

CLEARSIGN COMBUSTION CORP  
Form DEF 14A  
March 17, 2017

# 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:

- o Preliminary Proxy Statement
- 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 §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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- x No fee required.
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1. Amount previously paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

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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 4, 2017, 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 the proposals to be considered at the Annual Meeting.

At this year's meeting, you will be asked to: (1) elect four 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, 2017; 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, 2017 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).

Please use this opportunity to take part in the affairs of the Company by voting on the business to come before this meeting. If you are a record holder of the Company's common stock on the Record Date, you are eligible to vote with respect to these matters, either personally at the meeting or by proxy. It is important that your shares be voted, whether or not you plan to attend the meeting, to ensure the presence of a quorum. We urge you to authorize your proxy in advance by following the instructions printed on it. Returning the proxy does NOT deprive you of your right to attend the meeting and vote your shares in person.

Sincerely,

/s/ Stephen E. Pirnat

Stephen E. Pirnat  
Chairman and Chief Executive Officer

Seattle, Washington  
March 20, 2017

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**ClearSign Combustion Corporation  
12870 Interurban Avenue South  
Seattle, WA 98168  
Notice of Annual Meeting of Stockholders  
to be held May 4, 2017**

To the Stockholders of ClearSign Combustion Corporation:

The 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 4, 2017. During the Annual Meeting, stockholders will be asked to:

- (1) Elect four 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, 2017; 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, 2017, you may vote at the meeting. The date of mailing this Notice of Meeting and proxy statement is on or about March 20, 2017.

By order of our Board of Directors

/s/ James N. Harmon

James N. Harmon  
Chief Financial Officer, Treasurer and Secretary

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## THE PROXY PROCEDURE

This proxy statement and the accompanying proxy card are first being mailed, on or about March 20, 2017, 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 4, 2017 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 4, 2017: The Notice of Annual Meeting, proxy statement and 2016 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 four 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, 2017; 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, 2017 (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 15,598,853 shares of common stock outstanding on February 28, 2017. From April 24, 2017 through May 4, 2017, you may inspect, at our corporate offices, a list of stockholders eligible to vote. If you would like to inspect the list, please call Brian G. Fike, our Controller, 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 Wednesday, May 3, 2017. 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 Wednesday, May 3, 2017. 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

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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 Stephen E. Pirnat, our Chairman and Chief Executive Officer, and/or Brian G. Fike, our Controller, 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.

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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 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 Stephen E. Pirnat, our Chairman and Chief Executive Officer, and/or Brian G. Fike, our Controller, 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 counted.

### **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, 2017 (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 (a Nominee), you will receive separate voting instructions from your Nominee describing how to vote your shares. The availability of Internet voting will depend on the voting process of your Nominee. Please check with your Nominee and follow the voting instructions your Nominee provides.

You should instruct your Nominee how to vote your shares. If you do not give voting instructions to the Nominee, the 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 Nominee instructions on how to vote your shares with respect to these matters, votes may not be cast on your behalf. If your 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 Brian G. Fike, our Controller, 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 telephone, 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 Nominee, you should check with your Nominee and follow the voting instructions provided by your Nominee.

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

Our Controller, Brian G. Fike, will act as the inspector of election and count the votes, with the assistance of reports provided Broadridge Shareholder Services.

## **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 with 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 articles 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, 2017, our current directors and executive officers beneficially owned approximately 9.8% of our common stock outstanding and have voting rights over 5.4% 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. 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, 2016 and has been appointed to serve as our independent registered public accounting firm for 2017. We expect that representatives of Gumbiner Savett Inc. will not 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); and  
FOR the ratification of Gumbiner Savett Inc. as our independent registered public accounting firm for the year ending December 31, 2017 (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 the directors and executive officers serving immediately prior to the Annual Meeting. Our officers are appointed by, and serve at the pleasure of, the Board.

| Name                      | Age | Position   |
|---------------------------|-----|--|
| Stephen E. Pirnat         | 65  | Chairman and Chief Executive Officer             |
| Joseph Colannino          | 60  | Senior Vice President of Engineering             |
| James N. Harmon           | 57  | Chief Financial Officer, Treasurer and Secretary |
| Donald W. Kendrick, Ph.D. | 51  | Chief Technology Officer                         |
| Andrew U. Lee             | 65  | Senior Vice President of Business Development    |
| Roberto Ruiz, Ph.D.       | 60  | Chief Operating Officer                          |
| Lon E. Bell, Ph.D.        | 76  | Director   |
| Scott P. Isaacson         | 68  | Director   |
| Jeffrey L. Ott            | 54  | 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, individually or 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

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 2017. 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, are independent within the meaning of NASDAQ Listing Rule 5605(a)(2) with the exception of Stephen E. Pirnat, who is our Chief Executive Officer and President.

### Board Meetings and Committees of our Board

The Board has three standing committees, the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee, referred to in this proxy statement as the Governance Committee . The members of these committees, Lon E. Bell, Scott P. Isaacson, and Jeffrey L. Ott, satisfy the independence standards of both Rule 10A-3(b)(1) promulgated under the Securities Exchange Act of 1934 and NASDAQ Listing Rule

5605(a)(2). Mr. Ott is the Chairman of the Audit Committee and the Board has determined that he is an audit committee financial expert, Dr. Bell is the Chairman of the Compensation Committee, and Mr. Isaacson is the Chairman of the Governance Committee. During the year ended December 31, 2016, the Board held four meetings, the Audit Committee held four meetings, the Compensation Committee held six meetings, and the Governance Committee held four meetings. Each of our directors attended all of the Board meetings and all of the 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 2016 Annual Meeting.

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### **Audit Committee**

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 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 role of the Compensation Committee is to:

review, approve and recommend to the Board our compensation and benefits policies generally and the annual compensation (base salary, bonus and other benefits) for all of our executives, including our Chief Executive Officer; administer the ClearSign Combustion Corporation 2011 Equity Incentive Plan (the 2011 Plan ) and the 2013 Consultant Stock Plan; and

annually review and make recommendations to the Board with respect to the compensation of non-employee directors, including any incentive plan compensation.

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 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, 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.

Pursuant to the terms of the 2011 Plan, the Compensation Committee may delegate to one or more officers of the Company the authority to grant awards under the Plan to participants who are not insiders of the Company. The Compensation Committee has not exercised its right to delegate this authority.

### **Nominating and Corporate Governance Committee**

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;

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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;

recommend to the Board the members of all standing Committees;

adopt or develop for Board consideration corporate governance principles and policies; and

periodically review and report to the Board on the effectiveness of corporate governance procedures and the Board as a governing body, including conducting an annual self-assessment of the Board and its standing committees.

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

## **Policy with Regard to Security Holder Proposals and Director Recommendations**

Stockholder proposals are reviewed by the Corporate Secretary's office for compliance with the requirements for such proposals set forth in our Policy Regarding Stockholder Candidates for Nomination and in Regulation 14a-8 of the Securities Exchange Act of 1934. Stockholder proposals that meet these requirements will be summarized by the Corporate Secretary's office. Summaries and copies of the stockholder proposals are circulated to the Chairman of the Governance Committee.

The Governance Committee will consider director candidates recommended by stockholders. If a director candidate is recommended by a stockholder (a Nominating Stockholder ), the Governance Committee expects to evaluate such candidate in the same manner it evaluates director candidates it identifies. A Nominating Stockholder must have continuously held at least 5% of the Company's common stock for at least three years by the date the name of the candidate is submitted, and must continue to hold the common stock through the date of the annual meeting. A Nominating Stockholder may submit one candidate for consideration at any annual meeting of stockholders. A Nominating Stockholder must submit a candidate for consideration as a director in writing to the Company's Secretary. The submission must be received by a date not later than the 120<sup>th</sup> calendar day before the anniversary of the date that the prior year's annual meeting proxy statement was released to stockholders (or if the annual meeting date has changed by more than 30 days, a reasonable time before we begin to print and mail the proxy statement) and must include the following information:

1. The name, address and number of shares of common stock owned by the Nominating Stockholder; A representation that the Nominating Stockholder meets the requirements described above and will continue to meet them through the date of the annual meeting. If the Nominating Stockholder is not a registered holder of the
2. Company's common stock, the Nominating Stockholder must provide evidence of eligibility as provided in Securities Exchange Act Rule 14a-8(b)(2). A description of all arrangements or understandings (whether written or oral) between or among the Nominating
3. Stockholder and the candidate or any other person or entity (naming such person or entity) regarding the candidate's nomination. All information regarding the candidate that the Company would be required to disclose in a proxy statement filed
4. pursuant to the rules and regulations of the Securities and Exchange Commission with respect to a meeting at which the candidate would stand for election. Confirmation that the candidate is independent under the independence requirements established by the Company,
5. Rule 10A-3(b)(1) promulgated under the Securities Exchange Act of 1934 and NASDAQ Listing Rule 5605(a)(2), or if the candidate is not independent under all such criteria, a description of the reasons why the candidate is not independent.

6. The consent of the candidate to serve as a member of the Company's board of directors, if nominated and elected.

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7. A representation signed by the candidate that if elected he or she will:
- (i) represent all stockholders of the Company in accordance with applicable laws and the Company's certificate of incorporation, bylaws and other policies;
  - (ii) comply with all rules, policies or requirements generally applicable to non-employee directors; and
  - (iii) upon request, complete and sign customary directors and officers questionnaires.
- Our Policy Regarding Stockholder Candidates for Nomination is available on our website at [www.clearsign.com](http://www.clearsign.com) (under Investors-Corporate Governance-Governance Documents ).

## **Director Qualifications and Diversity**

The Board seeks independent directors who represent a diversity of backgrounds and experiences that will enhance the quality of the Board's deliberations and decisions. Candidates should have substantial experience with one or more publicly traded companies or should have achieved a high level of distinction in their chosen fields. The Board is particularly interested in maintaining a mix that includes individuals who are active or retired executive officers and senior executives, particularly those with experience in combustion, technology, air pollution control and air emission regulation, intellectual property, start-up companies, research and development, strategic planning, business development, compensation, finance, accounting and banking.

In evaluating nominations to the Board of Directors, the Governance Committee also looks for certain personal attributes, such as integrity, ability and willingness to apply sound and independent business judgment, comprehensive understanding of a director's role in corporate governance, availability for meetings and consultation on Company matters, and the willingness to assume and carry out fiduciary responsibilities. The Governance Committee took these specifications into account in formulating and re-nominating its present Board members. The current director candidates were recommended by the Governance Committee which is comprised of the three independent directors.

## **Compensation Committee Interlocks and Insider Participation**

Throughout 2016, Lon E. Bell (Chair), Jeffrey L. Ott, and Scott P. Isaacson served on the Compensation Committee. Neither Dr. Bell, Mr. Ott, nor Mr. Isaacson has ever been an officer or employee of ours. None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board or the Compensation Committee.

## **Code of Ethics**

We adopted a Code of Business Conduct and Ethics ( Code of Ethics ) applicable to our principal executive officer and principal financial and accounting officer and any persons performing similar functions. In addition, the Code of Ethics applies to our employees, officers, directors, agents and representatives. The Code of Ethics requires, among other things, that our employees avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner, and otherwise act with integrity and in our best interest. The Code of Ethics is available on our website at [www.clearsign.com](http://www.clearsign.com) (under Investors ). We intend to satisfy the disclosure requirement regarding an amendment to, or a waiver from, a provision of our Code of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions by posting the information on our Internet website, [www.clearsign.com](http://www.clearsign.com).



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## **Risk Oversight by the Board of Directors**

It is management's responsibility to assess and manage the various risks we face. It is the Board's responsibility to oversee management in this effort, in order to ensure that risks and uncertainties that may relate to our ongoing operations and to our plans for the future are considered and managed appropriately. In exercising its oversight, the Board has allocated some areas of focus to its committees and has retained areas of focus for itself, as more fully described below.

*Full Board* Risks and exposures focused on by the full Board include strategic, financial and execution risks and other current matters that may present material risk to our operations, plans, prospects or reputation. Throughout the year the CEO discusses these risks with the Board during strategy reviews that focus on a particular business or function.

*Audit Committee* Risks and exposures focused on by the Audit Committee are those associated with financial matters, particularly financial reporting, tax, accounting, disclosure, internal control over financial reporting, financial policies, investment guidelines, risk management as a whole and credit and liquidity matters.

*Governance Committee* Risks and exposures focused on by the Governance Committee are those relating to corporate governance and management and director succession planning.

*Compensation Committee* Risks and exposures focused on by the Compensation Committee are those associated with leadership assessment and compensation programs and arrangements, including incentive plans.

## **Board Leadership Structure**

The Chairman of the Board presides at all meetings of the Board. The Chairman is appointed on an annual basis by at least a majority vote of the remaining directors. Stephen E. Pirnat, our Chief Executive Officer, is also the Chairman of the Board of Directors. The Board believes that it is currently in the best interests of the Company and its stockholders to have Mr. Pirnat serve both roles given the fact that our business is still in the development stage. As an experienced executive in the industrial burner industry, one of the Company's original independent directors, and as our current Chief Executive Officer, Mr. Pirnat has deep industry experience, insight into the Company's development and has direct involvement in its operations; therefore, he is in the best position to propose short and long term objectives for our business. This ensures that the Board of Directors focuses on important strategic objectives and understands the challenges facing the Company on a day-to-day basis. We believe that this combined role is balanced by the independence of a majority of our director nominees, who may meet in executive session at any time, which allows them to review key decisions and to discuss matters independently of Mr. Pirnat. Our Board does not have a person designated as a lead independent director.

## **Review, Approval or Ratification of Transactions with Related Persons**

The Board of Directors reviews issues involving potential conflicts of interest, and reviews and approves all related party transactions, including those required to be disclosed as a related party transaction under applicable federal securities laws. The Board has not adopted any specific procedures for conducting reviews of potential conflicts of interest and considers each transaction in light of the specific facts and circumstances presented. However, to the extent a potential related party transaction is presented to the Board, the Company expects that the Board would

become fully informed regarding the potential transaction and the interests of the related party, and would have the opportunity to deliberate outside of the presence of the related party. The Company expects that the Board would only approve a related party transaction that was in the best interests of, and fair to, the Company and our stockholders, and

further would seek to ensure that any completed related party transaction was on terms no less favorable to the Company than could be obtained in a transaction with an unaffiliated third party. Other than as disclosed in this proxy statement under the section titled "Certain Relationships and Related Transactions", there have been no transactions with related persons during the past two fiscal years through the date of this proxy statement.

## **Compliance with Section 16 of the Exchange Act**

Based solely upon a review of Forms 3, 4 and 5 furnished to the Company, the Company believes that all of its directors, officers and beneficial owners of more than 10% of our equity securities timely filed these reports, with the exceptions of Lon E. Bell, Scott P. Isaacson, and Jeffrey L. Ott. Each of these individuals failed to timely report one transaction, their receipt of common stock as payment for services provided as a director during the quarter ended September 30, 2016. The Form 4 reports were filed on October 31, 2016.

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## **PROPOSAL 1 ELECTION OF DIRECTORS**

### **Nominees for Election**

The Board of Directors is comprised of four members. Our Board, upon the recommendation of the Governance Committee, has nominated our four incumbent directors for re-election at the Annual Meeting. Each nominee has agreed, if elected, to serve until the election and qualification of his successor. If any nominee is unable to stand for election, which circumstance we do not anticipate, the Board may provide for a lesser number of directors or designate a substitute. In the latter event, shares represented by proxies may be voted for a substitute nominee.

If a quorum is present at the Annual Meeting, then nominees will be elected by a plurality of the votes cast. There is no cumulative voting in the election of directors.

The following biographical information is furnished as to each nominee for election as a director:

#### **Stephen E. Pirnat, 65, Chairman and Chief Executive Officer**

Mr. Pirnat became a director of our Company in November 2011 and was appointed as Chairman and Chief Executive Officer in February 2015. Prior to joining ClearSign, Mr. Pirnat served as the Managing Director of Europe, the Middle East and Africa for the Quest Integrity Group of Team Inc., a provider of asset integrity management and asset reliability solutions in the refinery, chemical, petrochemical, pipeline and power industries worldwide. From September 2009 until January 2015, Mr. Pirnat held the position of President & CEO of Quest Metrology Group LLC. From September 2009 to January 2014, he served as President of Quest Integrated Inc., a technology incubator and boutique private equity firm. From February 2000 to September 2009, Mr. Pirnat served as President & CEO of the John Zink Company, LLC, a wholly owned subsidiary of Koch Industries and a worldwide leader in the supply of combustion and air pollution control equipment to the energy industry. In that former capacity, Mr. Pirnat was a Board member of Quest Integrity Group. Mr. Pirnat, a long-time executive with Ingersoll-Rand and Ingersoll-Dresser Corporation, went to John Zink from a previous post as President & CEO of Pangborn Corporation, a leading supplier of surface preparation equipment and associated services to the automotive and aircraft industries. Mr. Pirnat began his career as an applications engineer with the Pump and Condenser Group of Ingersoll-Rand, where he advanced through a variety of sales, marketing, engineering, and operational positions with that company and its successor, Ingersoll-Dresser. These positions included Vice President of Ingersoll-Rand's Standard Products Division, Vice President of Marketing for Ingersoll-Dresser Pumps, President of Ingersoll-Dresser Pumps Canada Ltd., and Vice President & General Manager of Ingersoll-Rand Engineered Equipment Division. Mr. Pirnat has served as a director for AZZ incorporated (NYSE: AZZ) since July 2014 and served as a director of Profire Energy, Inc. (NASDAQ: PFIE) from January 2014 to September 2016. Mr. Pirnat holds a BSc. in Mechanical Engineering from the New Jersey Institute of Technology. Mr. Pirnat's technological expertise and business experience in the combustion and air pollution control industry led us to conclude that he should serve as a director.

#### **Lon E. Bell, Ph.D., 76, Director**

Dr. Bell became a director of our Company in November 2011. He founded Gentherm Inc., formerly known as Amerigon Inc., in 1991 and was a consultant to Gentherm from December 2010 to December 2012. Dr. Bell has served many roles at Gentherm, including Chief Technology Officer until December 2010, Director of Technology until 2000, Chairman and Chief Executive Officer until 1999, and President until 1997. Dr. Bell served as the Chief



Executive Officer and President of BSST LLC, a subsidiary of Gentherm from September 2000 to December 2010.

He served as a Director of Gentherm from 1991 to 2012. Previously, Dr. Bell co-founded Technar Incorporated, which developed and manufactured automotive components, and served as Technar's Chairman and President until selling majority ownership to TRW Inc. in 1986. Dr. Bell continued managing Technar, then known as TRW Technar, as its President until 1991. He co-founded Mahindra REVA Electric Vehicle Pvt Ltd in 1994 and serves as a Director.

Since April 2014 he has been Chairman of the External Advisory Board to the Mechanical and Civil Engineering Department at the California Institute of Technology. He has served as a director for Ideal Power Inc. (NASDAQ: IPWR) since 2012 and Clean Diesel Technologies Inc. (NASDAQ: CDTI) since 2013. Through 2012 and 2013, Dr. Bell was a director of the non-profit CALSTART and Aura Systems Inc. (OTCBB: AUSA). Dr. Bell is a

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leading expert in the mass production of vehicle sensors and thermoelectric products. He has authored more than 20 publications in the areas of thermodynamics of thermoelectric systems, automotive crash sensors, and other electronic and electromechanical devices. Five of his inventions have gone into mass production and dominated their target markets. Dr. Bell received a BSc. in Mathematics, a MSc. in Rocket Propulsion, and a Ph.D. in Mechanical Engineering from the California Institute of Technology. Dr. Bell's recognized technological expertise in the field of thermodynamics and his demonstrated ability to commercialize inventions led us to conclude that he should serve as a director.

### **Scott P. Isaacson, 68, Director**

Mr. Isaacson became a director of our Company in November 2011. He is experienced in advising and representing companies regarding a variety of corporate, business transactions, contracts and compliance matters, particularly in managing programs related to environmental and regulatory issues. He currently is a consultant on corporate risk management issues related to legal and environmental responsibilities. From 1999 to February 2016, he held various positions with CalPortland Company as a member of its executive staff including Senior Vice President-General Counsel where he managed corporate legal matters, business relations, litigation, intellectual property, acquisitions and mergers, and compliance programs for this construction materials manufacturing company with operations located in the Western United States. He also has served as a director of numerous subsidiaries of that company for several years. Mr. Isaacson is an experienced legal expert with a broad knowledge of corporate legal issues, especially in regard to environmental compliance requirements mandated by major federal environmental laws and programs as well as related state programs. He has been the principal advising attorney on environmental issues for complex, multi-program projects to include industrial air emissions, development projects, and, more recently, federal and state actions to regulate greenhouse gases. In his prior position as a partner with the Seattle law firm of Bogle and Gates, he advised business clients on environmental issues regarding compliance, land use, government contractor liability and exposure to toxic or hazardous materials as well as issues related to individual and corporate civil and criminal liability. Clients included local governments and a number of large and mid-size businesses and companies involved in manufacturing, production, and service. Previous to that, he was the Chief of the Environmental Law Division at the Department of the Army and the senior attorney responsible for advising commands throughout the United States on environmental policy and compliance issues arising from Army activities, and handled or supervised complex and significant environmental actions that were under the scrutiny of federal, state, and local regulators as well as interested private environmental organizations. Mr. Isaacson holds a BSc. from the U.S. Military Academy at West Point and a Juris Doctor from the University of Washington. He is a member of the bar for United States Supreme Court, the Supreme Court of the State of Washington, and the District of Columbia Court of Appeals. Mr. Isaacson's broad business experience and legal expertise, particularly in the field of environmental compliance, led us to conclude that he should serve as a director.

### **Jeffrey L. Ott, 54, Director**

Mr. Ott became a director of our Company in February 2015. Mr. Ott has served as President of Quest Integrity since 2006, President and Chief Executive Officer of Quest Integrity since 2014 and, since March 2016, also as President of Team-Furmanite, both subsidiaries of TEAM, Inc. (NYSE: TISI), a provider of asset integrity management and asset reliability solutions in the refinery, chemical, petrochemical, pipeline and power industries worldwide. Prior to joining Quest Integrity, Mr. Ott was a general partner at Gryphon Investors from 2001 to 2006 where he was responsible for managing the group's middle market-focused technology investment interests. From 1996 to 2001, Mr. Ott managed the west coast private equity effort and technology investments as a general partner at Deutsche Bank Capital Partners and, from 1987 to 1996, led the global convertible and equity-linked capital markets effort for Bankers Trust. He began his career as an engineer in the Operations Analysis group at Rockwell International's North American Aircraft.

Mr. Ott holds a BSc. in Engineering Management and Operations Research from Southern Methodist University and an M.B.A. from Dartmouth College. Mr. Ott's business experience in the financial and energy industries led us to conclude that he should serve as a director.

None of our director nominees is related to any other director nominee or any officer. None of our director nominees has been involved in a legal proceeding that requires disclosure pursuant to Item 401(f) of Regulation S-K promulgated under the Securities Act of 1933. None of our director nominees was selected as a result of an arrangement or understanding between him and any other person.

TABLE OF CONTENTS**Director Compensation for 2016**

The following Director Compensation Table sets forth information concerning compensation for services rendered by our independent directors for 2016. The amounts represented in the Stock Awards column reflect the stock compensation expense recorded by the Company and does not necessarily equate to the income that will ultimately be realized by the director for such awards.

**Director Summary Compensation Table**

| Name              | Fees<br>Earned or<br>Paid in<br>Cash | Stock<br>Awards <sup>(1)</sup> | Option<br>Awards | Non-Equity<br>Incentive<br>Plan<br>Compensation | Nonqualified<br>Deferred<br>Compensation<br>Earnings | All Other<br>Compensation | Total     |
|-------------------|--------------------------------------|--------------------------------|------------------|---|--|---------------------------|-----------|
| Lon E. Bell       | \$50,000                             | \$50,000                       | \$               | \$  | \$   | \$                        | \$100,000 |
| Scott P. Isaacson | 50,000                               | 50,000                         |                  |   |  |                           | 100,000   |
| Jeffrey L. Ott    | 50,000                               | 50,000                         |                  |   |  |                           | 100,000   |
|                   | \$150,000                            | \$150,000                      | \$               | \$  | \$   | \$                        | \$300,000 |

Amounts reflect restricted stock awards granted in 2016. The amounts represent the aggregate grant date fair value of the awards granted to each named director computed in accordance with stock-based accounting rules (Financial Standards Accounting Board ( FASB ) ASC Topic 718). The restricted stock awards were granted on March 9, 2016 and vested ratably at March 31, June 30, September 30, and December 31, 2016.

**Compensation of Directors**

During 2016, ClearSign's director compensation program for independent directors consisted of cash and equity-based compensation. Under provisions adopted by the Board, during 2016 each independent director received quarterly compensation of \$12,500 in cash and common stock having a value of \$12,500. The number of shares of common stock issued each quarter was calculated by using the last sale price of the Company's common stock on March 9 2016, the date of grant.

However, in 2017, each independent director's annual compensation in the amount of \$100,000 has been paid solely in common stock. The number of shares of common stock issued was calculated by using the last sale price of the common stock on February 10, 2017, the date of the grant. The common stock is subject to a right of repurchase by the Company at \$0.0001 per share through February 10, 2018 if the director terminates service or certain other designated events occur.

The equity component of the Company's director compensation program is designed to build an ownership stake in the Company while conveying an incentive to directors relative to the returns recognized by our stockholders.

Stephen Pirnat, the Company's employee director, does not receive an annual stipend for his services as a director. All directors are reimbursed for ordinary and reasonable expenses incurred in exercising their responsibilities in accordance with the Company's expense reimbursement procedure applicable to all employees of the Company.

The independent directors are not eligible to participate in the Company's employee benefit plans, including the retirement plan.

## **Vote and Recommendation**

The affirmative vote of the holders of a plurality of the shares of common stock present in person or represented by proxy and entitled to vote on the nominees will be required to approve each nominee. This means that the nominees receiving the most votes for election will be elected.

**Our Board recommends a vote FOR each of the nominees.**

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## REPORT OF THE AUDIT COMMITTEE

The following Report of the Audit Committee shall not be deemed incorporated by reference into any of our filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate it by reference therein.

The Audit Committee of the Board has:

reviewed and discussed the Company's audited financial statements for the year ended December 31, 2016 with management; discussed with the Company's independent auditors the matters required to be discussed by Auditing Standard No. 1301, *Communications with Audit Committees*, issued by the Public Company Accounting Oversight Board; and received the written disclosures and letter from the independent auditors required by the applicable requirements of the Public Accounting Oversight Board regarding the independent auditors communications with the Audit Committee concerning independence, and has discussed with the independent auditor the independent auditor's independence.

In reliance on the review and discussions referred to above, the Audit Committee recommended to the Board that the financial statements audited by Gumbiner Savett Inc. for the year ended December 31, 2016 be included in its Annual Report on Form 10-K for such fiscal year.

Audit Committee of the Board

Jeffrey L. Ott, Chair  
Scott P. Isaacson  
Lon E. Bell, Ph.D.

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# PROPOSAL 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has appointed Gumbiner Savett Inc. as our independent registered public accounting firm to audit our financial statements for the year ending December 31, 2017. Gumbiner Savett Inc. has served as our independent registered public accounting firm since 2011.

Stockholder ratification of the selection of Gumbiner Savett Inc. as our independent registered public accounting firm is not required by our bylaws or the Washington Business Corporation Act. The Board seeks such ratification as a matter of good corporate practice. Should the stockholders fail to ratify the selection of Gumbiner Savett Inc. as our independent registered public accounting firm, the Board will reconsider whether to retain that firm for the year 2017. In making its recommendation to the Board that stockholders ratify the appointment of Gumbiner Savett Inc. as our independent registered public accounting firm for the year ending December 31, 2017, the Audit Committee considered whether Gumbiner Savett Inc.'s provision of non-audit services is compatible with maintaining its independence. The Audit Committee approved the audit fees, tax fees and all other fees described below and believes such fees are compatible with the independence of Gumbiner Savett Inc.

|                    | 2016      | 2015      |
|--------------------|-----------|-----------|
| Audit Fees         | \$ 53,000 | \$ 53,000 |
| Audit Related Fees |           |           |
| Tax Fees           | 4,515     | 4,708     |
| All Other Fees     | 3,142     | 13,550    |

**Audit Fees.** Audit Fees are the aggregate fees of Gumbiner Savett Inc. attributable to professional services rendered in 2016 and 2015 for the audit of our annual financial statements and for review of financial statements included in our quarterly reports on Form 10-Q or for services that are normally provided by Gumbiner Savett Inc. in connection with statutory and regulatory filings or engagements for those fiscal years. These fees include fees billed for professional services rendered by Gumbiner Savett Inc. for the review of registration statements or services that are normally provided in connection with statutory and regulatory filings or engagements for those fiscal years.

**Tax Fees.** Tax Fees are the aggregate fees of Gumbiner Savett Inc. billed for professional services rendered to us for tax compliance, tax advice, and tax planning.

**All Other Fees.** All Other Fees are the aggregate fees of Gumbiner Savett Inc. attributable to customary agreed upon professional services in connection with our February 2015 common stock offerings and review of our 2016 and 2015 proxy statements.

## Pre-approval Policies and Procedures

The Audit Committee is required to review and approve in advance the retention of the independent auditors for the performance of all audit and lawfully permitted non-audit services and the fees for such services. The Audit Committee may delegate to one or more of its members the authority to grant pre-approvals for the performance of non-audit services, and any such Audit Committee member who pre-approves a non-audit service must report the pre-approval to the full Audit Committee at its next scheduled meeting. The required pre-approval policies and

procedures were complied with during 2016 and 2015.

## **Gumbiner Savett Inc. Representatives at Annual Meeting**

We expect that representatives of Gumbiner Savett Inc. will not be present at the Annual Meeting.

### **Vote Required and Recommendation**

The affirmative vote of the holders of shares of common stock entitled to vote must exceed the votes cast against this proposal for the proposal to be approved.

**The Board recommends that stockholders vote FOR ratification of the appointment of Gumbiner Savett Inc. as our independent registered public accounting firm for the year ending December 31, 2017 as described in this Proposal 2.**

## **EMERGING GROWTH COMPANY STATUS**

We are an emerging growth company, as defined under the Jumpstart Our Business Startups Act of 2012 (the JOBS Act), and are subject to reduced public company reporting and stockholder voting requirements, including exemption from say-on-pay . We will remain an emerging growth company until December 31, 2017, although we will lose that status sooner if our revenues exceed \$1 billion, if we issue more than \$1 billion in non-convertible debt in a three year period, or if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of any June 30. At June 30, 2016, the market value of our common stock held by non-affiliates totaled \$62 million.



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## **EXECUTIVE COMPENSATION AND RELATED INFORMATION**

The following is biographical information about our executive officers.

### **Stephen E. Pirnat, 65, Chairman and Chief Executive Officer**

Biographical information for Mr. Pirnat is set forth under PROPOSAL 1 ELECTION OF DIRECTORS Nominees for Election .

### **Joseph Colannino, 60, Senior Vice President of Engineering**

Mr. Colannino joined the Company in May 2011. Prior to joining ClearSign, from December 2006 to February 2011, Mr. Colannino was Director of Research and Development at John Zink Company, LLC, a wholly owned subsidiary of Koch Industries and a worldwide leader in the supply of combustion and air pollution control equipment to the energy industry. During that time his responsibilities were expanded to lead global R&D efforts including management of intellectual property, oversight of John Zink's testing facility and management of the John Zink Institute training students in various aspects of combustion. From November 2005 to November 2006, Mr. Colannino headed knowledge management efforts at John Zink. Mr. Colannino has more than 25 years in the combustion industry and has authored or contributed to several books including *Industrial Combustion Testing*, *The Air Pollution Control Guide*, *The John Zink Combustion Handbook* and *Modeling of Combustion Systems - A Practical Approach*. He is a registered professional engineer and has written and reviewed problems appearing on the NCEES professional engineering exam, given in all 50 states for professional engineering licensure. Mr. Colannino's areas of expertise include R&D management, combustion, pollutant formation and control, knowledge management, and statistical experimental design. Past and present memberships include the American Institute of Chemical Engineers, the American Chemical Society, the Air and Waste Management Association, the American Statistical Association and the National Association of Professional Engineers. Mr. Colannino received a BSc. from the California Polytechnic University in Pomona, and a MSc. in Knowledge Management from the University of Oklahoma.

### **James N. Harmon, 57, Chief Financial Officer, Treasurer and Secretary**

Mr. Harmon was appointed as our Chief Financial Officer in June 2011, as our Secretary in November 2011, and as our Treasurer in August 2015. Prior to joining ClearSign, Mr. Harmon was Chief Financial Officer of Sahale Snacks, Inc. from September 2010 until June 2011 where he was responsible for all financial matters including acquisition of commodities. From November 2008 to September 2010, Mr. Harmon was a financial and real estate consultant for various businesses including Sahale Snacks. From January 1992 to November 2008, Mr. Harmon held senior management positions and was Treasurer and Secretary of Sabey Corporation, a Seattle-based real estate and investment company. Mr. Harmon was Chief Financial Officer from January 1992 to August 2003 and Senior Vice President-Investments from September 2003 to November 2008. Mr. Harmon was responsible for all financial matters including transactions and financings for sizable commercial properties and both publicly and privately traded securities. Previously, Mr. Harmon was a certified public accountant with Price Waterhouse from 1982 to 1989 where he became an Audit Manager specializing in the manufacturing and retail industries. Mr. Harmon received a B.A. in Business Administration/Accounting from Washington State University.

## **Donald W. Kendrick, Ph.D., 51, Chief Technology Officer**

Dr. Kendrick joined the Company in May 2015 as our Senior Vice President of Technology and was appointed as our Chief Technology Officer in August 2016. Prior to joining ClearSign, Dr. Kendrick was Director and CTO of Lean Flame, Inc. from January 2008 to April 2015. Prior to that he was Operations Manager for United Technologies Corporation's Pratt & Whitney PulseDyne Division. He has also served as the Aerothermal Department Head of Ramgen Power Systems. Dr. Kendrick's areas of expertise include engineering research and development and product commercialization in the areas of combustion, ultra-low emissions systems, renewal energy, and gas turbines. He has been widely published and holds a number issued patents in his area of expertise. Dr. Kendrick has a B.A.Sc. degree in Mechanical Engineering from the University of British Columbia and both MSc. and Ph.D. degrees in Mechanical Engineering from the California Institute of Technology.

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## **Andrew U. Lee, 65, Senior Vice President of Business Development**

Mr. Lee was appointed as our Senior Vice President, Business Development in May 2011. Prior to joining ClearSign, Mr. Lee was Senior Vice President, Sales and Business Development for Adapx, Inc. from July 2008 to May 2011. At Adapx, Mr. Lee had overall revenue and sales support responsibility, assisted with multiple product launches, and developed OEM relationships in the medical, commercial and defense industries. From November 2006 to May 2008, Mr. Lee was Senior Vice President, Sales for Zonar Systems, Inc., a pioneer in developing web based solutions for the transportation industry with overall revenue, marketing, and business development responsibilities. From January 2006 to November 2006, Mr. Lee was a partner with Paladin Partners, an early stage business consulting firm where he specialized in advising start-up companies on go to market strategies. From June 1997 to January 2006, Mr. Lee was Senior Vice President, Sales and Marketing of Microvision, Inc., where he developed channel partners in the US, Europe and Asia. Mr. Lee has extensive experience in the aerospace, defense, retail, transportation and medical sectors and expertise in sales force leadership, and the formation of strategic alliances and contract negotiation. Mr. Lee has a B.A. in Political Science from the University of California, Berkeley.

## **Roberto Ruiz, Ph.D., 60, Chief Operating Officer**

Dr. Ruiz was appointed as our Chief Operating Officer in February 2016. Dr. Ruiz previously served as our Senior Vice President, Product Development from November 2012 after providing consulting services to the Company since June 2012. Prior to joining ClearSign, from November 2010 to May 2012, he was President and Chief Operating Officer of OnQuest, Inc., a division of Primoris Services Corporation, and a provider of engineering, procurement and construction services for fired heaters (used primarily in refinery applications), waste heat recovery units and liquid natural gas, hydrogen, ammonia and bio-fuels plants. Previously, from January 1997 to October 2010, he served in various positions and concluded as Vice President of the Process Burners Group at John Zink Company LLC, a wholly owned subsidiary of Koch Industries and a worldwide leader in the supply of combustion and air pollution control equipment to the energy industry, where he had full operating responsibility for the company's original product line. His customers included most major domestic and international oil companies and OEMs. As an executive manager, Dr. Ruiz formed and led highly successful teams of engineers, process engineers, project managers, and aftermarket sales and field service professionals. He had previously been VP Technology and Commercial Development at John Zink where he was responsible for all R&D, management of the company's intellectual property portfolio and the identification and acquisition of assets and technologies. Prior to joining John Zink in 1997, Dr. Ruiz worked with the Gas Research Institute and later with Air Liquide, where he was commercial and marketing manager in the Glass Group. Dr. Ruiz has extensive experience in industrial combustion, process design, environmental controls, fuels, gas separation, heat transfer, fluid mechanics and advanced diagnostics. Dr. Ruiz earned MSc. and Ph.D. degrees in mechanical engineering from the University of Minnesota and a BSc. in engineering with honors at the University of California, Los Angeles. He also earned an M.B.A. at the University of Chicago.

None of our executive officers is related to any of our directors or any other officer. None of our executive officers has been involved in a legal proceeding that requires disclosure pursuant to Item 401(f) of Regulation S-K promulgated under the Securities Exchange Act of 1934. None of our officers was selected as such as a result of an arrangement or understanding between him and any other person.

TABLE OF CONTENTS**Summary Compensation Table for 2016 and 2015**

The table below summarizes the total compensation paid to or earned by our Chief Executive Officer from his date of hire on February 3, 2015, our Chief Financial Officer, who served as our Interim President from December 10, 2014 to February 3, 2015, our Chief Operating Officer, our Chief Technology Officer, Senior Vice President of Business Development, and our Senior Vice President of Engineering. The amounts represented in the Option Awards column reflects the stock compensation expense recorded by the Company pursuant to ASC Topic 718 and does not necessarily equate to the income that will ultimately be realized by the named executive officers for such awards. These individuals are sometimes referred to in this report as the Named Executive Officers or NEOs .

**Summary Compensation Table**

| Name and Principal Position  | Year | Salary     | Bonus                     | Option Awards <sup>(1)</sup> | All Other Compensation <sup>(2)</sup> | Total      |
|--|------|------------|---------------------------|------------------------------|---------------------------------------|------------|
| <b>Stephen E. Pirnat</b><br>President, Chief Executive Officer, and Chairman of the Board of Directors | 2016 | \$ 350,000 | \$ 190,000 <sup>(4)</sup> | \$ 339,971                   | \$ 16,740                             | \$ 896,711 |
|  | 2015 | 335,417    | 189,000 <sup>(3)</sup>    | 523,800                      | 49,387                                | 1,097,604  |
| <b>Roberto Ruiz</b><br>Chief Operating Officer   | 2016 | 200,000    | 74,998 <sup>(4)</sup>     | 63,999                       | 24,151                                | 363,148    |
|  | 2015 | 200,000    | 95,000 <sup>(3)</sup>     | 36,896                       | 25,432                                | 357,328    |
| <b>James N. Harmon</b><br>Chief Financial Officer, Treasurer and Secretary                             | 2016 | 200,000    | 74,998 <sup>(4)</sup>     | 34,786                       | 23,477                                | 333,261    |
|  | 2015 | 200,000    | 90,000 <sup>(3)</sup>     | 26,911                       | 17,784                                | 334,695    |
| <b>Andrew U. Lee</b><br>Senior Vice President of Business Development                                  | 2016 | 200,000    | 50,000 <sup>(4)</sup>     | 57,509                       | 18,101                                | 325,610    |
|  | 2015 | 200,000    | 75,000 <sup>(3)</sup>     | 56,194                       | 29,327                                | 360,521    |
| <b>Donald W. Kendrick</b><br>Chief Technology Officer  | 2016 | 185,000    | 74,998 <sup>(4)</sup>     | 28,165                       | 26,460                                | 314,623    |
|  | 2015 | 123,333    | 46,250 <sup>(3)</sup>     | 12,387                       | 11,189                                | 193,159    |
| <b>Joseph Colannino</b><br>Senior Vice President of Engineering  | 2016 | 200,000    | 24,998 <sup>(4)</sup>     | 59,793                       | 23,551                                | 308,342    |
|  | 2015 | 200,000    | 75,000 <sup>(3)</sup>     | 57,907                       | 25,763                                | 358,670    |

The amounts included in this column are the aggregate dollar amounts of compensation expense recognized by us for financial statement reporting purposes in accordance with ASC 718, and include amounts from option awards granted during the years 2013 through 2016. For information relating to the assumptions made by us in connection with the valuation of these awards, see Notes 2 and 9 to our financial statements in our Annual Report on Form 10-K for the year ended December 31, 2016. These amounts reflect our accounting expense for these awards and do not correspond to the actual value that may be recognized by the individuals upon option exercise. See the table and discussion below titled Outstanding Equity Awards for material terms and information relating to these option awards.

Relates to (a) healthcare benefits and employer matching in a defined contribution retirement plan available to all employees, and (b) \$39,150 of relocation costs paid to Mr. Pirnat in 2015 in accordance with his employment agreement.

(3) Bonuses for 2015 were accrued in 2015 and paid in March 2016.

Bonuses for 2016 were accrued in 2016 and paid in the form of common stock awards which were granted on February 10, 2017 at the last sale price of the Company's stock of \$3.60 per share. These awards are subject to repurchase rights by the Company at \$0.0001 per share through February 10, 2018 if the employee terminates employment or certain other designated events occur.

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The following table sets forth information concerning outstanding equity awards held by our NEOs at December 31, 2016.

| Name                      | Number of Securities Underlying Unexercised Options (#) Exercisable |     | Equity Incentive Plan Awards:   |     | Option Exercise Price (\$) | Option Expiration Date |
|---------------------------|---|-----|---|-----|----------------------------|------------------------|
|                           |   |     | Number of Securities Underlying Unexercised Options (#) Unexercisable |     |                            |                        |
| <b>Stephen E. Pirnat</b>  | 3,750   | (1) | 26,250  | (1) | \$ 4.21                    | 03/31/26               |
|                           | 100,000   | (2) | 100,000   | (2) | \$ 5.21                    | 03/31/25               |
|                           | 100,000   |     |   |     | \$ 5.97                    | 02/02/25               |
| <b>Roberto Ruiz</b>       | 6,250   | (1) | 43,750  | (1) | \$ 4.21                    | 03/31/26               |
|                           | 7,500   | (3) | 12,500  | (3) | \$ 5.21                    | 03/31/25               |
|                           | 7,906   | (4) | 3,594   | (4) | \$ 9.90                    | 12/31/23               |
|                           | 28,500  | (6) | 1,500   | (6) | \$ 4.88                    | 12/31/22               |
| <b>James N. Harmon</b>    | 1,500   | (1) | 10,500  | (1) | \$ 4.21                    | 03/31/26               |
|                           | 4,500   | (3) | 7,500   | (3) | \$ 5.21                    | 03/31/25               |
|                           | 6,875   | (4) | 3,125   | (4) | \$ 9.90                    | 12/31/23               |
| <b>Andrew U. Lee</b>      | 1,500   | (1) | 10,500  | (1) | \$ 4.21                    | 03/31/26               |
|                           | 4,500   | (3) | 7,500   | (3) | \$ 5.21                    | 03/31/25               |
|                           | 14,437  | (4) | 6,563   | (4) | \$ 9.90                    | 12/31/23               |
|                           | 27,871  | (5) | 1,859   | (5) | \$ 4.88                    | 12/31/22               |
| <b>Donald W. Kendrick</b> | 78,125  |     |   |     | \$ 2.20                    | 09/30/21               |
|                           | 3,125   | (1) | 21,875  | (1) | \$ 4.21                    | 03/31/26               |
|                           | 12,500  | (7) | 12,500  |     | \$ 5.07                    | 03/31/25               |
| <b>Joseph Colannino</b>   | 1,500   | (1) | 10,500  | (1) | \$ 4.21                    | 03/31/26               |
|                           | 5,625   | (3) | 9,375   | (3) | \$ 5.21                    | 03/31/25               |
|                           | 14,437  | (4) | 6,563   | (4) | \$ 9.90                    | 12/31/23               |
|                           | 27,871  | (5) | 1,859   | (5) | \$ 4.88                    | 12/31/22               |
|                           | 65,825  |     |   |     | \$ 2.20                    | 09/30/21               |

(1) Unearned options vested at the rate of 6.25% on July 1, 2016 and continue to vest at that rate on the first day of each calendar quarter thereafter until they are fully vested on April 1, 2020. In the event of a change in control of the Company, the unvested options become fully vested. At December 31, 2016, 12.5% of these options were vested.

(2) Unearned options vested at the rate of 50% on April 1, 2016 and will vest at the rate of 50% on April 1, 2017. In the event of a change in control of the Company, the unvested options become fully vested. As of December 31, 2016, 50% of these options were vested.

(3)

Unearned options vested at the rate of 6.25% on July 1, 2015 and continue to vest at that rate on the first day of each calendar quarter thereafter until they are fully vested on April 1, 2019. In the event of a change in control of the Company, the unvested options become fully vested. At December 31, 2016, 37.5% of these options were vested.

(4) Unearned options vested at the rate of 6.25% on April 1, 2014 and continue to vest at that rate on the first day of each calendar quarter thereafter until they are fully vested on January 1, 2018. In the event of a change in control of the Company, the unvested options become fully vested. At December 31, 2016, 68.75% of these options were vested.

(5) Unearned options vested 6.25% on April 1, 2013 and continued to vest at that rate on the first day of

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each calendar quarter thereafter until they were fully vested on January 1, 2017. At December 31, 2016, 93.75% of these options were vested.

Unearned options vested at the rate of 40% on January 1, 2014 and at the rate of 5% on the first day of each (6) calendar quarter thereafter until they were fully vested on January 1, 2017. At December 31, 2016, 95% of these options were vested.

Unearned options vested at the rate of 40% on April 1, 2016 and continue to vest at the rate of 5% on the first day (7) of each calendar quarter thereafter until they are fully vested on April 1, 2019. At December 31, 2016, 50% of these options were vested.

## **Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

Effective February 3, 2015 we entered into an Employment Agreement with Stephen E. Pirnat, our Chief Executive Officer. Unless earlier terminated, the agreement will continue until December 31, 2017. Mr. Pirnat's annual salary is \$350,000 with a cost-of-living adjustment made to the annual salary at the beginning of each calendar year of the term<sup>1</sup>. The Compensation Committee may grant an annual bonus to Mr. Pirnat, which may equal up to 60% of his annual salary, based on performance standards and goals achieved by him. In conjunction with the employment of Mr. Pirnat in 2015, the Company also issued two stock option awards, pursuant to the ClearSign Combustion Corporation 2011 Equity Incentive Plan (the "Plan"), for the purchase of 100,000 shares of common stock at an exercise price of \$5.97 per share and for the purchase of 200,000 shares of the Company's common stock at an exercise price of \$5.21 per share. The term of each option is 10 years. The option for the purchase of 100,000 shares vested entirely on February 3, 2016. The option for the purchase of 200,000 shares vested 50% on April 1, 2016 and the remaining 50% will vest on April 1, 2017 (or, alternatively, the option will be immediately exercisable but the shares issuable upon exercise thereof will be subject to a Company repurchase right at the exercise price of \$0.0001 per share in the event Mr. Pirnat's employment terminates prior to April 1, 2017.)

Mr. Pirnat is entitled to receive a relocation allowance, including moving expenses in an amount not to exceed \$24,000, closing costs relating to the sale of his residence in Oklahoma in an amount not to exceed \$40,000 and six months of living expenses following his move to Seattle, Washington, which will not exceed \$6,300 per month.

Through December 31, 2016, the Company incurred \$39,150 in relocation costs for Mr. Pirnat.

Mr. Pirnat's employment may be terminated for cause, as defined in the Employment Agreement, due to his death or disability, by the election of the Company or Mr. Pirnat, or as a result of a change in control, as defined in the Employment Agreement. If the Employment Agreement is terminated as a result of Mr. Pirnat's death, disability or by his election, Mr. Pirnat will receive accrued but unpaid annual salary, the value of unused paid time off through the effective date of termination, accrued but unpaid annual bonus, if any, and business expenses incurred prior to the effective date of termination. If we terminate the agreement without cause, Mr. Pirnat will receive accrued but unpaid annual salary and the value of accrued but unused vacation pay through the effective date of the termination, accrued but unpaid annual bonus, if any, business expenses incurred prior to the effective date of termination and an amount equal to the greater of (A) his annual salary, less legal deductions, for a period of the remaining number of months in the initial term of his employment agreement, or (B) his annual salary, less legal deductions. At his expense, Mr. Pirnat would also be entitled to continue to participate in employee benefit plans for a period of 12 months following termination of his employment. Additionally, Mr. Pirnat would be entitled to immediate accelerated vesting of all unvested options granted under the Employment Agreement or, if applicable, lapse of the Company's right to repurchase common stock purchased prior to vesting. If his employment is terminated as a result of a change of control, Mr. Pirnat will receive accrued but unpaid annual salary and the value of accrued but unused vacation pay through the effective date of the termination, accrued but unpaid annual bonus less legal deductions and, if any, business expenses incurred prior to the effective date of termination and an amount equal to his annual salary.



Additionally, Mr. Pirnat would be entitled to immediate accelerated vesting of all unvested options granted under the Employment Agreement or, if applicable, lapse of the Company's right to repurchase common stock purchased prior to vesting.

<sup>1</sup> Mr. Pirnat irrevocably waived his right to a cost-of-living adjustment for 2016 and 2017.

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All of the option awards and stock awards granted to the Company's executive officers include change-in-control arrangements whereby any unvested stock options would vest or any repurchase rights for stock grants or, if exercised prior to vesting, stock options, would terminate as a result of a change in control.

# **Compensation Discussion**

## **Overview**

The Compensation Committee of the Board administers our executive compensation and benefit programs. The Compensation Committee is comprised exclusively of independent directors and oversees all compensation and benefit programs and actions that affect our executive officers.

## **Compensation Process and Role of Management**

The Compensation Committee is responsible for determining and approving all compensation for our executive officers. Pursuant to its charter, the Compensation Committee recommends to the full Board the salary, annual incentive compensation or bonus, long-term incentive compensation in the form of stock options or stock grants, and all other employment, severance and change-in-control agreements applicable to executive officers. As discussed below, our Chief Executive Officer assists the Compensation Committee in its deliberations with respect to the compensation payable to our other executive officers.

Following the end of each fiscal year, our Chief Executive Officer evaluates executive officer performance for the prior fiscal year, other than his own performance, and discusses the results of such evaluations with the Compensation Committee. The Chief Executive Officer assesses each executive officer's performance for the prior fiscal year based upon subjective factors concerning such officer's individual business goals and objectives, and the contributions made by the executive officer to our overall results. The Chief Executive Officer then makes specific recommendations to the Compensation Committee for adjustments to base salary and the grant of a target bonus and/or equity award, if appropriate, as part of the compensation package for each executive officer, other than himself, for the next fiscal year.

The Compensation Committee reviews the performance of the Chief Executive Officer and determines all compensation for the Chief Executive Officer. The Chief Executive Officer is not present at the time the Compensation Committee reviews his performance and discusses his compensation.

## **Evaluation of Compensation Practices**

In 2012 the Compensation Committee engaged Buck Consultants to evaluate our executive compensation program. The objective was to determine the equity and competitiveness of our practices with those of peer companies and relevant standards promulgated by stockholder rights organizations and other relevant stockholders. Although the study analyzed executive compensation comprehensively, there was particular focus on equity incentives for executives. The Compensation Committee integrated the results of the November 2012 study into its evaluation of executive compensation in 2016 and 2015. Buck Consultants provided no other services to us following the evaluation. The Compensation Committee is currently reviewing compensation trends to further evaluate current compensation levels.



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The following table shows information known to us about beneficial ownership of our common stock by:

each of our directors;

each of our current NEOs as well as any additional individuals identified as NEOs in the section of this report titled Executive Compensation ;

all of our directors and executive officers as a group; and

each person known by us to beneficially own 5% or more of our common stock.

Beneficial ownership and percentage ownership are determined in accordance with the rules of the SEC. Under these rules, beneficial ownership generally includes any shares as to which the individual or entity has sole or shared voting power or investment power and includes any shares that an individual or entity has the right to acquire ownership of on or before April 29, 2017, which is 60 days from the Record Date, through the exercise of any option, warrant, conversion privilege or similar right. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of our common stock that could be issued upon the exercise of outstanding options and warrants that are exercisable on or before April 29, 2017 are considered to be outstanding.

These shares, however, are not considered outstanding as of the Record Date when computing the percentage ownership of each other person.

To our knowledge, except as indicated in the footnotes to the following table and subject to state community property laws where applicable, all beneficial owners named in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them. Percentage of ownership is based on ClearSign's shares of common stock outstanding as of the Record Date.

| Name and Address of Beneficial Owner <sup>(1)</sup>         | Amount of Beneficial Ownership <sup>(2)</sup> | Percent of Class |
|---|---|------------------|
| <b><i>Directors and Officers:</i></b>                       |   |                  |
| Stephen E. Pirnat   | 418,808 <sup>(3)</sup>                        | 2.6 %            |
| James N. Harmon   | 254,034 <sup>(4)</sup>                        | 1.6 %            |
| Joseph Colannino  | 185,983 <sup>(5)</sup>                        | 1.2 %            |
| Andrew U. Lee   | 160,406 <sup>(6)</sup>                        | 1.0 %            |
| Roberto Ruiz, Ph. D.  | 95,556 <sup>(7)</sup>                         | 0.6 %            |
| Donald W. Kendrick, Ph. D.                                  | 70,083 <sup>(8)</sup>                         | 0.4 %            |
| Lon E. Bell, Ph.D.  | 278,808 <sup>(9)</sup>                        | 1.8 %            |
| Scott P. Isaacson   | 89,150 <sup>(10)</sup>                        | 0.6 %            |
| Jeffrey L. Ott  | 55,688 <sup>(11)</sup>                        | 0.4 %            |
| All Directors and Executive Officers as a Group (9 persons) | 1,608,516                                     | 9.8 %            |
| <b><i>5% Stockholders:</i></b>                              |   |                  |
| Christopher A. Marlett                                      | 1,131,651 <sup>(12)</sup>                     | 7.1 %            |
| MDB Capital Group, LLC                                      | 827,644 <sup>(13)</sup>                       | 5.2 %            |

(1) The address of each officer and director is 12870 Interurban Avenue South, Seattle, Washington 98168.

(2)

Beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, and is generally assigned to the person holding voting power and/or investment power with respect to securities. With the exception of the securities beneficially owned by our officers and directors and their affiliates, the ownership of the shares of common stock listed above were determined using public records.

Includes options to purchase 307,500 shares of common stock and warrants to purchase 8,361 shares of common stock which may be exercised on or before April 29, 2017 as well as 52,778 shares which were awarded under the (3)2011 Equity Incentive Plan and are subject to repurchase by the Company at \$0.0001 per share should Mr. Pirnat terminate employment, or upon other designated circumstances, prior to February 10, 2018. Excludes options to purchase 22,500 shares of common stock none of which will vest on or before April 29, 2017.

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- Includes options to purchase 17,125 shares of common stock and warrants to purchase 30,868 shares of common stock which may be exercised on or before April 29, 2017 as well as 20,833 shares which were awarded under the (4) 2011 Equity Incentive Plan and are subject to repurchase by the Company at \$0.0001 per share should Mr. Harmon terminate employment, or upon other designated circumstances, prior to February 10, 2018. Excludes options to purchase 16,875 shares of common stock none of which will vest on or before April 29, 2017.
- Includes options to purchase 123,117 shares of common stock and warrants to purchase 10,155 shares of common stock which may be exercised on or before April 29, 2017 as well as 6,944 shares which were awarded under the (5) 2011 Equity Incentive Plan and are subject to repurchase by the Company at \$0.0001 per share should Mr. Colannino terminate employment, or upon other designated circumstances, prior to February 10, 2018. Excludes options to purchase 20,438 shares of common stock none of which will vest on or before April 29, 2017.
- Includes options to purchase 133,917 shares of common stock and warrants to purchase 1,800 shares of common stock which may be exercised on or before April 29, 2017 as well as 13,889 shares which were awarded under the (6) 2011 Equity Incentive Plan and are subject to repurchase by the Company at \$0.0001 per share should Mr. Lee terminate employment, or upon other designated circumstances, prior to February 10, 2018. Excludes options to purchase 18,938 shares of common stock none of which will vest on or before April 29, 2017.
- Includes options to purchase 61,843 shares of common stock and warrants to purchase 1,840 shares of common stock which may be exercised on or before April 29, 2017 as well as 20,833 shares which were awarded under the (7) 2011 Equity Incentive Plan and are subject to repurchase by the Company at \$0.0001 per share should Dr. Ruiz terminate employment, or upon other designated circumstances, prior to February 10, 2018. Excludes options to purchase 49,657 shares of common stock none of which will vest on or before April 29, 2017.
- Includes options to purchase 21,250 shares of common stock and warrants to purchase 4,000 shares of common stock which may be exercised on or before April 29, 2017 as well as 20,833 shares which were awarded under the (8) 2011 Equity Incentive Plan and are subject to repurchase by the Company at \$0.0001 per share should Dr. Kendrick terminate employment, or upon other designated circumstances, prior to February 10, 2018. Excludes options to purchase 28,750 shares of common stock none of which will vest on or before April 29, 2017.
- Includes warrants to purchase 35,336 shares of common stock which may be exercised on or before April 29, 2017 as well as 27,778 shares which were awarded under the 2011 Equity Incentive Plan and are subject to repurchase (9) by the Company at \$0.0001 per share should Dr. Bell terminate his service, or upon other designated circumstances, prior to February 10, 2018.
- Includes warrants to purchase 8,242 shares of common stock which may be exercised on or before April 29, 2017 as well as 27,778 shares which were awarded under the 2011 Equity Incentive Plan and are subject to repurchase (10) by the Company at \$0.0001 per share should Mr. Isaacson terminate his service, or upon other designated circumstances, prior to February 10, 2018.
- Includes warrants to purchase 3,462 shares of common stock which may be exercised on or before April 29, 2017 as well as 27,778 shares which were awarded under the 2011 Equity Incentive Plan and are subject to repurchase (11) by the Company at \$0.0001 per share should Mr. Ott terminate his service, or upon other designated circumstances, prior to February 10, 2018.
- The address for Christopher A. Marlett is 2425 Cedar Springs Road, Dallas, Texas 75201. This amount includes 210,524 shares of common stock and warrants for the purchase of 93,483 shares of common stock owned by Mr. Marlett. This amount also includes 657,144 shares of common stock and warrants for the purchase of 170,500 (12) shares of common stock owned by MDB Capital Group LLC. Mr. Marlett is CEO of MDB Capital Group LLC and has sole voting and dispositive power with respect to its shares of common stock. This information was obtained from the most recent Schedule 13D/A filed by Mr. Marlett with the SEC on March 14, 2017.
- The address for MDB Capital Group LLC is 2425 Cedar Springs Road, Dallas, Texas 75201. This amount also includes 657,144 shares of common stock and warrants for the purchase of 170,500 shares of common stock.
- (13) Christopher A. Marlett has sole voting and dispositive power with respect to its shares of common stock. This information was obtained from the most recent Schedule 13D/A filed by Mr. Marlett with the SEC on March 14, 2017.



TABLE OF CONTENTS**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

In January 2017, the Company completed a rights offering. The following directors and officers participated in the offering on the same terms as the other investors and purchased units for \$4.00 each. Each unit consisted of one share of common stock and one warrant to purchase one share of common stock at an exercise price of \$4.00 per share:

| <i>Directors and Officers:</i>                              | <i>Units Purchased</i> |
|---|------------------------|
| Stephen E. Pirnat   | 8,361                  |
| Joseph Colannino  | 10,155                 |
| James N. Harmon   | 30,868                 |
| Donald W. Kendrick, Ph. D.                                  | 4,000                  |
| Andrew U. Lee   | 1,800                  |
| Roberto Ruiz, Ph. D.  | 1,840                  |
| Lon E. Bell, Ph.D.  | 35,336                 |
| Scott P. Isaacson   | 8,242                  |
| Jeffrey L. Ott  | 3,462                  |
| All Directors and Executive Officers as a Group (9 persons) | 104,064                |

Additionally, dealer-manager and placement agency fees of \$575,000 and legal expenses of \$60,000 were paid to or on behalf of MDB Capital Group LLC related to the rights offering. As of the Record Date and based upon the most recently available public filings, MDB is the beneficial owner of more than 5% of the Company's common stock.

On February 10, 2017, Dr. Bell and Messrs. Ott and Isaacson agreed to accept shares of our common stock, in lieu of a combination of cash and common stock, as payment for their services as directors during the 2017 calendar year. We issued to each of these directors an award of 27,778 shares of common stock from our 2011 Equity Incentive Plan (the Plan). The awards of common stock are subject to the terms of the Plan and the Stock Award Agreements entered into between us and each director. We have the right to repurchase the shares at a price of \$0.0001 per share through February 10, 2018, the first anniversary of the date of grant, if the director terminates employment or certain other designated events occur. The per share value of the common stock on the date of grant was \$3.60.

On February 10, 2017, the Compensation Committee resolved to grant bonus payments, which were paid in the form of shares of our common stock, to the following executive officers (collectively, the Executives):

| Name of Officer            | No. of Shares Granted |
|----------------------------|-----------------------|
| Stephen E. Pirnat          | 52,778                |
| James N. Harmon            | 20,833                |
| Donald W. Kendrick, Ph. D. | 20,833                |
| Roberto Ruiz, Ph. D.       | 20,833                |
| Andrew U. Lee              | 13,889                |
| Joseph Colannino           | 6,944                 |



The common stock was issued from the Plan and the awards are subject to the terms of the Plan and the Stock Award Agreements entered into between the Company and the Executives. The per share value of the common stock on the date of grant was \$3.60. We have the right to repurchase the shares at a price of \$0.0001 per share upon the termination of the Executive's employment or other circumstances designated in the award agreement. The repurchase right expires on February 10, 2018.

Please see the section of this proxy statement titled "Employment Contracts and Termination of Employment and Change-in-Control Arrangements" for information relating to the employment agreement entered into with our Chief Executive Officer.

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Other than as disclosed above, during our last two fiscal years through the date of this proxy statement, there has not been any transaction or series of similar transactions to which we were or will be a party in which the amount involved exceeded or will exceed the lesser of \$120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years and in which any of our directors, nominees for director, executive officers, holders of more than five percent of any class of our voting securities or any member of the immediate family of the foregoing persons had or will have a direct or indirect material interest.

## **REQUIREMENTS FOR ADVANCE NOTIFICATION OF NOMINATIONS AND STOCKHOLDER PROPOSALS**

Stockholder proposals submitted to us pursuant to Rule 14a-8 promulgated under the Exchange Act for inclusion in our proxy statement and form of proxy for our 2018 Annual Meeting of stockholders must be received by us no later than November 21, 2017, which is 120 calendar days before the one-year anniversary of the date on which the Company first mailed this proxy statement, and must comply with the requirements of the proxy rules promulgated by the SEC. Stockholder proposals should be addressed to our Corporate Secretary at 12870 Interurban Avenue South, Seattle, WA 98168.

Recommendations from stockholders which are received after the deadline likely will not be considered timely for consideration by the Committee for next year's Annual Meeting.

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## **OTHER MATTERS**

The Board does not intend to bring any other matters before the Annual Meeting and has no reason to believe any other matters will be presented. If other matters properly do come before the Annual Meeting, however, it is the intention of the persons named as proxy agents in the enclosed proxy card to vote on such matters as recommended by the Board, or if no recommendation is given, in their own discretion.

The Company's Annual Report on Form 10-K for the year ended December 31, 2016 is being mailed with this proxy statement to stockholders entitled to notice of the Annual Meeting. The Annual Report includes the financial statements and management's discussion and analysis of financial condition and results of operations. Copies of exhibits to the Annual Report may be obtained from us upon the payment of the reasonable expenses we incur in copying and mailing any requested exhibit. The costs of preparing, assembling, mailing and soliciting the proxies will be borne by us. Proxies may be solicited, without extra compensation, by our officers and employees by mail, telephone, facsimile, personal interviews and other methods of communication.

If you and other residents at your mailing address own shares in street name, your broker or bank may have sent you a notice that your household will receive only one copy of proxy materials for each company in which you hold shares through that broker or bank. This practice of sending only one copy of proxy materials is known as householding. If you did not respond that you did not want to participate in householding, you were deemed to have consented to the process. If the foregoing procedures apply to you, your broker has sent one copy of our proxy statement to your address. If you want to receive separate copies of the proxy materials in the future, or you are receiving multiple copies and would like to receive only one copy per household, you should contact your stockbroker, bank or other nominee record holder, or you may contact us at the address or telephone number below. In any event, if you did not receive an individual copy of this proxy statement, we will send a copy to you if you address your written request to, or call, Brian G. Fike, Controller, ClearSign Combustion Corporation, 12870 Interurban Avenue South, Seattle, WA 98168, telephone number (206) 673-4848.

Copies of the documents referred to above that appear on our website are also available upon request by any stockholder addressed to our Corporate Secretary, ClearSign Combustion Corporation, 12870 Interurban Avenue South, Seattle, WA 98168.

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