

CAPSTONE TURBINE Corp  
Form DEF 14A  
July 13, 2018  
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.

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

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

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(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

CAPSTONE TURBINE CORPORATION

16640 Stagg Street

Van Nuys, California 91406

July 13, 2018

Dear Capstone Turbine Stockholder:

You are cordially invited to attend the 2018 annual meeting of stockholders (the “Annual Meeting”) of Capstone Turbine Corporation (the “Company”) to be held at the offices of Goodwin Procter LLP, 601 South Figueroa Street, 41st Floor, Los Angeles, CA 90017, on August 30, 2018, at 11:00 a.m., pacific daylight savings time.

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 2018 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 2018 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.

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

Van Nuys, 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.

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CAPSTONE TURBINE CORPORATION

16640 Stagg Street

Van Nuys, California 91406

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held August 30, 2018

The Capstone Turbine Corporation (the “Company” or “Capstone”) 2018 annual meeting of stockholders (the “Annual Meeting”) will be held at the offices of Goodwin Procter LLP, 601 South Figueroa Street, 41st Floor, Los Angeles, CA 90017, on August 30, 2018, at 11:00 a.m., pacific daylight savings time, for the following purposes:

- 1.To elect seven 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 approve an amendment to increase the number of shares available under the Capstone Turbine Corporation 2017 Equity Incentive Plan by 3,000,000;
- 3.To hold a non binding advisory vote on the compensation of our named executive officers;
- 4.To ratify the selection of Marcum LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2019; and
- 5.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 3, 2018 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.

Please note that space limitations make it necessary to limit attendance at the Annual Meeting to stockholders. Registration will begin at 10:30 a.m. and the Annual Meeting will begin at 11:00 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.

By Order of the Board of Directors,

Jayne Brooks  
Secretary

Van Nuys, California

July 13, 2018

CAPSTONE TURBINE CORPORATION

16640 Stagg Street

Van Nuys, California 91406

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PROXY STATEMENT

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For Annual Meeting Of Stockholders

To Be Held August 30, 2018

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND PROXY MATERIALS

Who is soliciting my vote?

The Board of Directors of the Company is soliciting your vote for the 2018 Annual Meeting of Stockholders.

When is the 2018 Annual Meeting and how do I attend?

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 2018 annual meeting of stockholders (the “Annual Meeting”), to be held at the offices of Goodwin Procter LLP, 601 South Figueroa Street, 41st Floor, Los Angeles, CA 90017, on August 30, 2018, at 11:00 a.m., pacific daylight savings time, for the purposes set forth in the accompanying notice and herein, and any adjournments or postponements thereof.

How can I obtain the proxy materials?

A copy of Capstone's 2018 Annual Report to Stockholders (the "2018 Annual Report") and the Proxy Statement and accompanying proxy card were first mailed or made available to stockholders on or about July 13, 2018. The 2018 Annual Report includes Capstone's audited consolidated financial statements.

Why did I receive a one-page notice in the mail regarding the internet availability of proxy materials instead of a full set of proxy materials?

Pursuant to rules adopted by the Securities and Exchange Commission ("SEC"), the Company has elected to provide access to its proxy materials via the Internet. Accordingly, the Company is sending a Notice of Internet Availability of Proxy Materials ("Notice") to its stockholders. All stockholders will be able to access the proxy materials on the website referred to in the Notice or request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice. In addition, stockholders may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. The Company encourages stockholders to take advantage of the availability of the proxy materials on the Internet to help reduce the cost of printing and mailing documents to you and reduce the environmental impact of its annual meetings.



How can I obtain electronic access to the proxy materials?

The Notice will provide you with instructions regarding how to:

- View on the Internet the Company's proxy materials for the Annual Meeting; and
- Instruct the Company to send future proxy materials to you by email.

The Company's proxy materials also are available on its investor relations website at <http://ir.capstoneturbine.com/investor-kit> for "Investor Kit."

Choosing to receive future proxy materials by email will save the Company the cost of printing and mailing documents to you and will reduce the impact of the Company's annual meetings on the environment. If you choose to receive future proxy materials by email, you will receive an email message next year with instructions containing a link to those materials and a link to the proxy voting website. Your election to receive proxy materials by email will remain in effect until you terminate it.

How many votes can be cast by all stockholders?

If you were a stockholder of record of the Company's Common Stock at the close of business on July 3, 2018, you are entitled to notice of, and to vote at, the Annual Meeting. As of the record date, 64,192,797 shares of Common Stock were outstanding. Each stockholder of record on July 3, 2018, is entitled to one vote for each share of Common Stock held by such stockholder on that date.

How is the quorum reached?

The required quorum for the transaction of business at the Annual Meeting is holders of a majority of the shares entitled to vote at any meeting of stockholders, present in person or represented by proxy, as of 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 Proposal 4, but it is not permitted to use discretion and vote your shares on other matters (such as Proposals 1, 2 and 3). We urge you to give voting instructions to your broker on all four proposals. 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, 3 and 4, 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.

What if I return, but do not provide instructions, for my proxy?

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 of the seven members to Capstone's Board of Directors listed in this Proxy Statement to serve until the next annual meeting or until their successors have been elected and qualified; FOR the approval of the amendment to the Capstone Turbine Corporation 2017 Equity Incentive Plan; FOR the approval of the non-binding, advisory vote on the compensation of our named executive officers; and FOR the ratification of the selection of Marcum LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2019. 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 3, 2018 is entitled to one vote for each share of Common Stock held by such stockholder on that date.

Can I change my 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.

## How do I vote my shares?

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 the Internet, by telephone or by completing, signing, dating and returning a proxy card, but not by more than one method. If you vote by Internet or telephone, you do not need to return a 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.

## Who pays for the cost of soliciting 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 engaged The Proxy Advisory Group, LLC, to assist in the solicitation of proxies and provide related advice and informational support, for a services fee, plus customary disbursements, which are not expected to exceed \$10,000 in total. 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.

## What is the deadline to propose actions for consideration or to nominate individuals to serve as directors at the 2019 Annual Meeting?

Stockholder proposals or nominations for directors intended to be presented at the 2019 annual meeting of stockholders (the “2019 Annual Meeting”) must be in writing and received at Capstone’s principal executive offices no later than the close of business on March 15, 2019, and must comply with Capstone’s bylaws, the policy of the Company’s Nominating and Corporate Governance Committee (as more fully described in the “Director Recommendation and Nomination Process” section elsewhere in this Proxy Statement), and the proxy rules of the Securities and Exchange Commission (the “SEC”). If appropriate notice of a stockholder proposal is received at Capstone’s principal executive offices after the close of business 5:00 pm, pacific standard time on March 15, 2019, 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 2019 Annual Meeting and cannot be brought before the 2019 Annual Meeting by the proponent. If the date of our annual meeting is moved by more than 30 days from the date of the previous year’s annual meeting, then notice must be received within a reasonable time before we begin to print and send proxy materials. If that happens, we will publicly announce the deadline for submitting a proposal in a press release or in a document filed with the SEC. Nothing in this paragraph shall be deemed to require us to include in our proxy statement and proxy card for such meeting any stockholder proposal which does not meet the requirements of the SEC in effect at the time. Any such proposal will be subject to Rule 14a-8 of the Exchange Act.

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 13, 2018.

## PROPOSAL 1

### ELECTION OF DIRECTORS TO THE BOARD OF DIRECTORS

#### Introduction

At the Annual Meeting, seven Directors will be elected, each to serve until the Annual Meeting of Stockholders in 2019 and until such Director's successor is duly elected and qualified or until such Director's earlier resignation or removal. Upon the recommendation of the Nominating and Corporate Governance Committee, the Board of Directors has nominated Holly A. Van Deursen, Paul DeWeese, Robert C. Flexon, Gary J. Mayo, Yon Y. Jorden, Noam Lotan and Darren R. Jamison for re-election as Directors. Shares represented by each properly executed proxy will be voted for the re-election of Holly A. Van Deursen, Paul DeWeese, Robert C. Flexon, Gary J. Mayo, Yon Y. Jorden, Noam Lotan and Darren R. Jamison as Directors, unless contrary instructions are set forth on such proxy. Proxies cannot be voted for a greater number of individuals than the number of nominees. Each nominee has agreed to stand for re-election and to serve, if elected, as a Director. However, if any nominee fails to stand for re-election or is unable to accept election, the proxies will be voted for the election of such other person as the Board of Directors may recommend.

#### Information About Our Directors

The number of Directors of the Company is presently fixed at eight (8) and the Board of Directors currently consists of eight (8) members. Eliot Protsch has informed the Board of Directors that he will not stand for re-election and will retire from the Board of Directors upon the expiration of his current term at the Annual Meeting at which time the number of Directors will be fixed at seven (7). You cannot vote for more directors than the seven (7) nominees named herein.

The Board of Directors has nominated Holly A. Van Deursen, Paul DeWeese, Robert C. Flexon, Gary J. Mayo, Yon Y. Jorden, Noam Lotan and Darren R. Jamison for re-election as Directors. The Board of Directors has determined that Ms. Van Deursen, Mr. DeWeese, Mr. Mayo, Mr. Flexon, Ms. Jorden and Mr. Lotan are independent Directors as defined in Rule 5605(a)(2) under the Marketplace Rules of the National Association of Securities Dealers, Inc. (the "NASDAQ Rules").

The positions of Chief Executive Officer and Chair of the Board are currently each filled by a different individual, Mr. Jamison and Ms. Van Deursen, respectively. If the position of Chair of the Board is vacant, or if he or she is absent, the Chief Executive Officer presides, when present, at meetings of stockholders. Ms. Van Deursen has extensive experience with and knowledge of the energy and chemical industries, unique perspective on the Asian and European markets and substantial experience in strategic and annual planning, corporate governance and risk management. Furthermore, our Board believes that Ms. Van Deursen's qualifications to be our chairperson include her diverse experience on other boards of both public and private companies.

Additionally, the structure of our Board of Directors also consists of the Compensation, Audit and Nominating and Corporate Governance Committees. Mr. Mayo, Ms. Jorden, and Mr. DeWeese will each serve as Committee Chairs, respectively. Mr. Mayo brings to the Board of Directors more than two decades of expertise in strategic planning and the development of complex corporate initiatives along with extensive experience in sustainability and environmental issues, as well as distributed power generation, sales, marketing, operations management and government affairs. Ms. Jorden brings to the Board of Directors decades of extensive experience as both a chief financial officer and a board member in all areas of corporate governance and finance including mergers and acquisitions, IPOs, restructurings, and public debt and equity offerings. Mr. DeWeese brings to the Board of Directors over 20 years in the oil and gas field services industry as a senior executive with vast experience running both public and private equity backed companies which were domestic and internationally headquartered.

With the above background and experience, the Chair of the Board, Chairs of the committees, as well the remaining members of the Board of Directors, each have relevant experience and background to provide leadership and guidance to the Company and the Company's management. Specifically, the members of the Board of Directors have relevant leadership, technology, finance, industry and market experience necessary for the Company and provide for a leadership structure that is appropriate for the Company.

Set forth below is certain information regarding the Directors of the Company, including the Directors who have been nominated for re-election at the Annual Meeting. The ages of and biographical information regarding the

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nominees for re-election and each Director who is not standing for election is based on information furnished to the Company by each nominee and Director and is as of July 3, 2018.

Directors	Age	Director Since	Audit Committee		Compensation Committee		Nominating and Corporate Governance Committee	
			Proposed	Current	Proposed	Current	Proposed	Current
Holly A. Van Deursen(1)	59	2007				X		
Paul DeWeese	51	2016					X	X
Robert C. Flexon	59	2018	X		X			
Darren R. Jamison	52	2006						
Yon Y. Jorden	63	2017	X	X	X	X		
Noam Lotan	66	2005	X	X			X	
Gary J. Mayo	64	2007			X	X	X	X
Eliot G. Protsch(2)	65	2002		X				X

(1) Chair of the Board.

(2) Eliot Protsch will not stand for re-election.

The principal occupation and business experience for at least the last five years for each Director of the Company is set forth below. The biographies of each of the Directors below contains information regarding the person's service as a director, business experience, director positions held currently or at any time during the last five years, information regarding the experiences, qualifications, attributes or skills that caused the Nominating and Corporate Governance Committee and the Board of Directors to determine that the person should serve as a Director.

Holly A. Van Deursen. Ms. Van Deursen has been a director since October 2007 and has served as Chair of the Board since August 2016. Ms. Van Deursen has served as a director for Actuant Corporation (NYSE: ATU) since 2008, Bemis Company, Inc. (NYSE: BMS) since 2008, Anson Industries (private) since 2006 and Petroleum Geo Services (OSE: PGS) since 2006. Prior to her current roles, Ms. Van Deursen was employed by BP plc/Amoco Corporation from 1989 through 2005 and served on the Top Forty Executive Team as Group Vice President, Petrochemicals and Group Vice President, Strategy from 1999. Ms. Van Deursen received her Bachelor of Science degree in Chemical Engineering from the University of Kansas and her Master of Business Administration degree from the University of Michigan.

Among her other skills and expertise, Ms. Van Deursen brings to the Board of Directors decades of experience in the energy and chemical industries, a unique perspective on the Asian and European markets and substantial experience in strategic and annual planning, corporate governance and risk management. In addition, her diverse experience on other boards of both public and private companies is of significant benefit to the Company.

Paul DeWeese. Mr. DeWeese has been a director since August 2016. Mr. DeWeese was the Chief Executive Officer of Epic International, LLC, a company that provides parts and services for industrial engines and compressors in the oil and gas and industrial markets. He held this position from May 2015 to June 2018. Prior to Epic International, 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 publicly traded pipe coating company based in Italy as its Chief Executive Officer. Socotherm S.p.a was subsequently acquired by ShawCor after Mr. DeWeese's employment. 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 compressor and reciprocating compressor aftermarket business. Mr. DeWeese received his Bachelor of Science in Business Administration degree from Regis University, and his Master of Business Administration degree from the University of Michigan.

Among his other skills and expertise, Mr. DeWeese brings to the Board of Directors over 20 years in the oil and gas field services industry as a senior executive with vast experience running both public and private equity backed companies which were domestic and internationally headquartered.



Robert C. Flexon. Mr. Flexon has been a director since April 2018. Mr. Flexon has served as a director for Charah Solutions, Inc. (NYSE: CHRA) since June 2018. Mr. Flexon was President and Chief Executive Officer and Director of Dynegy Inc. (NYSE: DYN), a power generating company that owns and operates a number of natural gas-fueled or coal-fueled power stations in the U.S. from June 2011 to April 2018. Certain subsidiaries of Dynegy filed for bankruptcy in November 2011 under Chapter 11 of the U.S. Bankruptcy Code. Prior to joining Dynegy, Mr. Flexon served as the Chief Financial Officer of UGI Corporation (NYSE: UGI), a distributor and marketer of energy products and related services from February 2011 to July 2011. Mr. Flexon was the Chief Executive Officer of Foster Wheeler AG (NASDAQ: FWLT) from June to October 2010 and the President and Chief Executive Officer of Foster Wheeler USA from November 2009 to May 2010. Prior to joining Foster Wheeler, Mr. Flexon was Executive Vice President and Chief Financial Officer of NRG Energy, Inc. (NYSE: NRG) from February to November 2009. Mr. Flexon previously served as Executive Vice President and Chief Operating Officer of NRG Energy from March 2008 to February 2009 and as its Executive Vice President and Chief Financial Officer from 2004 to 2008. Prior to joining NRG Energy, Mr. Flexon held executive positions with Hercules, Inc. and various key positions, including General Auditor, with Atlantic Richfield Company. Mr. Flexon served on the public board of directors of Foster Wheeler from 2006 until 2009 and from May to October 2010 and is currently serving on the Boards of Westmoreland Coal Company and Genesys Works-Houston, an organization that transforms the lives of disadvantaged high school students through meaningful work experience. He also served on the board of directors of Baker Ripley, a Texas non-profit organization that connects low income people to opportunities, from 2014 to 2016. Mr. Flexon holds a Bachelor of Science degree in Accounting from Villanova University. He became a Certified Public Accountant (inactive) in the State of Pennsylvania.

Among his other skills and expertise, Mr. Flexon brings to the Board of Directors over a decade of experience in accounting and financial matters and has a breadth of executive management experience. In his years as an energy industry executive, he has developed a deep comprehension of wholesale power generation markets and customers.

Darren R. Jamison. Mr. Jamison joined Capstone in December 2006 as President and Chief Executive Officer and has been a director since December 2006. He also served as a director for Endurance Wind Power, a privately held Canadian-headquartered wind turbine manufacturer, from December 2015 to October 2016. Mr. Jamison joined Capstone from Northern Power Systems, Inc., a company that designs, manufactures and sells wind turbines into the global marketplace, where he served as President and Chief Operating Officer and Executive Vice President of Operations. Prior to joining Northern Power Systems, Inc., Mr. Jamison was Vice President and General Manager of Distributed Energy Solutions for Stewart & Stevenson Services, Inc., a leading designer, manufacturer and marketer of specialized engine driven power generation equipment to the oil and gas, renewable and energy efficiency markets. He holds a Bachelor of Arts degree in Business Administration and Finance from Seattle University.

Among his other skills and expertise, Mr. Jamison brings to the Board of Directors his unique perspective as President and Chief Executive Officer of the Company and substantial executive and industry experience within the Company's major market verticals.

Yon Y. Jorden. Ms. Jorden has been a director since April 2017. Ms. Jorden also currently serves as a director and finance committee member of Methodist Health System, a not for profit Texas-based hospital system since 2008. Prior to her current roles, Ms. Jorden also served as director, chairperson of the compensation committee and a member of the audit committee and the governance and nominating committee the latter of which she has previously

served on as chairperson for Maxwell Technologies (NASDAQ: MXWL), a leader in development and manufacturing of energy storage and power delivery solutions from 2008 to 2017. In addition, she also served as director and chairperson of the audit committee of Magnatek, Inc., (NASDAQ: MAG) manufacturer of digital power control systems, U.S. Oncology, a privately-held oncology services company, and BioScrip, (NASDAQ: BIOS) national provider of infusion and home care management solutions. During a business career spanning more than 25 years, she has served as chief financial officer of four publicly traded companies, most recently as Executive Vice President and Chief Financial Officer of AdvancePCS (NASDAQ: ADVP), a pharmacy benefits management company from 2002 to 2004. Previously she was chief financial officer of Informix, a NASDAQ-listed technology company, Oxford Health Plans, a NASDAQ-listed provider of managed health care services, and WellPoint, Inc., a NYSE-listed managed care company. Ms. Jorden received her Bachelor of Science degree in Accounting from the California State University, Los Angeles. Earlier in her career, she was a senior auditor with Arthur Andersen & Co., where she became a Certified Public Accountant (inactive) in the State of California.

Among her other skills and expertise, Ms. Jorden brings to the Board of Directors decades of extensive experience as both a chief financial officer as well as a board member in all areas of corporate governance and finance

including mergers and acquisitions, structuring IPOs, restructurings, and managing public debt and equity offerings. Ms. Jorden is a board leadership fellow of the National Association of Corporate Directors, demonstrating her commitment and leadership as a board member.

Noam Lotan. Mr. Lotan has been a director since June 2005. Mr. Lotan was formerly a Venture Partner with OurCrowd Management Ltd from July 2016 to February 2017. OurCrowd is one of the world's leading accredited investors-only crowdfunding platforms. From November 2010 to December 2015, Mr. Lotan was President, Chief Executive Officer and a Director of Resonate Industries, a development stage company in the clean energy sector. Prior to Resonate, Mr. Lotan served as Chief Executive Officer and a director of MRV Communications, Inc. (NASDAQ: MRVC), a global supplier of optical communications solutions to the telecommunications industry. Mr. Lotan also served as President and Chief Financial Officer of MRV. Mr. Lotan served as a Director of the European Operations of Fibronics International Inc., a manufacturer of fiber optic communication networks (NASDAQ: FBRX) and as Managing Director of Fibronics (UK) Ltd., the United Kingdom subsidiary of Fibronics. Prior to such time, Mr. Lotan held a variety of sales and marketing positions with Fibronics and the Hewlett Packard Company. Mr. Lotan served as an officer in the Israeli Defense Forces. Mr. Lotan holds a Bachelor of Science degree in Electrical Engineering from Technion, the Israel Institute of Technology, and a Master's of Business Administration degree from INSEAD (the European Institute of Business Administration, Fontainebleau, France).

Among his other skills and expertise, Mr. Lotan brings to the Board of Directors decades of executive experience with a publicly traded technology company and a unique perspective on the Asian and European markets.

Gary J. Mayo. Mr. Mayo has been a director since October 2007. Mr. Mayo was a Founding Director and Chief Operating Officer of Education Resource Strategies, Inc., a privately held education marketing services company from November 2010 to December 2017. Mr. Mayo is also the former Managing Principal of Sustainability Excellence Associates, LLC, a consulting firm specializing in strategic planning for sustainability and environmental strategy development. Mr. Mayo was Vice President of Corporate Sustainability Strategies from November 2006 to October 2008, in the Energy and Environmental Services Division of MGM Resorts International (NYSE: MGM), one of the world's leading global hospitality companies. Prior to that Mr. Mayo held several senior leadership positions with Ford Motor Company (NYSE:F) and its spun off subsidiary Visteon Corporation (NYSE: VC), including Director of the Distributed Power Generation Strategic Business Unit and Global Director of Corporate Responsibility and Government Affairs. Mr. Mayo filed for personal bankruptcy under Chapter 7 of the U.S. Bankruptcy Code in September 2010. A Bankruptcy Discharge Order was entered on January 25, 2011. Mr. Mayo holds a Bachelor of Science degree in Marketing from C.W. Post College of Long Island University and a Master of Business Administration degree from the Fuqua School of Business at Duke University. He also completed the UCLA Anderson Graduate School of Management, Director Education and Certification Program in May 2009.

Among his other skills and expertise, Mr. Mayo brings to the Board of Directors several decades of expertise in strategic analysis, planning and development along with extensive experience in sustainability and environmental issues, distributed power generation, sales and marketing, operations management and government affairs.

No other director or officer has been involved in any legal proceedings required to be disclosed under Item 401(f) of Regulation SK.

#### Vote Required

A quorum being present, Directors shall be elected by a plurality of the votes cast (meaning that the seven Director nominees who receive the highest number of shares voted “FOR” their election are elected). You may vote “FOR” all nominees, “WITHHOLD” for all nominees, or “WITHHOLD” for any nominee(s) by specifying the name of the nominee(s) on your proxy card. Votes that are withheld will be excluded entirely from the vote and will have no effect on the vote. Broker non-votes will also have no effect on the outcome of the election of directors.

#### Recommendation

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE “FOR” THE ELECTION OF EACH OF THE NOMINEES OF THE BOARD OF DIRECTORS AS A DIRECTOR OF THE COMPANY.

## GOVERNANCE OF THE COMPANY AND PRACTICES OF THE BOARD OF DIRECTORS

### Board of Directors; Leadership Structure

The Board of Directors met ten (10) times during the fiscal year ended March 31, 2018 (the “2018 Fiscal Year”). The Board of Directors has established an Audit Committee (the “Audit Committee”), a Compensation Committee (the “Compensation Committee”), and a Nominating and Corporate Governance Committee (the “Nominating and Corporate Governance Committee”). During Fiscal 2018, each director attended at least 75% of the aggregate of (1) the total number of meetings of the Board of Directors of the Company (held during the period for which he or she has been a director) and (2) the total number of meetings of all committees of the Board of Directors of the Company on which the director served (during the periods that he or she served). The Company strongly encourages each member of the Board of Directors to attend each annual meeting of stockholders. All of the directors serving on the Board of Directors at the time attended the 2017 Annual Meeting. The Company’s independent directors met in executive session, without members of the Company’s management present, at all of the in-person meetings of the Board of Directors in Fiscal 2018.

The Board of Directors is committed to having a sound governance structure that promotes the best interests of all of the Company’s stockholders. To that end, the Board of Directors has evaluated and actively continues to examine emerging corporate governance trends and best practices. Stockholder perspectives play an important role in that process. The level of importance afforded to stockholder perspectives by the Board of Directors is evident upon a closer review of the Board of Directors’ governance structure. Some key points regarding that structure are as follows:

- The Board of Directors is predominantly independent. Of our eight directors, only one (our President and Chief Executive Officer) is an employee of the Company. Further, the Board of Directors has affirmatively determined that seven of our eight directors are independent under SEC and NASDAQ corporate governance rules, as applicable.
- All members of the Board of Directors are elected annually to one year terms.
- Our board committees are comprised exclusively of independent directors.
- Our independent directors meet in executive session at every in person board meeting.
- We have separated the roles of Chair of the Board of Directors and Chief Executive Officer. Our Chair focuses on board oversight responsibilities, strategic planning, setting board agendas and mentoring company officers, as well as facilitating communications between the Board of Directors and management.
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Our Board of Directors is very active. As noted above, each of our directors attended more than 75% of the 2018 Fiscal Year board meetings and meetings of the committees on which such director served.

We believe our Board of Directors structure serves the interests of stockholders by balancing board continuity and the promotion of long term thinking with the need for director accountability.

#### Risk Oversight

The Board of Directors oversees an enterprise wide approach to risk management designed to support the achievement of organizational objectives, including strategic objectives, to improve long term organizational performance and to enhance stockholder value. A fundamental part of risk management is not only understanding the risks the Company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the Company. The involvement of the full Board of Directors in setting the Company's business strategy is a key part of its assessment of management's appetite for risk and also a determination of what constitutes an appropriate level of risk for the Company. The full Board of Directors participates in an annual enterprise risk management assessment.

While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of the Board of Directors also have responsibility for risk management. In particular, the Audit Committee focuses on financial risk, including internal controls, and receives an annual risk assessment report from the Company's

internal auditors. In setting compensation, the Compensation Committee strives to create incentives that encourage a level of risk taking behavior consistent with the Company's business strategy and is responsible for oversight with respect to compensation and succession planning risks.

#### Audit Committee

The Audit Committee currently consists of Messrs. Protsch (Chair) and Lotan and Ms. Jorden. Effective as of the Annual Meeting, the Audit Committee will consist of Ms. Jorden (Chair) and Messrs. Flexon and Lotan. The Audit Committee is constituted to comply with Section 3(a)(58)(A) of the Exchange Act and is responsible, among other items, for: (i) monitoring the Company's financial reporting and overseeing accounting practices; (ii) annually retaining the independent public accountants as auditors of the financial statements and accounts of the Company; (iii) monitoring the scope of audits made by the independent public accountants and the audit reports submitted by the independent public accountants; (iv) overseeing the systems of internal control which management and the Board of Directors have established; and (v) discussing with management and the independent and internal auditors the Company's major financial risk exposure and the steps taken to monitor and control such exposure. In addition, the Audit Committee has the duties of a "qualified legal compliance committee," including monitoring and reviewing stockholder complaints, and also reviews and approves all related party transactions. The Audit Committee operates under a written charter adopted by the Board of Directors, a copy of which is available on the Company's website at [www.capstoneturbine.com](http://www.capstoneturbine.com). Pursuant to its written charter, the Audit Committee reviews its charter on an annual basis for compliance, best practices and any other needed updates or changes. During Fiscal 2018, the Audit Committee held four meetings. The Board of Directors has determined that each member of the Audit Committee is an "audit committee financial expert," as that term is defined by applicable rules adopted by the SEC. The Board of Directors has further determined that each member of the Audit Committee is independent and financially literate as defined by NASDAQ rules.

#### Audit Committee Report

In performing its functions, the Audit Committee acts primarily in an oversight capacity. Management is responsible for the integrity of the Company's financial statements, as well as its accounting and financial reporting process, principles and internal controls to assure compliance with accounting standards and applicable laws and regulations. The Company's independent registered public accountants have the primary responsibility for performing an independent audit of the Company's financial statements and expressing an opinion as to the conformity of such financial statements with generally accepted auditing principals. Members of the Audit Committee are not professionally engaged in the practice of auditing or accounting, and all members are not experts in the fields of accounting or auditing, including auditor independence. The Audit Committee relies on the work and assurances of the Company's management, which has the primary responsibility for preparing financial statements and reports and implementing internal controls over financial reporting. The Audit Committee also relies on the work and assurances of the Company's internal auditors, which have the primary responsibility to test and evaluate the internal controls over financial reporting. In addition, the Audit Committee selects the Company's independent registered public accountants and has the authority to engage independent counsel and other advisors as it deems necessary.

In this context, the Audit Committee has reviewed and discussed the audited consolidated financial statements of the Company contained in the Company's Annual Report on Form 10 K as of and for the year ended March 31, 2018 with management and Marcum LLP, the Company's independent registered public accounting firm for the year ended March 31, 2018. The Audit Committee has discussed with Marcum LLP the matters required to be discussed by the Statement on Auditing Standard No. 1301, as currently in effect, "Communications with Audit Committees" (which superseded Statement on Auditing Standard No. 16) as adopted by the Public Company Accounting Oversight Board, both with and without management present. In addition, the Audit Committee has received and reviewed the written disclosures and the letter from Marcum LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding Marcum LLP's communications with the Audit Committee concerning independence and has discussed with Marcum LLP their independence from the Company.

In the performance of their oversight function, the members of the Audit Committee necessarily relied upon the information, opinions, reports and statements presented to them by the management of the Company and by the independent auditors. Based on the review and discussions described above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10 K as of and for the year ended March 31, 2018 for filing with the SEC.



Audit Committee  
Eliot G. Protsch, Chair

Noam Lotan  
Yon Y. Jorden

The information contained in this report shall not be deemed to be “soliciting material” or “filed” with the SEC or subject to Regulation 14A other than as provided in SEC Regulation S K, Item 407 or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically requests that the information be treated as soliciting material or specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

#### Compensation Committee

The Compensation Committee during Fiscal 2018 consisted of Mr. Mayo (Chair), Ms. Jorden and Ms. Van Deursen. Effective as of the Annual Meeting, the Compensation Committee will consist of Mr. Mayo (Chair), Mr. Flexon and Ms. Jorden. The Compensation Committee is comprised solely of directors who qualify as independent for purposes of NASDAQ rules in conformance with the Compensation Committee’s charter, and are “non-employee directors,” as defined in Rule 16b 3 under the Exchange Act and “outside directors,” as defined under Section 162(m) of the Internal Revenue Code of 1986, amended (the “Code”). The functions of the Compensation Committee include: (i) annually reviewing and recommending to the Board of Directors the corporate goals and objectives relevant to the compensation of our Chief Executive Officer, (ii) evaluating the performance of our Chief Executive Officer in light of such corporate goals and objectives and, based on such evaluation, recommending to the Board of Directors the compensation of our Chief Executive Officer, (iii) determining the compensation of all executive officers other than the Chief Executive Officer, (iv) retaining, terminating and approving the compensation of any compensation advisers, (v) reviewing and approving our policies and procedures for the grant of equity based awards, (vi) reviewing and approving grants of awards under our incentive based compensation plans and equity based plans, (vii) reviewing and making recommendations to the Board of Directors with respect to director compensation, and (viii) reviewing and evaluating, at least annually, the performance of our Compensation Committee and its members, and reporting to the Board of Directors on the results of such evaluation. The Compensation Committee operates under a written charter adopted by the Board of Directors, a copy of which is available on the Company’s website at [www.capstoneturbine.com](http://www.capstoneturbine.com). Pursuant to its written charter, the Compensation Committee reviews its charter on an annual basis for compliance, best practices and any other needed updates or changes. During Fiscal 2018, the Compensation Committee held nine meetings. Processes and procedures for determining executive and director compensation, including authority and delegation, and the role of executive officers, if any, are discussed in the section titled “COMPENSATION OF OFFICERS AND DIRECTORS.”

#### Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee currently consists of Messrs. DeWeese (Chair), Mayo and Protsch. Effective as of the Annual Meeting, the Nominating and Corporate Governance Committee will consist of

Messrs. DeWeese (Chair), Mayo and Lotan. The Nominating and Corporate Governance Committee is comprised solely of “independent directors” as defined by NASDAQ rules in conformance with the Nominating and Corporate Governance Committee’s charter. The Nominating and Corporate Governance Committee is responsible for, among other things, (i) monitoring corporate governance matters; (ii) recommending to the full Board of Directors candidates for election to the Board of Directors and committees of the Board of Directors; and (iii) coordinating the Board of Directors evaluation process. The Nominating and Corporate Governance Committee operates under a written charter adopted by the Board of Directors, a copy of which is available on the Company’s website at [www.capstoneturbine.com](http://www.capstoneturbine.com). Pursuant to its written charter, the Nominating and Corporate Governance Committee reviews its charter on an annual basis for compliance, best practices and any other needed updates or changes. During Fiscal 2018, the Nominating and Corporate Governance Committee held six meetings. The Nominating and Corporate Governance Committee met subsequent to the end of Fiscal 2018 to recommend to the full Board of Directors each of the nominees for election to the Board of Directors as presented herein.

#### Board of Directors and Committee Performance Evaluations

The charter of each of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee requires an annual performance evaluation, and the Company’s Corporate Governance

Principles also mandate an annual evaluation of the Board of Directors. Such performance evaluations are designed to assess whether the Board of Directors and its committees function effectively and make valuable contributions to the Company. In April 2018, all members of the Company's Board of Directors were asked to assess the performance of the Board of Directors as well as assess each member's skill sets and experience and how such skill sets and experience aligned with the needs of the Company in reaching the Company's strategic objectives. Each member completed the assessment and provided their responses to the Nominating and Corporate Governance Committee in May 2018. The Committee then reviewed and discussed said assessments with Counsel and reported the findings to the Board of Directors. In June 2018, the Nominating and Corporate Governance Committee and the Board of Directors discussed the results of the assessments and put a follow-up process in place.

#### Director Recommendation and Nomination Process

Nominations of persons for election to our Board of Directors by the stockholders may be made at an annual meeting of stockholders by any stockholder who (i) was a stockholder of record at the time of giving of notice provided for below and at the time of the annual meeting, (ii) is entitled to vote and present in person at the meeting at the meeting and (iii) complies with the notice procedures set forth below and as further described in our bylaws as to such business or nomination.

Without qualification, for nominations, the stockholder must have given timely notice thereof in writing to the secretary of the corporation at:

Capstone Turbine Corporation

16640 Stagg Street

Van Nuys, CA 91406

Attention: Jayme Brooks, Secretary

To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the corporation at the address above not earlier than the close of business on the 150th calendar day and not later than the close of business on the 120th calendar day prior to the first anniversary of the date our proxy statement was released to security holders in connection with the preceding year's annual meeting; provided, however, that if no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) calendar days from the date contemplated at the time of the previous year's proxy statement, a proposal shall be received by the corporation no later than the close of business on the tenth day following the day on which notice of the date of the meeting was mailed or public announcement of the date of the meeting was made, whichever comes first. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above.

To be in proper form, a stockholder's notice to the Secretary must: (a) disclose, as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made or any person acting in concert therewith (each a "party") (i) the name and address of each such party, (ii) (A) the class or series and number of shares of the corporation which are, directly or indirectly, owned beneficially and of record by each such party, (B) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the corporation or with a value derived in whole or in part from the value of any class or series of shares of the corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the corporation or otherwise (a "Derivative Instrument") directly or indirectly owned beneficially by each such party and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the corporation, (C) any proxy, contract, arrangement, understanding, or relationship pursuant to which each such party has a right to vote or transfer any shares of any security of the corporation, or pursuant to which any shares held directly or indirectly by each such party may be voted or transferred by another party, (D) any short interest in any security of the corporation (for purposes of this requirement a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (E) any rights to dividends on the shares of the corporation owned beneficially by each such party that are separated or separable from the underlying shares of the corporation, (F) any proportionate interest in shares of the corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such party is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, (G) any performance-related fees (other than an

asset-based fee) that such stockholder is or may be entitled to based on any increase or decrease in the value of shares of the corporation or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of such party's immediate family sharing the same household (which information shall be supplemented by such stockholder and beneficial owner, if any, not later than ten (10) days after the record date for the meeting to disclose such ownership as of the record date) and (H) any direct or indirect equity interest, short interest, or Derivative Instrument, or any material contract or agreement of such party in or with any principal competitor of the corporation, (iii) any other information relating to such party that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder (whether or not such party intends to deliver a proxy statement or conduct its own proxy solicitation), (iv) a statement as to whether or not each such party will deliver a proxy statement and form of proxy to holders of, in the case of a proposal, at least the percentage of voting power of all of the shares of the capital stock of the corporation required under applicable law to carry the proposal, or, in the case of a nomination or nominations for election of directors, at least the percentage of voting power of all of the shares of capital stock of the corporation reasonably believed by the such stockholder of record or beneficial owner or owners, as the case may be, to be sufficient to elect the persons proposed to be nominated by the stockholder of record; (v) the written consent of each such party to the public disclosure of information provided pursuant to this requirement; (vi) the investment strategy or objective, if any, of the stockholder and each such party; and (vii) an undertaking that each such stockholder agrees to indemnify and hold harmless the corporation against any liability, loss or damages incurred as a result of false or misleading information submitted by the stockholder pursuant to Section 14 of our bylaws. Additionally, the stockholder's notice must set forth, as to each person whom the stockholder proposes to nominate for election or reelection to the Board of Directors (i) all information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected) and (ii) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such stockholder and beneficial owner, if any, and their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the stockholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant; and include a completed and signed questionnaire, representation and agreement as more fully described in our bylaws. The corporation may require any proposed nominee to furnish such other information as may reasonably be required by the corporation to determine the eligibility of such proposed nominee to serve as an independent director of the corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee.

The above does not purport to provide in detail the requirements for a stockholder's nomination of the director. A stockholder interested in nominating a director to our Board of Directors is encouraged to review our bylaws and the SEC's proxy rules, as any stockholder nomination must comply with the applicable provisions of our bylaws and the SEC's proxy rules and will be handled in accordance with our bylaws and applicable laws.

The Nominating and Corporate Governance Committee reviews the composition and size of the Board of Directors and determines the criteria for Board of Directors membership. In addition, the Nominating and Corporate Governance Committee reviews the qualifications, qualities, skills and other expertise of prospective candidates to

determine whether they will make good candidates for membership on the Company's Board of Directors. This consideration includes, at a minimum, a review of each prospective candidate's character, judgment, experience, expertise, age, diversity, independence under applicable law and freedom from other conflicts, as well as other factors that the Nominating and Corporate Governance Committee deems relevant in light of the needs of the Board of Directors and the Company and/or that are in the best interests of the Company, including relevant experience, the ability to dedicate sufficient time, energy and attention to performance of Board of Directors duties, financial expertise, experience with a company that has introduced a new, technologically advanced product or service to the marketplace and existing relationships within target industries or public policy institutions that may benefit the Company and whether the prospective candidate is a Nominating and Corporate Governance Committee selected prospective candidate or a stockholder recommended prospective candidate. The Nominating and Corporate Governance Committee selects

qualified candidates and recommends those candidates to the Board of Directors, and the Board of Directors then decides if it will invite the candidates to be nominees for election to the Board of Directors.

The Nominating and Corporate Governance Committee also considers issues of diversity, such as diversity of education, professional experience and differences in viewpoints and skills. The Nominating and Corporate Governance Committee does not have a formal diversity policy in terms of considering nominees for directors, but it actively considers all relevant factors, including the factors outlined above, when evaluating potential nominees to the Board of Directors. The Nominating and Corporate Governance Committee developed a matrix of all relevant qualifications, skills and experience possessed by the incumbent members of the Board of Directors and identified certain areas where the Board of Directors needed additional attributes including, but not limited to, diversity. These additional attributes and diversity are considered when identifying new candidates for the Board of Directors. The Board of Directors and the Nominating and Corporate Governance Committee believe that it is essential that members of the Board of Directors represent diverse viewpoints.

The Nominating and Corporate Governance Committee uses the following process to identify prospective candidates for the Board of Directors and to evaluate all candidates, including candidates recommended by stockholders in accordance with the Company's policy regarding stockholder recommendations and the director nominations process. The Nominating and Corporate Governance Committee: (i) reviews the composition and size of the Board of Directors and determines the criteria for Board of Directors membership; (ii) evaluates the Board of Directors for effectiveness and makes a verbal presentation of its findings to the Board of Directors; (iii) determines whether the current members of the Board of Directors who satisfy the criteria for Board of Directors membership are willing to continue in service; if the current members of the Board of Directors are willing to continue in service, the Nominating and Corporate Governance Committee evaluates the performance of such board members and considers those current members for re-nomination, and if the current members of the Board of Directors are not willing to continue in service or if there will be an increase in the number of directors on the Board of Directors, the Nominating and Corporate Governance Committee considers candidates who meet the criteria for Board of Directors membership; (iv) if necessary, engages a search firm to assist with the identification of potential candidates; (v) compiles a list of potential candidates; (vi) evaluates the prospective candidates, including candidates recommended by stockholders, to determine which of the prospective candidates, if any, will best represent the interests of all stockholders and determines whether any conflicts of interest exist; (vii) holds meetings to narrow the list of prospective candidates; (viii) along with the Chair of the Board of Directors and management, interviews a select group of prospective candidates; (ix) approves the candidate or candidates who are most likely to advance the best interests of the stockholders; and (x) recommends the selected candidate or candidates to the Board of Directors and the stockholders for approval. The Nominating and Corporate Governance Committee, which may request the assistance of members of the Board of Directors who are not on the Nominating and Corporate Governance Committee in the execution of its duties, carefully document the selection and evaluation process.

#### Stockholder Communications

The Company has a policy whereby stockholders may communicate directly with the Company's Board of Directors, or individual members of the Board, by writing to the Company at:

Capstone Turbine Corporation

16640 Stagg Street

Van Nuys, CA 91406

Attention: Jayme Brooks, Secretary

and indicating prominently on the outside of any envelope that the communication is intended for: (i) the Board of Directors; (ii) the Chair of the Board of Directors; (iii) a specific committee of the Board of Directors; (iv) the non management directors; or (v) any director or subset of directors of the Board of Directors. The Secretary of the Board of Directors reviews all correspondence and regularly forwards to the appropriate director, directors or the Board of Directors, copies of all communications that, in the opinion of the Secretary, deal with the functions of or otherwise require the attention of individual directors, the Board of Directors or committees or subsets thereof. Unless, in the opinion of the Secretary, a communication is improper or irrelevant, a communication will not be withheld from its intended recipient(s) without the approval of the Chair of the Board, the Chair of the appropriate committee or the director who presides during non management executive sessions. Directors may, at any time, review a log of all correspondence received by the Company in accordance with the policy and request copies of any such correspondence.



## PROPOSAL 2

### APPROVAL OF AN AMENDMENT TO THE CAPSTONE TURBINE CORPORATION 2017 EQUITY INCENTIVE PLAN

The Capstone Turbine Corporation 2017 Equity Incentive Plan (the “2017 Plan”) was originally adopted by our Board of Directors on June 30, 2017 and approved by the stockholders on August 30, 2017. On June 5, 2018, our Board of Directors approved an amendment of the 2017 Plan (the “Plan Amendment”), subject to stockholder approval, to increase the aggregate number of shares of common stock authorized for issuance under the 2017 Plan by 3,000,000 shares of common stock.

The Board of Directors believes that stock-based incentive awards can play an important role in the success of the Company by encouraging and enabling the employees, officers, non-employee directors and consultants of the Company and its subsidiaries upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. The Board of Directors believes that providing such persons with a direct stake in the Company assures a closer identification of the interests of such individuals with those of the Company and its stockholders, thereby stimulating their efforts on the Company’s behalf and strengthening their desire to remain with the Company. The Plan Amendment is designed to enhance the flexibility to grant equity awards to our officers, employees, non-employee directors and consultants at levels determined to be appropriate by the Board of Directors and the Compensation Committee to motivate, attract and retain the services of such individuals and align their financial interests with those of our stockholders. A copy of the 2017 Plan and the Plan Amendment are attached as Appendix A to this Proxy Statement and is incorporated herein by reference.

As of July 3, 2018, there were stock options to acquire 212,392 shares of common stock outstanding under our equity compensation plans, with a weighted average exercise price of \$20.71 and a weighted average remaining term of 2.6 years. In addition, as of July 3, 2018, there were 2,008,636 unvested full value awards with time-based vesting and 297,327 unvested full value awards with performance vesting outstanding under our equity compensation plans. Other than the foregoing, no awards under our equity compensation plans were outstanding as of July 3, 2018. As of July 3, 2018, there were 1,255,410 shares of common stock available for awards under our equity compensation plans.

#### Summary of the Material Features of the 2017 Plan, as amended by the Plan Amendment

The material features of the 2017 Plan, as amended by the Plan Amendment (the “Amended 2017 Plan”), are:

- The maximum number of shares of common stock to be issued under the Amended 2017 Plan is increased from 3,000,000 to 6,000,000;
- The award of stock options (both incentive and non-qualified options), stock appreciation rights, restricted stock, restricted stock units, unrestricted stock, dividend equivalent rights and cash-based awards is permitted;

- Shares tendered or held back for taxes will not be added back to the reserved pool under the Amended 2017 Plan. Upon the exercise of a stock appreciation right that is settled in shares of common stock, the full number of shares underlying the award will be charged to the reserved pool. Additionally, shares we reacquire on the open market will not be added to the reserved pool under the Amended 2017 Plan;
- Stock options and stock appreciation rights may not be repriced in any manner without stockholder approval;
- The value of all awards awarded under the Amended 2017 Plan and all other cash compensation paid by us to any non-employee director in any calendar year may not exceed \$300,000;
- Any material amendment to the Amended 2017 Plan is subject to approval by our stockholders; and
- The term of the Amended 2017 Plan will expire on August 30, 2027.

Based solely on the closing price of our common stock as reported by NASDAQ on July 3, 2018 and the maximum number of shares that would have been available for awards as of such date under the Amended 2017 Plan, the maximum aggregate market value of the common stock that could potentially be issued under the Plan was \$6.1 million.

## Rationale for Share Increase

The Plan Amendment is critical to our ongoing effort to build stockholder value. Equity awards are an important component of our executive and non-executive employee compensation programs. Our Board of Directors and Compensation Committee believe that we must continue to offer a competitive equity compensation program in order to attract, retain and motivate the talented and qualified employees necessary for our continued growth and success. Our Compensation Committee determined the size of the proposed increase under the Plan Amendment based on projected equity awards to anticipated new hires, projected annual equity awards to existing employees and an assessment of the magnitude of increase that our institutional investors and the firms that advise them would likely find acceptable.

We manage our long-term stockholder dilution by limiting the number of equity incentive awards granted annually. This includes an equity-based compensation design that emphasizes a mix of time-based restricted stock units (“RSUs”) and performance-based restricted stock units (“PRSUs”), versus more dilutive stock options. The Compensation Committee carefully monitors our annual net burn rate, total dilution and equity expense in order to maximize stockholder value by granting only the number of equity incentive awards that it believes are necessary and appropriate to attract, reward and retain our employees. Our compensation philosophy reflects broad-based eligibility for equity incentive awards for high performing employees. By doing so, we link the interests of those employees with those of our stockholders and motivate our employees to act as owners of the business.

**Burn rate** A measure of the rate at which companies use shares available for grant under their equity compensation plans is an important factor for investors concerned about stockholder dilution. In setting and recommending to stockholders the number of additional shares to be authorized under the Amended 2017 Plan, the Compensation Committee and the Board of Directors considered the Company’s burn rates for all grants of equity awarded by the Board of Directors for the past three fiscal years ended March 31, 2018, 2017 and 2016. The following table sets forth information regarding historical awards granted for the fiscal years ended March 31, 2018, 2017 and 2016, and the corresponding net burn rate. The net burn rate is calculated by adding options and full value awards granted, less any options and full-value awards forfeited, cancelled, or expired, divided by the weighted average shares outstanding. Our three-year average net burn rate is 1.8%.

Share Element	Fiscal Year		
	2018	2017	2016
Stock Options Granted	—	88,930	29,225
Full-Value Awards Granted(1)	1,990,353	295,606	539,771
Less: Stock Options Forfeited, Cancelled or Expired	(102,145)	(242,024)	(219,764)
Less: Full-Value Awards Cancelled(1)	(51,740)	(74,406)	(33,112)
Net Awards Granted(2)	1,836,468	68,106	316,120
Weighted average common shares outstanding during the fiscal year	51,339,000	32,074,000	18,162,000
Annual Net Burn Rate	3.6	% 0.2	% 1.7 %

Three-Year Average Net Burn Rate	1.8	%
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- (1) Full value awards granted consist of restricted stock units.
- (2) Net Awards Granted represents the sum of Stock Options Granted and Full-Value Awards Granted, less Stock Options and Full- Value Awards that forfeited, cancelled or expired.

The 2017 Plan currently authorizes the issuance of up to 3,000,000 shares of common stock (or approximately 4.7% of outstanding shares at July 3, 2018). As of July 3, 2018, 2,242,499 of those shares have been issued or are subject to outstanding awards, leaving only 757,501 shares available for future awards. The Board of Directors and the Compensation Committee do not believe that the number of shares available for issuance under the 2017 Plan is sufficient in light of our compensation strategy and objectives. Accordingly, the Board of Directors is proposing to increase the number of shares available under the 2017 Plan by 3,000,000 shares to approximately 9.3% of outstanding shares as of July 3, 2018, on a fully diluted basis.

## Summary of the Amended 2017 Plan

The following description of certain features of the Amended 2017 Plan is intended to be a summary only. The summary is qualified in its entirety by the full text of the 2017 Plan and the Plan Amendment, which are attached as Appendix A to this Proxy Statement and incorporated herein by reference.

**Administration** The Amended 2017 Plan will be administered by the Compensation Committee. The Compensation Committee has full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the Amended 2017 Plan. The Compensation Committee may delegate to our Chief Executive Officer the authority to grant awards to employees who are not subject to the reporting and other provisions of Section 16 of the Exchange Act and not subject to Section 162(m) of the Code, subject to certain limitations and guidelines.

**Eligibility; Plan Limits** All full-time and part-time officers, employees, non-employee directors and consultants are eligible to participate in the Amended 2017 Plan, subject to the discretion of the administrator. As of July 3, 2018, approximately 159 individuals would have been eligible to participate in the Amended 2017 Plan, which includes three executive officers, 149 employees who are not executive officers and seven non-employee directors. There are certain limits on the number of awards that may be granted under the Amended 2017 Plan. For example, no more than 2,000,000 shares of common stock may be granted in the form of stock options or stock appreciation rights to any one individual during any one calendar year period. The maximum performance-based award payable to any grantee in a performance cycle is 2,000,000 shares of common stock or \$3,000,000 for cash-based awards. In addition, no more than 3,000,000 shares of common stock may be granted in the form of incentive stock options.

**Director Compensation Limit** The Amended 2017 Plan provides that the value of all awards awarded under the Amended 2017 Plan and all other cash compensation paid by the Company to any non-employee director in any calendar year shall not exceed \$300,000.

**Stock Options** The Amended 2017 Plan permits the granting of (1) options to purchase common stock intended to qualify as incentive stock options under Section 422 of the Code and (2) options that do not so qualify. Options granted under the Amended 2017 Plan will be non-qualified options if they fail to qualify as incentive options or exceed the annual limit on incentive stock options. Incentive stock options may only be granted to employees of the Company and its subsidiaries. Non-qualified options may be granted to any persons eligible to receive incentive options and to non-employee directors and consultants. The option exercise price of each option will be determined by the Compensation Committee but may not be less than 100% of the fair market value of the common stock on the date of grant. Fair market value for this purpose will be the last reported sale price of the shares of common stock on the NASDAQ Capital Market on the date immediately preceding the grant date. The exercise price of an option may not be reduced after the date of the option grant, other than to appropriately reflect changes in our capital structure.

The term of each option will be fixed by the Compensation Committee and may not exceed ten years from the date of grant. The Compensation Committee will determine at what time or times each option may be exercised; provided, that the vesting period applicable to any option may not be less than one year except in the case of a “sale event,” as defined in the Amended 2017 Plan. Options may be made exercisable in installments and the exercisability of options may be accelerated by the Compensation Committee in circumstances involving the optionee’s death, disability, retirement or termination of employment, or a change in control (including a “sale event,” as defined in the Amended 2017 Plan). In general, unless otherwise permitted by the Compensation Committee, no option granted under the Amended 2017 Plan is transferable by the optionee other than by will or by the laws of descent and distribution or pursuant to a domestic relations order, and options may be exercised during the optionee’s lifetime only by the optionee, or by the optionee’s legal representative or guardian in the case of the optionee’s incapacity.

Upon exercise of options, the option exercise price must be paid in full either in cash, by certified or bank check or other instrument acceptable to the Compensation Committee or by delivery (or attestation to the ownership) of shares of common stock that are beneficially owned by the optionee and that are not subject to restrictions under any Company plan. Subject to applicable law, the exercise price may also be delivered to the Company by a broker pursuant to irrevocable instructions to the broker from the optionee. In addition, the Compensation Committee may permit non-qualified options to be exercised using a net exercise feature which reduces the number of shares issued to the optionee by the number of shares with a fair market value equal to the exercise price.

To qualify as incentive options, options must meet additional federal tax requirements, including a \$100,000 limit on the value of shares subject to incentive options that first become exercisable by a participant in any one calendar year.

**Stock Appreciation Rights** The Compensation Committee may award stock appreciation rights subject to such conditions and restrictions as the Compensation Committee may determine provided, that the vesting period applicable to any stock appreciation rights may not be less than one year except in the case of a “sale event,” as defined in the Amended 2017 Plan. Stock appreciation rights entitle the recipient to shares of common stock equal to the value of the appreciation in the stock price over the exercise price. The exercise price is the fair market value of the common stock on the date of grant. The term of a stock appreciation right may not exceed ten years.

**Restricted Stock** The Compensation Committee may award shares of common stock to participants subject to such conditions and restrictions as the Compensation Committee may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with us through a specified restricted period; provided, that the vesting period applicable to any restricted stock may not be less than one year except in the case of a “sale event,” as defined in the Amended 2017 Plan. During the vesting period, restricted stock awards may be credited with dividend equivalent rights (but dividend equivalents payable with respect to restricted stock awards with vesting tied to the attainment of performance criteria shall not be paid unless and until such performance conditions are attained).

**Restricted Stock Units** The Compensation Committee may award restricted stock units to participants. Restricted stock units are ultimately payable in the form of shares of common stock subject to such conditions and restrictions as the Compensation Committee may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with the Company through a specified vesting period; provided, that the vesting period applicable to any restricted stock units may not be less than one year except in the case of a “sale event,” as defined in the Amended 2017 Plan. In the Compensation Committee’s sole discretion, it may permit a participant to make an advance election to receive a portion of his or her future cash compensation otherwise due in the form of a restricted stock unit award, subject to the participant’s compliance with the procedures established by the Compensation Committee and requirements of Section 409A of the Code. During the deferral period, the restricted stock units may be credited with dividend equivalent rights.

**Unrestricted Stock Awards** The Compensation Committee may also grant shares of common stock which are free from any restrictions under the Amended 2017 Plan. Unrestricted stock may be granted to any participant in recognition of past services or other valid consideration and may be issued in lieu of cash compensation due to such participant.

**Dividend Equivalent Rights** The Compensation Committee may grant dividend equivalent rights to participants, which entitle the recipient to receive credits for dividends that would be paid if the recipient had held specified shares of common stock. Dividend equivalent rights may be granted as a component of a restricted stock unit award or as a freestanding award. Dividend equivalent rights granted as a component of a restricted stock unit award will be settled only upon settlement or payment of, or lapse of restrictions on, such award. Dividend equivalent rights may be settled

in cash, shares of common stock or a combination thereof, in a single installment or installments, as specified in the award.

**Cash-Based Awards** The Compensation Committee may grant cash bonuses under the Amended 2017 Plan to participants. The cash bonuses may be subject to the achievement of certain performance goals.

**Change of Control Provisions** In the event of a change of control, the parties to the “sale event,” as defined in the Amended 2017 Plan, agree that such awards will be assumed or continued by the successor entity. If such awards are not assumed or continued by the successor entity, the Amended 2017 Plan provides that upon the effectiveness of a sale event, except as otherwise provided by the Compensation Committee in the award agreement, all options and stock appreciation rights and all other awards with time-based conditions will become vested and exercisable upon the sale event. Awards with conditions and restrictions relating to the attainment of performance goals may become vested and non-forfeitable in connection with a sale event in the Compensation Committee’s discretion or to the extent specified in the relevant award agreement. In addition, the Company may make or provide for payment, in cash or in kind, to participants holding options and stock appreciation rights equal to the difference between the per share cash consideration and the exercise price of the options or stock appreciation rights. The Compensation Committee shall also



have the option to make or provide for a payment, in cash or in kind, to grantees holding other awards in an amount equal to the per share cash consideration multiplied by the number of vested shares under such awards. All awards will terminate in connection with a sale event unless they are assumed by the successor entity.

**Adjustments for Stock Dividends, Stock Splits, Etc.** The Amended 2017 Plan requires the Compensation Committee to make appropriate adjustments to the number of shares of common stock that are subject to the Amended 2017 Plan, to certain limits in the Amended 2017 Plan, and to any outstanding awards to reflect stock dividends, stock splits, extraordinary cash dividends and similar events.

**Tax Withholding** Participants in the Amended 2017 Plan are responsible for the payment of any federal, state or local taxes that the Company is required by law to withhold upon the exercise of options or stock appreciation rights or vesting of other awards. Subject to approval by the Compensation Committee, participants may elect to have the tax withholding obligations satisfied by authorizing the Company to withhold shares of common stock to be issued pursuant to exercise or vesting; provided that, to the extent necessary to avoid adverse accounting treatment, such share withholding may be limited to the minimum required tax withholding obligation. The Compensation Committee may also require awards to be subject to mandatory share withholding up to the required withholding amount.

**Amendments and Termination** The Board of Directors may at any time amend or discontinue the Amended 2017 Plan and the Compensation Committee may at any time amend or cancel any outstanding award for the purpose of satisfying changes in the law or for any other lawful purpose. However, no such action may adversely affect any rights under any outstanding award without the holder's consent. To the extent required under the rules of the NASDAQ Capital Market, any amendments that materially change the terms of the Amended 2017 Plan will be subject to approval by our stockholders. Amendments shall also be subject to approval by our stockholders if and to the extent determined by the Compensation Committee to be required by the Code to preserve the qualified status of incentive options.

**Effective Date of Amended Plan** The Plan Amendment was approved by our Board of Directors on June 5, 2018. Awards of incentive options may be granted under the Amended 2017 Plan until the tenth anniversary of June 5, 2018. No other awards may be granted under the Amended 2017 Plan after the date that is ten years from the date of stockholder approval of the 2017 Plan.

#### Amended 2017 Plan Benefits

Because the grant of awards under the Amended 2017 Plan is within the discretion of the Compensation Committee, the Company cannot determine the dollar value or number of shares of common stock that will in the future be received by or allocated to any participant in the Amended 2017 Plan. Accordingly, in lieu of providing information regarding benefits that will be received under the Plan, please see "Compensation of Officers and Directors" Section for information concerning the benefits that were received by each named executive officer and all current directors during the fiscal year ended March 31, 2018.

## Tax Aspects Under the Code

The following is a summary of the principal federal income tax consequences of certain transactions under the Amended 2017 Plan. It does not describe all federal tax consequences under the Amended 2017 Plan, nor does it describe state or local tax consequences.

**Incentive Options** No taxable income is generally realized by the optionee upon the grant or exercise of an incentive option. If shares of common stock issued to an optionee pursuant to the exercise of an incentive option are sold or transferred after two years from the date of grant and after one year from the date of exercise, then (i) upon sale of such shares, any amount realized in excess of the option price (the amount paid for the shares) will be taxed to the optionee as a long-term capital gain, and any loss sustained will be a long-term capital loss, and (ii) the Company will not be entitled to any deduction for federal income tax purposes. The exercise of an incentive option will give rise to an item of tax preference that may result in alternative minimum tax liability for the optionee.

If shares of common stock acquired upon the exercise of an incentive option are disposed of prior to the expiration of the two-year and one-year holding periods described above (a “disqualifying disposition”), generally (i) the optionee will realize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of the shares of common stock at exercise (or, if less, the amount realized on a sale of such shares of

common stock) over the option price thereof, and (ii) we will be entitled to deduct such amount. Special rules will apply where all or a portion of the exercise price of the incentive option is paid by tendering shares of common stock.

If an incentive option is exercised at a time when it no longer qualifies for the tax treatment described above, the option is treated as a non-qualified option. Generally, an incentive option will not be eligible for the tax treatment described above if it is exercised more than three months following termination of employment (or one year in the case of termination of employment by reason of disability). In the case of termination of employment by reason of death, the three-month rule does not apply.

**Non-Qualified Options** No income is realized by the optionee at the time the option is granted. Generally (i) at exercise, ordinary income is realized by the optionee in an amount equal to the difference between the option price and the fair market value of the shares of common stock on the date of exercise, and we receive a tax deduction for the same amount, and (ii) at disposition, appreciation or depreciation after the date of exercise is treated as either short-term or long-term capital gain or loss depending on how long the shares of common stock have been held. Special rules will apply where all or a portion of the exercise price of the non-qualified option is paid by tendering shares of common stock. Upon exercise, the optionee will also be subject to Social Security taxes on the excess of the fair market value over the exercise price of the option.

**Other Awards** The Company generally will be entitled to a tax deduction in connection with an award under the Amended 2017 Plan in an amount equal to the ordinary income realized by the participant at the time the participant recognizes such income. Participants typically are subject to income tax and recognize such tax at the time that an award is exercised, vests or becomes non-forfeitable, unless the award provides for a further deferral.

**Parachute Payments** The vesting of any portion of an option or other award that is accelerated due to the occurrence of a change in control (such as a sale event) may cause a portion of the payments with respect to such accelerated awards to be treated as “parachute payments” as defined in the Code. Any such parachute payments may be non-deductible to the Company, in whole or in part, and may subject the recipient to a non-deductible 20% federal excise tax on all or a portion of such payment (in addition to other taxes ordinarily payable).

**Limitation on Deductions** Under Section 162(m) of the Code, the Company’s deduction for certain awards under the Amended 2017 Plan may be limited to the extent that a “covered employee” (as defined in Section 162(m) of the Code) receives compensation in excess of \$1 million a year.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information regarding securities authorized for issuance under equity compensation plans as of March 31, 2018:

Plan Category	Number of securities to be issued upon exercise of outstanding options and rights	Weighted-average exercise price of outstanding options and rights	Number of securities remaining available for future issuance under equity compensation plans	
Equity Compensation Plans Approved by Securityholders	2,224,003	\$ 20.71	1,557,624	(1)
Equity Compensation Plans Not Approved by Securityholders	—	—	—	
Total	2,224,003	\$ 20.71	(2) 1,557,624	

(1) The shares available for stock options, restricted stock, restricted stock units and other awards under the 2017 Plan are included in this number.

(2) The weighted average exercise price does not take into account restricted stock units as there is no exercise price associated with restricted stock units.

## Vote Required

A quorum being present, the affirmative vote of a majority of shares present in person or represented by proxy at the Annual Meeting and entitled to vote is required for the approval of the Plan Amendment. You may vote “FOR”, “AGAINST” or “ABSTAIN” from voting on this proposal. For purposes of determining whether this proposal has passed, abstentions will have the effect of a vote AGAINST the proposal. Broker non-votes will have no effect on this proposal.

## RECOMMENDATION

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE “FOR” THE APPROVAL OF THE AMENDMENT TO CAPSTONE TURBINE CORPORATION’S 2017 EQUITY INCENTIVE PLAN.



## EXECUTIVE OFFICERS OF THE COMPANY

The names and ages of all executive officers of the Company and the principal occupation and business experience for at least the last five years for each are set forth below. The age of and biographical information regarding each executive officer is based on information furnished to the Company by each executive officer and as of July 3, 2018.

The following list identifies the name, age and position(s) of the executive officers of the Company:

Name	Age	Position
Darren R. Jamison	52	President & Chief Executive Officer
Jayme L. Brooks	47	Chief Financial Officer & Chief Accounting Officer
James D. Crouse	54	Executive Vice President of Sales & Marketing

The term of each executive officer runs until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal. The following is a biographical summary of the experience of the executive officers of the Company who are not members of the Company's Board of Directors:

Darren R. Jamison. See "Proposal 1—Election of Directors to the Board of Directors—Information About Our Directors for information" pertaining to Mr. Jamison.

Jayme L. Brooks. Ms. Brooks has served as our Chief Financial Officer and Chief Accounting Officer since April 2015. She served as Vice President of Finance and Chief Accounting Officer from November 2008 to April 2015. She previously served as Vice President of Financial Planning and Analysis, Interim Chief Accounting Officer and Director of Financial Reporting of the Company. Previously, she served as Vice President and Controller of Computer Patent Annuities North America LLC, a company providing solutions for intellectual property management needs, technology renewal services, software tools and portfolio management. Ms. Brooks holds a Bachelor of Arts degree in Business Economics from the University of California at Santa Barbara and a Master of Business Administration degree from the Fuqua School of Business at Duke University. Ms. Brooks is a Certified Public Accountant (active) licensed in California and a member of Financial Executives International.

James D. Crouse. Mr. Crouse joined us in February 2007 as Executive Vice President of Sales & Marketing. He leads Capstone's Sales, Marketing and Product Development efforts globally. Since joining Capstone, Mr. Crouse has helped us bring several new clean energy and renewable microturbine products to market. Mr. Crouse is a member of the board of the World Alliance for Decentralized Energy (WADE), a business accelerator associated with the worldwide development of high-efficiency cogeneration, onsite power and decentralized renewable energy systems that deliver substantial economic and environmental benefits. He served as the Chair of the Board of WADE. WADE's membership includes more than 200 corporate leaders in the decentralized energy industry and national cogeneration

and decentralized energy associations worldwide. In December 2010, U.S. Secretary of Commerce Gary Locke named Mr. Crouse to the Renewable Energy and Energy Efficiency Advisory Committee, a national advisory committee of leading U.S. renewable energy and energy efficiency companies. Mr. Crouse was reappointed in 2012 and is one of 37 members on this committee which will advise the Secretary of Commerce on the development and implementation of programs and policies to help expand the global competitiveness of the U.S. renewable energy and energy efficiency industries. Mr. Crouse has testified before Congress on a number of issues. He testified on Capstone's innovative technology and opportunities for combined heat and power in the energy efficiency sector. Prior to joining Capstone, Mr. Crouse was President of Navitas Consulting, where he specialized in assisting client companies with growing their businesses. Prior to his employment with Navitas Consulting, Mr. Crouse was General Manager of the Gas Engine Group for Valley Power Systems, the GE Jenbacher distributor. Additionally, Mr. Crouse served as President of JST Energy and Vice President of Crown Engineering & Construction. Mr. Crouse is a member of the California Association of Building Energy Consultants, and he is a licensed General Engineering Contractor "A" in California.

## PROPOSAL 3

### NON-BINDING, ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

#### Background

Section 14A of the Exchange Act, put in place by Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) requires the Company to seek a non-binding advisory vote from its stockholders to approve the compensation of its named executive officers (“Say-on-Pay” vote) as disclosed pursuant to Item 402 of Regulation S-K, and accompanying compensation tables and the related narrative disclosure in this Proxy Statement. Because the required vote is advisory, the result of the vote is not binding upon the Board of Directors.

We believe that executive compensation should be linked to the Company’s performance and aligned with the interests of the Company’s stockholders. In addition, executive compensation is designed to allow the Company to recruit, retain and motivate employees who play a significant role in the organization’s current and future success.

The Compensation Committee values the perspectives and concerns of our stockholders regarding executive compensation. The Compensation Committee has in the past and intends to continue to maintain in the future an open dialogue with stockholders to foster greater communication and transparency on our executive compensation programs.

At the 2017 Annual Meeting, we sought a non-binding advisory vote on the compensation of our named executive officers. This Say-on-Pay proposal was approved by about two-thirds of the votes cast. During the last twelve months, Company executives regularly held meetings with stockholders and participated in professional investor conferences to hear stockholder views on the Company’s financial performance, strategic business plans, corporate governance, executive compensation, and related subjects. Based on stockholder feedback, the Compensation Committee made significant changes to the executive compensation program to further link executive compensation to stockholder interests and place a heavier emphasis on compensation vehicles that increase stock ownership among our executives.

Specifically, over the course of Fiscal 2018, the Compensation Committee made the following enhancements to our executive compensation programs:

- Approved a new Executive Annual Incentive Program (“AIP”) for Fiscal 2019 that transitions from the 2018 Program, under which bonuses were paid exclusively based on reaching EBITDA breakeven, to a new program based on both revenue and Adjusted EBITDA to focus on concrete growth and profitability achievement.



- Expanded eligibility for performance-based long-term incentives such that long-term incentives for all named executive officers now include a mix of restricted stock units subject to time-based vesting and restricted stock units subject to performance-based vesting, which further strengthens the alignment of executive compensation and stockholder returns, while also increasing executive stock ownership.

## Proposal

The Company is presenting this proposal, which gives you as a stockholder the opportunity to express your view on the compensation of our named executive officers by voting for or against the following resolution:

“RESOLVED, that the compensation paid to the Company’s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the compensation tables and other narrative executive compensation disclosures contained in the Company’s 2018 Proxy Statement, is hereby APPROVED.”

## Position of Board of Directors

As discussed in this proxy statement under the “Compensation of Officers and Directors” Section, the Compensation Committee of the Board of Directors believes that the executive compensation for the year ended March 31, 2018, is reasonable and appropriate, is justified by the performance of the Company and is the result of a carefully considered approach after taking into account feedback from our stockholders. Our executive compensation program is designed to attract, motivate and retain a highly qualified group of executives and maintain a close correlation between the rewards to the Company’s executives and the strategic success of the Company and the performance of its stock.

## Effect of Vote

Because your vote is advisory, it will not be binding upon the Company, the Compensation Committee or the Board of Directors; however, we value stockholders’ opinions, and we will consider the outcome of the Say-on-Pay vote when determining future executive compensation arrangements.

## Vote Required

A quorum being present, the affirmative vote of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote is required to approve this resolution. Even though this vote will neither be binding on the Company or the Board of Directors nor will it create or imply any change in the fiduciary duties of, or impose any additional fiduciary duty on, the Company or the Board of Directors, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation decisions. For purposes of determining whether this proposal has passed, abstentions will have the effect of a vote AGAINST this proposal. Broker non-votes will have no effect on this proposal.

## RECOMMENDATION

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE “FOR” THE RESOLUTION TO APPROVE THE COMPENSATION OF THE COMPANY’S NAMED EXECUTIVE OFFICERS.

## COMPENSATION OF OFFICERS AND DIRECTORS

The Company is a “smaller reporting company” under Item 10 of Regulation S-K promulgated under the Exchange Act, and has elected to comply with certain of the requirements applicable to smaller reporting companies in connection with this Proxy Statement. Although the rules allow the Company to provide less detail about its executive compensation program, the Compensation Committee is committed to providing the information necessary to help stockholders understand its executive compensation-related decisions.

During Fiscal 2018, the Compensation Committee took decisive measures to adjust our executive compensation program to be responsive to stockholder feedback received over the last several years — in particular, increasing stock ownership levels for our Chief Executive Officer (“CEO”) and the other named executive officers (together with the CEO, the “NEOs”). The new executive compensation program, which was approved in Fiscal 2018, has been fully adopted and implemented for Fiscal 2019. The new program was carefully designed to reflect stockholder feedback, build on the momentum the Company gained in Fiscal 2018 and continue to focus our NEOs on growing the business, improving profitability, and driving stockholder returns. It also summarizes the executive compensation program and results for our NEOs for Fiscal 2018.

### Oversight of Executive Compensation and Role of the Compensation Committee

The Compensation Committee is comprised of independent, non-employee members of the Board of Directors and oversees the executive compensation program for our NEOs and makes recommendations to the Board of Directors regarding the compensation of our CEO. The Compensation Committee works very closely with its independent consultant and management to examine the effectiveness of the Company’s executive compensation program throughout the year. Details of the Committee’s authority and responsibilities are specified in the Compensation Committee’s charter, which may be accessed at our website, [www.capstoneturbine.com](http://www.capstoneturbine.com), by clicking “Investors” and then “Corporate Governance.” The Compensation Committee reviewed its Charter at the end of Fiscal 2018, and the revised Charter was approved by the Compensation Committee on April 20, 2018.

The Compensation Committee uses data from a peer group to inform its compensation recommendations for our CEO and its compensation decisions for the other NEOs. The Compensation Committee annually assesses the composition of this peer group. In recommending and setting compensation for Fiscal 2018, the Compensation Committee reviewed information provided by its independent compensation consultant at that time, Willis Towers Watson, regarding comparative market data, including a comprehensive analysis of total compensation and compensation components based on the peer group and published survey data appropriate to the Company’s annual revenue. Willis Towers Watson reviewed the peer group for appropriateness based on a variety of factors including: similarities in revenue levels and size of market capitalization, similarities to the industries in which we operate, and the overlapping labor market for top management talent. As a result of this review, the Committee determined the following peer group of companies most closely approximated the size, scope and complexity of our business for the purposes of setting compensation for Fiscal 2018:

Power Solutions International	Westport Innovations	Ultralife
Enphase Energy	Pioneer Power Solutions	Ballard Power Systems
Allied Motion Technology	FuelCell Energy	Energy Recovery
Vicor	Plug Power	Northern Power Systems
Broadwind Energy	American Superconductor	P10 Industries

The compensation reports provided by Willis Towers Watson include detailed information regarding base salary, target cash incentive, target total cash, actual total cash, estimated value of long-term incentive compensation and target total direct compensation for individuals deemed to be comparable to our executive officers in the peer group. The Compensation Committee used this information to assess the levels of compensation that are appropriate for our executive officers, including our NEOs. The Compensation Committee performs an annual assessment of the compensation consultants' independence and determined the compensation consultant's work for the 2018 Fiscal Year did not raise any conflicts of interest.

In November 2017, pursuant to its charter, the Compensation Committee engaged Pearl Meyer as its compensation consultant. Pearl Meyer reports directly to the Compensation Committee and does not provide any

additional services to management. The Compensation Committee has conducted an independence assessment of Pearl Meyer in accordance with SEC rules and has determined that work performed by Pearl Meyer does not create a conflict of interest.

**Annual Risk Assessment** To determine the level of risk arising from our compensation policies and practices, the Company conducted an executive compensation risk assessment during the 2018 Fiscal Year under the oversight of the Compensation Committee. Several areas of potential compensation risk were reviewed, including competitiveness of pay, the balance between fixed and variable, performance-based elements, the balanced nature of the incentive plan performance measures, the target-setting process for the measures, capped incentive payouts, program alignment with stockholder returns, stock ownership guidelines, and anti-hedging and anti-pledging policies. The Compensation Committee noted that the Company's compensation programs overall mitigate risk and protect stockholder interests.

## Executive Summary

The Compensation Committee values the perspectives and concerns of our stockholders regarding executive compensation and is committed to an ongoing, open dialogue with its investors to foster greater communication and transparency. During the last twelve months, the Company regularly held meetings with stockholders and participated in professional investor conferences to hear stockholder views on a variety of topics, including the Company's executive compensation program. Based on stockholder feedback, over the course of Fiscal 2018, the Compensation Committee took several important steps to continue strengthening the alignment between the design of the executive compensation program and the Company's business strategy and future growth objectives, as well as to place a heavier emphasis on compensation vehicles that increase stock ownership among our executives.

- Engaged a new compensation consultant. In November 2017, the Compensation Committee engaged Pearl Meyer, a leading independent executive compensation consulting firm, to gain further insight on current pay practices to ensure that our approach going forward effectively balances competitive market practices, stockholder expectations, best-practice governance standards and our business strategy and goals.
- Approved a new Executive Annual Incentive Program for Fiscal 2019 that enhances the focus on growth and profitability. Annual incentives under our Annual Incentive Plan ("AIP") for Fiscal 2019 will be paid based on the achievement of pre-determined revenue and Adjusted EBITDA performance goals. For Fiscal 2019, Mr. Jamison, Ms. Brooks, and Mr. Crouse have target bonus percentages (as a percentage of base salary) of 100%, 45% and 45%, respectively.
- Expanded eligibility for performance-based long-term incentives to all NEOs. For Fiscal 2019 a meaningful portion of compensation for all of our NEOs will continue to be in the form of long-term incentives. Fiscal 2019 long-term incentives awards include a mix of performance-based restricted stock units ("PRSUs") and time-based restricted stock units ("RSUs"), which increases the emphasis on variable pay and further strengthens the alignment of executive compensation and stockholder returns, while also increasing executive stock ownership and supporting the Company's leadership retention strategy.

- o PRSUs are earned based on the achievement of pre-determined Free Cash Flow and Aftermarket Sales Absorption goals measured in the third year of a three-year performance period.
- o PRSUs will comprise 50% of our CEO's long-term incentive award and 25% of the long-term incentive awards for the other NEOs. The remainder of the long-term incentives will be RSUs, which vest in annual increments of 33.33% over three years on each anniversary of the date of grant.

This new pay mix structure increases the performance-based portion of compensation and better aligns the interests of our NEOs with our stockholders. The charts below show the relative composition of target total direct compensation for our NEOs. All figures below are shown as a percentage and rounded to the nearest whole number.

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Note: The RSUs for Fiscal 2019 were granted on February 13, 2018

Based on the Company's solid performance, the Compensation Committee also took the following actions during Fiscal 2018 to recognize our NEO's financial achievements and strategic contributions to the business during another challenging year in our industry:

- Approved salary increases during Fiscal 2018 for Ms. Brooks and Mr. Crouse of approximately 10% and 4%, respectively were effective as of November 13, 2017. Mr. Jamison did not receive a salary increase for Fiscal 2018. Mr. Jamison, Ms. Brooks and Mr. Crouse did not receive salary increases for Fiscal 2017. At the end of Fiscal 2018, the Compensation Committee also approved salary increases effective for Fiscal 2019 for certain of our NEOs as the salaries for those NEOs were below market. Please see "Components and Results of the Fiscal 2018 Executive Compensation Program—Base Salary" for additional information regarding NEOs' base salaries.
- Approved cash incentive award payouts at target under the Leadership Incentive Program for Mr. Jamison, Ms. Brooks and Mr. Crouse — since the Company met its EBITDA breakeven goal by delivering consecutive positive quarterly Adjusted EBITDA (calculated as set forth below under the heading "Annual Incentive Compensation, Targets and Results") during the third and fourth quarters of the fiscal year.
- Granted one-time, special recognition equity awards to our NEOs based on their extraordinary efforts to achieve EBITDA breakeven for two consecutive quarters in Fiscal 2018, as well as to increase their equity ownership and further support retention in light of the fact that Mr. Jamison, Ms. Brooks and Mr. Crouse did not receive any equity awards for Fiscal 2017. RSUs granted to all NEOs vest 100% at the end of a two year vesting period, while PRSUs granted only to Mr. Jamison vest at the end of a

two-year performance period based on the degree to which individual performance goals for Mr. Jamison are achieved, as determined by the Compensation Committee.

# Summary Compensation Table

The following table sets forth information regarding the compensation paid to or earned by the Company's CEO and the other NEOs for services rendered to the Company and its subsidiaries for the fiscal years ended March 31, 2018 and 2017.

Name and Principal Position	Year	Salary(1)	Bonus	Stock Awards(2)	Non-Equity Compensation			Total
					Option Awards(3)	Incentive Plan	All Other Compensation(4)	
Darren R. Jamison	2018	\$ 487,200	\$ —	\$ 267,500	\$ —	\$ 487,200	\$ 6,214	\$ 1,248,114
President & Chief Executive Officer	2017	487,200	—	—	—	—	7,935	495,135
Jayne L. Brooks	2018	255,829	—	263,800	—	163,500	5,672	688,801
Chief Financial Officer & Chief Accounting Officer	2017	247,500	—	—	—	—	5,447	252,947
James D. Crouse	2018	283,333	—	231,750	—	203,000	24,273 (5)	742,356
Executive Vice President of Sales & Marketing	2017	280,000	—	—	—	—	26,734 (5)	306,734

- (1) Salary increases during Fiscal 2018 for Ms. Brooks and Mr. Crouse of approximately 10% and 4%, respectively were effective as of November 13, 2017.
- (2) This column represents the aggregate grant date fair value of RSUs granted in the years presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, excluding the estimated impact of forfeitures related to service-based vesting conditions. Grant date fair, value is calculated using the closing price of Capstone's stock on the date of grant. For a discussion of the valuation assumptions, see Note 9 to the Company's financial statements included in the Company's Annual Report on Form 10 K for the 2018 Fiscal Year. The amounts shown exclude any estimate of future forfeitures and reflect the effect of any actual forfeitures.
- (3) This column represents incentive bonuses paid pursuant to the Leadership Incentive Plan.
- (4) This column represents Company vacation payouts, contributions to the 401(k) plan and premiums paid by the Company for life insurance.
- (5) Includes cash disbursement in lieu of fringe benefit accruals.





## Components and Results of the Fiscal 2018 Executive Compensation Program

The basic components of compensation applicable to our NEOs are base salary, annual incentive compensation and long-term incentives. Our NEOs are also eligible for employee benefits consistent with those offered to other employees of the Company and for severance and change of control benefits.

**Base Salary** Base salary is intended to provide a level of assured cash compensation that is competitive in the marketplace to our executive officers. It is based on the individual's qualifications and experience with the Company, past performance, taking into account all relevant criteria, value to the Company, the Company's ability to pay and relevant competitive market data. For Fiscal 2018, the Compensation Committee approved the following base salary increases:

NEO	Base Salary for 2018 Fiscal Year	Base Salary for 2017 Fiscal Year	% Increase
Darren R. Jamison	\$ 487,200	\$ 487,200	0%
Jayne L. Brooks	\$ 272,500	\$ 247,500	10%
James Crouse	\$ 290,000	\$ 280,000	4%

On April 1, 2018, the Compensation Committee approved a base salary increase of \$28,000 or 6% for Fiscal 2019 for Mr. Jamison.

The Fiscal 2018 base salary adjustment effective November 13, 2017 for Ms. Brooks was part of a multi-year plan to bring her base salary to competitive market levels that recognize her role and responsibilities as Chief Financial Officer and Chief Accounting Officer. In addition, as part of this plan, on April 1, 2018, Ms. Brooks received a 10% increase to her base salary and is also eligible for an additional \$25,000 increase to her base salary effective October 1, 2018. These three adjustments will bring Ms. Brooks' base salary to a market-competitive level during Fiscal 2019.

The Fiscal 2018 base salary adjustment effective November 13, 2017 for Mr. Crouse was based on market data for his position. The Compensation Committee did not change Mr. Crouse's base salary for Fiscal 2019.

**Annual Incentive Compensation, Targets and Results** For Fiscal 2018, our NEOs were eligible for performance-based cash incentive awards under the Leadership Incentive Program. Mr. Jamison, Ms. Brooks and Mr. Crouse had target bonus percentages of 100%, 60% and 70%, respectively. The Leadership Incentive Program was implemented at the end of Fiscal 2017 to focus our NEOs on driving future growth and profitability. Specifically, this program was designed to reward our NEOs and other senior executives if the Company were to reach EBITDA breakeven at the end of any two consecutive quarters in Fiscal 2018, subject to the Company's standard clawback provisions. For the purposes of EBITDA calculation in relation to this program, the Compensation Committee agreed to use Adjusted EBITDA. Adjusted EBITDA for purposes of the Leadership Incentive Program, is defined as EBITDA before stock-based compensation expense, restructuring charges, Leadership Incentive Program and the change in warrant valuation and warrant issuance expenses. Restructuring charges include facility consolidation costs and one-time costs related to the company's cost reduction initiatives. The Leadership Incentive Program was put into place only for Fiscal 2018 and, as such, it is included in the Adjusted EBITDA items for this one-time program.

At the end of Fiscal 2018, the Company met its EBITDA breakeven goal by delivering consecutive positive quarterly Adjusted EBITDA results during the third and fourth quarters of the fiscal year. Given this result, in addition to

positive quarterly cash flow from operations and record quarterly aftermarket accessories, parts and service revenue, the Compensation Committee approved target cash incentive awards to each of our NEOs as follows:

NEO	Target Award Opportunity (% of Salary)		Target Award Opportunity (in dollars)	Actual Award Payout (in dollars)
Darren R. Jamison	100	%	\$ 487,200	\$ 487,200
Jayne L. Brooks	60	%	\$ 163,500	\$ 163,500
James D. Crouse	70	%	\$ 203,000	\$ 203,000

For Fiscal 2019, Compensation Committee approved a new Executive Annual Incentive Program, which provides incentive opportunities based on the achievement of pre-determined revenue and Adjusted EBITDA performance goals. Target annual incentive opportunities are expressed as a percentage of base salary, and were established based on the NEO's level of responsibility and his or her ability to impact overall results. The Compensation

Committee also considers market data in setting target award amounts. Target award opportunities for Fiscal 2019 are as follows:

NEO	Target Award Opportunity (% of Salary)	
Darren R. Jamison	100	%
Jayne L. Brooks	45	%
James D. Crouse	45	%

**Long-Term Incentive Targets and Awards** In discharging its responsibility for administering the Company's stock-based compensation programs, the Compensation Committee regularly monitors and evaluates the total cost of such programs, based on information provided annually by, and in consultation with, the Company's independent compensation consultant. This information includes share utilization and annual grant levels. The Compensation Committee determines the appropriate award to each NEO by assessing equity incentive awards made to officers of comparable companies.

Long-term incentive awards are designed to keep senior executives focused on the execution of longer-term financial and strategic growth goals that drive stockholder value creation, as well as support the Company's leadership retention strategy. As such, the Compensation Committee determined that this equity-based compensation should be comprised of a mix of equity vehicles that could include PRSUs, RSUs and stock options.

At the beginning of the 2018 Fiscal Year, based on the Company's focus on repositioning itself for future growth and profitability and the continuing challenges of the economic environment, the Compensation Committee unanimously agreed to temporarily suspend any long-term incentive award grants. Given the Company's strong results during the 2018 Fiscal Year and to increase equity ownership among our NEOs, on February 13, 2018, the Compensation Committee granted RSU awards to our NEOs in recognition of their discipline and commitment to growing the business and creating long-term value. These RSUs are also intended to support the Company's leadership retention objectives as the Compensation Committee believes our NEOs are critical to the continuing success of the Company. Mr. Jamison received 152,273 RSUs, Ms. Brooks received 127,841 RSUs, and Mr. Crouse received 111,648 RSUs. The RSUs vest over three years in annual increments of 33.33% on each anniversary of the date of the grant.

On June 4, 2018, our NEOs also received long-term incentive award grants in the form of PRSUs after the performance measurement was finalized, which are earned based on the achievement of pre-determined Free Cash Flow and Aftermarket Sales Absorption goals measured in the third year of a three-year performance period (2019-2021). The table below shows the long-term incentive award values granted for Fiscal 2019 for each of the NEOs.

Executive Officer	Value of Target RSUs Granted(1)	Value of Target PRSUs Granted(2)	Total Value
Darren R. Jamison	\$ 134,000	\$ 134,000	\$ 268,000
Jayne L. Brooks	\$ 112,500	\$ 37,500	\$ 150,000
James D. Crouse	\$ 98,250	\$ 32,750	\$ 131,000

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(1) Award amounts for RSUs were determined based on the closing price of our common stock (\$0.88) on the date of grant on February 13, 2018.

(2) Award amounts for PRSUs were determined based on the closing price of our common stock (\$1.59) on the date of grant on June 4, 2018.

In addition, based on our NEOs extraordinary efforts to achieve EBITDA breakeven for two consecutive quarters in Fiscal 2018, as well as to increase their equity ownership and further support retention the following one-time, special recognition equity awards were granted on February 14, 2018: Mr. Jamison received 150,000 RSUs and 150,000 PRSUs, Ms. Brooks received 170,000 RSUs, and Mr. Crouse received 150,000 RSUs. The RSUs vest 100% at the end of a two year vesting period, while the PRSUs vest at the end of a two-year performance period based on the degree to which individual performance goals for Mr. Jamison are achieved, as determined by the Compensation Committee.

# Grants of Plan Based Awards

Information about each grant of a plan based award made to a NEO during the 2018 Fiscal Year is set forth in the table below.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			All Other Stock Awards: Number of Shares of Stock or Units(2)	Grant Date Fair Value of Stock and Option Awards(3)
		Threshold	Target	Maximum		
Darren R. Jamison		\$ —	\$ 487,200	\$ —	—	\$ —
	02/14/2018	—	—	—	150,000 (4)	133,500
	02/13/2018	—	—	—	152,273 (5)	134,000
Jayme L. Brooks		—	163,500	—	—	—
	02/14/2018	—	—	—	170,000 (4)	151,300
	02/13/2018	—	—	—	127,841 (5)	112,500
James D. Crouse		—	203,000	—	—	—
	02/14/2018	—	—	—	150,000 (4)	133,500
	02/13/2018	—	—	—	111,648 (5)	98,250

(1) The estimated payouts shown reflect cash bonus awards granted under the Leadership Incentive Program, where receipt is contingent upon the achievement of specified performance goals. See the section above entitled “COMPENSATION OF OFFICERS AND DIRECTORS—Components and Results of the Fiscal 2018 Executive Compensation Program— Annual Incentive Compensation, Targets and Results” for more information about the awards.

(2) Reflects RSUs granted in Fiscal 2018, which vest in two years or three equal installments on each anniversary of the grant date, conditioned on continued service to the Company.

(3)

Reflects the aggregate grant date fair value computed in accordance with FASB ASC Topic 718, excluding the estimated impact of forfeitures related to service-based vesting conditions.

- (4) Restricted stock units vest in two years with 100% vesting on second anniversary of February 14, 2018, conditioned on continued service to the Company.
- (5) Restricted stock units vest in three equal installments on each anniversary of February 13, 2018, conditioned on continued service to the Company.

Outstanding Equity Awards at 2018 Fiscal Year End

Information about outstanding equity awards held by our NEOs as of the end of the 2018 Fiscal Year is set forth in the table below.

Option Awards	Stock Awards	
	Number of Shares or	Market Value of Shares or
Number of Securities		