

CLEARSIGN COMBUSTION CORP  
Form DEF 14A  
March 18, 2014

# 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 x  
Filed by a Party other than the Registrant o  
Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

### ClearSign Combustion 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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- No fee required.
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1. Amount previously paid:

2. Form, Schedule or Registration Statement No.:

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**ClearSign Combustion Corporation  
12870 Interurban Avenue South  
Seattle, WA 98168**

Dear Stockholder:

You are invited to attend the Annual Meeting of Stockholders of ClearSign Combustion Corporation on May 6, 2014, which will be held at our office at 12870 Interurban Avenue South, Seattle, Washington 98168 at 3:00 p.m. local time. Enclosed with this letter are your Notice of Annual Meeting of Stockholders, Proxy Statement and Proxy voting card.

The Proxy Statement included with this notice discusses each of our proposals to be considered at the Annual Meeting.

At this year's meeting, you will be asked to: (1) elect five directors to serve until the election and qualification of their successors; (2) ratify the appointment of Gumbiner Savett Inc. as our independent registered public accounting firm for the fiscal year ending December 31, 2014; and (3) transact such other business as may properly come before the Annual Meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on February 28, 2014 as the record date for determining the stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment and postponements thereof (the Record Date).

I hope that you attend the Annual Meeting in person. Whether or not you plan to be with us, please complete, sign, date, and return your voting card promptly in the enclosed envelope.

Sincerely,

/s/ Richard F. Rutkowski

Richard F. Rutkowski  
President, Chief Executive Officer, and  
Chairman of the Board of Directors

Seattle, Washington  
March 17, 2014

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**ClearSign Combustion Corporation  
12870 Interurban Avenue South  
Seattle, WA 98168  
Notice of Annual Meeting of Stockholders  
to be held May 6, 2014**

To the Stockholders of ClearSign Combustion Corporation:

The 2014 Annual Meeting of Stockholders will be held at our office at 12870 Interurban Avenue South, Seattle, Washington 98168 at 3:00 p.m. local time on May 6, 2014. During the Annual Meeting, stockholders will be asked to:

- (1) Elect five directors to serve until the election and qualification of their successors;
  - (2) Ratify the appointment of Gumbiner Savett Inc. as our independent registered public accounting firm for the year ending December 31, 2014; and
  - (3) Transact any other business properly brought before the Annual Meeting or any adjournments thereof.
- If you are a stockholder of record as of February 28, 2014, you may vote at the meeting. The date of mailing this Notice of Meeting and Proxy Statement is on or about March 21, 2014.

By order of our Board of Directors

/s/ James N. Harmon

James N. Harmon  
Chief Financial Officer and Corporate Secretary

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## THE PROXY PROCEDURE

This Proxy Statement and the accompanying proxy card are first being mailed, on or about March 21, 2014, to owners of record of shares of common stock of ClearSign Combustion Corporation (which may be referred to in this Proxy Statement as we, us, ClearSign, or the Company) in connection with the solicitation of proxies by our board of directors ( Board ) for our annual meeting of stockholders to be held on May 6, 2014 at 3:00 p.m. local time at our office at 12870 Interurban Avenue South, Seattle, Washington 98168 (referred to as the Annual Meeting ). This proxy procedure permits all stockholders, many of whom are unable to attend the Annual Meeting, to vote their shares at the Annual Meeting. Our Board encourages you to read this document thoroughly and to take this opportunity to vote on the matters to be decided at the Annual Meeting.

## IMPORTANT NOTICE

**WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, YOU ARE REQUESTED TO MARK, DATE AND SIGN THE ENCLOSED PROXY CARD AND RETURN IT AS PROMPTLY AS POSSIBLE IN THE ENCLOSED ENVELOPE. SIGNING AND RETURNING A PROXY WILL NOT PREVENT YOU FROM VOTING IN PERSON AT THE MEETING.**

## THANK YOU FOR ACTING PROMPTLY

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 6, 2014: The Notice of Annual Meeting, Proxy Statement and 2013 Annual Report on Form 10-K are also available at [www.clearsign.com](http://www.clearsign.com), which does not have cookies that identify visitors to the site.**

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## ABOUT THE MEETING: QUESTIONS AND ANSWERS

### What am I voting on?

At this year's meeting, you will be asked to:

- (1) Elect five directors to serve until the election and qualification of their successors;
- (2) Ratify the appointment of Gumbiner Savett Inc. as our independent registered public accounting firm for the year ending December 31, 2014; and
- (3) Transact any other business properly brought before the Annual Meeting or any adjournments thereof.

### Who is entitled to vote at the Annual Meeting, and how many votes do they have?

Stockholders of record at the close of business on February 28, 2014 (the Record Date) may vote at the Annual Meeting. Pursuant to the rights of our stockholders contained in our charter documents each share of our common stock has one vote. There were 8,835,634 shares of common stock outstanding on February 28, 2014. From April 17, 2014 through May 5, 2014, you may inspect, at our corporate offices, a list of stockholders eligible to vote. If you would like to inspect the list, please call James N. Harmon, our Chief Financial Officer and Corporate Secretary, at (206) 673-4848 to arrange a visit to our offices. In addition, the list of stockholders will be available for viewing by stockholders at the Annual Meeting.

### How do I vote?

You may vote over the Internet, by telephone, by mail or in person at the Annual Meeting. Please be aware that if you vote by telephone or over the Internet, you may incur costs such as telephone and Internet access charges for which you will be responsible.

**Vote by Internet.** You can vote via the Internet at [www.proxyvote.com](http://www.proxyvote.com). You will need to use the control number appearing on your proxy card to vote via the Internet. You can use the Internet to transmit your voting instructions up until 11:59 p.m. Eastern Time on Monday, May 5, 2014. Internet voting is available 24 hours a day. If you vote via the Internet, you do not need to vote by telephone or return a proxy card.

**Vote by Telephone.** You can vote by telephone by calling the toll-free telephone number 1-800-690-6903. You will need to use the control number appearing on your proxy card to vote by telephone. You may transmit your voting instructions from any touch-tone telephone up until 11:59 p.m. Eastern Time on Monday, May 5, 2014. Telephone voting is available 24 hours a day. If you vote by telephone, you do not need to vote over the Internet or return a proxy card.

**Vote by Mail.** If you received a printed proxy card, you can vote by marking, dating and signing it, and returning it in the postage-paid envelope provided to ClearSign Combustion Corporation, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. Please promptly mail your proxy card to ensure that it is received prior to the closing of the polls at the Annual Meeting.

**Vote in Person at the Meeting.** If you attend the Annual Meeting and plan to vote in person, we will provide you with a ballot at the Annual Meeting. If your shares are registered directly in your name, you are considered the

stockholder of record and you have the right to vote in person at the Annual Meeting. If your shares are held in the name of your broker or other nominee, you are considered the beneficial owner of shares held in street name. As a beneficial owner, if you wish to vote at the Annual Meeting, you will need to bring to the Annual Meeting a legal proxy from your broker or other nominee authorizing you to vote those shares.

If you vote by any of the methods discussed above, you will be designating Richard F. Rutkowski, our President and Chief Executive Officer and/or James N. Harmon, our Chief Financial Officer and Corporate Secretary, as your proxy(-ies). They may act together or individually on your behalf, and will have the authority to appoint a substitute to act as proxy.

Submitting a proxy will not affect your right to attend the Annual Meeting and vote in person.

If your shares are held in the name of a bank, broker or other nominee, you will receive separate voting instructions from your bank, broker or other nominee describing how to vote your shares. The availability of



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Internet voting will depend on the voting process of your bank, broker or other nominee. Please check with your bank, broker or other nominee and follow the voting instructions it provides.

### **Can I receive future materials via the Internet?**

If you vote by Internet, simply follow the prompts for enrolling in electronic proxy delivery service. This will reduce the Company's printing and postage costs in the future, as well as the number of paper documents you will receive.

### **What is a proxy?**

A proxy is a person you appoint to vote on your behalf. By using the methods discussed above, you will be appointing Richard F. Rutkowski, our President and Chief Executive Officer and James N. Harmon, our Chief Financial Officer and Corporate Secretary, as your proxies. They may act together or individually to vote on your behalf, and will have the authority to appoint a substitute to act as proxy. If you are unable to attend the Annual Meeting, please vote by proxy so that your shares of common stock may be voted.

### **How will my proxy vote my shares?**

If you are a stockholder of record, your proxy will vote according to your instructions. If you choose to vote by mail and complete and return the enclosed proxy card but do not indicate your vote, your proxy will vote FOR the election of the directors-nominees (see Proposal 1); and FOR the ratification of Gumbiner Savett Inc. as our independent registered public accounting firm for the year ending December 31, 2014 (see Proposal 2). We do not intend to bring any other matter for a vote at the Annual Meeting, and we do not know of anyone else who intends to do so. Your proxies are authorized to vote on your behalf, however, using their best judgment, on any other business that properly comes before the Annual Meeting.

If your shares are held in the name of a bank, broker or other nominee, you will receive separate voting instructions from your bank, broker or other nominee describing how to vote your shares. The availability of Internet voting will depend on the voting process of your bank, broker or other nominee. Please check with your bank, broker or other nominee and follow the voting instructions your bank, broker or other nominee provides.

You should instruct your bank, broker or other nominee how to vote your shares. If you do not give voting instructions to the bank, broker or other nominee, the bank, broker or other nominee will determine if it has the discretionary authority to vote on the particular matter. Under applicable rules, brokers have the discretion to vote on routine matters, such as the ratification of the selection of accounting firms, but do not have discretion to vote on non-routine matters. Under the regulations applicable to New York Stock Exchange member brokerage firms (many of whom are the record holders of shares of our common stock), the uncontested election of directors is no longer considered a routine matter. Matters related to executive compensation are also not considered routine. As a result, if you are a beneficial owner and hold your shares in street name, but do not give your broker or other nominee instructions on how to vote your shares with respect to these matters, votes may not be cast on your behalf. If your bank, broker or other nominee indicates on its proxy card that it does not have discretionary authority to vote on a particular proposal, your shares will be considered to be broker non-votes with regard to that matter. Broker non-votes will be counted as present for purposes of determining whether enough votes are present to hold our Annual Meeting, but a broker non-vote will not otherwise affect the outcome of a vote.

## How do I change my vote?

If you are a stockholder of record, you may revoke your proxy at any time before your shares are voted at the Annual Meeting by:

Notifying our Corporate Secretary, James N. Harmon, in writing at 12870 Interurban Avenue South, Seattle, WA 98168, that you are revoking your proxy;

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Submitting a proxy at a later date via the Internet, or by signing and delivering a proxy card relating to the same shares and bearing a later date than the date of the previous proxy prior to the vote at the Annual Meeting, in which case your later-submitted proxy will be recorded and your earlier proxy revoked; or

Attending and voting by ballot at the Annual Meeting.

If your shares are held in the name of a bank, broker or other nominee, you should check with your bank, broker or other nominee and follow the voting instructions provided by your bank, broker or other nominee.

## **Who will count the votes?**

Our Chief Financial Officer and Corporate Secretary, James N. Harmon, will act as the inspector of election and count the votes, with the assistance of reports provided by VStock Transfer LLC, our stock transfer agent.

## **What constitutes a quorum?**

The holders of a majority of the Company's eligible votes as of the record date, either present or represented by proxy, constitute a quorum. A quorum is necessary in order to conduct the Annual Meeting. If you choose to have your shares represented by proxy at the Annual Meeting, you will be considered part of the quorum. Both abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum. If a quorum is not present at the Annual Meeting, the stockholders present in person or by proxy may adjourn the meeting to a later date. If an adjournment is for more than 30 days or a new record date is fixed for the adjourned meeting, we will provide notice of the adjourned meeting to each stockholder of record entitled to vote at the meeting.

## **What vote is required to approve each proposal?**

***Election of Directors.*** For Proposal 1, the election of directors, the nominees will be elected by a plurality of the votes of the shares of common stock present in person or represented by proxy and entitled to vote at the Annual Meeting. You may choose to vote, or withhold your vote, separately for each nominee. A properly executed proxy or voting instructions marked **WITHHOLD** with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for the purposes of determining whether there is a quorum.

***Ratification of the Appointment of Independent Registered Public Accounting Firm.*** For Proposal 2, the affirmative vote of the holders of shares of stock entitled to vote must exceed the votes cast against the proposal for the proposal to be approved.

***Other Proposals.*** Any other proposal that might properly come before the meeting will require the affirmative vote of the holders of shares of common stock entitled to vote to exceed the votes cast against the proposal for the proposal to be approved, except when a different vote is required by law, our certificate of incorporation or our Bylaws.

Abstentions and broker non-votes with respect to any matter will be counted as present and entitled to vote on that matter for purposes of establishing a quorum, but will not be counted for purposes of determining the number of votes cast. Accordingly, abstentions and broker non-votes will have no effect on the outcome of voting with respect to any of the proposals.

## **What percentage of our common stock do our directors and officers own?**

As of February 28, 2014, our current directors and executive officers beneficially owned approximately 25.2% of our common stock outstanding. See the discussion under the heading Security Ownership of Certain Beneficial Owners and Management on page 21 for more details.

## **Who is soliciting proxies, how are they being solicited, and who pays the cost?**

We, on behalf of our Board, through our directors, officers, and employees, are soliciting proxies primarily by mail and the Internet. Further, proxies may also be solicited in person, by telephone, or facsimile. We will pay the cost of soliciting proxies. We will also reimburse stockbrokers and other custodians, nominees, and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to the owners of our common stock.

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## **Who is the Independent Registered Public Accounting Firm, and will they be represented at the Annual Meeting?**

Gumbiner Savett Inc. served as the independent registered public accounting firm auditing and reporting on our financial statements for the year ended December 31, 2013 and has been appointed to serve as our independent registered public accounting firm for 2014. We expect that representatives of Gumbiner Savett Inc. will be present at the Annual Meeting.

## **What are the recommendations of the Board?**

The recommendations of our Board are set forth together with the description of each proposal in this Proxy Statement. In summary, the Board recommends a vote:

FOR the election of the nominated directors (see Proposal 1);

FOR the ratification of Gumbiner Savett Inc. as our independent registered public accounting firm for the year ending December 31, 2014 (see Proposal 2).

With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the Board or, if no recommendation is given, in their own discretion.

If you sign and return your proxy card but do not specify how you want to vote your shares, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board.

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## GOVERNANCE OF THE COMPANY

The following table sets forth the names and ages of all of our directors and executive officers. Our officers are appointed by, and serve at the pleasure of, the Board of Directors.

Name	Age	Position
Richard F. Rutkowski	58	Chief Executive Officer and Chairman of the Board
Joseph Colannino	57	Chief Technology Officer
James N. Harmon	54	Chief Financial Officer and Corporate Secretary
Andrew U. Lee	62	Senior Vice President of Business Development
Geoffrey D. Osler	48	Chief Marketing Officer
Roberto Ruiz	57	Senior Vic President of Product Development
Lon E. Bell, Ph.D.	73	Director
David B. Goodson	71	Director
Scott P. Isaacson	65	Director
Stephen E. Pirnat	62	Director

Our business, property and affairs are managed by, or under the direction of, our Board, in accordance with the Washington Business Corporation Act and our Bylaws. Members of the Board are kept informed of our business through discussions with the Chief Executive Officer and other key members of management, by reviewing materials provided to them by management, and by participating in meetings of the Board and its Committees.

Stockholders may communicate with the members of the Board, either individually or collectively, or with any independent directors as a group by writing to the Board at 12870 Interurban Avenue South, Seattle, WA 98168. These communications will be reviewed by the Corporate Secretary who, depending on the subject matter, will (a) forward the communication to the director or directors to whom it is addressed or who is responsible for the topic matter, (b) attempt to address the inquiry directly (for example, where it is a request for publicly available information or a stock related matter that does not require the attention of a director), or (c) not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic. At each meeting of the Nominating and Corporate Governance Committee, the Corporate Secretary presents a summary of communications received and will make those communications available to any director upon request.

### Independence of Directors

The Nominating and Corporate Governance Committee operates pursuant to a charter, which can be viewed on our website at [www.clearsign.com](http://www.clearsign.com) (under Investors-Corporate Governance-Governance Documents ). In determining the independence of our directors, we apply the definition of independent director provided under the listing rules of The NASDAQ Stock Market LLC ( NASDAQ ). Pursuant to these rules, the Board concluded its annual review of director independence in February 2014. After considering all relevant facts and circumstances, the Board affirmatively determined that all of the directors then serving on the Board, including those nominated for election at the Annual Meeting with the exception of Richard F. Rutkowski, who is employed as our Chief Executive Officer and President, and David B. Goodson, who consults for us, are independent of us under NASDAQ s rules.

## **Board Meetings and Committees of our Board**

The Board has three standing committees which have members (Stephen E. Pirnat, Lon E. Bell, and Scott P. Isaacson) which satisfy the independence standards of the Securities Exchange Act of 1934 and NASDAQ's rules: the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. Mr. Pirnat is Chairman of the Audit Committee, Dr. Bell is Chairman of the Compensation Committee, and Mr. Isaacson is Chairman of the Nominating and Corporate Governance Committee. During the year ended December 31, 2013, the Board held four meetings, the Audit Committee held four meetings, the Compensation Committee held four meetings, and the Nomination and Corporate Governance Committee held three meetings. Each of our directors attended at least 75% of the aggregate Board meetings and meetings of the Board committee(s) of which he is a member. We do not have a policy with regard to Board attendance at the Annual Meeting. All of the members of our Board attended the 2013 Annual Meeting.

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**Audit Committee**

The Audit Committee consists of three non-employee directors, all of whom are independent as defined under section 5605(a)(2) of the NASDAQ Listing Rules. In addition, the Board has determined that Stephen E. Pirnat, the Chairman of our Audit Committee, qualifies as an audit committee financial expert as defined in the rules of the Securities and Exchange Commission (SEC). The Audit Committee operates pursuant to a charter, which can be viewed on our website at [www.clearsign.com](http://www.clearsign.com) (under Investors-Corporate Governance-Governance Documents ). The Audit Committee met four times during 2013 with all members in attendance at each meeting. The role of the Audit Committee is to:

oversee management's preparation of our financial statements and management's conduct of the accounting and financial reporting processes;

oversee management's maintenance of internal controls and procedures for financial reporting; oversee our compliance with applicable legal and regulatory requirements, including without limitation, those requirements relating to financial controls and reporting;

oversee the independent auditor's qualifications and independence; oversee the performance of the independent auditors, including the annual independent audit of our financial statements;

prepare the report required by the rules of the SEC to be included in our Proxy Statement; and discharge such duties and responsibilities as may be required of the Committee by the provisions of applicable law, rule or regulation.

**Compensation Committee**

The Compensation Committee consists of three non-employee directors, all of whom are independent as defined in section 5605(a)(2) of the NASDAQ Listing Rules. The Compensation Committee met four times during 2013 with all members in attendance at each meeting. The role of the Compensation Committee is to:

develop and recommend to the Board the annual compensation (base salary, bonus, stock options and other benefits) for our President/Chief Executive Officer;

review, approve and recommend to the Board the annual compensation (base salary, bonus and other benefits) for all of our executives;

review, approve and recommend to the Board the aggregate number of equity awards to be granted to employees below the executive level; and

ensure that a significant portion of executive compensation is reasonably related to the long-term interest of our stockholders.

A copy of the charter of the Compensation Committee is available on our website at [www.clearsign.com](http://www.clearsign.com) (under Investors-Corporate Governance-Governance Documents ).

The Compensation Committee may form and delegate a subcommittee consisting of one or more members to perform the functions of the Compensation Committee. The Compensation Committee may engage outside advisers, including outside auditors, attorneys and consultants, as it deems necessary to discharge its responsibilities. The Compensation Committee has sole authority to retain and terminate any compensation expert or consultant to be used to provide advice on compensation levels or assist in the evaluation of director, President/Chief Executive Officer or senior executive compensation, including sole authority to approve the fees of any expert or consultant and other retention terms. In addition, the Compensation Committee considers, but is not bound by, the recommendations of our Chief Executive Officer with respect to the compensation packages of our other executive officers.





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**Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee, or the Governance Committee, consists of three independent directors, as that term is defined in section 5605(a)(2) of the NASDAQ Listing Rules. The Governance Committee met three times during 2013 with all members in attendance at each meeting. The role of the Governance Committee is to:

- evaluate from time to time the appropriate size (number of members) of the Board and recommend any increase or decrease;
- determine the desired skills and attributes of members of the Board, taking into account the needs of the business and listing standards;
- establish criteria for prospective members, conduct candidate searches, interview prospective candidates, and oversee programs to introduce the candidate to us, our management, and operations;
- review planning for succession to the position of Chairman of the Board and Chief Executive Officer and other senior management positions;
  - annually recommend to the Board persons to be nominated for election as directors;