

SCHULTZ HOWARD D
 Form 4
 February 12, 2007

FORM 4

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

OMB APPROVAL

OMB Number: 3235-0287
 Expires: January 31, 2005
 Estimated average burden hours per response... 0.5

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 SCHULTZ HOWARD D

(Last) (First) (Middle)
 2401 UTAH AVENUE SOUTH
 (Street)

SEATTLE, WA 98134

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
 STARBUCKS CORP [SBUX]

3. Date of Earliest Transaction
 (Month/Day/Year)
 02/08/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)
 chairman

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock	02/08/2007		J ⁽¹⁾	3,567,615 D	13,437,181	D	
Common Stock					124,144	I	By Family Foundation

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)		
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount of Number of Shares
Put Equivalent Position (Right to Sell)	(1)	02/08/2007		J(1)	6,756,164	(1)	(1)	Common	6,756,164

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SCHULTZ HOWARD D 2401 UTAH AVENUE SOUTH SEATTLE, WA 98134	X		chairman	

Signatures

Howard Schultz, by Andrew M. Paalborg, His Attorney-in-Fact 02/12/2007

**Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) See Exhibit 99

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. interest from OEMs. We believe licensing would significantly change the makeup of our sales mix, sales cycles, and margins. Licensing our technology within one or an array of selected vertical markets (e.g. burners for refinery process heaters or packaged boilers) could dramatically accelerate the global sales and market adoption rate of our technology. In order to create channel flexibility and meet end user demand however, we intend to continue to pursue end user customers through direct sales, sub-contractors, or channel partners. While we are currently pursuing various licensing arrangements, we have no agreements at this time and do not anticipate entering into any such agreements prior to completing the field development projects discussed above and completing a meaningful number of installations and sales. We believe that the continuing development of Duplex, the completion of sales and an increase in end-users will enhance our ability to license our technology.

Historically, we have funded our operations through the sale of our securities, including the following:

In April and May 2012, we completed an initial public offering of our common stock whereby we sold 3,450,000 shares of common stock at \$4.00 per share, which included the exercise of the underwriter's overallotment option, resulting in gross proceeds of \$13.8 million and, after deducting certain costs paid with common stock, net proceeds of approximately \$11.6 million.

In March 2014, we completed a registered direct offering of our common stock whereby we sold 812,500 shares of common stock at \$8.00 per share resulting in gross proceeds of \$6.5 million and net proceeds of approximately \$5.8 million.

In February 2015, we completed an underwritten public offering of our common stock whereby we sold 2,990,000 shares of common stock at \$5.85 per share resulting in gross proceeds of \$17.5 million and net proceeds of approximately \$16.3 million.

In January 2017, we completed a rights offering and public offering pursuant to which we sold 2,395,471 units for \$4.00 per unit (the Rights Offering) with each unit consisting of one share of common stock and one warrant to purchase one share of common stock for \$4.00 per share resulting in gross proceeds of \$9.6 million and net proceeds of approximately \$8.7 million.

In February 2018, we completed an underwritten public offering of our common stock whereby we sold 5,750,000 shares of common stock at \$2.25 per share (the Stock Offering) resulting in gross proceeds of \$12.9 million and net proceeds of approximately \$11.9 million.

Our costs include employee salaries and benefits, compensation paid to consultants, materials and supplies for research, costs associated with development activities including materials, sub-contractors, travel and administration, legal expenses, sales and marketing costs, general and administrative expenses, and other costs associated with an early stage, publicly-traded technology company. We currently have 18 full-time and one part-time employees. We anticipate increasing the number of employees required to support our activities in the areas of research and development, sales and marketing, and general and administrative functions. We expect to incur consulting expenses related to technology development commensurate with our current levels and we expect to incur increasing expenses to protect our intellectual property.

The amount that we spend for any specific purpose may vary significantly, and could depend on a number of factors including, but not limited to, the pace of progress of our commercialization and development efforts, actual needs with respect to product testing, development and research, market conditions, and changes in or revisions to our marketing strategies.

Research, development, and commercial acceptance of new technologies are, by their nature, unpredictable. Although we will undertake development and commercialization efforts with reasonable diligence, there can be no assurance that the net proceeds from our securities offerings will be sufficient to enable us to develop our technology to the extent needed to create future sales to sustain operations. If the net proceeds from these offerings are insufficient for this purpose, we will consider other options to continue our path to commercialization, including, but not limited to, additional financing through follow-on equity offerings, debt financing, co-development agreements, sale or licensing of developed intellectual or other property, or other alternatives.

We cannot assure that our technology will be accepted, that we will ever earn revenues sufficient to support our operations, or that we will ever be profitable. Furthermore, we have no committed source of financing and we cannot assure that we will be able to raise money as and when we need it to continue our operations. If we cannot raise funds as and when we need them, we may be required to scale back our development plans by reducing expenditures for employees, consultants, business development and marketing efforts or to otherwise severely curtail, or even to cease, our operations.

CRITICAL ACCOUNTING POLICIES

The following discussion and analysis of financial condition and results of operations is based upon our financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America. Certain accounting policies and estimates are particularly important to the understanding of our financial position and results of operations and require the application of significant judgment by our management or can be materially affected by changes from period to period in economic factors or conditions that are outside of our control. As a result, they are subject to an inherent degree of uncertainty. In applying these policies, our management uses their judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on our historical operations, our future business plans and projected financial results, the terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. See Note 2 to our unaudited condensed financial statements for a more complete description of our significant accounting policies.

Revenue Recognition and Cost of Goods Sold. Effective January 1, 2017, the Company retroactively adopted ASU No. 2014-09 which has as its core principle that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in the exchange for those goods or services. The Company reviews each contract to identify contract rights, performance obligations, and transaction prices, including the allocation of prices to separate performance obligations. Revenues and costs of sales are recognized once the goods or services are delivered to the customer's control and performance obligations are satisfied. Typically, the Company's customer contracts include performance obligations related to emission levels or other metrics that are measured at project completion. Since this is the singular performance obligation and cannot be achieved until the air emissions and operational performance have been successfully tested, revenue related to the contracts is recognized upon project completion.

Explanation of Responses:

Product Warranties. The Company warrants all installed products against defects in materials and workmanship for a period specified in each contract by replacing failed parts. Accruals for product warranties are based on historical warranty experience and current product performance trends, and are recorded at the time revenue is recognized as a component of cost of sales. The warranty liabilities are reduced by material and labor costs used to replace parts over the warranty period in the periods in which the costs are incurred. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary and such adjustments could be material in the future if estimates differ significantly from actual warranty expense. The warranty liabilities are included in accrued liabilities in the balance sheets.

Research and Development. The cost of research and development is expensed as incurred. Research and development costs consist of salaries, benefits, share-based compensation, consulting fees, rent, utilities, depreciation, and consumables.

Stock-Based Compensation. The costs of all employee stock options, as well as other equity-based compensation arrangements, are reflected in the consolidated financial statements based on the estimated fair value of the awards on the grant date. That cost is recognized over the period during which an employee is required to provide service in exchange for the award. Stock compensation for stock granted to non-employees is determined as the fair value of the consideration received or the fair value of equity instruments issued, whichever is more reliably measured.

Fair Value of Financial Instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities measured at fair value are categorized based on whether or not the inputs are observable in the market and the degree that the inputs are observable. The categorization of financial assets and liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The Company's financial instruments primarily consist of cash and cash equivalents, accounts payable and accrued expenses. As of the balance sheet dates, the estimated fair values of the financial instruments were not materially different from their carrying values as presented on the balance sheets. This is primarily attributed to the short maturities of these instruments. The Company has lease assets as defined in Note 2 and disclosed in Note 3 to the financial statements. The Company did not identify any other non-recurring assets and liabilities that are required to be presented in the balance sheets at fair value.

RESULTS OF OPERATIONS

Comparison of the Three Months Ending March 31, 2018 and 2017

Sales and Gross Profit. Product sales totaling \$530,000 were recognized in the three months ended March 31, 2018 (Q1 2018) resulting in a gross profit of \$135,000, or 25%, compared to product sales of \$360,000 in the three months ended March 31, 2017 (Q1 2017) resulting in a gross profit of \$109,000, or 30%. These Q1 2018 sales resulted from the installation of our Duplex technology in two enclosed ground flares for a major California oil producer and in an OTSG owned by another major California oil producer. Our expectation is that our Duplex product sales will normalize over time to gross margins approximating 50%.

Operating Expenses. Operating expenses, consisting of research and development (R&D) and general and administrative (G&A) expenses, decreased by approximately \$89,000 to \$2,413,000 in Q1 2018 compared to \$2,502,000 in Q1 2017. The Company decreased its R&D expenses by \$40,000 to \$1,134,000 for Q1 2018 primarily due to decreased costs for field testing and development costs of our Duplex technology. G&A expenses decreased by \$49,000 to \$1,279,000 in Q1 2018 resulting primarily from decreased personnel expenses.

Loss from Operations. Due to the reduced operating expenses and greater gross profit, our loss from operations decreased during Q1 2018 by \$115,000, from \$2,393,000 in Q1 2017 to \$2,278,000.

Net Loss. Primarily as a result of the reduced operating expenses and greater gross profit, our net loss for Q1 2018 was \$2,278,000 as compared to a net loss of \$2,379,000 for Q1 2017, resulting in a decrease in net loss of \$101,000.

Liquidity and Capital Resources

At March 31, 2018, our cash and cash equivalent balance totaled \$11,202,000 compared to \$1,247,000 at December 31, 2017. This increase resulted primarily from \$11.9 million of net proceeds we received from our Stock Offering in February 2018 offset by our operating costs for the three months ended March 31, 2018 associated with the ongoing research and development of our technology. Although we are pursuing sales and co-development agreements, there is no assurance that we will be successful in entering into any such agreements or, if we do enter into such agreements, that they will provide adequate funds to support our operations and to commercialize our technology. To the extent sales and co-development agreement funding is insufficient for these purposes, we may undertake offerings of our securities, debt financing, selling or licensing our developed intellectual or other property, or other alternatives. From inception, the Company's operations have been funded primarily through the sale of its common stock. In order to continue business operations beyond twelve months from the filing of this Form 10-Q, the Company currently anticipates that it will need to raise additional capital. However, there can be no assurances that the Company will be able to secure any such additional financing on acceptable terms and conditions. The Company filed a Form S-3 shelf registration statement with the Securities and Exchange Commission on December 29, 2015 that was declared effective on January 7, 2016. The registration statement allows the Company to offer common stock, preferred stock, warrants or units from time to time as market conditions permit.

At March 31, 2018, our current assets were in excess of current liabilities resulting in working capital of \$9,936,000 compared to \$263,000 at December 31, 2017. The increase in working capital resulted primarily from the net proceeds of our Stock Offering offset by the funds used in operations and invested in intangible and fixed assets.

Operating activities for the three months ended March 31, 2018 resulted in cash outflows of \$1,860,000 which were due primarily to the loss for the period of \$2,278,000. These were offset primarily by other non-cash expenses of \$79,000, services paid with common stock and stock options of \$59,000, and net increase in working capital, exclusive of cash, by \$280,000. Operating activities for the three months ended March 31, 2017 resulted in cash outflows of \$2,267,000 which were due primarily to the loss for the period of \$2,379,000 and net changes in working capital, exclusive of cash, which reduced cash flow by \$186,000. These were offset primarily by other non-cash expenses of \$68,000 and services paid with common stock and stock options of \$230,000.

Investing activities for the three months ended March 31, 2018 resulted in cash outflows of \$106,000 for development of patents and \$2,000 for acquisition of fixed assets, compared to \$105,000 and \$28,000 during the same period of 2017.

There were net cash inflows of \$11,923,000 from our Stock Offering in the three months ended March 31, 2018 and \$8,667,000 from our Rights Offering in the three months ended March 31, 2017.

Off-Balance Sheet Transactions

We do not have any off-balance sheet transactions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company we are not required to provide this information.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure controls and procedures

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the “Act”), is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management, with the participation of our Chief Executive Officer (CEO) (principal executive officer) and our Interim Chief Financial Officer (CFO) (principal financial and accounting officer), has concluded that, as of March 31, 2018, our disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There have been no material changes in our internal controls over financial reporting that occurred during the quarter ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the

effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II-OTHER INFORMATION

ITEM 1.

LEGAL PROCEEDINGS

From time to time we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

ITEM 1A.

RISK FACTORS

We incorporate herein by reference the risk factors included under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017 which we filed with the Securities and Exchange Commission on March 27, 2018.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On March 31, 2018, we issued 2,500 shares of common stock, having a per share value of \$3.50, the closing price of our common stock on August 4, 2017, the date of grant, from our 2013 Consultant Stock Plan to our investor relations firm, Three Part Advisors, LLC, for services provided in the three months ended March 31, 2018.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Exhibit Number	Document
<u>3.1</u>	<u>Articles of Incorporation of ClearSign Combustion Corporation, amended on February 2, 2011 (1)</u>
<u>3.1.1</u>	<u>Articles of Amendment to Articles of Incorporation of ClearSign Combustion Corporation filed on December 22, 2011 (1)</u>
<u>3.2</u>	<u>Bylaws (1)</u>
<u>31.1</u>	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer*</u>
<u>31.2</u>	<u>Rule 13a-14(a)/15d-14(a) Certification of Interim Chief Financial Officer*</u>
<u>32.1</u>	<u>Section 1350 Certification of Chief Executive Officer and Interim Chief Financial Officer+</u>
101.INS	XBRL Instant Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

*Filed herewith.

+Furnished herewith.

(1) Incorporated by reference from the registrant's registration statement on Form S-1, as amended, file number 333-177946, originally filed with the Securities and Exchange Commission on November 14, 2011.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**CLEARSIGN COMBUSTION
CORPORATION**
(Registrant)

Date: May 10, 2018 By: /s/ Stephen E. Pirnat
Stephen E. Pirnat
Chief Executive Officer

By: /s/ Brian G. Fike
Brian G. Fike
Interim Chief Financial Officer