commence their retirement benefit prior to the age of 65 if they have at least five years of credited service and have attained age 55. The retirement benefit payable before age 65 is reduced to recognize the greater number of years during which the participant will receive the retirement benefit. The reduction is 6 2/3% for each year between age 60 and 65 that the benefit commences prior to the age of 65. The reduction prior to age 60, if the benefit commences between age 55 and 60, is 5.33% per year.

Nonqualified Pension Plan SERP: As described above, the Code places limitations on compensation amounts that may be included under the Pension Plan. The Pension Plan SERP is provided to executives in order to produce total retirement benefits, as a percentage of compensation that is comparable to employees whose compensation is not restricted by the annual compensation limit. Pension amounts based upon the Pension Plan formula, which exceed the applicable limitations, will be paid under the Pension Plan SERP. Currently, Mr. Bentley is the only active participant.

The Pension Plan SERP is a “nonqualified plan” under the Code. Contributions to the Plan are not held in trust; therefore, they may be subject to the claims of creditors in the event of bankruptcy or insolvency. When payments come due under the Plan, cash is distributed from general assets.

Nonqualified Defined Contribution SERP: The Defined Contribution SERP is provided to certain executives to motivate and retain key management employees by providing a nonqualified retirement benefit that is payable at retirement, disability, death and certain other events. The Defined Contribution SERP will deliver a retirement benefit

comparable to that received by other executive officers participating in the bank's Defined Benefit Plan. Currently, Messrs. Bentley, Krebs, Tomson and Mrs. Makowski are the only active participants.

The Pension Plan SERP is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation benefits for a select group of management or highly compensated employees.

Pension Benefits Table

The table below sets forth the accumulated benefits to which the executives would be entitled had they terminated employment on December 31, 2013 and elected to commence their benefit at the earliest age at which they would receive an unreduced benefit, payable as a monthly benefit for as long as the executive lived. The expected benefit payments are discounted using interest and mortality assumptions to produce the present value of the accumulated benefit as of December 31, 2013. The assumed interest rate is 4.92% and the mortality assumptions are based upon the RP-2000 Mortality Table with projections specified by IRS Proposed Regulation Section 1-430(h)(3)-1.

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit (\$)
Ronald M. Bentley	Chemung Canal Trust Company Pension Plan	7	\$280,161
	Chemung Canal Trust Company Executive Supplemental Pension Plan	7	\$183,728
John R. Battersby Jr.	Chemung Canal Trust Company Pension Plan	24	\$633,290(1)
Richard G. Carr	Chemung Canal Trust Company Pension Plan	16	\$317,729
Melinda A. Sartori	Chemung Canal Trust Company Pension Plan	19	\$358,726

(1) Mr. Battersby retired on December 31, 2012. He elected to receive a reduced annuity commencing January 1, 2013. Payments during the fiscal year were \$45,173.

The aggregate increase in the actuarial present value of accumulated benefits under both the Chemung Canal Trust Company Pension Plan and the Chemung Canal Trust Company Executive Supplemental Pension Plan are set forth in the Summary Compensation Table. The table below shows the breakdown of the increase in the actuarial present value of accumulated benefits for each Plan.

Name	Plan Name	Increase in the Actuarial Present Value of the Pension Benefit as of 12/31/13
Ronald M. Bentley	Chemung Canal Trust Company Pension Plan	\$36,376
	Chemung Canal Executive Supplemental Pension Plan	\$32,876
John R. Battersby Jr.	Chemung Canal Trust Company Pension Plan	-

Chemung Canal Executive
Supplemental Pension Plan

Richard G. Carr	Chemung Canal Trust Company Pension Plan	\$37,483
	Chemung Canal Executive Supplemental Pension Plan	-
Melinda Sartori	Chemung Canal Trust Company Pension Plan	\$9,638
	Chemung Canal Executive Supplemental Pension Plan	-

Deferred Compensation

As previously discussed on page 24, the Company maintains a Defined Contribution SERP to provide additional retirement income to select, key employees that cannot be provided through the qualified Pension Plan because of the “soft freeze” in effect after July 30, 2012. Additionally, Mr. Bentley participates in the SERP in order to provide retirement benefits to him comparable to other peer group chief executive officers. The annual contributions are approved by the Board. The Plan was first adopted in June of 2012. The following Table sets forth the Company contributions for 2013 on behalf of the NEOs.

Name	Registrant Contribution	Aggregate Balance
Ronald M. Bentley	\$85,798	\$167,357
Karl F. Krebs	\$7,385	\$7,385
Karen R. Makowski	\$37,114	\$72,457
Anders M. Tomson	\$45,873	\$89,458

Potential Payments upon Termination of Employment or Change in Control

The following paragraphs summarize the estimated amounts payable to each of the NEOs under an employment agreement or change in control agreement assuming employment was terminated December 31, 2013.

Mr. Bentley is covered under a Severance Agreement and a Change of Control Agreement. Under the Severance Agreement, if terminated involuntarily without cause, or for good reason by him, he would receive one year's salary equal to \$413,100 and employee benefits for one year equal to \$476,312.

Under the Change of Control Agreement, Mr. Bentley would receive a number of payments and benefits under different circumstances: 1) Within two years following a change of control if there is (a) involuntary termination without cause or by him for good reason, or (b) there is a termination by him for any reason within one year of the change of control, he would receive cash severance equal to 2.99 times the highest annual compensation paid to him, based upon the prior two years, in the amount of \$1,731,175, the present value of employee retirement plan benefits in the amount of \$1,079,814 and a potential tax gross-up of excise tax; and 2) if he voluntarily terminates his employment more than one year after a change of control, his payments would total \$1,381,808 comprised of cash severance of \$563,100 and the present value of employee and retirement plan benefits of \$818,708.

Under the Company's executive supplemental disability benefit program Mr. Bentley, if terminated due to disability, would receive benefits that would continue until the earlier of recovery, death or age 67 with a present value of \$588,582.

The Company has entered into Change of Control Agreements with executive officers Carr, Krebs, Makowski, Sartori, Severson and Tomson. Following a change in control, if the executive's employment is terminated within twelve months or if the executive resigns for any reason, the agreements provide for payments of two (2) times the executive's annual compensation (including only salary and bonus) for the last two years. Payments would be made in equal monthly installments for twenty-four (24) months following the effective date of the termination.

The amount of severance pay that each of the executive officers would be entitled to, pursuant to the Change in Control Agreements, if termination had occurred on December 31, 2013 is as follows: Mr. Carr 783,216; Mrs. Makowski \$601,928; Mrs. Sartori \$841,063; Mr. Krebs \$81,231; and, Mr. Tomson \$736,292.

Related Matters

Section 16(a) Beneficial Ownership Reporting Compliance

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

Certain Transactions with Related Parties

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

The law firms of Sayles & Evans, of which Ms. Drinkwater is a partner, provided legal services to the Company in 2013. The amount paid to this entity was less than the established reporting thresholds. In accordance with applicable law, the Bank's policy requires that a review of related party transactions over \$120,000 be conducted for potential conflict of interest and all such transactions be approved by the Board.

Code of Ethics

The Board of Directors has adopted a Code of Ethics for Senior Financial Officers, which applies to Chemung Financial's chief executive officer, the chief auditor and other senior officers performing accounting, auditing, financial management or similar functions. This Code of Ethics supplements a Code of Business Conduct and Ethics, which governs all employees, officers and directors. Both codes can be viewed on the Bank's website at <http://www.snl.com/irweblinkx/govdocs.aspx?iid=100690>.

Audit and Risk Management Committee Report

In accordance with its written charter adopted by the Board of Directors, the Chemung Financial Corporation's Audit and Risk Management Committee (the "Committee") assists the Board in fulfilling its oversight responsibilities for the integrity of the Company's financial statements, systems of internal accounting and financial controls, compliance with legal and regulatory requirements, and the independent auditor's qualifications, independence and performance, as well as the performance of its internal audit function. The members of the Committee meet the independence requirements of applicable laws and rules as determined by the Board. Five meetings of the Committee were held during 2013. The charter was revised in February 2014 and can be viewed on the Bank's website at <http://www.snl.com/irweblinkx/govdocs.aspx?iid=100690>.

On March 11, 2014, the Committee appointed the independent registered public accounting firm, Crowe Horwath LLP, as the Company's independent auditors for the fiscal year ending December 31, 2014.

The Committee has reviewed and discussed with management and with Crowe Horwath, the Company's audited consolidated financial statements for the year ended December 31, 2013. The Committee has received from Crowe Horwath the written disclosures and the letter required by Independence Standards Board No. 1, Independence Discussions with Audit Committees, relating to auditor independence. The Committee also discussed the quality and adequacy of the Company's internal controls with management and the independent auditors. In addition, the Committee also reviewed with the Crowe Horwath their audit plans, audit scope and identification of audit risks.

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

Based upon the above-mentioned reviews and discussions with management and Crowe Horwath, the Committee recommended to the Board of Directors that the audited consolidated financial statements be included in Chemung Financial Corporation's Annual Report on Form 10-K for the year ended December 31, 2013 to be filed with the Securities and Exchange Commission.

The Audit Committee:

Larry H. Becker, Chairman	Eugene M. Sneeringer Jr.
William D. Eggers	Robert L. Storch
John F. Potter	

Fees Paid to Independent Registered Public Accounting Firm

Fees billed by Crowe Horwath LLP relating to the years ending in 2012 and 2013 are provided in the following table. All services provided by Crowe Horwath in 2013 and 2012 were pre-approved by the Audit Committee.

Type of Service	Fiscal Years Ended December 31,	
	2013	2012
Audit Fees	\$237,500	\$215,000
Audit-Related Fees	-	-
Tax Fees	-	-

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All Other Fees	-	2,495
Total Fees	\$237,500	\$217,495

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

The "All Other Fees" billed to the Company by Crowe Horwath for 2012 include software licenses and audit work paper fees. The Company was not billed for these fees during 2013.

Audit Committee Pre-Approval Policies and Procedures

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

Proposal 3:

Ratification of Appointment of Independent Registered Public Accounting Firm

The Audit Committee has appointed Crowe Horwath LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014. Although shareholder approval of the appointment of Crowe Horwath is not required, the Board believes that it is important to give shareholders an opportunity to ratify this selection. If it is not ratified, the Audit Committee will consider the shareholders' views in future selections of the Company's independent auditors.

A representative of Crowe Horwath is expected to be present at the Annual Meeting and available to respond to appropriate questions from shareholders.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF CROWE HORWATH LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2014.

Shareholder Proposals at The Annual Meeting in the Year 2015

The Company's Board will establish the date for the 2015 Annual Meeting of Shareholders. Under SEC regulations, in order for a shareholder to be entitled to have a shareholder proposal included in the Company's proxy statement for the 2015 meeting, the proposal must be received by the Corporate Secretary of Chemung Financial Corporation at its principal executive offices, One Chemung Canal Plaza, Elmira, New York 14901, no later than December 1, 2014, which is 120 days prior to the date the proxy statement for the 2015 Annual Meeting will be first mailed. The shareholder must also satisfy the other requirements of SEC Rule 14a-8. Note that this requirement is separate from the notice requirements described in this Proxy Statement regarding the advance notice that is required before a shareholder is permitted to present a proposal for a vote at any annual meeting pursuant to the Company's bylaws.

General

The Company's 2013 Annual Report to Shareholders on Form 10-K, together with an abbreviated report for the twelve-month period accompanies this Proxy Statement, which was mailed to shareholders on or about April 1, 2014. The annual report is not part of the proxy solicitation materials. The Annual Report on Form 10-K is also available on the Bank's website, <http://www.snl.com/irweblinkx/docs.aspx?iid=100690> and will be furnished to any shareholder upon written request to the Corporate Secretary, One Chemung Canal Plaza, Elmira, New York 14901.

Other Matters

The Board is not aware of any other matters to be brought before the Annual Meeting other than as specified above. If, however, any other matters should come before the 2014 Annual Meeting, it is intended that the persons named in the enclosed proxy, or their substitutes, will vote such proxy in accordance with their best judgment on such matters.

By Order of the Board of Directors

Kathleen S. McKillip
Secretary

Date: April 1, 2014
One Chemung Canal Plaza
Elmira, New York 14901

