

CHEMUNG FINANCIAL CORP

Form DEF 14A

April 01, 2011

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A

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

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

(X) Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

Chemung Financial Corporation

(Name of Registrant as Specified In Its Charter)

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

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(X) No fee required.

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Subsidiaries:Chemung Canal Trust  
Company  
CFS Group, Inc.

April 1, 2011

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Chemung Financial Corporation to be held at the Holiday Inn Elmira – Riverview, 760 East Water Street, Elmira, New York on Wednesday, May 11, 2011, at 2:00 p.m.

At the Annual Meeting shareholders will be asked to elect three directors. The attached Proxy Statement further describes this matter.

Whether or not you plan to attend the Annual Meeting, please indicate your vote by using the enclosed proxy card or by voting by telephone or via the Internet as soon as possible.

We appreciate your continued support of Chemung Financial Corporation and our banking subsidiary, Chemung Canal Trust Company.

Sincerely,  
Ronald M. Bentley  
President & CEO

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CHEMUNG FINANCIAL CORPORATION

One Chemung Canal Plaza  
Elmira, New York 14901

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
Wednesday, May 11, 2011

To Our Shareholders:

NOTICE IS HEREBY GIVEN that the 2011 Annual Meeting of the Shareholders of Chemung Financial Corporation will be held at the Holiday Inn Elmira – Riverview, 760 East Water Street, Elmira, New York, on Wednesday, May 11, 2011 at 2:00 p.m., for the following purposes:

1. The election of three directors for a term of three years expiring in 2014.
2. 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, 2011.
3. To consider and transact such other business as may properly come before the meeting or any adjournment thereof. At the present time, the Board of Directors knows of no other business to come before the meeting.

Whether or not you plan to attend the meeting, It is important that your shares are represented at the meeting. Accordingly, vote by completing, signing and mailing the enclosed postage-paid envelope, or voting by telephone or via the Internet following the instructions on the proxy card. If you do attend the annual meeting, you may revoke your proxy and vote your shares in person.

The close of business on March 21, 2011 has been fixed as the record date for the determination of the shareholders entitled to notice of and to vote at the annual meeting.

Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to be held on May 11, 2011:

The 2011 Proxy Statement and Annual Report to Shareholders for the year ended December 31, 2010 are available at [www.amstock.com/proxyservices/viewmaterials.asp](http://www.amstock.com/proxyservices/viewmaterials.asp)

By Order of the Board of Directors

Jane H. Adamy  
Secretary

Dated: April 1, 2011  
Elmira, New York



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CHEMUNG FINANCIAL CORPORATION  
PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS  
MAY 11, 2011

INFORMATION REGARDING THE ANNUAL MEETING

Time and Place of the Meeting

This proxy statement is provided in connection with the solicitation of proxies by the Board of Directors for use at the Annual Meeting of Shareholders (the “Annual Meeting”) of Chemung Financial Corporation (“Chemung Financial” or “the Company”) to be held on Wednesday, May 11, 2011 at 2:00 p.m., at the Holiday Inn Elmira – Riverview, 760 East Water Street, Elmira, New York.

This Proxy Statement and the accompanying Proxy and Notice of Annual Meeting of Shareholders are being mailed to shareholders on or about April 1, 2011. In the proxy statement, the “Bank” refers to Chemung Canal Trust Company, Chemung Financial’s subsidiary bank.

Shareholders Entitled to Vote

The record date for the meeting is March 21, 2011. Only shareholders of record at the close of business on that date are entitled to notice of and to vote at the meeting. On the record date there were 3,565,610 shares of common stock of the Company outstanding and entitled to vote. Each share of common stock is entitled to one vote on each matter that properly comes before the meeting.

Proxies and Voting Procedures

Shares represented by properly executed proxies will be voted as directed. If a proxy does not specify how it is to be voted, it will be voted as the Board recommends – that is, FOR the election of the three director nominees named in the proxy statement and FOR the ratification of Crowe Horwath as our independent registered public accounting firm. Abstentions are voted neither “for” nor “against,” but are counted in the determination of a quorum. The Board of Directors knows of no other business to be brought before the Annual Meeting but if any other matters are properly presented at the meeting for consideration, the persons named as proxies will have discretion to vote on those matters according to their best judgment.

We offer three alternative ways to vote your shares:

To Vote by Internet – You can access the web page at [www.voteproxy.com](http://www.voteproxy.com) and follow the on-screen instructions. Have your proxy card available when you access the web page.

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

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

The deadline for the telephone and internet voting is 11:59 p.m. Eastern Daylight Time on May 10, 2011. A shareholder may revoke a proxy vote at any time before it is voted by delivering written notice of revocation to the Secretary of the Company, or by delivering a later dated proxy, or by voting in person at the Annual Meeting.

Required Vote

There are no cumulative voting rights. Nominees for director will be elected by a plurality of votes cast at the annual meeting by holders of common stock present in person, or represented by proxy and entitled to vote on such election, meaning that the nominees for each directorship who receive the most votes will be elected. Only shares voted in favor of a nominee will be counted

toward the achievement of a plurality. Any other matter requires the affirmative vote of a majority of the votes cast at the meeting, except as otherwise provided in the Company's bylaws or Certificate of Incorporation.

#### Solicitation of Proxies

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

### PROPOSAL 1 ELECTION OF DIRECTORS

The Board is divided into three classes of directors, as equal in number as possible, with one class to be elected each year for a term of three years. The Board is not aware that any nominee named in this proxy statement will be unable or unwilling to serve as a director.

Shareholders will be entitled to elect three directors for a three-year term expiring at the 2014 Annual Meeting, or until their respective successors have been duly elected and qualified. Unless authority to vote for the nominees is withheld, the shares represented by the enclosed proxy card, if properly executed and returned, will be voted FOR the election of the nominees. Should any nominee become unable to serve as a director, the persons named in the proxy to represent shareholders will vote for any nominee, if any, who may be nominated by the Board. The Company is currently anticipating a merger with Fort Orange Financial Corporation ("FOFC") in Albany, New York. As part of the Agreement and Plan of Merger, two of FOFC's directors will join the Board of Chemung Financial Corporation upon the consummation of the merger, in accordance with the Company's bylaws.

The biography of each of the nominees and continuing directors below contains information regarding the person's service as a director, business experience, other director positions, if any, held currently or at any time during the last five years, and individual experience, qualifications, and skills that contribute to the Board's effectiveness as a whole. Robert E. Agan who has served on the board since 1986 and Charles M. Streeter Jr. who has served on the board since 1979 are retiring at this meeting and therefore not seeking re-election.

#### Nominees for Election, Term Expires 2014

Bruce W. Boyea, age 59, was appointed as director in March 2011. He has served as Chairman, President and CEO of Security Mutual Life Insurance Company of New York, a life insurance company, since 1999. He is also Chairman of Security Administrators, Inc., a subsidiary of Security Mutual that provides pension administration services to small and medium-sized companies. Qualifications to serve on the Board include strategic planning skills, financial management experience, business management, sales and marketing expertise, corporate oversight and leadership skills, and over thirty years experience in the insurance industry.

Stephen M. Lounsberry III, age 57, has served as a director since 1995. He is President of Applied Technology Manufacturing, a manufacturer of machined industrial and railroad component parts, a position he has held since 1981. Qualifications to serve on the Board include experience in management, marketing, sales, operations, and strategic planning. He was also a commercial bank internal auditor and vice president of a community bank, through which he gained experience and knowledge of all aspects of banking.

Thomas K. Meier, age 70, has served as a director since 1988. He has served as President of Elmira College since 1987. Qualifications to serve on the Board include ten years of management experience with a Fortune 100 company, organizational skills, and experience in marketing and strategic planning.

The Board of Directors recommends a vote “FOR” each of the above nominees.

Continuing Directors, Term Expires 2012

David J. Dalrymple, age 57, has served as a director since 1993, and is currently Chairman of the Board of the Company and the Bank. He has held the position of President of Dalrymple Holding Corporation, the parent company for several construction materials and highway construction companies, since 1993. Mr. Dalrymple is the brother of Robert H. Dalrymple, also a director of the Company. Qualifications to serve on the Board include over three decades of experience in business ownership, financial planning experience, and strong managerial and organizational skills.

William D. Eggers, age 66, has served as a director since 2002. He has been Senior Counsel with the law firm of Nixon Peabody LLP since 2007 and prior thereto served as Senior Vice President and General Counsel of Corning Incorporated, a diversified manufacturing company, from 1997 until 2007. Qualifications to serve on the Board include nine years of experience as legal counsel to a Fortune 500 public company, including experience as counsel to audit and finance committees, and service for five years on the company's risk management council.

John F. Potter, age 65, has served as a director since 1991. He has been President of Seneca Beverage Corporation, a wholesale distributor of beer and water products since 1968. Qualifications to serve on the Board include experience in all aspects of business ownership, business planning, entrepreneurial experience, management experience, sales and marketing, and customer relations skills.

Robert L. Storch, age 67, has served as a director since 2009. He owned and managed a dairy farm that included breeding and merchandising purebred cattle for both domestic and international markets from 1966 until 2004. He served as a board member and officer of several agricultural organizations that dealt with land management and dairy product marketing. He also served for sixteen years as a board member of the Bank of Canton. Qualifications to serve on the Board include experience in business management, business planning, sales and marketing.

Jan P. Updegraff, age 68, has served as a director since 1996. He retired from the Bank on December 31, 2007. He was President and Chief Executive Officer of the Company and the Bank from 1998 to 2006 and Vice Chairman of the Board from 2006 to 2007. Qualifications to serve on the Board include over three decades of experience in the banking industry, leadership skills, experience in corporate finance, customer relations and corporate oversight skills.

Continuing Directors, Term Expires 2013

Ronald M. Bentley, age 58, has served as a director since March 2007. He has served as the President and Chief Executive Officer of the Company since March 2007 and as President and Chief Operating Officer of the Bank from July 2006 to April 2007. He was formerly the President of Retail Banking at NBT Bancorp Inc. from 2005 to 2006 and Executive Vice President of Retail Banking and Regional President at NBT Bancorp Inc. from 2003 to 2005. Qualifications to serve on the Board include thirty-five years of experience in the banking industry, and leadership, management, strategic planning and organizational skills.

Robert H. Dalrymple, age 60, has served as a director since 1995. Since 1994, he has been Secretary and Vice President of Dalrymple Holding Corporation, the parent company for several construction materials and highway construction companies. Mr. Dalrymple is the brother of David J. Dalrymple, also a director of the Company. Qualifications to serve on the Board include experience in all aspects of business ownership, strategic planning skills and financial management experience.

Clover M. Drinkwater, age 64, has served as a director since January 2005. She has held the title of Partner in the law firm of Sayles & Evans since 1986. Qualifications to serve on the Board include strong leadership skills, expertise in tax and legal matters and thirty years of legal experience in trust and estate administration.

Ralph H. Meyer, age 71, has served as a director since 1981. He retired on August 1, 1998 as President and Chief Executive Officer of Guthrie Healthcare System, a vertically integrated health care delivery system, a position he held from 1982 until 1998. Qualifications to serve on the Board include corporate accounting skills, management experience, and strategic planning and organizational skills.

Richard W. Swan, age 62, has served as a director since 1984. He has served as Chairman of the Board of Swan & Sons-Morss Co., Inc., an insurance brokerage agency, since 2007 and was formerly President of Swan & Sons-Morss Co., Inc. from 1983 until 2007. Qualifications to serve on the Board include business management skills, sales experience and all aspects of business ownership.

## STOCK OWNERSHIP

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

The following table provides information regarding the ownership of the outstanding common stock of Chemung Financial Corporation as of March 21, 2011. Information is included for 1) owners of more than 5% of common stock (other than directors or officers), 2) directors and nominees for directors, 3) named executive officers listed in the Summary Compensation Table; and, 4) executive officers and directors as a group. Unless otherwise indicated, each of the beneficial owners named below has sole voting and investment authority with respect to the shares listed.

## Five Percent Shareholders:

| Name of Beneficial Owner   | Number of Shares Beneficially Owned | Percentage of Shares Beneficially Owned |
|--|-------------------------------------|---|
| Chemung Canal Trust Company<br>Elmira, NY 14901  | 406,6801                            | 11.41%                                  |
| Chemung Canal Trust Company<br>Profit-Sharing, Savings and Investment Plan<br>Elmira, NY 14901 | 188,8262                            | 5.30%                                   |

## Directors, Nominees and Named Executive Officers:

|   |             |        |
|---|-------------|--------|
| Robert E. Agan  | 33,878      | *      |
| Ronald M. Bentley   | 13,800      | *      |
| Bruce W. Boyea  | 500         | *      |
| Clover M. Drinkwater  | 7,174       | *      |
| David J. Dalrymple  | 350,8743, 5 | 9.84%  |
| Robert H. Dalrymple   | 285,7224, 5 | 8.01%  |
| William D. Eggers   | 8,048       | *      |
| Stephen M. Lounsberry III                                   | 14,5736     | *      |
| Thomas K. Meier   | 13,6686     | *      |
| Ralph H. Meyer  | 2,4006      | *      |
| John F. Potter  | 37,4066, 7  | 1.05%  |
| Robert L. Storch  | 1,048       | *      |
| Charles M. Streeter Jr.                                     | 15,678      | *      |
| Richard W. Swan   | 84,2598     | 2.36%  |
| Jan P. Updegraff  | 9,0029      | *      |
| John R. Battersby Jr.                                       | 9,29510     | *      |
| James E. Corey III  | 5,21411     | *      |
| Melinda A. Sartori  | 4,24311     | *      |
| Richard G. Carr   | 4,37511     | *      |
| Directors and executive officers as a group<br>(27 persons) | 956,31012   | 26.82% |

\*Less than 1% based upon 3,565,610 outstanding as of March 21, 2011

- 1 Held by the Bank in various fiduciary capacities, either alone or with others. Includes 25,865 shares held with sole voting and dispositive powers and 380,815 shares held with

shared voting power. There are 245,421 shares held with shared dispositive powers. Shares held in a co-fiduciary capacity by the Bank are voted by the co-fiduciary in the same manner as if the co-fiduciary were the sole fiduciary. Shares held by the Bank as sole trustee will be voted by the Bank only if the trust instrument provides for voting of the shares at the direction of the grantor or a beneficiary and the Bank actually receives voting instructions.



- 2 The Plan participants instruct the Bank, as trustee, how to vote these shares. If a participant fails to instruct the voting of the shares, the Bank votes these shares in the same proportion as it votes all of the shares for which it receives voting instructions. Plan participants have dispositive power over these shares subject to certain restrictions.
- 3 Includes 6,915 shares held directly; 9,450 shares held in trust over which Mr. Dalrymple has voting and dispositive powers; 307,720 shares held by the Dalrymple Family Limited Partnership of which David J. Dalrymple and his spouse are general partners; and 33 1/3% of the 59,416 shares held by Dalrymple Holding Corporation, of which David J. Dalrymple is an officer, director and principal shareholder.
- 4 Includes 241,675 shares held directly; 8,854 shares held in trust over which Mr. Dalrymple has voting and dispositive powers; and 33 1/3% of the 59,416 shares held by Dalrymple Holding Corporation of which Robert H. Dalrymple is an officer, director and principal shareholder. Includes 8,704 shares held by Mr. Dalrymple's spouse as to which he disclaims beneficial ownership.
- 5 Includes for both David J. Dalrymple and Robert H. Dalrymple 6,983 shares which represent 46.2% of the 30,230 shares held by Susquehanna Supply Company, a corporation in which each of David J. Dalrymple and Robert H. Dalrymple has a 23.1% ownership interest.
- 6 Excludes shares that Messrs. Lounsberry (11,215), Meier (5,653), Meyer (19,404) and Potter (22,514) have credited to their accounts in memorandum unit form under the Company's Deferred Directors Fee Plan. The deferred fees held in memorandum unit form will be paid solely in shares of the Company's common stock pursuant to the terms of the Plan and the election of the Plan participants. Shares held in memorandum unit form under the Plan have no voting rights.
- 7 Includes 7,361 shares held by Mr. Potter's spouse, as to which he disclaims beneficial ownership.
- 8 Includes 11,700 shares owned by Swan & Sons-Morss Co., Inc. of which Mr. Swan is a director, and 33,255 shares held in four trusts over which Mr. Swan has voting and dispositive power. Includes 4,316 shares held in trust for the benefit of Mr. Swan, as income beneficiary, and 4,474 shares held by Mr. Swan's spouse as to which Mr. Swan disclaims beneficial ownership to both.
- 9 Includes 2,697 shares owned by Mr. Updegraff's spouse as to which he disclaims beneficial ownership.
- 10 Includes 4,399 shares owned by Mr. Battersby's spouse as to which he disclaims beneficial ownership.