

Risk Factors Comparison 2024-04-01 to 2023-03-31 Form: 10-K

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

The risks described below are not the only risks we face. If any of the events described in the following risk factors actually occurs, or if additional risks and uncertainties later materialize that are not presently known to us or that we currently deem immaterial, then our business, prospects, results of operations and financial condition could be materially adversely affected. In that event, the trading price of our common stock could decline, and you may lose all or part of your investment in our shares. The risks discussed below include forward- looking statements, and our actual results may differ substantially from those discussed in these forward- looking statements. Risks Related to Our Business We are a company with a limited operating history and our future profitability is uncertain. We anticipate future losses and negative cash flows and we may never be profitable. We are a company with a limited operating history and limited revenues to date. We have incurred losses since our inception and expect to experience operating losses and negative cash flows for the foreseeable future. As of December 31, ~~2022~~ 2023, we had a total accumulated deficit of approximately \$ ~~88-93~~ 5-7 million. We anticipate our losses will continue to increase from current levels because we expect to incur additional costs and expenses related to commercialization activities, product development, consulting costs, marketing and other promotional activities. In addition, we expect to continue incurring costs related to human capital development and strategic partnership development. We may never generate significant revenue and we may never be profitable. If we do not receive additional financing when and as needed in the future, we may not be able to continue our development and commercialization efforts and our business may fail. Our business is capital- intensive and requires capital investments in order for it to develop. Our cash on hand will likely not be sufficient to meet all of our future needs because our target customers are, in general, slow to adopt new technologies, and we anticipate that we will require substantial additional funds in excess of our current financial resources for research, development and commercialization of our technology, to obtain and maintain patents and other intellectual property rights in our technology, and for working capital and other purposes, the timing and amount of which are difficult to ascertain. Until our technology generates revenues sufficient to support our operations, we plan to obtain the necessary working capital for operations through the sale of our securities, but we may not be able to obtain financing in amounts sufficient to fund our business plans. If we cannot obtain additional funding when and as needed, our business might fail. Market acceptance of our technology and business is difficult to predict. If our technology does not achieve market acceptance, our business could fail. If we are unable to effectively demonstrate our technology in a timely fashion, gain recognition in our market segments, and develop a critical level of successful sales and product installations, we may not be able to successfully achieve sales revenue and our results of operations and financial condition would then suffer. Our ability to achieve future revenue will depend significantly upon achieving a critical mass of market awareness and sales to potential customers of our products. While we plan to achieve this awareness over time, there can be no assurance that awareness of our Company and technology will develop in a manner or pace that is necessary for us to achieve acceptance and profitability in the near term. Further, we cannot predict the rate of adoption or acceptance of our technology by potential customers. While we have demonstrated our technology, this does not guarantee the industrial combustion market will accept it, nor can we control the rate at which such acceptance may be achieved. In certain ~~of our~~ of ours, there is a well- established channel with a limited number of companies engaged in reselling to our target customers. Failure to achieve productive relations with a sufficient number of these prospective partners may impede adoption of our technology. Additionally, some potential customers in our target industries are historically risk- averse and have been slow to adopt new technologies. If our technology is not widely adopted in the industrial combustion market, we may not earn enough by selling or licensing our technology to support our operations, recover our research and development costs or become profitable and our business could fail. Our efforts may never demonstrate the feasibility of our product. Our research and development efforts remain subject to all of the risks associated with the development of new products based on emerging and innovative technologies, including without limitation unanticipated technical or other problems, our ability to scale our technology to large industrial applications, conditions in the field during installation and the possible insufficiency of funds for completing development of these products. Technical problems, including those specific to customer site implementation, may result in delays and cause us to incur additional expenses that would increase our losses. If we cannot complete, or if we experience significant delays in completing, research and development of our technology for use in potential commercial applications, particularly after incurring significant expenditures, our business may fail. ~~13Changes--~~ Changes to environmental regulations could make our technology less desirable. The negative environmental impacts of industrial activity have given rise to significant environmental regulation in industrialized countries. These regulations are important incentives in the adoption of technologies like ours. To the extent that ~~environmental~~ environmental regulations in the U. S. and in other industrialized countries are modified in the future, or even relaxed, our technology may not produce the results required, or may even be unnecessary, to comply with the modified regulations. If federal, state or local regulatory agencies relax the clean air regulations our technologies are designed to address, or our customers cannot obtain air emission permits with our products, our business and results of operations could be materially adversely affected. We may fail to adequately protect our proprietary technology, which would allow our competitors to take advantage of our research and development efforts. Our long- term success largely depends on our ability to market our technology. We rely on a combination of patents, trade secrets and other intellectual property laws, confidentiality and security procedures and contractual provisions to establish and protect our proprietary rights in our technology, products and processes. If we fail to obtain or maintain these protections, we may not be able to prevent third parties from using our proprietary technologies. Our pending or future patent applications may not result in issued patents. In

addition, any patents issued to us, or that may be issued to us in the future, may not contain claims sufficiently broad enough to protect us against third parties with similar technologies or products or from third parties infringing such patents or misappropriating our trade secrets or provide us with any competitive advantage. In addition, effective patent and other intellectual property protection may be unenforceable or limited in foreign countries. If a third party initiates litigation regarding the validity of our patents and is successful, a court could revoke our patents or limit the scope of coverage for those patents. We also rely upon trade secrets, proprietary know-how and continuing technological innovation to remain competitive. We protect this information with reasonable security measures, including the use of confidentiality and invention assignment agreements with our employees and consultants and confidentiality agreements with strategic customers and partners. It is possible that these agreements may not be sufficient or that these individuals or companies may breach these agreements and that any remedies for a breach will be insufficient to allow us to recover our costs and damages. Furthermore, our trade secrets, know-how and other technology may otherwise become known or be independently discovered by our competitors. We may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights. A third party may sue us for infringing its intellectual property rights. Likewise, we may need to resort to litigation to enforce our patent rights or to determine the scope and validity of third-party intellectual property rights. The cost to us of any litigation or other proceeding relating to intellectual property rights, even if resolved in our favor, could be substantial, and the litigation would divert our efforts from our business activities. Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. If we do not prevail in this type of litigation, we may be required to pay monetary damages and / or expenses; stop commercial activities relating to our products; obtain one or more licenses in order to secure the rights to continue the manufacturing or marketing of our products; or attempt to compete in the market with substantially similar products. Uncertainties resulting from the initiation and continuation of any litigation could limit our ability to continue some of our operations. A cybersecurity incident or other technology disruptions could negatively impact our business and our relationships with customers. We use computers in substantially all aspects of our business operations. We also use mobile devices and other online activities to connect with our employees, consultants, suppliers and customers. Such uses give rise to cybersecurity risks, including security breaches, espionage, system disruption, theft, the compromise of trade secrets and inadvertent release of information. Our business involves the storage and transmission of sensitive and / or confidential information and intellectual property, including customers' and suppliers' information, private information about employees and financial and strategic information about us. If we fail to assess and identify cybersecurity risks associated with our operations, we may become increasingly vulnerable to such risks. Additionally, while we have implemented measures to prevent security breaches and cyber incidents, our preventative measures and incident response efforts may not be entirely effective. The theft, destruction, loss, misappropriation, or release of sensitive and / or confidential information or intellectual property, or interference with our information technology systems, could result in business ~~14~~disruption, **disruption**, negative publicity, brand damage, violation of privacy laws, loss of customers, potential liability and competitive disadvantage all of which could have a material adverse effect on our business, financial condition or results of operations. We cannot guarantee that any collaborative business research and development partnership we enter into will be successful. Collaborative arrangements involve risks that participating parties may disagree on business decisions and strategies. These disagreements could result in delays, additional costs, risks of litigation, and failure of the development of our technology within the ~~combustion~~ **14**combustion market segment. Success of any collaborative arrangements we enter into will depend, in part, on whether those with whom we collaborate fulfill their contractual obligations satisfactorily. If a party with whom we collaborate fails to perform its contractual obligations satisfactorily, we may be unable to make the additional investments or provide the added services that would be required to compensate for that failure. If we are unable to adequately address any such performance issues, our reputation may be materially adversely affected and we may be exposed to legal liability. Our inability to successfully maintain collaborative relationships, once we enter into them, or to enter into new collaborative arrangements, could have a material adverse effect on our results of operations. If we are unable to keep up with rapid technological changes, our products may become obsolete. The market for alternative environmental products is characterized by significant and rapid technological change and innovation. Although we intend to employ our technological capabilities to create innovative products and solutions that are practical and competitive in today's marketplace, future research and discoveries by others may make our products and solutions less attractive or even obsolete compared to other alternatives that may emerge. There are inherent dangers involved in the combustion process that utilize our technologies and products and the occurrence of any associated accident may negatively impact our business. There is inherent danger in dealing with the combustion process. There is additional danger in modifying this process in ways that are new and have only been implemented on a limited basis at a commercial scale. There is only limited data or experience available from the operation of our equipment in both testing and commercial applications to validate suitability for general commercial use. Although we have not yet encountered any areas of risk in the development or testing of our products beyond those already inherent in the combustion process or those particular to an industrial site, we may be exposed to liabilities should an industrial accident occur during development, testing, or operation in our laboratory or during field implementation of our technology. Any such liabilities could have an adverse effect on our results of operations and financial condition and adversely affect our projected development and production estimates. We depend on approval from various local, state and federal agencies to implement and operate our technology. There is no assurance that these agencies will approve our technology. Our technology includes enhancement of the combustion process to reduce certain emissions at a lower cost of operation than current air pollution control devices. Field implementation of our technology will therefore require permits from various local, state and federal agencies that regulate mechanical and electrical infrastructure and fire and air pollution control. Our technology may be subject to heightened scrutiny since it will be new to these governing bodies. As such, there may be delays or rejections in applications of portions of or all of our technology in the individual jurisdictions involved. We are uncertain of our profit margins and whether such profit margins, if achieved, will be

able to sustain our business. We have not fully developed all of our products and those products that have been developed have experienced limited sales. As a result, we cannot reliably predict our profit margins. Our operating costs could increase significantly compared to those we currently anticipate due to unanticipated results from the commercialization process, application of our technology to unique or difficult processes, regulatory requirements and particular field implementations. Further, we envision our pricing to be highly dependent on the benefits that our customers believe they will achieve using our products. Accordingly, we cannot predict whether or when we will achieve profitability, and if achieved, the amount of such profit margins. ~~15~~Many -- Many of our potential competitors have greater resources, and it may be difficult to compete against them. The combustion industry is characterized by intense competition. Many of our potential competitors have better name recognition and substantially greater financial, technical, manufacturing, marketing, personnel and / or research capabilities than we do. Although at this time we do not believe that any of our potential competitors have technology similar to ours, we are aware certain potential competitors are attempting to develop similar products. Many firms in the combustion industry have made and continue to make substantial investments in improving their technologies and manufacturing processes. In addition, they may be able to price their products below the marginal cost of production in an attempt to establish, retain or increase market share. Because of these circumstances, it may be difficult for us to compete successfully in the combustion market. ~~The~~ **15**The loss of the services of our key management and personnel or the failure to attract additional key personnel could adversely affect our ability to operate our business. A loss of one or more of our current officers or key employees could severely and negatively impact our operations. We have no present intention to obtain key-man life insurance on any of our executive officers or management. Additionally, competition for highly skilled technical, managerial and other personnel is intense. As our business develops, we might not be able to attract, hire, train, retain and motivate the highly skilled executives and employees we need to be successful. If we fail to attract and retain the necessary technical and managerial personnel, our business will suffer and might fail. There are many risks we are exposed to by doing business in China. We are exposed to risks of doing business in China. As a result, the economic, political, legal and social conditions in China could have a material adverse effect on our business. In addition, the legal system in China has inherent uncertainties that may limit the legal protections available in the event of any claims or disputes that we may have with third parties, including our ability to protect the intellectual property we use in China. As China's legal system is still evolving, the interpretation of many laws, regulations and rules is not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit the remedies available in the event of any claims or disputes with third parties. Some of the other risks related to doing business in China include: ● the Chinese government exerts substantial influence over the manner in which we must conduct our business activities; ● restrictions on currency exchange may limit our ability to receive and use our cash effectively; ● the Chinese government may favor local businesses and make it more difficult for foreign businesses to operate in China on an equal footing, or in general; ● there are uncertainties related to the enforcement of contracts with certain parties; and ● more restrictive rules on foreign investment could adversely affect our ability to expand our operations in China. As a result of our anticipated growing operations in China, these risks could have a material adverse effect on our business, results of operations and financial condition. ~~Furthermore, our operations in China have been impacted by COVID-19, which has resulted in the limitation of flights in and out of China, quarantines, and travel restrictions on the local work force and personnel from our U. S. offices. As a result, the Company has experienced delays in the completion of boiler burner demonstration projects during 2020, 2021 and 2022. In addition to our own work, the work of our partners and suppliers in China have been, and continue to be affected. The resulting delays to the delivery of materials and services, has resulted in delays to our projects. As a result of such delays, our business relationships and results of operations have been and may continue to be adversely affected.~~ Finally, the U. S. Foreign Corrupt Practices Act and similar foreign anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value to improperly influence foreign government officials for the purpose of obtaining or retaining business or obtaining an unfair advantage. While we make every attempt to comply with these laws, our operations outside the United States may increase the risk of violating such laws. Violations of these laws may result in severe criminal or civil sanctions, could disrupt our business and result in a material adverse effect on our reputation, business and results of operations or financial condition. ~~16~~We **We** cannot provide assurance that rising inflation will not adversely affect our operations. The impact of inflation on our operating results has been moderate in recent years, despite the recent increase in inflation generally across the economy. While inflation has not had a material impact upon operating results, there is no assurance that our business will not be affected by inflation in the future. Due to the nature of our business and products, we may be liable for damages based on product liability and other tort and warranty claims. We face an inherent risk of exposure to claims in the event that the failure, use or misuse of our products results, or is alleged to result, in death, bodily injury, property damage, or economic loss. We cannot provide assurance that global supply-chain constraints will not adversely affect our commercialization efforts. The impact of the global supply-chain constraints has been moderate for our company, reflecting generally modest increases in lead-time commitments from our suppliers and strategic partners. While these constraints have not had a material impact to-date, we can provide no assurance that our business will not be affected by in the future. ~~We~~ **16**We are dependent on third-party suppliers. Although we are not dependent on any one supplier, we are dependent on the ability of our third-party suppliers to supply our raw materials, such as raw steel and fabricated steel. The third-party suppliers upon which we depend may default on their obligations to us due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud, loss of key personnel, or other reasons. We cannot assure that our third-party suppliers will dedicate sufficient resources to meet our scheduled delivery requirements or that our suppliers will have sufficient resources to satisfy our requirements during any period of sustained demand. Failure of suppliers to supply, or delays in supplying, our raw materials or certain components, or allocations in the supply of certain high demand raw components, for any reason, including, without limitation, disruptions in our suppliers' business activities due to cybersecurity incidents, terrorist activity, public health crises (such as coronavirus), fires or other natural disasters could materially adversely affect our operations and

ability to meet our own delivery schedules on a timely and competitive basis. Additionally, our third- party suppliers may provide us with raw materials or component parts that fail to meet our expectations or the expectations of our customers, which could subject us to product liability claims, other claims and litigation. Failure of third parties to manufacture quality products or provide reliable services in a timely manner could cause delays in developing, constructing, and operating our projects, which could damage our reputation, adversely affect our partner relationships or adversely affect our growth. Our success depends on our ability to develop, construct, and operate projects in a timely manner, which depends in part on the ability of third parties to provide us with timely and reliable products and services. In developing, constructing, and operating our projects, we rely on products meeting our design specifications and components manufactured and supplied by third parties, and on services performed by subcontractors. We also rely on subcontractors to perform substantially all of manufacturing work related to our projects, and we may need to engage subcontractors with whom we have no experience. We currently have a collaboration agreement in place with Zeeco, Inc. (“ Zeeco ”). If Zeeco, or any of our subcontractors, is unable to provide services that meet or exceed our customers’ expectations or satisfy our contractual commitments, our reputation, business and operating results could be harmed. In addition, if we are unable to avail ourselves of warranties and other contractual protections with providers of products and services, we may incur liability to our customers or additional costs related to the affected products and services, which could adversely affect our business, financial condition and results of operations. Moreover, any delays, malfunctions, inefficiencies or interruptions in these products or services could adversely affect the quality and performance of our projects and require considerable expense to find replacement products and to maintain and repair our projects. This could cause us to experience interruption in our production and distribution of our products, difficulty retaining current relationships and attracting new relationships, or harm our brand, reputation or growth. Additionally, because the Company’ s contracts generally include progress payments from customers upon the completion of certain defined milestones, the revenue recognition of ~~17~~ such -- such project will depend on our subcontractor’ s services in order for us to be able to achieve such milestones timely. Any subcontractor delays in fulfilling our contracts may result in delay of revenue recognition by the Company, which in turn can affect our financial condition and results of operations. Macroeconomic pressures in the markets in which we operate may adversely affect our financial results. Geopolitical issues around the world can impact macroeconomic conditions and could have a material adverse impact on our financial results. For example, the ultimate impact of the conflict in Ukraine, **Israel and Strait of Hormuz** on fuel prices, inflation, the global supply chain and other macroeconomic conditions is unknown and could materially adversely affect global economic growth, disrupting discretionary spending habits and generally decreasing demand for our products and services. While we do not purchase any of significant raw materials directly from **Russia** ~~these regions~~, **they have** it is a significant global **reach on commodity prices** producer of fuel, nickel, and copper. Disruptions in the markets for those inputs could negatively impact the world and domestic economy. **Also, We cannot predict the these extent or duration of sanctions in response to the conflict** ~~conflicts have~~ in Ukraine, nor can we predict the effects of legislative or other governmental actions or regulatory scrutiny of Russia, Russia' s other allies or other countries with which Russia has significant trade or financial ties, including China. The conflict in Ukraine may also exacerbate **exacerbated** geopolitical tensions globally. While the demand of our services in the U. S. ~~has have~~ not yet been affected by ~~this these conflict conflicts~~ in Ukraine and fuel prices, we cannot predict the impact that the ~~conflict conflicts~~ may have on future financial results. For example, domestic customers for some of our product lines may choose to reduce discretionary spending on goods and services such as ours until **this fuel and oil price** volatility subsides. We are exposed to fluctuations in the market values of our investments and in interest rates, either of which could impair the market value of our investments and harm our financial results. As of December 31, ~~2022~~ **2023**, we had ~~zero~~ \$ 2, 606 thousand of investments in short- term held- to- maturity debt security investments, ~~consisted~~ **17** ~~consisted~~ primarily of U. S. treasuries ~~- In~~; ~~however, in~~ the future, we may further invest in long- or short- term U. S. treasuries or other ~~marketable securities~~ **marketable securities** with maturities of up to one year. Currently, we do not use financial derivatives to hedge our interest rate exposure. These investments, as well as any cash deposit in bank accounts, are subject to general credit, liquidity, market, inflation and interest rate risks, which may be exacerbated by unusual events, such as the recent hike in interest rates, potential recession and the recent debt- ceiling debate, which affected various sectors of the financial markets and led to global economic slowdown and high inflation. If the global credit and capital market continues to experience volatility or deteriorates, and to the extent we make future investments, our investment portfolio may be impacted, and we could determine that some or all of our investments experienced another- than- temporary decline in fair value, requiring impairment, which could adversely impact our financial position and operating results.

Risks Related to Owning Our SecuritiesThe public market for our securities is volatile. This may affect not only the ability of our investors to sell their securities, but the price at which they can sell their securities. We completed the initial public offering of our common stock in April 2012. Since that time, our common stock (**NASDAQ: CLIR** ~~: NASDAQ~~) has traded as low as \$ 0. 35 per share and as high as \$ 11. 75 per share based upon daily closing prices, and day- to- day trading has been volatile at times. This volatility may continue or increase in the future. The market price for the securities may be significantly affected by factors such as progress in the development of our technology, agreements with research facilities or co- development partners, commercialization of our technology, variations in quarterly and yearly operating results, general trends in the alternative energy industry, and changes in state or federal regulations affecting us and our industry. Furthermore, in recent years the stock market has experienced extreme price and volume fluctuations that are unrelated or disproportionate to the operating performance of the affected companies, such as the market reactions to internet marketed ‘ short squeezes’ ~~or the coronavirus outbreak~~. Such broad market fluctuations may adversely affect the market price of our securities. We have the right to issue shares of preferred stock. If we were to issue preferred stock, it is likely to have rights, preferences and privileges that may adversely affect our common stock or other securities. We are authorized to issue 2. 0 million shares of “ blank check ” preferred stock, with such rights, preferences and privileges as may be determined from time- to- time by our board of directors. Our board of directors is empowered, without shareholder approval, ~~18~~ to **to** issue preferred stock in one or more series, and to fix for any series the dividend rights, dissolution

or liquidation preferences, redemption prices, conversion rights, voting rights, and other rights, preferences and privileges for the preferred stock. No shares of preferred stock are presently issued and outstanding and we have no immediate plans to issue shares of preferred stock. The issuance of shares of preferred stock, depending on the rights, preferences and privileges attributable to the preferred stock, could adversely reduce the voting rights and powers of the common stock and the portion of our assets allocated for distribution to common stockholders in a liquidation event, and could also result in dilution in the book value per share of our common stock. The preferred stock could also be utilized, under certain circumstances, as a method for raising additional capital or discouraging, delaying or preventing a change in control of the Company, to the detriment of our shareholders. We cannot assure you that we will not, under certain circumstances, issue shares of our preferred stock. We may be required to raise additional capital by issuing new securities, which may have terms or rights superior to those of our shares of common stock, which could adversely affect the market price of our shares of common stock and our business. We will require additional financing to fund research, development and commercialization of our technology, to obtain and maintain patents and other intellectual property rights in our technology, and for working capital and other purposes. We may not be able to obtain financing on favorable terms, if at all. If we raise additional funds by issuing equity securities, the percentage ownership of our then-current shareholders will be reduced. Further, we may have to offer new investors in our equity securities rights that are superior to the holders of common stock, which could adversely affect the market price and the voting power of shares of our common stock. If we raise additional funds by issuing debt securities, the holders of these debt securities would similarly have some rights senior to those of the holders of shares of common stock, and the terms of these debt securities could impose restrictions on operations and create a significant interest expense for us which could have a materially adverse effect on our business and results of operations.

There can be no assurance that we will be able to comply with the continued listing standards of Nasdaq. On November 24, 2023, we received a notice (the "Notice") from the Listing Qualifications Department of Nasdaq stating that the previously announced resignation of Gary DiElsi from the our board of directors resulted in noncompliance with the board of directors independence requirements set forth in Nasdaq Listing Rule 5605 (b) (1) and the requirement in Nasdaq Listing Rule 5605 (c) (2) (A) to have an audit committee of at least three independent directors. More specifically, when the Notice was issued, the board of directors did not have a majority of directors who would be considered "independent directors," as that term is defined in Nasdaq Listing Rule 5605 (a) (2) and the audit committee of the board of directors consisted of only two independent directors. Consistent with Nasdaq Listing Rules 5605 (b) (1) (A) and Rule 5605 (c) (4), Nasdaq has provided us a cure period in order to regain compliance until the earlier of (i) our next annual shareholders' meeting or November 11, 2024, or (ii) if the next annual shareholders' meeting is held before May 7, 2024, then we must evidence compliance no later than May 7, 2024. There can be no assurances that we will be able to regain compliance with Nasdaq's listing standards or if we do later regain compliance with Nasdaq's listing standards, will be able to continue to comply with the applicable listing standards. If we are unable to maintain compliance with these Nasdaq requirements, our common stock will be delisted from Nasdaq. If Nasdaq delists our common stock, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- a determination that our common stock is a "penny stock" which will require brokers trading in our common stock to adhere to more stringent rules and possibly resulting in a reduced level of trading activity in the secondary trading market for our common stock;
- a limited amount of news and analyst coverage for our company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

We have not paid dividends in the past and have no immediate plans to pay dividends. We plan to reinvest all of our earnings, to the extent we have earnings, in order to continue to develop our products, to market our products, to cover operating costs and to otherwise become and remain competitive. We do not plan to pay any cash dividends with respect to our securities in the foreseeable future. We cannot assure you that we would, at any time, generate sufficient surplus cash that would be available for distribution to the holders of our common stock as a dividend. We have a significant number of options and restricted stock units outstanding and we may issue additional awards in the future to employees, officers, directors, independent contractors and agents. Sales of the underlying shares of common stock could adversely affect the market price of our common stock. As of December 31, 2022-2023, we had outstanding options for the purchase of 3-2, 120-759 thousand shares of common stock and 423-671 thousand shares of outstanding restricted stock units ("RSUs"). Under the ClearSign Technologies Corporation 2021 Equity Incentive Plan and the ClearSign Technologies Corporation 2013 Consultant Stock Plan (collectively, the "Plans"), we have the ability to grant awards of shares, RSU's or options to purchase shares of our common stock to employees, officers, directors, independent contractors and agents. Furthermore, the Plan provides for increases in the number of shares available for awards based on the terms outlined in such Plan. Certain holders may sell these shares in the public markets from time to time, without limitations on the timing, amount or method of sale. If our stock price rises, the holders may exercise their options and RSUs and sell a large number of shares. This could cause the market price of our common stock to decline.

Our certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for certain disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees. Our certificate of incorporation provides that, with certain limited exceptions, the Court of Chancery of the State of Delaware is the exclusive forum for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of fiduciary duty owed by any director, officer or stockholder;
- any action asserting a claim against us arising under the Delaware General Corporation Law ("DGCL"), or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware;
- any action arising pursuant to any provision of our bylaws or certificate of incorporation; and
- any action asserting a claim against us or any current or former director, officer or stockholder that is governed by the internal-affairs doctrine. This provision does not apply to suits brought to enforce a duty or liability created by the Securities Act, the Exchange Act or any other claim for which the U. S. federal courts have

exclusive jurisdiction. In addition, unless we consent in writing to theselection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America shallbe the exclusive forum for the resolution of any complaint asserting a cause or causes of action arising under the Securities Act, including all causes of action asserted against any defendant to such complaint. For the avoidance of doubt, this provision is intended to benefit and may be enforced by us, our officers and directors, theunderwriters to any offering giving rise to such complaint, and any other professional entity whose profession gives authority to a statement made by that person or entity and who has prepared or certified any part of the documents underlying the offering. However, these choice of forum provisions may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees. Further, these choice of forum provisions may increase the costs for a stockholder to bring such a claim and may discourage them from doing so. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder maynevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions, and there can be noassurance that such provisions will be enforced by a court in those other jurisdictions. If a court were to find the choice of forumprovision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we mayincur additional costs associated with resolving such action in other jurisdictions. For example, the Court of Chancery of the State ofDelaware recently determined that the exclusive forum provisions of federal district courts of the United States of America forresolving any complaint asserting a cause of action arising under the Securities Act is not enforceable. We note that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. The rights of our stockholders to take action against our directors and officers are limited. Our certificate of incorporation provides for indemnification of our directors and officers to the fullest extent authorized orpermitted under Delaware law, except to the extent such exemption from liability or limitation thereof is not permitted under theDGCL as the same exists or hereafter may be amended. Our bylaws obligates us to indemnify each of our directors or officers who is or is threatened to be made a party to orwitness in a proceeding by reason of his or her service in those or certain other capacities, to the maximum extent permitted byDelaware law, from and against any claim or liability to which such person may become subject or which such person may incur byreason of his or her status as a present or former director or officer of us or serving in such other capacities. In addition, we may beobligated to reimburse the expenses reasonably incurred by our present and former directors and officers in connection with suchproceedings. As a result, we and our stockholders may have more limited rights to recover money damages from our directors andofficers than might otherwise exist absent these provisions in our bylaws or that might exist with other companies, which could limit your recourse in the event of actions that are not in our best interests. We have incurred and will incur significant costs as a result of being a public company that reports to the Securities and Exchange Commission and our management is required to devote substantial time to meet compliance obligations. As a public company reporting to the Securities and Exchange Commission, we incur significant legal, accounting, investor relations, printing, board compensation, and other expenses that we did not incur as a private company. These costs totaled \$ 1. 3 million in 2022-2023 . We are subject to the reporting requirements of the Securities Exchange Act of 1934 and the Sarbanes- Oxley Act of 2002 (with the exception of the requirement of auditor attestation of internal control over financial reporting from which we are currently excluded as a non- accelerated filer company), as well as rules subsequently implemented by the Commission that impose significant requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. In addition, there are significant corporate governance and executive compensation- related provisions in the Dodd- Frank Wall Street Reform and Protection Act that as we grow could increase our legal and financial compliance costs, make some activities more difficult, time- consuming or costly and may also place undue strain on our 19personnel-- personnel , systems and resources. Our management and other personnel continually devote a substantial amount of time to these compliance initiatives. Furthermore, these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified people to serve on our board of directors, our board committees or as executive officers. Our charter documents and Washington State law may inhibit a takeover that shareholders consider favorable. Provisions of our articles of Incorporation and bylaws and applicable provisions of the state of Washington law may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which shareholders might otherwise receive a premium for their shares, or transactions that our shareholders might otherwise deem to be in their best interests. The provisions in our articles of incorporation and bylaws: • authorize our board of directors to issue preferred stock without shareholder approval and to designate the rights, preferences and privileges of each class; if issued, such preferred stock would increase the number of outstanding shares of our capital stock and could include terms that may deter an acquisition of us; • limit who may call shareholder meetings; • do not provide for cumulative voting rights; and • provide that all vacancies may be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum, unless the vacant office is to be held by a director elected by the holders of one or more classes or series of shares entitled to vote thereon, in which case the vacancy can be filled only by the vote of the holders of such class or series. In addition, Chapter 23B. 19 of the state of Washington Revised Code generally limits our ability to engage in any business combination with a person who beneficially owns 10 % or more of our outstanding voting stock unless certain conditions are satisfied. This restriction lasts for a period of five years following the share acquisition. These provisions may have the effect of entrenching our management team and may deprive you of the opportunity to sell your shares to potential acquirers at a premium over prevailing prices. This potential inability to obtain a control premium could reduce the price of our common stock or other securities. elirSPV LLC has substantial influence in our ability to enter into corporate transactions, and if elirSPV LLC decides to sell or otherwise transfer

their shares of common stock, it may put downward pressure on the trading price of our common stock. The interests of elirSPV and its affiliates, which include our director Robert T. Hoffman, could conflict with or differ from our interests or the interests of our other shareholders. Further, elirSPV may choose to sell or otherwise transfer a large number of shares of our common stock, which may put downward pressure on the trading price of shares of our common stock. If we fail to comply with the continued minimum closing bid requirements of The Nasdaq Capital Market LLC (“Nasdaq”) by May 1, 2023 or other requirements for continued listing, including stockholder equity requirements, our common stock may be delisted and the price of our common stock and our ability to access the capital markets could be negatively impacted. Our common stock is listed for trading on Nasdaq, therefore, we must satisfy Nasdaq’s continued listing requirements, including, among other things, a minimum closing bid price requirement of \$ 1.00 per share for 30 consecutive business days. On November 1, 2022, the Nasdaq staff notified us that we did not comply with the minimum \$ 1.00 per share bid price requirement for continued listing, as set forth in Nasdaq Listing Rule 5550 (a) (2). We have been granted 180 calendar days, through May 1, 2023, to regain compliance. In the event that we do not regain compliance within this 180 day period, we may be eligible to seek an additional compliance period of 180 calendar days if we meet certain requirements. There can be no assurance that we will be able to regain compliance with Nasdaq’s listing rules. If we are unable to regain compliance with the minimum closing bid price requirement or if we fail to meet any of the other continued listing requirements, including stockholder equity requirements, our securities may be delisted from Nasdaq, which could reduce the liquidity of our common stock materially and result in a corresponding material reduction in the price of our common stock. In addition, delisting could harm our ability to raise capital on terms acceptable to us, or at all, and may result in the potential loss of confidence by investors, employees and business development opportunities. 20