

SMARTHEAT INC.  
Form DEF 14A  
April 16, 2010

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

SCHEDULE 14A

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  x
- Filed by a Party other than the Registrant  o
- Check the appropriate box:
- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to Section 240.14a-12

SmartHeat Inc.

(Name of Registrant as Specified in Its Charter)

Payment of Filing Fee (check the appropriate box):

- x No fee required.
  - o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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| (1) | Amount Previously Paid:                       |
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Copies of all communications to:  
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SMARTHEAT INC.  
A-1, 10, Street 7  
Shenyang Economic and Technological Development Zone  
Shenyang, China 110027  
+86 (24) 2519-7699

April 16, 2010

To The Stockholders of SmartHeat Inc.:

You are cordially invited to attend the 2010 Annual Meeting of Stockholders of SmartHeat Inc. (the “Company”) on Tuesday, May 25, 2010 (China time) at our Corporate offices, A-1, 10, Street 7, Shenyang Economic and Technological Development Zone, Shenyang, China commencing at 10:00 a.m. (China time).

At the Annual Meeting, you will be asked to vote to elect five directors to serve until the 2011 annual meeting of stockholders, to ratify the appointment of Goldman Parks Kurland Mohidin, LLP as our independent registered public accounting firm, and to approve the Company’s 2010 Equity Incentive Plan.

The notice of the Annual Meeting and proxy statement accompanying this letter provide information concerning matters to be considered and acted upon at the Annual Meeting. We are also including our Annual Report on Form 10-K for 2009. During the Annual Meeting, we will provide a report on our operations, followed by a time for questions and answers.

Whether or not you plan to attend the Annual Meeting, we encourage you to sign and return the enclosed proxy card as promptly as possible in the enclosed postage-paid envelope so that your shares are represented at the meeting. Regardless of the number of shares you own, your vote is important.

Thank you for your continued interest and support.

Sincerely,

Mr. Jun Wang  
Chairman of the Board, Chief Executive Officer and President

Enclosures

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SMARTHEAT INC.  
A-1, 10, Street 7  
Shenyang Economic and Technological Development Zone  
Shenyang, China 110027

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON MAY 25, 2010 (China time)

April 16, 2010

NOTICE IS HEREBY GIVEN that an Annual Meeting of the Stockholders of SmartHeat Inc., a Nevada corporation (the "Company"), will be held on Tuesday, May 25, 2010 (China time) at our Corporate offices, A-1, 10, Street 7, Shenyang Economic and Technological Development Zone, Shenyang, China commencing at 10:00 a.m. (China time) for the purposes of considering and acting upon the following proposals:

1. To elect five directors to the board of directors (the "Board of Directors") of the Company to serve until the next annual meeting of stockholders held to elect directors and until their successors are elected and qualified;
2. To ratify the appointment of Goldman Parks Kurland Mohidin, LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010;
3. To approve the SmartHeat Inc. 2010 Equity Incentive Plan; and,
4. To transact such other business as may properly come before the Annual Meeting.

A proxy statement describing the matters to be considered at the Annual Meeting is attached to this notice. Only stockholders of record at the close of business on April 13, 2010 are entitled to notice of, and to vote at, the meeting and any adjournments or postponements thereof. By signing and returning the enclosed proxy card, you authorize Jun Wang, SmartHeat's Chairman, Chief Executive Officer and President, and Zhijuan Guo, SmartHeat's Chief Financial Officer and Treasurer, to represent you and vote your shares at the meeting in accordance with your instructions. They may also vote your shares to adjourn the meeting and will be authorized to vote your shares at any adjournments or postponements of the meeting.

Whether or not you plan to be present at the meeting, we urge you to vote your shares promptly. You can vote your shares in advance of the meeting by completing and returning the enclosed proxy card. This notice, the attached proxy statement, the accompanying proxy card and our 2009 Annual Report on Form 10-K (which is not part of the proxy soliciting materials) are first being mailed to stockholders on or about April 16, 2010.

By Order of the Board of Directors,

Mr. Jun Wang,  
Chairman of the Board, Chief Executive Officer and President

April 16, 2010

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 25, 2010 (China time)

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The SmartHeat Inc. notice of Annual Meeting, proxy statement, proxy card and the Annual Report on Form 10-K for the year ended December 31, 2009 are also available to you on the Internet at [www.smartheatinc.com](http://www.smartheatinc.com).

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SMARTHEAT INC.  
A-1, 10, Street 7  
Shenyang Economic and Technological Development Zone  
Shenyang, China 110027

PROXY STATEMENT

2010 Annual Meeting of Stockholders

May 25, 2010 (China time)

These proxy materials are being provided in connection with the 2010 Annual Meeting of Stockholders of SmartHeat Inc. (the "Company"). This Proxy Statement, the accompanying proxy card and our Annual Report on Form 10-K for 2009 (which is not part of the proxy soliciting materials) were scheduled to be first mailed to stockholders on or about April 16, 2010. This Proxy Statement contains important information for you to consider when deciding how to vote on the matters to be brought before the Annual Meeting. Please read it carefully.

ABOUT THE ANNUAL MEETING

WHO IS SOLICITING MY VOTE?

The Board of Directors of the Company is soliciting your vote in connection with the 2010 Annual Meeting of Stockholders.

WHAT IS THE PURPOSE OF THE ANNUAL MEETING?

The Annual Meeting will be the Company's regular annual meeting of stockholders. You will be voting on the following matters at the Annual Meeting:

1. The election of five directors to the Board of Directors of the Company to serve until the next annual meeting of stockholders held to elect directors and until their successors are elected and qualified;
2. The ratification of the appointment of Goldman Parks Kurland Mohidin, LLP as the Company's independent registered public accountants for the fiscal year ending December 31, 2010;
3. To approve the SmartHeat Inc. 2010 Equity Incentive Plan; and,
4. The transaction of such other business as may properly come before the Annual Meeting.

WHY IS THE COMPANY SEEKING STOCKHOLDER APPROVAL FOR THESE PROPOSALS?

Proposal No. 1: The Nevada Revised Statutes and rules applicable to the Company as a result of the listing of our common stock on the NASDAQ Global Market require corporations to hold elections for directors each year.

Proposal No. 2: The Company appointed Goldman Parks Kurland Mohidin, LLP to serve as the Company's independent registered public accounting firm for the 2010 fiscal year. The Company elects to have its stockholders ratify such appointment.

Proposal No. 3: The NASDAQ Marketplace Rules require the Company to have its stockholders approve the adoption of an equity based compensation plan.

## HOW DOES THE BOARD OF DIRECTORS RECOMMEND I VOTE?

The Board of Directors recommends a vote:

1. For the election of Jun Wang, Weiguo Wang, Wenbin Lin, Arnold Staloff and Xin Li as directors;
2. For the ratification of the appointment of Goldman Parks Kurland Mohidin, LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010; and,
3. For the approval of the Company's 2010 Equity Incentive Plan.

## WHO MAY ATTEND THE ANNUAL MEETING?

All stockholders who held shares of our common stock on April 13, 2010 may attend. If your stock is held in the name of a broker, bank, or other holder of record, often referred to as "in street name," just bring a copy of your brokerage account statement or a proxy card, which you can get from your broker, bank or other holder of record of your stock.

## WHO CAN VOTE AT THE MEETING?

The record date for the 2010 Annual Meeting of Stockholders is April 13, 2010 (the "Record Date"). The Record Date was established by our Board of Directors. Stockholders of record at the close of business on the Record Date are entitled to:

- (a) receive notice of the meeting; and,
- (b) vote at the meeting and any adjournments or postponements of the meeting.

On the Record Date, 32,795,875 shares of our common stock, par value \$.001 per share, were outstanding. Each stockholder is entitled to one vote for each share of common stock held on the Record Date, as described under "Voting Securities," in this Proxy Statement. There is no cumulative voting.

## HOW DO I VOTE?

You may vote in person at the Annual Meeting or you may appoint a proxy, by mail, to vote your shares. If you return a signed card but do not provide voting instructions, your shares will be voted FOR all of the proposals to be voted on at the meeting.

## WHAT ARE THE DIFFERENT METHODS THAT I CAN USE TO VOTE MY SHARES OF COMMON STOCK?

**By Written Proxy:** Stockholders of record can vote by marking, signing and timely returning the enclosed proxy card. Street name or beneficial holders must follow the directions provided by their broker, bank, or other nominee in order to direct such broker, bank or nominee how to vote.

**In Person:** All stockholders may vote in person at the Annual Meeting. Street name or beneficial holders must obtain a legal proxy from their broker, bank or nominee prior to the meeting in order to vote in person.

## HOW MANY VOTES MUST BE PRESENT TO HOLD THE MEETING?



At least a majority of the holders of our outstanding shares of common stock, as of the Record Date, must be present at the Annual Meeting in order to hold the Annual Meeting and conduct business. This is called a quorum. Shares of our common stock are counted as present at the Annual Meeting if the holder of such shares:

(a) is present and votes in person at the Annual Meeting; or,

2

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(b) has properly submitted a proxy card.

Abstentions are counted as present for the purpose of determining the presence of a quorum.

#### CAN I CHANGE MY VOTE AFTER I RETURN MY PROXY CARD?

Yes. You may revoke your proxy card at any time before its exercise at the Annual Meeting by giving our Corporate Secretary a written notice revoking your proxy card, or a duly executed proxy bearing a later date, or by attendance at the Annual Meeting and electing to vote in person.

#### WILL MY STOCK BE VOTED IF I DO NOT PROVIDE MY PROXY?

Your stock may be voted if it is held in the name of a brokerage firm, even if you do not provide the brokerage firm with voting instructions. Brokerage firms have the authority under the rules of The NASDAQ Stock Market LLC (the "NASDAQ") to vote stock for which their customers do not provide voting instructions on certain "routine" matters. Proposals One and Two are considered "routine" matters under the NASDAQ Marketplace Rules.

#### HOW MANY VOTES ARE NEEDED TO APPROVE OUR PROPOSALS?

Directors are elected by the affirmative vote of a plurality of the shares of common stock present in person or by proxy and entitled to vote. Abstentions and broker non-votes are not counted for purposes of the election of directors and, therefore, will have no effect on the outcome of such election. The ratification of the appointment of Goldman Parks Kurland Mohidin, LLP as the Company's independent registered public accounting firm requires the affirmative vote of a majority of the votes cast on the proposal. The approval of the Company's 2010 Equity Incentive Plan requires the affirmative vote of a majority of the votes cast on the proposal. Other matters that may properly come before the Annual Meeting may require a majority or more than a majority vote under our Amended and Restated By-laws, our Articles of Incorporation, the laws of the state of Nevada or other applicable laws.

#### WHO PAYS FOR THIS PROXY SOLICITATION?

The Company bears the expense of printing and mailing proxy materials. In addition to this solicitation of proxies by mail, some of our employees may solicit proxies by personal interview, telephone, facsimile or email. These individuals will not be paid any additional compensation for any such solicitation.

#### VOTING SECURITIES

Our \$.001 par value common stock is the only class of capital stock authorized to vote by our Articles of Incorporation. The number of shares of our common stock which may be voted at the meeting or any adjournment or postponement thereof is 32,795,875 shares, which was the number of shares outstanding as of April 13, 2010. Each stockholder is entitled to one vote for each share of our common stock held. There is no cumulative voting. Votes will be tabulated by an inspector of election appointed by our Board of Directors.

#### DELIVERY OF DOCUMENTS TO STOCKHOLDERS SHARING AN ADDRESS

Only one annual report and this proxy statement will be delivered to multiple stockholders sharing an address unless we have received contrary instructions from one or more of the stockholders. Upon written or oral request, the Company will deliver a separate copy of the annual report and this proxy statement to a stockholder at a shared address to which a single copy of the annual report and proxy statement was delivered. If you wish to receive a separate copy of the annual report or this proxy statement, please notify the Company by calling or sending a letter to

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the Corporate Secretary of the Company, SmartHeat Inc., A-1, 10, Street 7, Shenyang Economic and Technological Development Zone, Shenyang, China 110027. The Company's telephone number is +86 (24) 2519-7699.

If requested, the Company will also provide such persons with copies of any exhibit to the Annual Report on Form 10-K for the year ended December 31, 2009 upon the payment of a fee limited to the Company's reasonable expenses in furnishing such exhibits.

PROPOSAL FOR ACTION AT THE ANNUAL MEETING

Proposal One:  
Election of Directors

Our Articles of Incorporation and Amended and Restated By-laws provide that the Board of Directors shall consist of at least one but not more than ten directors, the exact number of which may be fixed and changed from time to time by ordinary resolution of the Board of Directors or the stockholders of the Corporation. The Board of Directors has adopted a resolution establishing five (5) as the number of directors of the Company.

Our Articles of Incorporation and Amended and Restated By-laws provide that the Board of Directors shall be elected at each annual meeting. Based on the recommendation of the Nominating and Corporate Governance Committee, the Board of Directors has nominated its current members to be re-elected for another term.

Please see the section entitled "Director Nominees" below for information about the nominees for election as directors, their respective business experience and other pertinent information.

The persons named in the accompanying proxy card intend to vote such proxy in favor of the election of the nominees named below, who are currently directors, unless authority to vote for the director is withheld in the proxy. Although the Board of Directors has no reason to believe that the nominees will be unable to serve as a director, if one of the nominees withdraws or otherwise becomes unavailable to serve, the persons named as proxies will vote for any substitute nominee designated by the Board of Directors, unless contrary instructions are given on the proxy.

The affirmative vote of a plurality of the shares of our common stock present in person or by proxy at the meeting and entitled to vote is required for the election of directors. Proxies for which authority to vote for the nominee is withheld and broker non-votes will be tabulated for the purpose of computing the number of shares of our common stock present for the purposes of determining the presence of a quorum for the meeting. These proxies and broker non-votes will have no effect on the outcome of the election of the directors.

Our Board of Directors unanimously recommends a vote FOR the election of the nominees listed below as directors.

DIRECTOR NOMINEES

Set forth below is information with respect to the nominees for election as directors.

Name and Business Experience

Jun Wang, Chairman of the Board of Directors, Chief Executive Officer and President, Age 42

Mr. Wang was appointed as our Chairman of the Board of Directors, President and Chief Executive Officer on April 14, 2008. Mr. Wang founded Taiyu and was appointed Director, CEO and Chairman of Taiyu in 2002. Prior to that, Mr. Wang was the Assistant General Manager of Beijing HotNet Company, a large PHE components supplier in China. Mr. Wang gained substantial industry experience during his tenure as the sales manager at Honeywell China between 1996 and 1999. He started his professional career in 1994 as a Regional Sales Director at ALFA LAVAL, a global leader in the PHE industry. Mr. Wang earned a Master's Degree in Engineering from China's "MIT" - the renowned Tsinghua University. Mr. Wang is fluent in English.



Arnold Staloff, Director, Age 65

Mr. Staloff has served as the Chairman of Audit Committee for each of Shiner International, Inc. since 2007; AgFeed Industries, Inc. since 2007 and Deer Consumer Products, Inc. since 2009. From December 2005 to May 2007, Mr. Staloff served as Chairman of the Board of SFB Market Systems, Inc., a New Jersey-based company that provides technology solutions for the management and generation of options series data. From March 2003 to December 2005, Mr. Staloff was an independent consultant. From June 1990 to March 2003, Mr. Staloff served as President and Chief Executive Officer of Bloom Staloff Corporation, an equity and options market-making firm and foreign currency options floor broker. Additionally, Mr. Staloff served on the Board of Directors of Lehman Brothers Derivative Products Inc. from 1998 until 2008 and Lehman Brothers Financial Products Inc. from 1994 until 2008. Mr. Staloff holds a Bachelor of Business Administration from the University of Miami. Mr. Staloff has been appointed as the Chairman of our Audit Committee and serves as a member of our Compensation Committee and Nominating and Corporate Governance Committee. Mr. Staloff has been a director of the Company since June 19, 2008.

Weiguo Wang, Director, Age 45

Dr. Wang serves as Assistant Secretary General of the China Standardization Committee on Boilers and Pressure Vessels, a position he has held since March 2005. Additionally, Dr. Wang has served as a Director of the China Special Equipment Inspection and Research Agency since January 2007 and Deputy General Manager of Boilers Standard (Beijing) Technology Services Center Co., Ltd. since March 2004. From July 2001 to December 2003, Dr. Wang was a teacher at Tianjin University, China. Mr. Wang holds a Bachelor's degree in Mechanics, a Master's degree in Fluid Mechanics and a PhD in Fluid Mechanics, all from Beijing University. Dr. Wang has been appointed as the Chairman of our Compensation Committee and serves as a member of our Audit Committee and Nominating and Corporate Governance Committee. Mr. Wang has been a director of the Company since June 19, 2008.

Wenbin Lin, Director, Age 65

Mr. Lin is one of the original founders of Taiyu in 2002. From December 2003 to October 2004, Mr. Lin served as Deputy Chairman and General Manager of Shenyang Huanggu Thermoelectricity Heating Inc. From November 2002 to December 2003, Mr. Lin served as Chairman and General Manager of Shenyang Heat Power Co. Ltd. From September 1999 to May 2002, Mr. Lin served as Chairman of Shenyang Thermoelectric Corp. From January 1991 to August 1999, Mr. Lin held a variety of positions within the government of Shenyang City in the PRC, including Director of the Economic Development & Reform Commission from February 1998 to August 1999, Director of Shenyang City's Economics & Trade Commission from May 1995 to January 1998 and Deputy Director for the Economic Planning Commission from January 1991 to April 1995. Mr. Lin holds a Bachelor's degree in Press Machinery from China's Anshan Steel Technical College. Mr. Lin has been appointed to each of the Compensation Committee and Nominating and Corporate Governance Committee of SmartHeat. Mr. Lin has been a director of the Company since June 19, 2008.

Xin Li, Director, Age 38

Mr. Li brings more than a decade of corporate governance and industrial operations management experience to SmartHeat. He is a renowned management consultant in China. He is currently the general manager of Beijing ShengGao Consulting Co., Ltd., a strategic advisory firm founded by him more than 10 years ago that focuses on providing strategic guidance and management training to global companies. He also serves as an independent director and chairs the audit and various governance committees at several large Chinese domestic companies not listed in the United States. Mr. Li is a prolific writer in strategies and management issues. He has authored several books in the areas of management science and strategic planning. Mr. Li is proficient in Mandarin Chinese and English. He has a MBA and is a Research Fellow at the Management Science Center of Beijing University. Mr. Li has been appointed

as the Chairman of our Nominating and Corporate Governance Committee and serves as a member of our Audit Committee and Compensation Committee. Mr. Li has been a director of the Company since July 29, 2009.

**EXECUTIVE OFFICERS**

Our executive officers and their ages as of April 16, 2010 are as follows:

Please refer to the biography of Mr. Jun Wang set forth above.

Zhijuan Guo, CFO & Treasurer, Age 45

Ms. Guo was appointed as our Chief Financial Officer on April 14, 2008. Ms. Guo joined Taiyu in 2002 as Chief Financial Officer. Prior to that time, she served as the Production Planning Director of Shenyang Thermoelectric Co. Ltd. She obtained her MBA in Finance from Shenyang North Eastern University and served as the finance manager of a local Real Estate Development Firm from 1993 to 1999. From March 1999 to November 2000, she also served as Auditing Director of Shenyang Dongyu Group Corp.

Xudong Wang, Vice President of Strategy and Development, Age 36

Mr. Wang joined SmartHeat on February 1, 2010 as our Vice President of Strategy and Development. Prior to that time, Mr. Wang served as Vice President (Greater China) for China US Bridge Capital Limited, an international financial firm. From June 2007 to April 2009, Mr. Wang served as the Chief Financial Officer of QKL Stores, Inc., a NASDAQ listed supermarket and department store chain in Northeast China. From April 2006 to May 2007, Mr. Wang served as Chief Financial Officer of ThyssenKrupp Presta Fawer Ltd., a Chinese subsidiary of a leading German manufacturing group. From April 2005 to April 2006, Mr. Wang served as the Financial Controller for Electronics, GmbH in Frankfurt, Germany. Mr. Wang earned his Master of International Business Administration from the University of Hamburg and his Bachelor of Accounting & Finance from the Shandong University of Finance.

Huajun Ai, Corporate Secretary, Age 38

Ms. Ai was appointed as our Corporate Secretary on April 14, 2008. Ms. Ai joined Taiyu in 2002 as Corporate Secretary. Prior to that time, from December 2000 to October 2002, she served as an accountant at Shenyang Dongyu International Trade Co., Ltd. From July 1994 to November 2000, Ms. Ai served as an accountant at Northeast Jin Cheng Industrial Corp. Ms. Ai obtained her Bachelor's degree in Foreign Trade Accounting from Shenyang North Eastern University in 1994.

## CORPORATE GOVERNANCE

### INDEPENDENCE OF DIRECTORS

Subject to certain exceptions, under the listing standards of NASDAQ, a listed company's board of directors must consist of a majority of independent directors. Currently, our Board of Directors has determined that each of Messrs. Arnold Staloff, Xin Li and Weiguo Wang is an "independent" director as defined by the listing standards of NASDAQ currently in effect and approved by the SEC and all applicable rules and regulations of the SEC. We have established the following standing committees of the Board of Directors: Audit, Compensation and Nominating and Corporate Governance. All members of the Audit Committee and a majority of the members of the Compensation and Nominating and Corporate Governance Committees satisfy the "independence" standards applicable to members of each such committee. The Board of Directors made this affirmative determination regarding these directors' independence based on discussions with the directors and on its review of the directors' responses to a standard questionnaire regarding employment and compensation history; affiliations, family and other relationships; and transactions with the Company. The Board of Directors considered relationships and transactions between each director or any member of his immediate family and the Company and its subsidiaries and affiliates. The purpose of the Board of Directors' review with respect to each director was to determine whether any such relationships or transactions were inconsistent with a determination that the director is independent under the NASDAQ rules. Mr. Wenbin Lin is not deemed an independent director within the meaning of applicable NASDAQ and SEC rules; however, the Board of Directors has determined that, in light of the relative newness of SmartHeat as a public company and the unique circumstances relating to conducting our operations in China, it is advisable and in the best interests of SmartHeat and its



stockholders that Mr. Lin be appointed to each of the Compensation Committee and Nominating and Corporate Governance Committee of SmartHeat.

## MEETINGS OF THE BOARD OF DIRECTORS

Our Board of Directors held four quarterly meetings and one special meeting during fiscal year 2009, which does not include actions taken by written consent or committee meetings. Each director attended at least 75% of the meetings of the Board of Directors held during the period for which he has been a director and the Board committees on which he served in fiscal year 2009. Under our Corporate Governance Guidelines, directors are expected to attend all meetings of our Board of Directors, all meetings of any committee of which he is a member and the annual meeting of stockholders, and to spend the time necessary to properly discharge his respective duties and responsibilities. All members of the Board of Directors were in attendance at the Company's 2009 Annual Meeting of Stockholders.

## BOARD LEADERSHIP STRUCTURE AND ROLE IN RISK OVERSIGHT

Mr. Wang has served as our Chairman of the Board of Directors, Chief Executive Officer, and President since April 14, 2008. We continue to believe that our leadership structure is appropriate because Mr. Wang takes an active role in board functions and was one of the original founders of Taiyu in 2002, which is now a wholly-owned subsidiary of the Company. Under Mr. Wang's leadership, our management team has executed a strategy that has significantly improved our earnings growth, cash flow stability, and competitiveness in the domestic Chinese market. We do not currently have a lead independent director.

As part of its oversight functions, the Board of Directors is responsible for the oversight of risk management at the Company. Our Board of Directors delegates risk oversight to our Audit Committee, which considers and addresses risk assessment and risk management issues and concerns, and reviews with management the Company's major risk exposures and the steps management has taken to monitor and control such exposures.

## COMMITTEES OF THE BOARD OF DIRECTORS

### Audit Committee

We established our Audit Committee in June 2008. The Audit Committee consists of Messrs. Staloff and Li and Dr. Wang, each of whom is an independent director. Mr. Staloff, Chairman of the Audit Committee, is an "audit committee financial expert" as defined under Item 407(d) of Regulation S-K. The purpose of the Audit Committee is to represent and assist our Board of Directors in its general oversight of our accounting and financial reporting processes, audits of the financial statements and internal control and audit functions. The Audit Committee held four meetings during fiscal year 2009, which does not include actions taken by written consent. The Board of Directors has adopted a written charter for the Audit Committee, the current copy of which is available on our website at [www.smartheatinc.com](http://www.smartheatinc.com).

As more fully described in its charter, the functions of the Audit Committee include the following:

- appointment of independent auditors, determination of their compensation and oversight of their work;
  - review the arrangements for and scope of the audit by independent auditors;
  - review the independence of the independent auditors;
- consider the adequacy and effectiveness of the internal controls over financial reporting;
  - pre-approve audit and non-audit services;

- establish procedures regarding complaints relating to accounting, internal accounting controls, or auditing matters;
  - review and approve any related party transactions;
- discuss with management our major financial risk exposures and our risk assessment and risk management policies;  
and

- discuss with management and the independent auditors our draft quarterly interim and annual financial statements and key accounting and reporting matters.

#### Compensation Committee

We established our Compensation Committee in June 2008. The Compensation Committee consists of Messrs. Staloff and Li and Dr. Wang, each of whom is an independent director, and Mr. Lin. Dr. Wang is the Chairman of the Compensation Committee. The Compensation Committee is responsible for the design, review, recommendation and approval of compensation arrangements for our directors, executive officers and key employees, and for the administration of our equity incentive plans, including the approval of grants under such plans to our employees, consultants and directors. The Compensation Committee also reviews and determines compensation of our executive officers, including our Chief Executive Officer. The Compensation Committee may delegate its authority to subcommittees, but may not delegate its responsibilities for any matters involving executive compensation unless all members of such subcommittee qualify as independent directors. The Compensation Committee may consult with the Chief Executive Officer and other members of management in the exercise of its duties. Notwithstanding such consultation, the Compensation Committee retains absolute discretion over all compensation decisions with respect to the executive officers, including the Chief Executive Officer. The Compensation Committee held no meetings during fiscal year 2009, which does not include actions taken by written consent. The Board of Directors has adopted a written charter for the Compensation Committee, the current copy of which is posted on our website at [www.smartheatinc.com](http://www.smartheatinc.com).

The compensation of our executive officers and other employees is composed of base salaries. For 2009, compensation for our officers, including our named executive officers, was determined by considering SmartHeat's overall financial position and the state of its business. The compensation committee will determine any increase in compensation, with respect to each officer, based on individual performance, level of responsibility, and skills and experience, taking into account the anticipated level of difficulty in replacing such officers and employees with persons of comparable experience, skill and knowledge.

#### Nominating and Corporate Governance Committee

We established our Nominating and Corporate Governance Committee in June 2008. The Nominating and Corporate Governance Committee consists of Messrs. Staloff and Li and Dr. Wang, each of whom is an independent director, and Mr. Lin. Mr. Li is the Chairman of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee assists in the selection of director nominees, approves director nominations to be presented for stockholder approval at our annual general meeting and fills any vacancies on our Board of Directors, considers any nominations of director candidates validly made by stockholders, and reviews and considers developments in corporate governance practices. The Nominating and Corporate Governance Committee held no meetings during fiscal year 2009, which does not include actions taken by written consent. The Board of Directors has adopted a written charter for the Nominating and Corporate Governance Committee, the current copy of which is posted on our website at [www.smartheatinc.com](http://www.smartheatinc.com).

The members of the Nominating and Corporate Governance Committee, other than incumbent director nominees, discuss the qualifications of the director nominees and the needs of the Company. The Nominating and Corporate Governance Committee will consider nominees recommended by our directors and officers. In evaluating director candidates, the Nominating and Corporate Governance Committee considers factors that are in the best interests of the Company and its stockholders, including, but not limited to, the knowledge, experience, integrity and judgment of possible candidates for nomination as directors; the potential contribution of each candidate to the diversity of backgrounds, experience and competencies which the Nominating and Corporate Governance Committee desires to have represented on the Board of Directors, including familiarity with and experience in our specific industry; the

NASDAQ's requirements for directors, including any applicable independence standards and other qualifications and experience; each candidate's ability to devote sufficient time and effort to his or her duties as a director of the Company and, where applicable, prior service as a director of the Company. There are, however, no stated minimum criteria for director nominees. The Nominating and Corporate Governance Committee recommends candidates to the Board of Directors for election at the annual meeting of stockholders.

## CODE OF BUSINESS CONDUCT AND ETHICS

Our Board of Directors has adopted a Code of Conduct, which applies to all directors, officers and employees. The purpose of the Code is to promote honest and ethical conduct. The Code is posted on our website, located at [www.smartheatinc.com](http://www.smartheatinc.com), and is available in print, without charge, upon written request to SmartHeat Inc. at A-1, 10, Street 7, Shenyang Economic and Technological Development Zone, Shenyang, China 110027. We intend to post promptly any amendments to or waivers of the Code on our website.

## STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

You may communicate with our directors, individually or as a group, by writing to Board of Directors, SmartHeat Inc., A-1, 10, Street 7, Shenyang Economic and Technological Development Zone, Shenyang, China 110027. All such communications will be forwarded to the relevant director(s), except for solicitations or other matters not related to the Company.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

There were no transactions with any related persons (as that term is defined in Item 404 in Regulation S-K) during the fiscal year ended 2009, or any currently proposed transaction, in which we were or are to be a participant and the amount involved was in excess of \$120,000 and in which any related person had a direct or indirect material interest.

We have adopted a written policy in connection with related party transactions involving our company. The policy requires the prior approval by our Audit Committee for any transaction, arrangement or relationship in which (i) the aggregate amount involved will or may be expected to reach \$50,000 in any calendar year, (ii) we are a participant and (iii) any related person has or will have an interest. For the purposes of this proxy statement, "related persons" include our executive officers, directors, greater than 5% stockholders or immediate family members of any of the foregoing. Pursuant to this policy, the Audit Committee, among other factors, is required to take into account whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances. In addition, the Chairman of the Audit Committee has the authority to approve or ratify any interested transaction with a related person in which the aggregate amount involved is expected to be less than \$25,000.

There are no family relationships between any of our directors, director nominees, executive officers or other key personnel and any other of our directors, director nominees, executive officers or other key personnel.

## LEGAL PROCEEDINGS OF DIRECTORS AND EXECUTIVE OFFICERS

During the past ten years, none of the Company's directors or executive officers has been:

- the subject of 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;
- convicted in a criminal proceeding or is subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities;

- found by a court of competent jurisdiction (in a civil action), the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, that has not been reversed, suspended, or vacated;
- subject of, or a party to, any order, judgment, decree or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of a federal or state securities or commodities law or regulation, law or regulation respecting financial institutions or insurance companies, law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

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sMember2017-10-012017-12-310000939930pyx:SecuritizedBeneficialInterestsMember2017-04-012017-12-310000939930us-gaap:Gu



















































ption of this guidance is expected to materially increase assets and liabilities on the consolidated balance sheets. The impact on our resu

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hed other federal tax liabilities using IPI credits and recorded a liability in pension, postretirement and other long-term liabilities to refl

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ended December 31, 2018. These increases were primarily due to the inclusion of new start-up business ventures in the current year and

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by operating activities. Available credit as of December 31, 2018 was \$318.6 million comprised of \$60.0 million under our ABL facility

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mand position for our tobacco products, and the impact of regulation and litigation on our customers. A further list and description of th

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operation afforded by the Company to the SEC's staff in its investigation of the matter. No fines or penalties were assessed against the

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