

CAPSTONE TURBINE Corp
Form DEFC14A
July 18, 2016
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

CAPSTONE TURBINE CORPORATION
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0 11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

CAPSTONE TURBINE CORPORATION

21211 Nordhoff Street

Chatsworth, California 91311

July 18, 2016

Dear Capstone Turbine Stockholder:

You are cordially invited to attend the 2016 annual meeting of stockholders (the “Annual Meeting”) of Capstone Turbine Corporation (the “Company”) to be held at the Company’s corporate offices located at 21211 Nordhoff Street, Chatsworth, California, 91311 on August 31, 2016, at 10:00 a.m., Pacific Time. We look forward to meeting you and discussing the accomplishments of the Company for the fiscal year ended March 31, 2016.

Details of the business to be conducted at the Annual Meeting are provided in the attached Notice of Annual Meeting of Stockholders and Proxy Statement.

In accordance with rules adopted by the Securities and Exchange Commission, we are mailing to our stockholders a Notice of Internet Availability instead of a paper copy of the Proxy Statement and our 2016 Annual Report to Stockholders. The Notice of Internet Availability contains instructions on how stockholders can access the documents over the Internet as well as how stockholders can receive a paper copy of our proxy materials, including the Proxy Statement, the 2016 Annual Report to Stockholders and a proxy card.

Whether or not you attend the Annual Meeting, it is important that your shares be represented and voted. Therefore, I urge you to vote by proxy as soon as possible over the Internet or by phone as instructed in the Notice of Internet Availability or, if you receive paper copies of the proxy materials by mail, you can also vote by mail by following the instructions on the proxy card. If you attend the Annual Meeting, you may withdraw your proxy and vote your shares personally.

This year’s Annual Meeting is a particularly important one, and your vote is essential. VCM Group LLC (“VCM”), a beneficial holder of 200 shares of our Common Stock, or less than 0.001% of our outstanding Common Stock,

acquired by VCM in February 2016, has notified the Company that it intends to nominate, pursuant to our bylaws, on its own proxy, nine individuals for election as directors of the Board of Directors at the Annual Meeting. The Company informed VCM that VCM's notice failed to comply with the Company's bylaws and that, as a result, VCM will not be entitled to make nominations for election to the Board of Directors at the Annual Meeting. However, at this time, we have no knowledge as to whether VCM will actually proceed with the solicitation for the election of its slate of director nominees at the Annual Meeting. You may receive solicitation materials, including proxy statements and proxy cards, from VCM seeking your proxy to vote for its slate of director nominees. We bear no responsibility for the accuracy or completeness of any solicitation materials distributed, or any statements made, by or on behalf of VCM. For additional information about VCM, please see the "Background of the Solicitation" section on page 2 of the accompanying Proxy Statement.

THE BOARD OF DIRECTORS URGES YOU NOT TO SUBMIT ANY PROXY CARD SENT TO YOU BY, OR ON BEHALF OF, VCM. THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION OF EACH OF THE BOARD OF DIRECTORS' NOMINEES.

If you already have submitted a proxy card sent to you by, or on behalf of, VCM, you can revoke that proxy by submitting a subsequent proxy over the Internet or by phone as instructed in the Notice of Internet Availability or, if you

receive paper copies of the proxy materials by mail, by completing, dating, signing and returning the enclosed white Capstone proxy card. Only the most recently dated proxy you submit will be counted. Any proxy you submit may be revoked at any time prior to its exercise at the Annual Meeting as described in the accompanying Proxy Statement.

On behalf of the Board of Directors, I would like to express our appreciation for your continued interest in the Company.

Sincerely,

Darren R. Jamison
President and Chief Executive Officer

Chatsworth, California

YOUR VOTE IS IMPORTANT

PLEASE VOTE OVER THE INTERNET OR BY TELEPHONE AS INSTRUCTED IN THESE

MATERIALS OR COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED WHITE CAPSTONE PROXY CARD AS PROMPTLY AS POSSIBLE.

CAPSTONE TURBINE CORPORATION

21211 Nordhoff Street

Chatsworth, California 91311

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held August 31, 2016

The Capstone Turbine Corporation (the “Company” or “Capstone”) 2016 annual meeting of stockholders (the “Annual Meeting”) will be held at the Company’s corporate offices located at 21211 Nordhoff Street, Chatsworth, California, 91311, on August 31, 2016, at 10:00 a.m., Pacific Time, for the following purposes:

- 1.To elect eight members to Capstone’s Board of Directors to serve until the next annual meeting or until their successors have been elected and qualified;
- 2.To hold a non binding advisory vote on executive compensation;
- 3.To ratify the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2017; and
- 4.To transact any other business that is properly brought before the Annual Meeting or any adjournments or postponements thereof.

The foregoing items of business are more fully described in the accompanying Proxy Statement. The Board of Directors has fixed the close of business on July 5, 2016 as the record date for determining stockholders entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof. Only holders of record of the Company’s Common Stock at the close of business on that date will be entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof. In the event there are not sufficient shares to be voted in favor of any of the foregoing proposals at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit further solicitation of proxies.

Whether or not you plan to attend the Annual Meeting, please vote over the Internet or by telephone as instructed in these materials or complete, sign, date and return the white Capstone proxy card promptly. The proxy is being solicited on behalf of the Board of Directors of Capstone for use at the Annual Meeting.

This year's Annual Meeting is a particularly important one, and your vote is essential. VCM Group LLC ("VCM"), a beneficial holder of 200 shares of our Common Stock, or less than 0.001%, of our outstanding Common Stock, acquired by VCM in February 2016, has notified the Company that it intends to nominate, pursuant to our bylaws, on its own proxy, nine individuals for election as directors of the Board of Directors at the Annual Meeting. The Company informed VCM that VCM's notice failed to comply with the Company's bylaws and that, as a result, VCM will not be entitled to make nominations for election to the Board of Directors at the Annual Meeting. However, at this time, we have no knowledge as to whether VCM will actually proceed with the solicitation for the election of its slate of director nominees at the Annual Meeting. You may receive solicitation materials, including proxy statements and proxy cards, from VCM seeking your proxy to vote for its slate of director nominees. We bear no responsibility for the accuracy or completeness of any solicitation materials distributed, or any statements made, by or on behalf of VCM. For additional information about VCM, please see the "Background of the Solicitation" section on page 2 of the accompanying Proxy Statement.

THE BOARD OF DIRECTORS URGES YOU NOT TO SUBMIT ANY PROXY CARD SENT TO YOU BY, OR ON BEHALF OF, VCM. THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION OF EACH OF THE BOARD OF DIRECTORS' NOMINEES.

If you already have submitted a proxy card sent to you by, or on behalf of, VCM, you can revoke that proxy by submitting a subsequent proxy over the Internet or by phone as instructed in the Notice of Internet Availability or, if you receive paper copies of the proxy materials by mail, by completing, dating, signing and returning the enclosed white Capstone proxy card. Only the most recently dated proxy you submit will be counted. Any proxy you submit may be revoked at any time prior to its exercise at the Annual Meeting as described in the accompanying Proxy Statement.

Please note that space limitations make it necessary to limit attendance at the Annual Meeting to stockholders. Registration will begin at 8:30 a.m. and the Annual Meeting will begin at 10:00 a.m. Each stockholder may be asked to present valid picture identification, such as a driver's license or passport. Stockholders holding stock in brokerage accounts will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting.

Directions to the Company's corporate offices can be obtained by contacting the Company at (818) 734 5300.

By Order of the Board of Directors,

Clarice Hovsepien
Secretary

Chatsworth, California

July 18, 2016

CAPSTONE TURBINE CORPORATION

21211 Nordhoff Street

Chatsworth, California 91311

PROXY STATEMENT

For Annual Meeting Of Stockholders

To Be Held August 31, 2016

Information About the 2016 Annual Meeting

This proxy statement (the “Proxy Statement”) is furnished in connection with the solicitation of proxies by the Board of Directors of Capstone Turbine Corporation (the “Company” or “Capstone”) from holders of issued and outstanding shares of Common Stock, par value \$.001 per share, to be voted at the 2016 annual meeting of stockholders (the “Annual Meeting”), to be held at the Company’s corporate offices located at 21211 Nordhoff Street, Chatsworth, California, 91311, on August 31, 2016, at 10:00 a.m., Pacific Time, for the purposes set forth in the accompanying notice and herein, and any adjournments or postponements thereof.

A copy of Capstone’s 2016 Annual Report to Stockholders (the “2016 Annual Report”) and the Proxy Statement and accompanying white Capstone proxy card were first mailed or made available to stockholders on or about July 18, 2016. The 2016 Annual Report includes Capstone’s audited consolidated financial statements.

The Company will provide a listen only live audio webcast of the Annual Meeting. The listen only live audio webcast will be available via the Company’s website under www.capstoneturbine.com/investor. A replay of the webcast will be available on the website following the live event for 30 days.

Voting Procedures

If you were a stockholder of record of the Company's Common Stock at the close of business on July 5, 2016, you are entitled to notice of, and to vote at, the Annual Meeting. As of the record date, 30,124,442 shares of Common Stock were outstanding.

Proxies properly executed, duly returned to us and not revoked will be voted in accordance with the instructions given. Where no instructions are given, subject to the requirements described below, such proxies will be voted: FOR the election as directors of the nominees listed in this Proxy Statement; FOR the approval of the compensation of our Named Executive Officers (as described in the "Compensation Discussion and Analysis" section of this Proxy Statement); and FOR the ratification of the selection of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2017. If any matter not described in this Proxy Statement is properly presented for action at the Annual Meeting, the persons named on the proxy card will have discretionary authority to vote on the action according to their best judgment. Each stockholder of record on July 5, 2016 is entitled to one vote for each share

of Common Stock held by such stockholder on that date. The required quorum for the transaction of business at the Annual Meeting is a majority of the shares of our Common Stock eligible to be voted on the record date.

Abstentions and broker non votes will be counted for purposes of determining the presence or absence of a quorum for the transaction of business at the Annual Meeting, and abstentions, but not broker non votes, as to particular proposals will be treated as shares entitled to vote. A broker non vote occurs when a broker holding shares for a beneficial holder does not have discretionary voting power with respect to that proposal and has not received instructions from the beneficial owner. Without your instructions, your broker or nominee is permitted to use its own discretion and vote your shares on “routine” matters (such as Proposal 3), but it is not permitted to use discretion and vote your shares on “non-routine” matters (such as Proposals 1 and 2). However, when a matter to be voted on at a meeting of stockholders is the subject of a contested solicitation, banks, brokers and other nominees do not have discretion to vote your shares on that matter. Accordingly, if VCM Group LLC (“VCM”) proceeds with the solicitation for the election of its slate of director nominees at the Annual Meeting, which potential solicitation is further described under the heading “Background of the Solicitation” below, all of the proposals described in this Proxy Statement will be deemed “non-routine” matters, and banks, brokers and other nominees will not be permitted to vote your shares on any of those proposals without your specific instructions. We urge you to give specific voting instructions to your broker on all three proposals. Broker non votes will have no direct impact on any proposal. Concerning the election of directors, you may: (a) vote for all director nominees as a group; (b) withhold authority to vote for all director nominees as a group; or (c) vote for all director nominees as a group except those nominees you identify on the appropriate line. For Proposals 2 and 3, abstentions will have the same effect as a vote against these proposals. For Proposal 1, abstentions will have no effect on the outcome of the vote.

You may revoke your proxy at any time before it is actually voted at the Annual Meeting by: (i) delivering written notice of revocation to the Secretary of Capstone at our address above; (ii) submitting a later dated proxy; or (iii) attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not, by itself, constitute revocation of the proxy.

Voting Electronically via the Internet or by Telephone

Whether you hold shares directly as the stockholder of record or through a broker, trustee or other nominee, as the beneficial owner you may direct how your shares are voted without attending the Annual Meeting. Stockholders are encouraged to vote their proxies by Internet, by telephone or by completing, signing, dating and returning a white Capstone proxy card, but not by more than one method. If you vote by Internet or telephone, you do not need to return a white Capstone proxy card. If you vote by more than one method, only the last vote that is submitted will be counted and each previous vote will be disregarded. Please refer to the instructions provided in the Notice of Internet Availability or proxy card provided to you for information on the available voting methods.

Solicitation of Proxies

We will pay the expense of soliciting proxies and the cost of preparing, assembling and mailing material in connection with the solicitation of proxies. In addition, we have retained Morrow & Co., LLC to assist in the solicitation. We will pay Morrow & Co., LLC approximately \$5,000 for their assistance in the solicitation of proxies. Our directors, officers or employees may solicit proxies by mail, e mail, telephone, facsimile or other means. These individuals will not receive any additional compensation for these efforts. Our aggregate expenses related to the solicitation (excluding the amount normally expended for a solicitation for an election of directors in the absence of a contest and costs represented by salaries and wages of regular employees and officers) are expected to be approximately \$100,000, of which approximately \$75,000 has been incurred to date.

Background of the Solicitation

On March 14, 2016, the Company received a letter from VCM, a beneficial holder of 200 shares of the Company's Common Stock, or less than 0.001%, of our outstanding Common Stock, giving notice (the "Nomination Notice") of VCM's intention to nominate nine director candidates for election to the Company's Board of Directors at the Annual Meeting. The Company believes that the Nomination Notice was deficient because it did not meet the

requirements prescribed under Article II, Section 14 of the Company's bylaws. On April 1, 2016, the Company sent to VCM a response letter to that effect. As a result, the Company does not believe that VCM is entitled to make nominations for election to the Board of Directors at the Annual Meeting. The Company has received no further communications from VCM, and, at this time, we have no knowledge as to whether VCM will actually proceed with the solicitation for the election of its slate of director nominees at the Annual Meeting. You may receive solicitation materials, including proxy statements and proxy cards, from VCM seeking your proxy to vote for its slate of director nominees. We bear no responsibility for the accuracy or completeness of any solicitation materials distributed, or any statements made, by or on behalf of VCM.

Proposals of Stockholders for the 2017 Annual Meeting of Stockholders

Stockholder proposals or nominations for directors intended to be presented at the 2017 annual meeting of stockholders (the "2017 Annual Meeting") must be in writing and received at Capstone's executive offices no later than the date listed below and must comply with Capstone's bylaws and the proxy rules of the Securities and Exchange Commission (the "SEC"). If appropriate notice of a stockholder proposal is not received at Capstone's executive offices prior to the close of business on March 20, 2017, the proposal will be deemed untimely. Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Company's bylaws, an untimely proposal will not be included in the Company's proxy statement or proxy card for the 2017 Annual Meeting and cannot be brought before the 2017 Annual Meeting by the proponent.

In addition to stockholder nominations made in accordance with the procedures described above, Capstone's Nominating and Corporate Governance Committee will consider stockholder recommendations of candidates for election to the Board of Directors if such recommendations are submitted by the date and in accordance with the policies described in the "Director Recommendation and Nomination Process" section elsewhere in this Proxy Statement.

The date of this Proxy Statement is July 18, 2016.

PROPOSAL 1

ELECTION OF DIRECTORS TO THE BOARD OF DIRECTORS

Our bylaws provide that, unless otherwise determined by the Board of Directors, the Board of Directors shall consist of eight members. Effective June 1, 2006, the Board of Directors determined to increase the size of the Board of Directors from eight members to nine members. Effective June 24, 2016, the Board of Directors determined to decrease the size of the Board of Directors from nine members to eight members. Capstone's Board of Directors currently consists of eight members, seven of whom the Company proposes for re-election at the Annual Meeting. One of the current members of the Board of Directors intends to retire at the Annual Meeting, and a non-incumbent director candidate is being proposed for election at the Annual Meeting in the retiring director's stead.

John V. Jaggars, a director since 1993, retired at the 2015 annual meeting of stockholders (the "2015 Annual Meeting"). Darrell J. Wilk, a director since 2006, intends to retire at the Annual Meeting. As a result of Mr. Jaggars' retirement, and in anticipation of Mr. Wilk's retirement, the Nominating and Corporate Governance Committee undertook a formal search process for director candidates, targeting candidates with experience, skills and other attributes relevant to the Company's strategic objectives, and engaging a third-party search firm to assist in identifying and evaluating potential candidates based on specifications established by the Nominating and Corporate Governance Committee. As a result of this search process, Paul DeWeese was identified by the third-party search firm as a potential director candidate and, following his evaluation by the Nominating and Corporate Governance Committee, was recommended by the Nominating and Corporate Governance Committee for appointment to the Board of Directors.

Each of the nominees possesses unique qualifications, skills and attributes that complement the performance of the full Board of Directors. The experiences that each has obtained from their respective professional backgrounds have qualified them to serve on Capstone's Board of Directors. Each of the nominees has been evaluated and recommended for nomination to the Board of Directors by the Nominating and Corporate Governance Committee.

The proxies cannot vote for a greater number of persons than the number of nominees named. If any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee designated by the present Board of Directors to fill the vacancy. The Company does not expect that any nominee will be unable or decline to serve as a director. The term of office of each person elected as a director will continue until the next annual meeting of stockholders or until the director's successor has been elected and qualified, or the earlier of the director's resignation or removal. The table and text below set forth information about each nominee as of July 5, 2016.

Nominees	Age	Director Since
Gary D. Simon(1)	67	2005
Richard K. Atkinson	65	2005
Paul DeWeese	49	—
Darren R. Jamison	50	2006

Noam Lotan	64	2005
Gary J. Mayo	62	2007
Eliot G. Protsch	63	2002
Holly A. Van Deursen	57	2007

(1) Chairman of the Board of Directors.

Gary D. Simon. Mr. Simon has been a director since August 2005 and has served as Chairman of the Board of Directors since August 2010. Mr. Simon has served as the President of Sigma Energy Group, a clean energy investment and business development firm, since October 2003. He has also served as the Chairman of CleanStart, a business accelerator associated with the nonprofit Sacramento Regional Technology Alliance, since October 2005. Since 2003 he has served on the Board of Directors of SmartPower, a non profit green energy marketing organization, and as Chairman since 2011. Previously, Mr. Simon served as the Chairman, President and Chief Executive Officer of Acumentrics Corporation (“Acumentrics”), a privately held manufacturer of innovative power supply equipment. He continued to serve as a member of the Acumentrics board of directors and then was reappointed Chief Executive Officer in April 2014. Since July 2006, Mr. Simon has been a limited partner in Velocity Venture Capital and a director of Jadoo

Power, a privately held manufacturer of small (less than 1,000 watt) portable power generators and solar hot water heaters. Since January 2014, he has been a director of Oorja Fuel Cells, a privately held manufacturer of small (less than 5,000 watt) portable methanol fueled power generators. Mr. Simon has served as a consultant to several start up businesses involved with clean energy technologies and as an advisor to the Connecticut and Massachusetts clean energy funds. Mr. Simon has served as Senior Vice President, Strategy and Development at Northeast Utilities (NYSE: NU) and as a member of the Board of Directors of Northeast Optic Network, a public company that operated a high speed fiber optic network from Boston to Washington, D.C. Mr. Simon holds a Bachelor of Arts degree in Microbiology from Indiana University and a Master of Science degree in Ecology from the University of California, Davis.

Mr. Simon brings to the Board of Directors substantial executive and governance experience along with expertise in marketing, sales, management consulting and raising capital in both public and private markets. Mr. Simon also assists the Board of Directors in the areas of strategy and corporate governance.

Richard K. Atkinson. Mr. Atkinson has been a director since December 2005. Mr. Atkinson served as Chief Financial Officer of Gradient Resources, a company engaged in the exploration and development of geothermal resources as well as the construction, ownership and operation of geothermal power plants, from May 2010 through March 2014. Mr. Atkinson was formerly Senior Vice President and Chief Financial Officer of US BioEnergy Corporation (Nasdaq: USBE), a company that built and operated large, efficient ethanol plants. He previously served in the positions of Vice President, Chief Financial Officer and Corporate Secretary of Pope & Talbot, a wood and pulp products business. Before joining Pope & Talbot, Mr. Atkinson worked for Sierra Pacific Resources as its Vice President and Chief Financial Officer. Mr. Atkinson received his Bachelor of Science degree from the University of Oregon and his Master of Business Administration degree from the University of Nevada, Reno.

Among his other skills and expertise, Mr. Atkinson's financial expertise, decades of experience in corporate governance and ongoing executive experience aid the Board of Directors in matters of finance, accounting and risk management.

Paul DeWeese. Mr. DeWeese is the Chief Executive Officer of Epic Industrial Solutions, LLC, a company that provides parts and services for industrial engines and compressors in the oil and gas and industrial markets. He has held this position since May 2015. Prior to Epic Industrial Solutions, Mr. DeWeese served as Chief Executive Officer of Southwest Oilfield Products, Inc., an aftermarket supplier for drilling rigs in the upstream oil and gas industry, from May 2012 through April 2015. Before joining Southwest Oilfield Products, Mr. DeWeese worked for Socotherm S.p.a., a pipe coating company based in Italy as its Chief Executive Officer. Prior to Socotherm, Mr. DeWeese served as President of CRC-Evans Automatic Welding, a world leader in welding systems for onshore and offshore pipeline construction projects, providing an extensive range of equipment for a variety of project applications. Mr. DeWeese spent 13 years with Cameron International Corporation in various leadership roles handling their centrifugal co