

# CLEAN ENERGY FUELS CORP.

## FORM DEF 14A (Proxy Statement (definitive))

Filed 03/30/09 for the Period Ending 05/12/09

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|-------------|---|
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**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

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 Pursuant to §240.14a-12

**CLEAN ENERGY FUELS CORP.**

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(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required

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

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

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

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

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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**CLEAN ENERGY FUELS CORP.**

**3020 Old Ranch Parkway, Suite 400  
Seal Beach, CA 90740**

March 30, 2009

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of Clean Energy Fuels Corp. held at The Island Hotel at 690 Newport Center Drive, Newport Beach, California 92660, on Tuesday, May 12, 2009, at 1:00 p.m. (Pacific Time).

The attached notice of annual meeting and proxy statement include the agenda for the stockholders' meeting, explain the matters that we will discuss at the meeting and provide general information about our company.

For our 2009 Annual Meeting, we are pleased to take advantage of the Securities & Exchange Commission rules that allow issuers to furnish proxy materials to their stockholders on the Internet. We believe these rules allow us to provide you with the information you need while lowering the costs of delivery and reducing the environmental impact of the Annual Meeting.

Your vote is very important. If you do not plan to attend the annual meeting in person, please vote as promptly as possible. Thank you for supporting our company.

Sincerely,

 SIGNATURE

**MITCHELL W. PRATT**  
*Corporate Secretary*

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**CLEAN ENERGY FUELS CORP.**

**3020 Old Ranch Parkway, Suite 400  
Seal Beach, CA 90740**

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**May 12, 2009**

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The annual meeting of stockholders of Clean Energy Fuels Corp. will be held at The Island Hotel at 690 Newport Center Drive, Newport Beach, California 92660, on Tuesday, May 12, 2009, at 1:00 p.m. (Pacific Time) for the following purposes:

1. To elect seven directors;
2. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009;
3. To approve our Amended and Restated 2006 Equity Incentive Plan, which, would increase the number of authorized shares from 9,390,500 shares to 10,890,500 shares
4. To transact any other business that may properly come before the meeting or any adjournment or postponement of the meeting.

The foregoing items of business are more fully described in the proxy statement.

The board of directors has fixed the close of business on March 19, 2009 as the record date for the determination of stockholders entitled to notice of and to vote at the annual meeting and at any adjournment or postponement thereof. A list of stockholders entitled to vote at the meeting will be available for inspection at our offices.

By order of the board of directors,

 SIGNATURE

Dated: March 30, 2009

**MITCHELL W. PRATT**  
*Corporate Secretary*

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# CLEAN ENERGY FUELS CORP.

3020 Old Ranch Parkway, Suite 400

Seal Beach, CA 90740

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## 2009 PROXY STATEMENT

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### General Information

The board of directors of Clean Energy Fuels Corp., a Delaware corporation (the "Company"), is providing these proxy materials to you in connection with the solicitation of proxies for use at our 2009 annual meeting of stockholders. The meeting will be held at The Island Hotel in Newport Beach, California, on Tuesday, May 12, 2009, at 1:00 p.m. (Pacific Time) or at any adjournment or postponement thereof, for the purposes stated herein. This proxy statement summarizes the information that you will need to know to vote in an informed manner.

Pursuant to rules adopted by the Securities and Exchange Commission (the "SEC"), we have elected to provide access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the "Notice") to the company's stockholders of record and beneficial owners. All stockholders will have the ability 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. We encourage you to take advantage of the availability of the proxy materials on the Internet in order to help reduce the environmental impact of the Annual Meeting. The Company's proxy materials are available at the following website: <http://www.proxyvote.com>.

### Voting Rights and Outstanding Shares

We will mail the Notice on or about March 30, 2009 to all stockholders of record that are entitled to vote. Only stockholders that owned our common stock at the close of business on March 19, 2009, the record date, are entitled to vote at the annual meeting. On the record date 50,238,212 shares of our common stock were outstanding.

Each share of our common stock that you own entitles you to one vote on all matters to be voted upon at the meeting. The proxy card indicates the number of shares of our common stock that you own. We will have a quorum to conduct the business of the annual meeting if holders of a majority of the shares of our common stock are present in person or represented by proxy. Abstentions and broker non-votes (i.e., shares of common stock held by a broker, bank or other nominee that are represented at the meeting, but that the broker, bank or other nominee is not empowered to vote on a particular proposal) will be counted in determining whether a quorum is present at the meeting.

Directors will be elected by a plurality of votes cast by shares present or represented by proxy at the meeting. Abstentions will have no impact on the election of directors. The proposal to ratify the appointment of our independent registered public accounting firm and the proposal to approve our Amended and Restated 2006 Equity Incentive Plan must be approved by a majority of votes actually cast. Abstentions and broker non-votes are not counted as votes for or against this proposal, but the number of votes cast in favor of the proposal must be at least a majority of the required quorum.

## **Voting Shares Registered in Your Name**

If you are a stockholder of record, you may vote in one of four ways:

- You may vote in person at the Annual Meeting. We will provide a ballot when you arrive.
- If you request printed copies of the proxy materials by mail, you may vote by proxy by filling out the proxy card and sending it back in the envelope provided.
- You may vote by telephone by calling the toll free number found on the proxy card.
- You may vote by proxy via the Internet at the website *http://www.proxyvote.com* by following the instructions provided in the Notice.

Votes submitted by telephone or via the Internet must be received by 11:59 p.m. (Pacific Time) on Monday, May 11, 2009. Submitting your proxy by telephone or via the Internet will not affect your right to vote in person should you decide to attend the annual meeting.

## **Voting Shares Registered in the Name of a Broker, Bank or Other Nominee**

Most beneficial owners whose stock is held in street name will receive instructions for voting their shares from their broker, bank or other nominee.

If you wish to vote in person at the annual meeting and your stock is held in street name, then you must obtain a legal proxy issued in your name from the broker, bank or other nominee that holds your shares of record.

## **Tabulation of Votes**

The inspector of elections will tabulate the votes. The shares of our common stock represented by proxy will be voted in accordance with the instructions given on the proxy so long as the proxy is properly executed and received by us prior to the close of voting at the meeting or any adjournment or postponement of the meeting (or in the case of proxies submitted by telephone or via the Internet, by the deadline specified above). If no instruction is given on a proxy that is properly executed and received by us, then the proxy will be voted "for" the nominees for director; "for" the proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm; and "for" the approval of our Amended and Restated 2006 Equity Incentive Plan. In addition, the individuals that we have designated as proxies for the meeting will have discretionary authority to vote for or against any other stockholder matter presented at the meeting.

## **Revocability of Proxies**

As a stockholder of record, once you have submitted your proxy by mail, telephone or Internet, you may revoke it at any time before it is voted at the meeting. You may revoke your proxy in any one of three ways:

- You may grant another proxy marked with a later date (which automatically revokes the earlier proxy) using any of the methods described above (and until the applicable deadline for each method);
- You may notify our Corporate Secretary in writing that you wish to revoke your proxy before it is voted at the annual meeting;  
or
- You may vote in person at the annual meeting.

## **Solicitation**

This solicitation is made by our board of directors, and we will bear the entire cost of soliciting proxies. We have retained Broadridge Financial Solutions, Inc. to assist in obtaining proxies by mail, facsimile or email from registered stockholders, brokers, bank nominees and other institutions for the Annual Meeting. The estimated costs for this service are approximately \$15,000. We will also bear the costs of preparation, assembly, printing and mailing of any printed proxy statements requested by stockholders, the proxy card and any additional information furnished to stockholders. We will provide copies of solicitation materials to banks, brokerage houses, fiduciaries and custodians holding in their names shares of our common stock that are beneficially owned by others for forwarding to the beneficial owners that have requested printed materials. We may reimburse persons representing beneficial owners of common stock for their costs of forwarding solicitation materials to the beneficial owners. Solicitations will be made primarily through the Notice and the solicitation materials made available via the Internet, via e-mail or in print to those who request copies, but may be supplemented by telephone, telegram, facsimile or personal solicitation by our directors, executive officers, employees or other agents. No additional compensation will be paid to these individuals for these services.

## **Stockholder Proposals for 2010**

*Requirements for Stockholder Proposals to be Considered for Inclusion in Our Proxy Materials.* Stockholder proposals submitted pursuant to Rule 14a-8 under the Exchange Act and intended to be presented at our 2010 annual meeting must be received by us not later than November 30, 2009, in order to be considered for inclusion in our proxy materials for that meeting.

*Requirements for Stockholder Proposals to be Brought Before an Annual Meeting.* Our bylaws provide that, for stockholder nominations to the board of directors or other proposals to be considered at an annual meeting, the stockholder must have given timely notice of the proposal or nomination in writing to our Corporate Secretary. To be timely for the 2010 annual meeting, a stockholder's notice must be delivered to or mailed and received by our Corporate Secretary at our principal executive offices between February 11, 2010, and March 13, 2010. A stockholder's notice to the Corporate Secretary must set forth, as to each matter the stockholder proposes to bring before the annual meeting, the information required by our bylaws.

## **Separate Copy of Annual Report or Proxy Materials**

We have adopted a procedure called "householding," which the SEC has approved. Under this procedure, we are delivering a single copy of the Notice and, if requested, this Proxy Statement and the Annual Report to multiple stockholders who share the same address unless we have received contrary instructions from one or more of the stockholders. This procedure reduces the Company's printing costs, mailing costs and fees. Stockholders who participate in householding will continue to be able to access and receive separate proxy cards. Upon written or oral request, we will deliver promptly a separate copy of the Notice and, if applicable, this Proxy Statement and the Annual Report to any stockholder at a shared address to which we delivered a single copy of these documents. To receive a separate copy of the Notice and, if applicable, this Proxy Statement or Annual report, write to Investor Relations at Clean Energy Fuels Corp., 3020 Old Ranch Parkway, Suite 400, Seal Beach, CA 90740 or call 562-493-7215. Stockholders who share an address and receive multiple copies of our annual report and proxy materials may also request to receive a single copy following the instructions above.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table presents information concerning the beneficial ownership of the shares of our common stock as of March 19, 2009 by:

- each person we know to be the beneficial owner of 5% or more of our outstanding shares of common stock,
- each of our named executive officers and current directors, and
- all of our executive officers and directors as a group.

The address of each beneficial owner listed in the table is c/o Clean Energy Fuels Corp., 3020 Old Ranch Parkway, Suite 400, Seal Beach, CA 90740.

We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of common stock that they beneficially own, subject to applicable community property laws.

Applicable percentage ownership is based on 50,238,212 shares of common stock outstanding on March 19, 2009. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed as outstanding shares of common stock subject to options or warrants held by that person that are currently exercisable or exercisable within 60 days of March 19, 2009. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

| <u>Name of Beneficial Owner</u>                                | <u>Shares Beneficially Owned</u> |          |
|--|----------------------------------|----------|
|  | <u>Number</u>                    | <u>%</u> |
| <b>5% or Greater Stockholders:</b>                             |                                  |          |
| Madeleine Pickens(1)   | 34,759,208                       | 53.28%   |
| <b>Directors and Named Executive Officers:</b>                 |                                  |          |
| Boone Pickens(2)   | 34,759,208                       | 53.28%   |
| Andrew J. Littlefair(3)  | 1,940,419                        | 2.97%    |
| James N. Harger(4)   | 1,010,244                        | 1.55%    |
| Richard R. Wheeler(5)  | 687,333                          | 1.05%    |
| Mitchell W. Pratt(6)   | 563,130                          | *        |
| Barclay F. Corbus (7)  | 126,500                          | *        |
| John S. Herrington(8)  | 285,891                          | *        |
| Warren I. Mitchell(9)  | 243,912                          | *        |
| Kenneth M. Socha   | 75,610                           | *        |
| James C. Miller III(10)  | 48,600                           | *        |
| Vincent C. Taormina  | 32,900                           | *        |
| All current officers and directors as a group (11 persons)(12) | 39,773,747                       | 60.92%   |

\* Represents less than 1%.

- (1) Madeleine Pickens is the wife of Boone Pickens. Beneficial ownership includes 32,859,208 shares beneficially owned by Boone Pickens. Ms. Pickens disclaims beneficial ownership over these shares.
- (2) Beneficial ownership includes: (a) 1,900,000 shares held by Madeleine Pickens, his wife; and (b) 1,319,488 shares held by Boone Pickens Interests Ltd. over which Mr. Pickens possesses voting and investment control and (c) 15,000,000 shares subject to a warrant exercisable within 60 days of March 19, 2009. Mr. Pickens disclaims beneficial ownership over (a) the 1,319,488 shares held by

the Boone Pickens Interests Ltd. and (b) the 1,900,000 shares held by Madeleine Pickens. As of March 19, 2009, 16,539,720 shares held by Mr. Pickens are pledged as collateral on a loan from a bank.

- (3) Beneficial ownership includes 1,119,000 shares subject to options exercisable within 60 days of March 19, 2009.
- (4) Beneficial ownership includes 675,666 shares subject to options exercisable within 60 days of March 19, 2009.
- (5) Beneficial ownership includes 687,333 shares subject to options exercisable within 60 days of March 19, 2009.
- (6) Beneficial ownership includes 519,000 shares subject to options exercisable within 60 days of March 19, 2009.
- (7) Beneficial ownership includes 119,000 shares subject to options exercisable within 60 days of March 19, 2009.
- (8) Beneficial ownership includes (i) 50,667 shares held by the J&L Herrington 2002 Family Trust, over which Mr. Herrington possesses voting and investment control, and (ii) 34,633 shares subject to options exercisable within 60 days of March 19, 2009.
- (9) Beneficial ownership includes 161,833 shares subject to options exercisable within 60 days of March 19, 2009.
- (10) Beneficial ownership includes 48,500 shares subject to options exercisable within 60 days of March 19, 2009.
- (11) Beneficial ownership includes 19,531,563 shares subject to options and warrants exercisable within 60 days of March 19, 2009.

## PROPOSAL NO. 1

### ELECTION OF DIRECTORS

Our board of directors, acting pursuant to our bylaws, has determined that the number of directors constituting the full board of directors shall be seven at the present time. The board of directors has, upon recommendation of our nominating and corporate governance committee, nominated Andrew J. Littlefair, Warren I. Mitchell, John S. Herrington, James C. Miller III, Boone Pickens, Kenneth M. Socha and Vincent C. Taormina for reelection as members of the board of directors.

Each of the nominees is currently a director of our company. Each newly-elected director will serve a one-year term until the next annual meeting of stockholders or until his successor is duly qualified and elected. During the course of a term, the board of directors may appoint a new director to fill any vacant spot, including a vacancy caused by an increase in the size of the board of directors. The new director will complete the term of the director he or she replaced. Each person nominated for election has agreed to serve if elected, and we have no reason to believe that any nominee will be unable to serve. However, if any nominee cannot serve, then your proxy will be voted for another nominee proposed by the board of directors, or if no nominee is proposed by the board of directors, a vacancy will occur.

We, as a matter of policy, encourage our directors to attend meetings of stockholders. There are no family relationships between any nominees or executive officers of our company, and there are no arrangements or understandings between any nominee and any other person pursuant to which such nominee was or is selected as a director or nominee.

#### Nominees for Director

You are being asked to vote on the seven director nominees listed below. Unless otherwise instructed, the proxy holders will vote the proxies received by them for these seven nominees. All of our nominees for director are current members of our board of directors. The names of the director nominees, their ages as of January 31, 2009 and other information about them are shown below.

| <u>Name of Director Nominee</u> | <u>Age</u> | <u>Position</u>                                 |
|---------------------------------|------------|---|
| Andrew J. Littlefair            | 48         | President, Chief Executive Officer and Director |
| Warren I. Mitchell              | 71         | Chairman of the Board                           |
| John S. Herrington              | 69         | Director  |
| James C. Miller III             | 66         | Director  |
| Boone Pickens                   | 80         | Director  |
| Kenneth M. Socha                | 62         | Director  |
| Vincent C. Taormina             | 53         | Director  |

*Andrew J. Littlefair*, one of our founders, has served as our President, Chief Executive Officer and a director since June 2001. From 1996 to 2001, Mr. Littlefair served as President of Pickens Fuel Corp. From 1987 to 1996, Mr. Littlefair served in various management positions at Mesa, Inc., an energy company of which Boone Pickens was Chief Executive Officer. From 1983 to 1987, Mr. Littlefair served in the Reagan Administration as a Staff Assistant to the President. Mr. Littlefair is currently Chairman of NGV America, the leading U.S. advocacy group for natural gas vehicles. Mr. Littlefair earned a B.A. from the University of Southern California. Mr. Littlefair serves on the board of directors of Westport Innovations Inc., a Canadian company publicly traded on the NASDAQ Global Market.

*Warren I. Mitchell* has served as our Chairman of the Board and a director since May 2005. For over 40 years until his retirement in 2000, Mr. Mitchell worked in various positions at Southern California Gas Company, including as President beginning in 1990 and Chairman beginning in 1996. Mr. Mitchell currently serves on the board of directors of The Energy Coalition, a non-profit

organization devoted to education on energy management, and on the board of directors of a privately held technology company. Mr. Mitchell earned a B.S. and an M.B.A. from Pepperdine University.

*John S. Herrington* has served as a director of our company since November 2005. For over a decade, Mr. Herrington has been a self employed businessman and attorney at law. From 1985 to 1989, Mr. Herrington served as the U.S. Secretary of Energy, and from 1983 to 1985, Mr. Herrington served as Assistant to the President for presidential personnel in the Reagan Administration. From 1981 to 1983, Mr. Herrington served as Assistant Secretary of the Navy. Mr. Herrington earned an A.B. from Stanford University and a J.D. and an LL.B. from the University of California, Hastings College of the Law.

*James C. Miller III* has served as a director of our company since May 2006. Mr. Miller has served on the board of governors of the United States Postal Service since April 2003, and as its chairman from January 2005 to 2008. Mr. Miller has served on the boards of directors of the Washington Mutual Investors Fund since October 1992 and the J.P. Morgan Value Opportunities Fund since December 2001. From 1981 to 1985, Mr. Miller was Chairman of the U.S. Federal Trade Commission in the Reagan Administration, and also served as Director of the U.S. Office of Management and Budget from 1985 to 1988. Mr. Miller earned a B.B.A. from the University of Georgia and a Ph.D. from the University of Virginia.

*Boone Pickens* has served as a director of our company since June 2001 and founded Pickens Fuel Corp. in 1996. Mr. Pickens has served as the Chairman and Chief Executive Officer of BP Capital, L.P. since he founded the company in 1996, and is also active in management of the BP Capital Equity Fund and BP Capital Commodity Fund, privately held investment funds. Mr. Pickens also serves on the board of directors of EXCO Resources, Inc., a publicly traded energy company. Mr. Pickens was the founder of Mesa Petroleum Company, an oil and gas company, and served as Chief Executive Officer and a director of it and its successors from 1956 to 1996. Mr. Pickens earned a B.S. from Oklahoma State University.

*Kenneth M. Socha* has served as a director of our company since January 2003. Since 1991, Mr. Socha has served as the Senior Managing Director of Perseus, L.L.C., a merchant bank and private equity fund management company and its predecessor. Before that, Mr. Socha practiced corporate and securities law as a partner in the New York office of Dewey Ballantine. Mr. Socha earned an A.B. from the University of Notre Dame and a J.D. from Duke University Law School.

*Vincent C. Taormina* has served as a director of our company since April 2008. Mr. Taormina is the former Chief Executive Officer of Taormina Industries, Inc., one of California's largest solid waste and recycling companies. In 1997, Taormina Industries merged with Republic Services, a publicly-held waste handling company that operates throughout the United States. Mr. Taormina served as Regional Vice-President of Republic Services from 1997 to 2001, managing the overall operations of eleven western states. Since 2001, Mr. Taormina has served as a consultant to Republic Services and operates his own investment company. Mr. Taormina is a past President of the Orange County Solid Waste Management Association, past President Elect of the California Refuse Removal Council and a former board member of the Waste Recyclers Council for the National Solid Waste Management Board.

## **Vote Required**

Directors will be elected by a plurality of the votes of the shares present in person or represented by proxy and entitled to vote at the annual meeting. The nominees who receive the highest number of votes represented by shares of common stock present or represented by proxy and entitled to vote at the annual meeting will be elected.

**OUR BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION  
TO THE BOARD OF EACH OF THESE NOMINEES**

## PROPOSAL NO. 2

### RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We are asking you to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009. KPMG LLP has audited our financial statements annually since 2001. Representatives of KPMG LLP are expected to be at the annual meeting to answer any questions and make a statement should they choose to do so.

Although our bylaws do not require that our stockholders approve the appointment of our independent registered public accounting firm, our board of directors is submitting the selection of KPMG LLP to our stockholders for ratification as a matter of good corporate practice. If our stockholders vote against the ratification of KPMG LLP, our board of directors will reconsider whether or not to retain the firm. Even if our stockholders ratify the appointment, our board of directors may choose to appoint a different independent registered public accounting firm at any time during the year if our board of directors determines that such a change would be in the best interests of our company and our stockholders.

#### Independent Registered Public Accounting Firm Fees and Services

The following table presents fees for professional audit and other services rendered by KPMG LLP for the audit of our annual financial statements as of and for the fiscal years ended December 31, 2007 and December 31, 2008 and fees billed for other services rendered by KPMG LLP during those periods.

|                       | 2007               | 2008               |
|-----------------------|--------------------|--------------------|
| Audit Fees(1)         | \$ 814,500         | \$ 761,000         |
| Audit-Related Fees(2) | —                  | —                  |
| Tax Fees(3)           | 208,530            | 396,200            |
| All Other Fees(4)     | —                  | —                  |
| Total                 | <u>\$1,023,030</u> | <u>\$1,157,200</u> |

- 
- (1) Audit Fees consist of fees billed for professional services rendered for the audit of our consolidated annual financial statements and review of the interim consolidated financial statements included in quarterly reports, audit of our internal control over financial reporting as of December 31, 2008, professional services rendered in connection with our filing of various registration statements (including the Form S-8 registration statement filed April 18, 2008 and the Form S-3 registration statement filed on July 11, 2008) and other professional services that are normally provided by KPMG LLP in connection with statutory and regulatory filings or engagements.
  - (2) Audit-Related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under Audit Fees. During fiscal years 2007 and 2008 there were no such services rendered to us by KPMG LLP.
  - (3) Tax fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning (domestic and international). These services include assistance regarding federal, state and international tax compliance, acquisitions and international tax planning.
  - (4) All Other Fees consist of fees for products and services other than the services reported above. During fiscal years 2007 and 2008 there were no such services rendered to us by KPMG LLP.

## **Pre-Approval Policies and Procedures**

As a matter of policy, all audit and non-audit services provided by our independent registered public accounting firm are approved in advance by the Audit Committee, which considers whether the provision of non-audit services is compatible with maintaining such firm's independence. All services provided by KPMG LLP during fiscal years 2007 and 2008 were pre-approved by the Audit Committee. The Audit Committee has considered the role of KPMG LLP in providing services to us for the fiscal year ended December 31, 2008 and has concluded that such services are compatible with their independence as our auditors.

### **Vote Required**

Ratification of KPMG LLP as our independent registered public accounting firm requires the affirmative vote of the holders of a majority of the shares casting votes present in person or represented by proxy on this proposal at the annual meeting. The presence in person or representation by proxy of the persons entitled to vote a majority of shares of our common stock will constitute a quorum under our bylaws. Abstentions will have the same effect as votes against the proposal. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

**OUR BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" RATIFICATION  
OF KPMG LLP AS OUR  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

## PROPOSAL 3

### APPROVAL OF AMENDED AND RESTATED 2006 EQUITY INCENTIVE PLAN

We are seeking stockholder approval of our Amended and Restated 2006 Equity Incentive Plan (the "2006 Plan"), which will increase the number of shares authorized for issuance under the 2006 Plan by an additional 1,500,000 shares. The Board of Directors approved the increase in shares authorized for issuance under the 2006 Plan in February 2009. Other than the increase in the number of shares authorized for issuance, all other provisions of the 2006 Plan will remain unchanged from those that were adopted in December 2006 by our board of directors and stockholders and became effective upon the closing of our initial public offering.

#### **Increase in Shares Authorized for Issuance under our 2006 Plan**

The 2006 Plan provides for an increase of 1,500,000 shares of common stock authorized for issuance under the 2006 Plan from 9,390,500 shares to 10,890,500 shares.

As of December 31, 2008, a total of 8,209,467 shares were outstanding under the 2006 Plan and a total of 11,405 shares remained available under the plan. On January 1, 2009, the shares authorized for issuance under the 2006 Plan increased by 1,000,000 shares, and on January 2, 2009, we issued 975,413 options to our employees and directors.

The Board of Directors believes that the proposed increase in the number of shares reserved for issuance under our 2006 Plan is in the best interests the company, consistent with our compensation strategy and essential to our continued success. We rely significantly on equity incentives to attract, motivate and retain executive officers and engineering, marketing, sales and other personnel necessary to successfully sell our products, design and build our natural gas fueling infrastructure and manage our fueling agreements. Equity awards are a particularly important component of our compensation mix because they align the interests of our employees with those of our stockholders and allow us to conserve cash for other uses. The recent drop in stock markets and the price of our common stock has resulted in a substantial percentage of existing options having strike prices that are substantially in excess of the current price of our common stock. Increasing the shares authorized for issuance under the 2006 Plan will enable us to provide retention incentives to existing personnel and to be flexible and opportunistic in hiring additional personnel that can contribute to the successful development of our business. As of March 19, 2009 there were only 58,968 shares available for issuance under the 2006 Plan, which substantially limits our ability to offer equity incentives to existing employees or potential new hires.

#### **Section 162(m) of the Internal Revenue Code**

Section 162(m) of the Internal Revenue Code provides that we may not deduct certain compensation of more than \$1,000,000 that is paid to certain individuals. With respect to compensation awarded (or to be awarded) under our 2006 Plan, we have historically relied on transitional relief under Section 162(m) to exclude such compensation from the \$1,000,000 limit on deductibility. We anticipate that awards under 2006 Plan will qualify as "performance based" compensation under 162(m) and therefore continue to be fully deductible upon stockholder approval of the 2006 Plan at the 2009 annual meeting of stockholders and that we will therefore no longer need to rely on the transitional rules.

#### **New Plan Benefits**

No awards relating to the additional 1,500,000 shares of common stock available for future awards, contained in the proposed amendments, will be granted pursuant to the 2006 Plan until such an increase of shares available for future awards is approved by our stockholders. In addition, awards

under the 2006 Plan are subject to the discretion of our Compensation Committee. Therefore, it is not possible to determine the benefits that will be received in the future by participants in the 2006 Plan as a result of the adoption of the proposed amendments or the benefits that would have been received by such participants if the proposed increase in shares reserved for issuance under the 2006 plan had been in effect in the year ended December 31, 2008.

### **General Description of our Proposed 2006 Plan**

A general description of the material terms of our proposed 2006 Plan is set forth below in the Section titled " **Stock Incentive Plans : 2006 Equity Incentive Plan** " and is qualified in its entirety by the terms of our proposed 2006 Plan, a copy of which is attached to this proxy statement as Appendix A and is incorporated herein by reference.

### **Vote Required**

Approval of this proposal 3 requires the affirmative vote of the holders of a majority of the shares casting votes present in person or represented by proxy on this proposal at the annual meeting. The presence in person or representation by proxy of the persons entitled to vote a majority of shares of our common stock will constitute a quorum under our bylaws. Abstentions will have the same effect as votes against the proposal. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

**OUR BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" APPROVAL OF  
OUR AMENDED & RESTATED 2006 EQUITY INCENTIVE PLAN**

## CORPORATE GOVERNANCE

### Director Independence

Our board of directors has determined that Messrs. Mitchell, Herrington, Miller, Socha and Taormina meet the independence requirements under NASDAQ Marketplace Rule 4200(a)(15). Messrs. Littlefair and Pickens do not meet the independence requirements under NASDAQ Marketplace Rule 4200(a)(15) for the following reasons: (1) Mr. Littlefair is our President and Chief Executive Officer; and (2) Mr. Pickens was a party to material transactions, relationships and arrangements with our company described in "Certain Relationships and Related Party Transactions" below.

In the course of determining whether Messrs. Mitchell, Herrington, Miller, Socha and Taormina were independent under NASDAQ Marketplace Rule 4200(a)(15), the board of directors considered the following transactions, relationships and arrangements not required to be disclosed in "Certain Relationships and Related Party Transactions":

- With respect to Mr. Mitchell, the Board considered that Mr. Mitchell is an investor in certain funds controlled by Mr. Pickens and serves as the General Partner of a real estate investment vehicle in which Mr. Littlefair and Mr. Pickens are investors.
- With respect to Messrs. Herrington and Miller, the board of directors considered that each of Messrs. Herrington and Miller served with Mr. Littlefair in the Reagan Administration. The board of directors also considered that Mr. Herrington is an investor in certain funds controlled by Mr. Pickens.
- With respect to Mr. Socha, the board of directors considered his role as a director of Vehicle Production Group LLC, a company in which Perseus, L.L.C. is the largest investor and in which we have invested \$4.6 million through March 10, 2009 and in which we may invest up to \$6.2 million in additional funds. We may also do business with Vehicle Production Group in the future with respect to its development and sales of a CNG vehicle. Mr. Socha is also Senior Managing Director of Perseus, L.L.C.
- With respect to Mr. Taormina, the board of directors considered his business relationships, including his consulting arrangement with Republic Services, a customer of our company.

### Board Committees

We have an audit committee, compensation committee, nominating and corporate governance committee and derivative committee. Our board and committees generally meet quarterly. Each of the board committees has the composition and responsibilities described below. Current copies of the charters of the audit committee, the compensation committee and the nominating and corporate governance committee, which have been adopted by the board of directors, are publicly available on our website at <http://investors.cleanenergyfuels.com/governance.cfm>.

*Audit committee.* Our audit committee consists of three directors, John S. Herrington, James C. Miller III and Vincent C. Taormina, all of whom our board of directors determined to be independent under SEC Rule 10A-3(b)(1) and NASDAQ Marketplace Rule 4200(a)(15). The audit committee held six meetings in fiscal 2008. The chair of the audit committee is Mr. Miller. Mr. Miller qualifies as an audit committee financial expert under the rules of the SEC. The board determined that each audit committee member has sufficient knowledge in reading and understanding the company's financial statements to serve on the audit committee. The functions of this committee include:

- selecting and overseeing the engagement of a firm to serve as an independent registered public accounting firm to audit our financial statements,
- helping to ensure the independence of our independent registered public accounting firm,

- discussing the scope and results of the audit with our independent registered public accounting firm,
- developing procedures for employees to anonymously submit concerns about questionable accounting or audit matters,
- meeting with our independent registered public accounting firm and our management to consider the adequacy of our internal accounting controls and audit procedures, and
- approving all audit and non-audit services to be performed by our independent registered public accounting firm.

We believe that the composition of our audit committee meets the criteria for independence under, and the functioning of our audit committee will comply with the applicable requirements of, the Sarbanes Oxley Act of 2002 and the NASDAQ and SEC rules, including the requirement that the audit committee have at least one qualified financial expert.

*Compensation committee.* Our compensation committee currently consists of three directors, John S. Herrington, Warren I. Mitchell and Kenneth M. Socha, all of whom our board of directors determined to be independent under NASDAQ Marketplace Rule 4200(a)(15). The compensation committee held seven meetings in fiscal 2008. The chair of the compensation committee is Mr. Mitchell. The functions of this committee include:

- determining or recommending to the board of directors the compensation of our executive officers, including annual cash bonuses and related performance criteria,
- administering our stock and equity incentive plans,
- reviewing and, as it deems appropriate, recommending to our board of directors, policies, practices, and procedures relating to the compensation of our directors, officers, and other managerial employees and the establishment and administration of our employee benefit plans, and
- advising and consulting with our officers regarding managerial personnel and development.

We retained BDO Seidman LLP (BDO Seidman) in November, 2008 to provide consulting services to the compensation committee regarding the structure and levels of compensation for our independent directors, our five named executive officers, our general counsel and one of our directors of business development. BDO Seidman provided the chairman of the compensation committee with survey data on compensation levels for comparable positions at other companies and compensation suggestions. The BDO Seidman report was reviewed with the full compensation committee to provide the members with general information on market compensation practices and to serve as a "market check" to assist the compensation committee in the determination of appropriate compensation levels.

We believe that the composition of our compensation committee meets the criteria for independence under, and the functioning of our compensation committee will comply with the applicable requirements of, NASDAQ and SEC rules.

*Nominating and corporate governance committee.* Our nominating and corporate governance committee currently consists of three directors, John S. Herrington, Kenneth M. Socha, and Vincent C. Taormina, all of whom our board of directors determined to be independent under NASDAQ Marketplace Rule 4200(a)(15). The nominating and corporate governance committee held three meetings in fiscal 2008. The chair of the nominating and corporate governance committee is Mr. Herrington. The functions of this committee include:

- establishing standards for service on our board of directors,

- identifying, evaluating and recommending nominees to our board of directors and committees of our board of directors,
- conducting searches for appropriate directors,
- evaluating the performance of our board of directors and of individual directors,
- considering and making recommendations to the board of directors regarding the size and composition of the board and its committees,
- reviewing developments in corporate governance practices, and
- evaluating the adequacy of our corporate governance practices and reporting.

We believe that the composition of our nominating and corporate governance committee meets the criteria for independence under, and the functioning of our nominating and corporate governance committee will comply with the applicable requirements of, NASDAQ and SEC rules.

*Derivative Committee.* Our derivative committee consists of three directors, Andrew J. Littlefair, James C. Miller III and Warren I. Mitchell. The derivative committee held two meetings in fiscal 2008. The chair of the derivative committee is Mr. Littlefair. The functions of this committee include:

- formulating derivative strategy and directing derivative activities,
- engaging and meeting with advisors regarding derivative activities and strategies, and
- making recommendations to the board of directors regarding derivative strategy and activity.

### **Meetings of the Board of Directors and Board Committees**

During fiscal 2008, our board of directors held eight meetings and each director attended at least 75% of all meetings of the board of directors and applicable committees during the periods that he served. Our independent directors typically hold executive sessions without management present each year.

### **Code of Ethics**

We have adopted a written code of ethics applicable to our directors, officers and employees in accordance with the rules of NASDAQ and the SEC. Our code of ethics is designed to deter wrongdoing and to promote:

- honest and ethical conduct,
- full, fair, accurate, timely and understandable disclosure in reports and documents that we file with the SEC and in our other public communications,
- compliance with applicable laws, rules and regulations, including insider trading compliance, and
- accountability for adherence to the code and prompt internal reporting of violations of the code, including illegal or unethical behavior regarding accounting or auditing practices.

The audit committee of our board of directors will review our code of ethics periodically and may propose or adopt additions or amendments as it determines are required or appropriate. Our code of ethics is posted on our website at <http://investors.cleanenergyfuels.com/governance.cfm>.

### **Equity Ownership by the Board of Directors**

Pursuant to stock ownership guidelines recommended by our nominating and corporate governance committee and as approved by the board of directors, each director is expected to own at least 100 shares of our common stock during their term of service as a director, with new directors expected to purchase

at least that number of shares within 180 days of commencement of service as a director. Each of our current directors has satisfied these guidelines.

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

No executive officer of our company (1) served as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our company's compensation committee, (2) served as a director of another entity, one of whose executive officers served on our company's compensation committee, or (3) served as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as a director of our company.

### **Stockholder Communications with the Board of Directors**

We have adopted a formal process by which stockholders and interested parties may communicate with our board of directors which is available on our website at <http://investors.cleanenergyfuels.com/contactboard.cfm>. Communications to the board must either be in writing and sent care of the Corporate Secretary by mail to our offices at 3020 Old Ranch Parkway, Suite 400, Seal Beach, California 90740, or delivered via e-mail to [mpratt@cleanenergyfuels.com](mailto:mpratt@cleanenergyfuels.com). This centralized process will assist the board of directors in reviewing and responding to stockholder and interested party communications in an appropriate manner. The name of any specific intended recipient should be noted in the communication. All communications (i) must be accompanied by a statement of the type and amount of the securities of our company that the person holds, (ii) must identify any special interest, meaning an interest not in the capacity of a stockholder of our company, of the person submitting the communication, and (iii) the address, telephone number and e-mail address, if any, of the person submitting the communication. The board of directors has instructed the Corporate Secretary to forward it such correspondence; however, before forwarding any correspondence, the board of directors has also instructed the Corporate Secretary to review such correspondence and, in the Corporate Secretary's discretion, not to forward certain items if they are deemed of a personal, illegal, commercial, offensive or frivolous nature or otherwise inappropriate for director consideration.

### **Stockholder Recommendations for Membership on our Board of Directors**

Our nominating and corporate governance committee is responsible for evaluating properly submitted stockholder recommendations for candidates for membership on the board of directors in accordance with our Corporate Governance Guidelines and as described below under "Identifying and Evaluating Nominees for Directors." In evaluating such nominations, the nominating and corporate governance committee will address the membership criteria set forth under "Director Qualifications." Any stockholder nominations proposed for consideration by the nominating and corporate governance committee should include the nominee's name and qualifications for membership on the Board of Directors and should be addressed to: Mitchell Pratt, Corporate Secretary, Clean Energy Fuels Corp., 3020 Old Ranch Parkway, Suite 400, Seal Beach, CA 90740.

In any recommendation of candidates, the recommending stockholder must include a statement in writing setting forth the following:

- (i) as to each person whom the stockholder proposes to nominate for election or re-election as a director:
  - the name, age, business address and residence address of the person or persons to be nominated;
  - the principal occupation or employment of such person or persons;

- the class and number of all shares of each class of our capital stock owned beneficially and of record by the nominee;
- a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder; and
- any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Rule 14A under the Securities Exchange Act of 1934, as amended (including without limitation such person's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected); and

(ii) as to the stockholder sending the recommendation, the name and record address of the stockholder, the class and number of shares of the Company's stock which are beneficially owned by the stockholder, any material interest of the stockholder in the nomination and any other information which is required to be provided by the stockholder pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended.

We may require any proposed nominee to furnish such other information as may reasonably be required by us to determine the eligibility of such proposed nominee to serve as a director.

### **Director Qualifications**

Under our Corporate Governance Guidelines, our nominating and corporate governance committee is responsible for reviewing with the board, on an annual basis, the requisite skills and characteristics of new board members as well as the composition of the board as a whole. This assessment includes members' qualification as independent, as well as consideration of diversity, age, skills, and experience in the context of the needs of the board.

### **Identifying and Evaluating Nominees for Directors**

Our nominating and corporate governance committee utilizes a variety of methods for identifying and evaluating nominees for directors. Our nominating and corporate governance committee has the duty of identifying individuals qualified to become members of the board of directors. Candidates may come to the attention of the nominating and corporate governance committee through current members of our board of directors, professional search firms, stockholders or other persons. These candidates will be evaluated by our nominating and corporate governance committee and may be considered at any point during the year. As described above, our nominating and corporate governance committee will consider properly submitted stockholder recommendations for candidates for our board of directors. Following verification of the stockholder status of persons recommending candidates, recommendations will be aggregated and considered by our nominating and corporate governance committee. If any materials are provided by a stockholder in connection with the recommendation of a director candidate, such materials will be forwarded to our nominating and corporate governance committee. Stockholder recommendations that comply with our procedures will receive the same consideration that our nominating and corporate governance committee nominees receive.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors, executive officers and beneficial owners of more than 10% of our common stock to file reports of ownership and changes in ownership with the SEC. Based solely on copies of these reports provided to us and written representations that no other reports were required, we believe that these persons met all of the applicable Section 16(a) filing requirements during fiscal 2008, with exception of (1) a late Form 3 report for Vincent Taormina filed

on April 24, 2008; (2) a late Form 4 report for Boone Pickens filed on February 25, 2008 and (3) a late Form 4 report filed for Barclay Corbus on November 21, 2008.

### INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The names of our current executive officers, their ages as of January 31, 2008, and their positions are shown below. Biographical summaries of each of our executive officers who are not also members of our board of directors are included below.

| <u>Name</u>          | <u>Age</u> | <u>Position Held</u>   |
|----------------------|------------|--|
| Andrew J. Littlefair | 48         | President, Chief Executive Officer and Director                            |
| Richard R. Wheeler   | 44         | Chief Financial Officer  |
| James N. Harger      | 50         | Senior VP, Marketing and Sales   |
| Mitchell W. Pratt    | 49         | Senior VP, Engineering, Operations and Public Affairs, Corporate Secretary |
| Barclay F. Corbus    | 42         | Senior VP, Strategic Development   |

*Richard R. Wheeler* has served as our Chief Financial Officer since February 2003. From November 2001 to January 2003, Mr. Wheeler served as Chief Financial Officer of Blue Energy & Technologies LLC, a privately held natural gas vehicle fuels company which we acquired in December 2002. From May 2000 to October 2001, Mr. Wheeler served as Executive Vice President and Chief Financial Officer of Encoda Systems, Inc., a privately held software company. Mr. Wheeler earned a B.S. and an M.B.A. from the University of Colorado, Boulder and is a certified public accountant.

*James N. Harger* has served as our Senior Vice President, Marketing and Sales, since June 2003, and served as our Vice President, Marketing from June 2001 to June 2003. From 1997 to 2001, Mr. Harger served as Vice President, Marketing and Sales of Pickens Fuel Corp. From 1983 to 1997, Mr. Harger served in management positions at Southern California Gas Company, where he assisted in the launch of the natural gas vehicle program in 1992. Mr. Harger earned a B.S. from the University of California, Los Angeles, and an M.B.A. from Pepperdine University.

*Mitchell W. Pratt* has served as our Senior Vice President, Engineering, Operations and Public Affairs, since January 2006, and as our Corporate Secretary since December 2002. From August 2001 to December 2005, Mr. Pratt served as our Vice President, Business Development. From 1983 to July 2001, Mr. Pratt held various positions in sales and marketing, operations and public affairs at Southern California Gas Company. Mr. Pratt earned a B.S. from the California State University at Northridge and an M.B.A. from the University of California, Irvine.

*Barclay F. Corbus* has served as our Senior Vice President, Strategic Development, since September 2007. From July 2003 to September 2007, Mr. Corbus served as Co-Chief Executive Officer and a director of WR Hambrecht + Co, which managed our initial public offering. Mr. Corbus joined WR Hambrecht + Co in 1999 and, from October 2000 to July 2003, Mr. Corbus served as Head of Investment Banking of WR Hambrecht + Co. From 1989 to 1999, Mr. Corbus worked with Donaldson, Lufkin & Jenrette. Mr. Corbus serves as a director of Alaska Energy and Resources Co. and Overstock.com. Mr. Corbus earned an A.B. from Dartmouth College and an M.B.A. from Columbia Business School.

## COMPENSATION DISCUSSION AND ANALYSIS

### Overview

We have adopted a basic philosophy and practice of offering market competitive compensation that is designed to attract, retain and motivate a highly qualified executive management team. With respect to (1) each person who served as our principal executive officer or principal financial officer during fiscal 2008 (Andrew J. Littlefair and Richard R. Wheeler, respectively), and (2) the three most highly compensated executive officers during fiscal 2008 who were serving as executive officers at the end of fiscal 2008 and who did not serve as principal executive officer or principal financial officer (James N. Harger, Mitchell W. Pratt and Barclay F. Corbus—and together with Messrs. Littlefair and Wheeler, the "named executive officers"), this Compensation Discussion and Analysis describes our compensation philosophy and objectives, the methodologies used for establishing the compensation programs for the named executive officers, and the policies and practices to administer such programs.

### Compensation Philosophy

We believe compensation should include a mix of a competitive base salary and bonus incentives to encourage retention and reward individual responsibility and productivity, equity grants to align the interests of our officers with those of our stockholders, and case-specific compensation plans to accommodate individual circumstances or non-recurring situations. Our compensation committee uses its judgment and experience and works closely with our named executive officers to determine the appropriate mix of compensation for each individual. Our compensation committee historically has not used tally sheets, internal pay equity studies, accumulated wealth analyses, equity retention policies, benchmarking or similar tools in assisting with compensation determinations for our named executive officers.

The compensation committee has no formal policy, but does retain the discretion, to adjust or recover awards or payments made to its named executive officers if the relevant performance measures upon which they are based are restated or are otherwise adjusted in a manner that would reduce the size of the initial award or payment.

### Review of Competitive Market Practices

We may informally consider competitive market practices with respect to the salaries and total compensation of our named executive officers for the purpose of staying informed on current compensation practices and developments; however, we do not benchmark compensation levels based on this data nor do we determine our named executive officers' compensation based on market data for comparable company compensation levels.

### Use of Consultants

We retained BDO Seidman in November, 2008 to provide consulting services to the compensation committee regarding the structure and levels of compensation for our independent directors, our five named executive officers, our general counsel and one of our directors of business development. Representatives from BDO Seidman conducted conference calls with the chairman of the compensation committee, our corporate secretary and our general counsel during their engagement. BDO Seidman was instructed to obtain survey data on compensation levels and practices at comparable companies. BDO Seidman provided the chairman of the compensation committee with survey data on compensation levels for comparable positions at other companies and compensation suggestions. The BDO Seidman report was reviewed with the full compensation committee to provide the members with general information on market compensation practices and to serve as a "market check" to assist the compensation committee in its determination of appropriate compensation levels in accordance with our compensation philosophy.

## Elements of Compensation

Our named executive officers' compensation has three primary components—base compensation or salary, annual cash bonuses, and equity awards. In addition, we provide our named executive officers with a variety of benefits that are generally available to all salaried employees.

We view the various components of compensation as related but distinct. Although our compensation committee reviews each named executive officer's total compensation, we do not believe that significant compensation derived from one component of compensation should negate or reduce compensation from other components. We determine the appropriate level for each compensation component based on the performance of the employee (including any extraordinary performance), level of responsibility and commitment associated with the position and our business judgment and experience. In addition, our compensation decisions generally reflect our belief that employees with comparable levels of responsibility and performance deserve comparable compensation, and that employees with greater degree of responsibility and performance deserve greater compensation on a relative basis. Our compensation committee has not adopted any formal or informal policies or guidelines for allocating compensation between long-term and short-term compensation, between cash and non-cash compensation, or among different forms of non-cash compensation.

Our annual process of determining overall compensation for named executive officers begins with recommendations made by Mr. Littlefair, our President and Chief Executive Officer, to our compensation committee. In making his recommendation, Mr. Littlefair considers a number of factors, including the seniority of the individual, the functional role of the position, the level of the individual's responsibility, the individual's long-term commitment to our company, and the scarcity of individuals with similar skills. Acting with the recommendation from Mr. Littlefair, our compensation committee makes the final determination of compensation for our named executive officers. The compensation committee determines the compensation of Mr. Littlefair. Mr. Littlefair also submits recommendations to the compensation committee regarding his own proposed compensation levels, which are taken under advisement by the committee.

### *Base Salary*

Base salary is used to recognize the experience, skills, knowledge and responsibilities required of our named executive officers. The compensation committee uses its judgment and discretion in determining the amount of base salary and does not target a particular range in relation to salaries at other companies. Base salaries are reviewed annually. Proposed base salaries are prepared by Mr. Littlefair and recommended to the compensation committee for its consideration. Based on Mr. Littlefair's recommendation, none of our named executive officers will receive an increase in base salary for fiscal 2009.

### *Annual Cash Bonus*

The compensation committee approves the bonus awards of all named executive officers, and pays such bonuses after determining whether specific performance criteria were satisfied. To date, annual bonus awards have been based on the performance of our company in light of pre-established performance criteria.

For each named executive officer, the performance criteria for cash bonus awards are currently bifurcated (and were bifurcated in 2008), with 35% of the total potential cash bonus award based on the volume of gasoline gallons equivalents of natural gas sold by us, and 65% of the total potential cash bonus award based on the target Adjusted EBITDA of our company. Proposed performance criteria are prepared by our Chief Financial Officer based on our annual budget and presented to our compensation committee and board of directors for their consideration.

The specific performance criteria approved by our compensation committee and board of directors for 2008 and 2009 are set forth in the table below:

| <u>Performance Criteria</u>             | <u>Weighting</u> | <u>Base Target</u><br>(thousands) | <u>Middle Target</u><br>(thousands) | <u>Maximum Target</u><br>(thousands) |
|---|------------------|-----------------------------------|-------------------------------------|--------------------------------------|
| <b>2008</b>                             |                  |                                   |                                     |                                      |
| Adjusted EBITDA                         | 65%              | \$ 3,000                          | \$ 4,344                            | \$ 5,600                             |
| Volume (in gasoline gallon equivalents) | 35%              | 92,665                            | 97,665                              | 102,665                              |
| <b>2009</b>                             |                  |                                   |                                     |                                      |
| Adjusted EBITDA                         | 65%              | \$ 15,000                         | \$ 22,228                           | \$ 30,000                            |
| Volume (in gasoline gallon equivalents) | 35%              | 95,000                            | 100,015                             | 105,000                              |

Adjusted EBITDA is calculated by adding back all non-cash stock-based compensation expense, expense associated with marking to market outstanding warrants for our common stock, any derivative gain (loss) amounts not related to our hedging activities in the current period or other significant unanticipated non-cash charges to the Company's EBITDA. In addition, under our current annual cash bonus performance plan, if the company exceeds a performance target, the executive officers receive a pro-rata portion of the incremental annual cash bonus amount, up to the maximum target limit. For example, if the company achieves \$16,000,000 in Adjusted EBITDA, thereby exceeding the Company's base Adjusted EBITDA target for 2009, the bonus payable with respect to the Adjusted EBITDA target will be increased by an incremental percentage attributable to the amount of the excess. The difference between the base target and the middle Adjusted EBITDA target is \$7,228,000, and \$1,000,000 is 14% of \$7,228,000, therefore the \$1,000,000 excess achieved over the base target would result in an increase in the percentage of the annual cash bonus payable with respect to the Adjusted EBITDA target equal to 14% of the difference between the base and the middle target. For an officer receiving a performance bonus equal to 50% of their base salary for achieving the base target and 70% of their base salary for achieving the middle target, the 50% would be increased by 14% of the difference between 50% and 70%, or 3%. Continuing the example, by applying the weighting assigned to the Adjusted EBITDA target, the named executive officer would receive a cash bonus equal to 34% of their base salary for exceeding the Adjusted EBITDA base target, which is 65% of 53% (50%+3%).

Under our current performance-based annual cash bonus plan, Mr. Littlefair receives 70%, 100% or 150% of his base salary for achievement of the base, middle and maximum performance targets, respectively by our company. For each of Messrs. Wheeler, Pratt, Corbus and Harger, achievement of the base, middle and maximum performance targets by our company result in a bonus equivalent to 50%, 70% or 100%, respectively, of his respective base salary. Our compensation committee believes it is appropriate to reward our Chief Executive Officer with a higher percentage of his base salary for achievement of the performance targets due to the fact that the position of Chief Executive Officer is deemed by our compensation committee to be the most important and demanding position with the company. In 2008, our named executive officers were not paid any performance-based bonuses, as is set forth in the Summary Compensation Table below under "Non-Equity Incentive Plan Compensation."

#### *Special Cash Bonuses*

Our compensation committee may, in its discretion, award additional special cash bonuses to reward extraordinary efforts by our named executive officers coupled with successful results for our company. No special cash bonuses were awarded to our named executive officers in 2008.

#### *Equity Compensation*

We believe that long-term performance is achieved through an ownership culture that encourages performance by our named executive officers through the use of stock and stock based awards. Our stock compensation plans have been established to provide certain of our employees, including our

named executive officers, with incentives to help align those employees' interests with the interests of our stockholders. Our compensation committee believes the use of stock and stock based awards offers the best approach to achieving this goal. Our stock compensation plans have provided the principal method for our named executive officers to acquire equity or equity linked interests in our company.

We sponsor a 2002 Stock Option Plan (2002 Plan) and a 2006 Equity Incentive Plan (2006 Plan). Upon the effectiveness of our IPO registration statement, the 2006 Plan became effective and the 2002 Plan became unavailable for new awards. For more information about the 2002 Plan and the 2006 Plan, please read "**Stock Incentive Plans: 2006 Equity Incentive Plan**" below. The 2002 Plan and the 2006 Plan are administered by our board of directors or our compensation committee. In the case of awards intended to qualify as "performance based compensation" excludable from the deduction limitation under Section 162(m) of the Internal Revenue Code, the administrator of the 2006 Plan will consist of two or more "outside directors" within the meaning of Section 162(m).

Historically, we have awarded stock options to our named executive officers, but not restricted stock. Our compensation committee does not maintain any formal policies with respect to the timing of option grants. However, with respect to the timing of option grants to our named executive officers, such grants generally occur at regularly scheduled meetings of our board of directors or our compensation committee (the administrator of our 2002 Plan and 2006 Plan), and are priced based on the closing price of our common stock on that date. For new hires (such as Mr. Corbus in September 2007), options are generally priced at the later to occur of the date of the meeting at which the board of directors or compensation committee approves the grant or the first date of employment.

#### *Change in Control and Severance Payments*

The employment agreements of our named executive officers provide them benefits if their employment is terminated (other than for misconduct or voluntary termination), including termination following a change in control. The details and amounts of such benefits are set forth below in the section entitled "Potential Payments Upon Termination or Change in Control."

Stock options awarded under the 2006 Plan that are held by our named executive officers vest in full upon a change of control ("single trigger"). We believe single trigger treatment for stock options is appropriate because: (i) it helps retain key employees during change in control discussions, especially more senior executive officers where equity represents a significant portion of their total pay package; and (ii) the company that made the original equity grant may no longer exist after a change in control and employees should not be required to have the fate of their outstanding equity tied to the new company's future success.

#### **Deductibility of Executive Compensation**

Our compensation committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code, which provides that we may not deduct certain compensation of more than \$1,000,000 that is paid to certain individuals. Our compensation committee believes that compensation paid to our named executive officers should generally be fully deductible for federal income tax purposes. However, in certain situations, our compensation committee may approve compensation that will not meet these requirements in order to ensure competitive levels of total compensation for our named executive officers. All of the compensation paid to our named executive officers was fully deductible in fiscal 2008. With respect to compensation awarded (or to be awarded) under the 2006 Plan, we have relied on transitional relief under Section 162(m) to exclude such compensation from the \$1,000,000 limit on deductibility. At our 2009 Annual Meeting of stockholders, we are seeking the stockholders approval of our 2006 Plan, and upon obtaining stockholder approval, we anticipate awards under the 2006 Plan will continue to qualify as "performance-based"

compensation under Section 162(m) and therefore will be fully deductible without reliance on the transitional rules.

## **Conclusion**

Our compensation practices are designed to retain and motivate our named executive officers and to ultimately reward them for outstanding performance.

## **Compensation Committee Report**

We, the compensation committee of the Board of Directors of Clean Energy Fuels Corp., have reviewed and discussed the Compensation Discussion and Analysis (set forth above) with the management of the company, and, based on such review and discussion, have recommended to the Board of Directors inclusion of the Compensation Discussion and Analysis in this proxy statement.

Compensation Committee:  
Warren I. Mitchell, *Chairman*  
John S. Herrington  
Kenneth M. Socha

## COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

### Summary Compensation Table

The table below summarizes the total compensation earned by each of the named executive officers for the fiscal years ended December 31, 2007 and 2008.

| <u>Name and Principal Position</u>  | <u>Year</u> | <u>Salary<br/>(\$)</u> | <u>Bonus<br/>(\$)</u> | <u>Option<br/>Awards<br/>\$(1)</u> | <u>Non-Equity<br/>Incentive Plan</u> | <u>All Other<br/>Compensation<br/>\$(3)</u> | <u>Total<br/>(\$)</u> |
|---|-------------|------------------------|-----------------------|------------------------------------|--------------------------------------|---|-----------------------|
|   |             |                        |                       |                                    | <u>Compensation<br/>(\$2)</u>        |   |                       |
| Andrew J. Littlefair<br>President & Chief Executive Officer   | 2008        | 475,200                | —                     | 1,456,105                          | —                                    | 8,545                                       | 1,939,850             |
|   | 2007        | 433,917                | 200,000               | 1,302,139                          | 325,600                              | 16,564                                      | 2,278,220             |
| Richard R. Wheeler<br>Chief Financial Officer   | 2008        | 313,250                | —                     | 1,065,695                          | —                                    | 9,124                                       | 1,388,069             |
|   | 2007        | 271,242                | 135,000               | 871,993                            | 143,000                              | 19,553                                      | 1,440,788             |
| James N. Harger<br>Senior Vice President, Marketing & Sales   | 2008        | 287,500                | —                     | 1,176,410                          | —                                    | 11,490                                      | 1,475,400             |
|   | 2007        | 246,392                | 100,000               | 994,891                            | 130,000                              | 19,126                                      | 1,490,409             |
| Mitchell W. Pratt<br>Senior Vice President, Operations, Engineering,<br>Public Affairs, and Corporate Secretary | 2008        | 280,000                | —                     | 954,980                            | —                                    | 8,427                                       | 1,243,407             |
|   | 2007        | 246,167                | 125,000               | 749,095                            | 130,000                              | 15,754                                      | 1,266,016             |
| Barclay F. Corbus<br>Senior Vice President, Strategic Development   | 2008        | 260,000                | —                     | 885,860                            | —                                    | 3,875                                       | 1,149,735             |
|   | 2007        | 80,833                 | 100,000               | 264,442                            | 43,774                               | 568   | 489,617               |

- (1) The amounts listed in this column represent the dollar amount we recognized for financial statement reporting purposes with respect to fiscal 2007 and fiscal 2008, disregarding an estimate of forfeitures related to service-based vesting conditions, under Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment," or SFAS No. 123(R). For a more detailed discussion on the valuation model and assumptions used to calculate the fair value of these awards, see note 9 to the consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2008.

(2) The compensation represented by the amounts for 2007 and 2008 in this column is detailed in the following table.

| <u>Name</u>          | <u>Qualified Retirement</u>     | <u>Payment of Health and</u>            |                                 | <u>Tax Gross-</u>  |                   |
|----------------------|---------------------------------|---|---------------------------------|--------------------|-------------------|
|                      | <u>Plan Employer Match (\$)</u> | <u>Welfare Insurance Premiums \$(i)</u> | <u>CNG Fuel/ Vehicle \$(ii)</u> | <u>Ups \$(iii)</u> | <u>Total (\$)</u> |
| <b>2007</b>          |                                 |   |                                 |                    |                   |
| Andrew J. Littlefair | 7,750                           | 3,911                                   | 2,966                           | 1,937              | 16,564            |
| Richard R. Wheeler   | 7,750                           | 3,926                                   | 4,904                           | 2,973              | 19,553            |
| James N. Harger      | 7,750                           | 3,911                                   | 4,516                           | 2,949              | 19,126            |
| Mitchell W. Pratt    | 7,750                           | 3,911                                   | 2,476                           | 1,617              | 15,754            |
| Barclay F. Corbus    | —                               | 568                                     | —                               | —                  | 568               |
| <b>2008</b>          |                                 |   |                                 |                    |                   |
| Andrew J. Littlefair | 3,875                           | 1,418                                   | 1,967                           | 1,285              | 8,545             |
| Richard R. Wheeler   | 3,875                           | 1,424                                   | 2,380                           | 1,445              | 9,124             |
| James N. Harger      | 5,125                           | 1,418                                   | 2,992                           | 1,955              | 11,490            |
| Mitchell W. Pratt    | 3,875                           | 1,418                                   | 1,894                           | 1,240              | 8,427             |
| Barclay F. Corbus    | 3,875                           | —                                       | —                               | —                  | 3,875             |

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- (i) We pay 80 percent of our employees' insurance premiums associated with the health and welfare programs we sponsor. We pay 100 percent of such premiums for our named executive officers, other than Mr. Corbus. The amounts in this column are intended to quantify the extra benefit we provide only to our named executive officers.
- (ii) The amounts in this column are attributable to personal use of company-provided natural gas vehicles and the related cost of the fuel for the vehicles (each as calculated in accordance with Internal Revenue Service guidelines), the value of which is included as compensation on the W-2 of our named executive officers who receive such benefits. Each of these named executive officers is responsible for paying income tax on such amount. We have eliminated the company-provided natural gas vehicle program for 2009 and given the vehicles to the respective officers, which will be reflected in their compensation for fiscal 2009.
- (iii) The amounts in this column are attributable to the cash payment we provide to our named executive officers (a "gross-up" payment) in respect of taxes that are imposed due to their receipt of the benefits in (ii) above. The gross-up payment is intended to make our named executive officers whole for the taxes they must pay due to their receipt of the company-provided natural gas vehicle.

## Grants of Plan-Based Awards in Fiscal Year 2008

The following table provides information regarding the amount of plan-based awards granted in 2008 for each of the named executive officers.

| Name                 | Approval Date(1) | Grant Date(1) | Estimated Future Payouts Under Non-Equity Incentive Based Plans(2) |             |              | All Other Option Awards: Number of Securities Underlying Options(3)(#) | Exercise or Base Price of Option Awards (\$/Sh) | Grant Date Fair Value of Stock and Option Awards(4) |
|----------------------|------------------|---------------|--|-------------|--------------|--|---|---|
|                      |                  |               | Threshold (\$)   | Target (\$) | Maximum (\$) |  |   |   |
| Andrew J. Littlefair | —                | —             | 216,216  | 308,880     | 463,320      | —  | —   | —   |
|                      | —                | —             | 116,424  | 166,320     | 249,480      | —  | —   | —   |
|                      | 12/10/2008       | 12/10/2008    | —  | —           | —            | 155,862  | 5.09  | 492,616   |
| Richard R. Wheeler   | —                | —             | 101,806  | 142,529     | 203,613      | —  | —   | —   |
|                      | —                | —             | 54,819   | 76,746      | 109,638      | —  | —   | —   |
|                      | 12/10/2008       | 12/10/2008    | —  | —           | —            | 90,920   | 5.09  | 287,361   |
| James N. Harger      | —                | —             | 93,438   | 130,813     | 186,875      | —  | —   | —   |
|                      | —                | —             | 50,313   | 70,438      | 100,625      | —  | —   | —   |
|                      | 12/10/2008       | 12/10/2008    | —  | —           | —            | 90,920   | 5.09  | 287,361   |
| Mitchell W. Pratt    | —                | —             | 91,000   | 127,400     | 182,000      | —  | —   | —   |
|                      | —                | —             | 49,000   | 68,600      | 98,000       | —  | —   | —   |
|                      | 12/10/2008       | 12/10/2008    | —  | —           | —            | 90,920   | 5.09  | 287,361   |
| Barclay F. Corbus    | —                | —             | 84,500   | 118,300     | 169,000      | —  | —   | —   |
|                      | —                | —             | 45,500   | 63,700      | 91,000       | —  | —   | —   |
|                      | 12/10/2008       | 12/10/2008    | —  | —           | —            | 90,920   | 5.09  | 287,361   |

- (1) On December 10, 2008, our compensation committee approved and granted options to purchase an aggregate of 519,542 shares of our common stock to certain of our named executive officers as reflected on the table above. Also, on December 10, 2008, our compensation committee approved additional grants of 68,733 options to purchase shares of common stock to each of Messrs. Wheeler, Harger, Pratt and Corbus and 117,828 options to purchase shares of common stock to Mr. Littlefair, all of which were granted on January 2, 2009, at an exercise price equal to the closing price of our common stock on January 2, 2009, of \$6.33. The January 2, 2009, grants to our named executive officers will be reflected in our 2010 Annual Proxy Statement.
- (2) The threshold, target and maximum amounts shown in the table correspond to the original base, middle and maximum target amounts our compensation committee determined to pay to our named executive officers upon the achievement of pre-established 2008 performance targets relating to Adjusted EBITDA and the volume of gasoline gallons equivalents of natural gas sold. The threshold, target and maximum amounts for achievement of the Adjusted EBITDA and volume targets are shown on separate lines in the table, with the Adjusted EBITDA targets on the upper line. No payments were made to our named executive officers with respect to the 2008 performance targets. For a more detailed discussion of the 2008 performance targets, see "Annual Cash Bonus" under Compensation Discussion and Analysis.
- (3) All options shown in this column were awarded under our 2006 Equity Incentive Plan. The options granted on December 10, 2008, vest 34% on the first anniversary of the date of grant and 33% on each subsequent anniversary until fully vested, in each case subject to continuing service by the named executive officer.

- (4) Option awards are shown at their grant date fair value under Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment." The fair value of the options granted on December 10, 2008, was approximately \$3.16 per share. The fair value of those options approved December 10, 2008, and granted January 2, 2009, described in footnote 1 above, was approximately \$3.98 per share. For discussion regarding the valuation model and assumptions used to calculate the fair value of these option awards, see note 9 to the consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2008.

### Outstanding Equity Awards at 2008 Fiscal Year End

The table below summarizes outstanding equity awards held by our named executive officers at December 31, 2008. All option awards held by named executive officers that were outstanding in October 2005 became fully vested in connection with the change of control which occurred when Boone Pickens purchased all of the outstanding shares of our company held by Terasen, Inc. and three other stockholders.

| Name                 | Option Awards                       |                           |                                 |                 |                   |
|----------------------|-------------------------------------|---------------------------|---------------------------------|-----------------|-------------------|
|                      | Number of Securities Underlying     |                           | Number of Securities Underlying | Option Exercise | Option Expiration |
|                      | Unexercised Options—Exercisable (#) | Options—Unexercisable (#) | Price (\$)                      | Date            |                   |
| Andrew J. Littlefair | 400,000(1)                          | —                         | 2.96                            | 12/12/2012      |                   |
|                      | 60,000(2)                           | —                         | 2.96                            | 6/11/2013       |                   |
|                      | 115,000(3)                          | —                         | 2.96                            | 5/6/2015        |                   |
|                      | 100,000(4)                          | —                         | 2.96                            | 5/05/2015       |                   |
|                      | 60,000(4)                           | —                         | 2.96                            | 5/05/2015       |                   |
|                      | 350,000(5)                          | 175,000(5)                | 12.00                           | 5/23/2017       |                   |
|                      | 34,000(6)                           | 66,000(6)                 | 15.27                           | 12/12/2017      |                   |
|                      | —                                   | 155,862(7)                | 5.09                            | 12/10/2018      |                   |
| Richard R. Wheeler   | 125,000(8)                          | —                         | 2.96                            | 6/11/2013       |                   |
|                      | 125,000(9)                          | —                         | 2.96                            | 2/01/2014       |                   |
|                      | 70,000(3)                           | —                         | 2.96                            | 2/04/2015       |                   |
|                      | 55,000(4)                           | —                         | 2.96                            | 5/05/2015       |                   |
|                      | 45,000(4)                           | —                         | 2.96                            | 5/05/2015       |                   |
|                      | 233,333(5)                          | 116,667(5)                | 12.00                           | 5/23/2017       |                   |
|                      | 34,000(6)                           | 66,000(6)                 | 15.27                           | 12/12/2017      |                   |
|                      | —                                   | 90,920(7)                 | 5.09                            | 12/10/2018      |                   |
| James N. Harger      | 125,000(1)                          | —                         | 2.96                            | 12/12/2012      |                   |
|                      | 50,000(2)                           | —                         | 2.96                            | 6/11/2013       |                   |
|                      | 80,000(3)                           | —                         | 2.96                            | 2/4/2015        |                   |
|                      | 65,000(4)                           | —                         | 2.96                            | 5/05/2015       |                   |
|                      | 55,000(4)                           | —                         | 2.96                            | 5/05/2015       |                   |
|                      | 266,667(5)                          | 133,333(5)                | 12.00                           | 5/23/2017       |                   |
|                      | 34,000(6)                           | 66,000(6)                 | 15.27                           | 12/12/2017      |                   |
|                      | —                                   | 90,920(7)                 | 5.09                            | 12/10/2018      |                   |
| Mitchell W. Pratt    | 75,000(10)                          | —                         | 2.96                            | 12/12/2012      |                   |
|                      | 30,000(2)                           | —                         | 2.96                            | 6/11/2013       |                   |
|                      | 85,000(3)                           | —                         | 2.96                            | 2/04/2015       |                   |
|                      | 70,000(4)                           | —                         | 2.96                            | 5/05/2015       |                   |
|                      | 25,000(4)                           | —                         | 2.96                            | 5/05/2015       |                   |
|                      | 200,000(5)                          | 100,000(5)                | 12.00                           | 5/23/2017       |                   |
|                      | 34,000(6)                           | 66,000(6)                 | 15.27                           | 12/12/2017      |                   |
|                      | —                                   | 90,920(7)                 | 5.09                            | 12/10/2018      |                   |
| Barclay F. Corbus    | 119,000(11)                         | 231,000(11)               | 13.25                           | 9/10/2017       |                   |
|                      |                                     | 90,920(7)                 | 5.09                            | 12/10/2018      |                   |

- (1) This option, granted under our 2002 Stock Option Plan on December 12, 2002, had the following initial vesting schedule: 20% of the shares were scheduled to vest on the completion of each 12 month period following June 13, 2001, subject to continuing service by the named executive officer; provided that the option would vest in full upon a "change of control" as described in the plan.

- (2) This option, granted under our 2002 Stock Option Plan on June 11, 2003, had the following initial vesting schedule: 34% of the shares were scheduled to vest on June 11, 2004, and 33% of the shares were scheduled to vest for each 12 month period completed thereafter, subject to continuing service by the named executive officer; provided that the option would vest in full upon a "change of control" as described in the plan.
- (3) This option, granted under our 2002 Stock Option Plan on February 4, 2005, had the following initial vesting schedule: 34% of the shares were scheduled to vest on the date of grant, 33% were scheduled to vest when the fair market value of our common stock met or exceeded \$5.00 per share, and 33% of the shares were scheduled to vest when the fair market value of our common stock met or exceeded \$7.00, subject to continuing service by the named executive officer; provided that the option would vest in full upon a "change of control" as described in the plan.
- (4) This option, granted under our 2002 Stock Option Plan on May 6, 2005, had the following initial vesting schedule: 34% of the shares were scheduled to vest on December 31, 2005, and 33% of the shares were scheduled to vest for each 12 month period completed thereafter, subject to continuing service by the named executive officer; provided that the option would vest in full upon a "change of control" as described in the plan.
- (5) This option, granted under our 2006 Equity Incentive Plan, vested <sup>1</sup> / 6 on May 25, 2007 and <sup>1</sup> / 6 on November 25, 2007, and will vest an additional <sup>1</sup> / 3 on each of November 25, 2008 and November 25, 2009, subject to continuing service by the named executive officer. The 2006 Equity Incentive Plan provides that, in the event of a "change in control" as described in the plan, this option, if then outstanding, will vest in full on the date that immediately precedes the change of control.
- (6) This option, granted under our 2006 Equity Incentive Plan, vests 34% on the first anniversary of December 12, 2007, the date of grant, and 33% on each subsequent anniversary until fully vested, subject to continuing service by the named executive officer. The 2006 Equity Incentive Plan provides that, in the event of a "change in control" as described in the plan, this option, if then outstanding, will vest in full on the date that immediately precedes the change of control.
- (7) This option, granted under our 2006 Equity Incentive Plan, vests 34% on the first anniversary of December 10, 2008, the date of grant, and 33% on each subsequent anniversary until fully vested, subject to continuing service by the named executive officer. The 2006 Equity Incentive Plan provides that, in the event of a "change in control" as described in the plan, this option, if then outstanding, will vest in full on the date that immediately precedes the change of control.
- (8) This option, granted under our 2002 Stock Option Plan on June 11, 2003, had the following initial vesting schedule: 12% of the shares were scheduled to vest on the completion of the first month of service after February 1, 2003, and 4% of the shares were scheduled to vest for each month completed thereafter, subject to continuing service by the named executive officer; provided that the option would vest in full upon a "change of control" as described in the plan.
- (9) This option, granted under our 2002 Stock Option Plan on February 1, 2004, had the following initial vesting schedule: 8% of the shares were scheduled to vest on the completion of the first month of service after February 1, 2004, and 4% of the shares were scheduled to vest for each month completed thereafter, subject to continuing service by the named executive officer; provided that the option would vest in full upon a "change of control" as described in the plan.
- (10) This option, granted under our 2002 Stock Option Plan on December 12, 2002, had the following initial vesting schedule: 25% of the shares were scheduled to vest on the completion of each 12 month period following August 20, 2001, subject to continuing service by the named executive officer; provided that the option would vest in full upon a "change of control" as described in the plan.
- (11) This option, granted under our 2006 Equity Incentive Plan, vests 34% on the first anniversary of September 10, 2007, the date of grant, and 33% on each subsequent anniversary until fully vested, subject to continuing service by the named executive officer. The 2006 Equity Incentive Plan provides that, in the event of a "change in control" as described in the plan, this option, if then outstanding, will vest in full on the date that immediately precedes the change of control.

### **Option Exercises and Stock Vested**

None of our named executive officers exercised any stock options or had restricted stock that vested during the fiscal years ended December 31, 2007 or December 31, 2008.

### **Pension Benefits, Nonqualified Defined Contribution and Other Deferred Compensation Plans**

We do not have any tax-qualified defined benefit plans or supplemental executive retirement plans that provide for payments or other benefits to our named executive officers in connection with their retirement. We also do not have any non-qualified defined contribution plans or other deferred compensation plans that provide for payments or other benefits to our named executive officers.

## Potential Payments Upon Termination or Change in Control

The tables and narrative below describe the amount of compensation to be paid to our named executive officers in the event of a termination of employment or a change in control. The amount of compensation payable to each of our named executive officers upon voluntary termination, involuntary not-for-cause termination, termination following a change of control and in the event of disability or death of our named executive officers is shown in tabular format below. The amounts shown in the tables assume that such termination was effective as of December 31, 2008, and thus includes amounts earned through such time and are estimates of the amounts which would be paid out to our named executive officers upon their termination. On December 31, 2008, the closing price of our common stock was \$6.04 per share. The actual amounts to be paid out can only be determined at the time of such named executive officer's separation with our company.

Regardless of the manner in which the employment of a named executive officer is terminated, he is entitled to receive amounts earned during his term of employment. Such amounts include:

- non-equity incentive compensation earned, to the extent vested;
- equity awarded pursuant to our 2002 Stock Option Plan and 2006 Equity Incentive Plan, to the extent vested;
- amounts contributed and vested under our qualified retirement plan; and
- unused vacation pay.

*Andrew J. Littlefair*

The following table shows the potential cash payments upon termination or a change of control of the company for our President and Chief Executive Officer, Andrew J. Littlefair. If we terminate Mr. Littlefair's employment without cause, or if Mr. Littlefair terminates his employment within one year of a change in control, he is entitled to a payment of 150% of his base salary, 150% of his previous year's bonus and payment of medical and related benefits for one year. If we terminate his employment without cause within one year of an acquisition or similar change in control, he is entitled to a payment of 200% of his base salary, 200% of his previous year's bonus and medical and related benefits for one year. At December 31, 2008, Mr. Littlefair's annual base salary was \$475,200 and his prior-year bonus was \$325,600. If his employment is terminated for cause, we may repurchase all or a portion of our stock owned by him. If his employment is terminated because of death or disability, we must repurchase all of our stock owned by him.

| Benefit and Payments Upon Separation                      | Involuntary<br>Not For Cause |              | Voluntary<br>Termination within<br>One Year of a Change<br>in Control |              | Termination Without<br>Cause within One<br>Year of Change<br>in Control |              | Termination<br>Due to<br>Disability | Termination<br>Due to<br>Death |
|---|------------------------------|--------------|---|--------------|---|--------------|-------------------------------------|--------------------------------|
|   | Voluntary<br>Termination     | Termination  | For Cause<br>Termination  |              |   |              |                                     |                                |
| Cash Severance Payment:                                   | \$ 0                         | \$ 1,201,200 | \$ 0  | \$ 1,201,200 | \$ 1,601,600  | \$ 0         | \$ 0                                | \$ 0                           |
| Continuation of Medical/Welfare Benefits (present value): | \$ 0                         | \$ 9,284     | \$ 0  | \$ 9,284     | \$ 9,284  | \$ 0         | \$ 0                                | \$ 0                           |
| Repurchase of Common Stock(1)                             | \$ 0                         | \$ 0         | \$ 0  | \$ 0         | \$ 0  | \$ 4,961,371 | \$ 4,961,371                        | \$ 4,961,371                   |
| Total:  | \$ 0                         | \$ 1,210,484 | \$ 0  | \$ 1,210,484 | \$ 1,610,884  | \$ 4,961,371 | \$ 4,961,371                        | \$ 4,961,371                   |

(1) Assumes a fair market value of \$6.04 per share, the closing price of our common stock on December 31, 2008. Mr. Littlefair held 821,419 shares of common stock on December 31, 2008.

Additionally, the 2006 Equity Incentive Plan provides that in the event of a "change in control," all of Mr. Littlefair's options that are outstanding on the date that immediately precedes the change of control will become immediately exercisable on that date. If a change of control occurred on December 31, 2008, Mr. Littlefair would have received an additional \$148,069, which amount

represents the intrinsic value of his unvested stock options on December 31, 2008. See "Outstanding Equity Awards at Fiscal Year End" for information about Mr. Littlefair's unvested options at December 31, 2008.

*Richard R. Wheeler*

The following table shows the potential cash payments upon termination or a change of control of the company for our Chief Financial Officer, Richard R. Wheeler. If we terminate Mr. Wheeler's employment without cause, or if Mr. Wheeler terminates his employment within one year of a change in control, he is entitled to a payment of 150% of his base salary, 150% of his previous year's bonus and payment of medical and related benefits for one year. If we terminate his employment without cause within one year of an acquisition or similar change in control, he is entitled to a payment of 200% of his base salary, 200% of his previous year's bonus and medical and related benefits for one year. At December 31, 2008, Mr. Wheeler's annual base salary was \$313,250 and his prior-year bonus was \$143,000. If his employment is terminated for cause, we may repurchase all or a portion of our stock owned by him. If his employment is terminated because of death or disability, we must repurchase all of our stock owned by him.

| <b>Benefit and Payments Upon Separation</b>               | <b>Involuntary</b> |                      |                    | <b>Voluntary</b>            | <b>Termination Without</b> | <b>Termination</b> | <b>Termination</b> |
|---|--------------------|----------------------|--------------------|-----------------------------|----------------------------|--------------------|--------------------|
|   | <b>Voluntary</b>   | <b>Not For Cause</b> | <b>For Cause</b>   | <b>Termination within</b>   | <b>Cause within One</b>    | <b>Due to</b>      | <b>Due to</b>      |
|   | <b>Termination</b> | <b>Termination</b>   | <b>Termination</b> | <b>One Year of a Change</b> | <b>Year of Change</b>      | <b>Disability</b>  | <b>Death</b>       |
|   |                    |                      |                    | <b>in Control</b>           | <b>in Control</b>          |                    |                    |
| Cash Severance Payment:                                   | \$ 0               | \$ 684,375           | \$ 0               | \$ 684,375                  | \$ 912,500                 | \$ 0               | \$ 0               |
| Continuation of Medical/Welfare Benefits (present value): | \$ 0               | \$ 9,311             | \$ 0               | \$ 9,311                    | \$ 9,311                   | \$ 0               | \$ 0               |
| Repurchase of Common Stock(1)                             | \$ 0               | \$ 0                 | \$ 0               | \$ 0                        | \$ 0                       | \$ 0               | \$ 0               |
| <b>Total:</b>   | <b>\$ 0</b>        | <b>\$ 693,686</b>    | <b>\$ 0</b>        | <b>\$ 693,686</b>           | <b>\$ 921,811</b>          | <b>\$ 0</b>        | <b>\$ 0</b>        |

(1) Mr. Wheeler held no shares of common stock on December 31, 2008.

Additionally, the 2006 Equity Incentive Plan provides that in the event of a "change in control," all of Mr. Wheeler's options that are outstanding on the date that immediately precedes the change of control will become immediately exercisable on that date. If a change of control occurred on December 31, 2008, Mr. Wheeler would have received an additional \$86,374, which amount represents the intrinsic value of his unvested stock options on December 31, 2008. See "Outstanding Equity Awards at Fiscal Year End" for information about Mr. Wheeler's unvested options at December 31, 2008.

*James N. Harger*

The following table shows the potential cash payments upon termination or a change of control of the company for our Senior Vice President, Marketing & Sales, James N. Harger. If we terminate Mr. Harger's employment without cause, or if Mr. Harger terminates his employment within one year of a change in control, he is entitled to a payment of 150% of his base salary, 150% of his previous year's bonus and payment of medical and related benefits for one year. If we terminate his employment without cause within one year of an acquisition or similar change in control, he is entitled to a payment of 200% of his base salary, 200% of his previous year's bonus and medical and related benefits for one year. At December 31, 2008, Mr. Harger's annual base salary was \$287,500 and his prior-year bonus was \$130,000. If his employment is terminated for cause, we may repurchase all or a portion of our

stock owned by him. If his employment is terminated because of death or disability, we must repurchase all of our stock owned by him.

| Benefit and Payments Upon Separation                      | Involuntary Not For Cause |             | Voluntary Termination within One Year of a Change in Control |            | Termination Without Cause within One Year of Change in Control |              | Termination Due to Disability | Termination Due to Death |
|---|---------------------------|-------------|--|------------|--|--------------|-------------------------------|--------------------------|
|   | Voluntary Termination     | Termination | For Cause Termination  |            |  |              |                               |                          |
| Cash Severance Payment:                                   | \$ 0                      | \$ 626,250  | \$ 0   | \$ 626,250 | \$ 835,000   | \$ 0         | \$ 0                          | \$ 0                     |
| Continuation of Medical/Welfare Benefits (present value): | \$ 0                      | \$ 9,216    | \$ 0   | \$ 9,216   | \$ 9,216   | \$ 0         | \$ 0                          | \$ 0                     |
| Repurchase of Common Stock(1)                             | \$ 0                      | \$ 0        | \$ 0   | \$ 0       | \$ 0   | \$ 2,020,851 | \$ 2,020,851                  | \$ 2,020,851             |
| Total:  | \$ 0                      | \$ 635,466  | \$ 0   | \$ 635,466 | \$ 844,216   | \$ 2,020,851 | \$ 2,020,851                  | \$ 2,020,851             |

(1) Assumes a fair market value of \$6.04 per share, the closing price of our common stock on December 31, 2008. Mr. Harger held 334,578 shares of common stock on December 31, 2008.

Additionally, the 2006 Equity Incentive Plan provides that in the event of a "change in control," all of Mr. Harger's options that are outstanding on the date that immediately precedes the change of control will become immediately exercisable on that date. If a change of control occurred on December 31, 2008, Mr. Harger would have received an additional \$86,374, which amount represents the intrinsic value of his unvested stock options on December 31, 2008. See "Outstanding Equity Awards at Fiscal Year End" for information about Mr. Harger's unvested options at December 31, 2008.

#### *Mitchell W. Pratt*

The following table shows the potential cash payments upon termination or a change of control of the company for our Senior Vice President, Engineering, Operations and Public Affairs, Mitchell W. Pratt. If we terminate Mr. Pratt's employment without cause, or if Mr. Pratt terminates his employment within one year of a change in control, he is entitled to a payment of 150% of his base salary, 150% of his previous year's bonus and payment of medical and related benefits for one year. If we terminate his employment without cause within one year of an acquisition or similar change in control, he is entitled to a payment of 200% of his base salary, 200% of his previous year's bonus and medical and related benefits for one year. At December 31, 2008, Mr. Pratt's annual base salary was \$280,000 and his prior-year bonus was \$130,000. If his employment is terminated for cause, we may repurchase all or a portion of our stock owned by him. If his employment is terminated because of death or disability, we must repurchase all of our stock owned by him.

| Benefit and Payments Upon Separation                      | Involuntary Not For Cause |             | Voluntary Termination within One Year of a Change in Control |            | Termination Without Cause within One Year of Change in Control |            | Termination Due to Disability | Termination Due to Death |
|---|---------------------------|-------------|--|------------|--|------------|-------------------------------|--------------------------|
|   | Voluntary Termination     | Termination | For Cause Termination  |            |  |            |                               |                          |
| Cash Severance Payment:                                   | \$ 0                      | \$ 615,000  | \$ 0   | \$ 615,000 | \$ 820,000   | \$ 0       | \$ 0                          | \$ 0                     |
| Continuation of Medical/Welfare Benefits (present value): | \$ 0                      | \$ 9,175    | \$ 0   | \$ 9,175   | \$ 9,175   | \$ 0       | \$ 0                          | \$ 0                     |
| Repurchase of Common Stock(1)                             | \$ 0                      | \$ 0        | \$ 0   | \$ 0       | \$ 0   | \$ 266,545 | \$ 266,545                    | \$ 266,545               |
| Total:  | \$ 0                      | \$ 624,175  | \$ 0   | \$ 624,175 | \$ 829,175   | \$ 266,545 | \$ 266,545                    | \$ 266,545               |

(1) Assumes a fair market value of \$6.04 per share, the closing price of our common stock on December 31, 2008. Mr. Pratt held 44,130 shares of common stock on December 31, 2008.

Additionally, the 2006 Equity Incentive Plan provides that in the event of a "change in control," all of Mr. Pratt's options that are outstanding on the date that immediately precedes the change of control will become immediately exercisable on that date. If a change of control occurred on December 31, 2008, Mr. Pratt would have received an additional \$86,374, which amount represents the intrinsic value of his unvested stock options on December 31, 2008. See "Outstanding Equity Awards at Fiscal Year End" for information about Mr. Pratt's unvested options at December 31, 2008.

Mr. Corbus is an "at will" employee and may be terminated by us at any time, with or without cause. Mr. Corbus is not entitled to any cash severance or other cash payments in connection with a termination of his employment with our company and/or a change in control in our company. However, the 2006 Equity Incentive Plan provides that in the event of a "change in control", all of Mr. Corbus's options that are outstanding on the date that immediately precedes the change of control will become immediately exercisable on that date. If a change of control occurred on December 31, 2008, Mr. Corbus would have received an additional \$86,374, which amount represents the intrinsic value of his unvested stock options on December 31, 2008. See "Outstanding Equity Awards at Fiscal Year End" for information about Mr. Corbus's unvested options at December 31, 2008.

## **Overview of Director Compensation**

We use cash and stock based incentive compensation to attract and retain qualified candidates to serve on our board. In setting director compensation, we consider the significant amount of time that our directors expend in fulfilling their duties to our company as well as the skill level required by our members of the board.

### *Cash Compensation Paid to Board Members*

For the fiscal year ended December 31, 2008, members of our board (other than the Chairman of the Board) who were not employees of the company were entitled to receive an attendance fee for board meetings of \$10,000 for each in-person meeting. Our Chairman of the Audit Committee received an additional \$2,500 for each regularly scheduled quarterly meeting at which the Audit Committee reviews the Company's quarterly financial statements. For fiscal 2009, board members will receive \$10,000 per board meeting and an additional \$500 per meeting for board or board committee meetings conducted telephonically. Our Audit Committee Chairman will continue to receive \$2,500 for each quarterly meeting of the Audit Committee at which the Audit Committee reviews the Company's financial statements. In 2008, the Chairman of the Board received a flat rate of \$5,000 per month and also received an additional \$7,500 per quarter awarded in shares of common stock (rounded down to the nearest share) on the last business day of each quarter. For fiscal 2009, the Chairman of the Board will receive \$7,500 per month in cash and will not receive quarterly grants of shares of our common stock. These amounts are intended to include his attendance fees. Directors who are our employees receive no additional compensation for their services as directors.

### *Stock Based Incentive Compensation*

From time to time, we award stock options to directors. The determination of which directors receive awards and the amount of these awards is discretionary. See footnote (2) to the Director Compensation table below for information about the options held by our directors at December 31, 2008.

## 2008 Director Compensation

The table below summarizes the compensation we paid to directors who are not employees of our company for the fiscal year ended December 31, 2008.

| <u>Name(1)</u>               | <u>Fees Earned or Paid in Cash (\$)</u> | <u>Option Awards \$(2)(3)</u> | <u>All Other Compensation (\$)</u> | <u>Total (\$)</u> |
|------------------------------|---|-------------------------------|------------------------------------|-------------------|
| Warren I. Mitchell, Chairman | 90,000(4)                               | 249,962                       | 3,208(5)                           | 343,170           |
| Vincent C. Taormina          | 30,000                                  | 39,423                        | 0                                  | 69,422            |
| John S. Herrington           | 40,000                                  | 249,962                       | 0                                  | 289,962           |
| James C. Miller, III         | 50,000                                  | 205,676                       | 0                                  | 255,676           |
| Boone Pickens                | 40,000                                  | 5,099                         | 0                                  | 45,099            |
| Kenneth M. Socha(6)          | 40,000                                  | 1,163                         | 0                                  | 41,163            |

- (1) Andrew J. Littlefair, our President and Chief Executive Officer, is not included in this table because he is an employee of the company and thus receives no additional compensation for his services as a director. The compensation received by Mr. Littlefair as an employee of the company is shown in the Summary Compensation Table above.
- (2) We granted no awards to our directors in 2006 and awards we granted to our directors before 2006 were fully vested prior to 2006. On May 24, 2007, Messrs. Mitchell and Herrington each were granted 80,000 stock options with a fair value of \$536,800 per grant calculated under SFAS No. 123(R), and Mr. Miller was granted 60,000 stock options with a fair value of \$402,600 calculated under SFAS No. 123(R). On December 12, 2007, Messrs. Mitchell, Herrington and Miller each were granted 25,000 stock options, with a fair value of \$210,750 per grant. On May 28, 2008, Mr. Taormina was granted 25,000 stock options with a fair value of \$198,750, calculated under SFAS No. 123(R). On December 10, 2008, Messrs. Mitchell, Herrington, Miller, Taormina and Socha were granted 25,977 stock options with a fair value of \$82,087 per grant. On December 10, 2008, Mr. Pickens was granted 113,897 stock options with a fair value of \$359,915. As of December 31, 2008, Messrs. Mitchell, Herrington and Miller had the following options fully vested and outstanding: (i) Mr. Mitchell held an option to purchase 150,000 shares at an exercise price of \$2.96 per share, an option to purchase 53,600 shares at an exercise price of \$12.00 per share; and an option to purchase 8,500 shares at an exercise price of \$15.27; (ii) Mr. Herrington held an option to purchase 20,000 shares at an exercise price of \$2.96 per share, an option to purchase 53,600 shares at an exercise price of \$12.00 per share and an option to purchase 8,500 shares at an exercise price of \$15.27; and (iii) Mr. Miller held an option to purchase 40,200 shares at an exercise price of \$12.00 per share and an option to purchase 8,500 shares at an exercise price of \$15.27. Messrs. Pickens, Socha and Taormina did not hold any vested options as of December 31, 2008. In addition, as of December 31, 2008, Messrs. Mitchell, Herrington, Miller, Taormina, Pickens and Socha had the following unvested options outstanding: (i) Mr. Mitchell holds 26,400 unvested options at an exercise price of \$12.00 per share, 16,500 unvested options at an exercise price of \$15.27 per share and 25,977 unvested options at an exercise price of \$5.09 per share; (ii) Mr. Herrington holds 26,400 unvested options at an exercise price of \$12.00 per share, 16,500 unvested options at an exercise price of \$15.27 per share and 25,977 unvested options at an exercise price of \$5.09 per share; (iii) Mr. Miller holds 19,800 unvested options at an exercise price of \$12.00 per share, 16,500 unvested options at an exercise price of \$15.27 per share and 25,977 unvested options at an exercise price of \$5.09 per share; (iv) Mr. Taormina holds 25,000 unvested options at an exercise price of \$14.43 per share and 25,977 unvested options at an exercise price of \$5.09 per share; (v) Mr. Pickens holds 113,897 unvested options at an exercise price of \$5.09 per share; and Mr. Socha holds 25,977 unvested options at an exercise price of \$5.09 per share. In addition, on December 10, 2008 the compensation committee approved grants of 19,638 options to purchase shares of common stock to each of Messrs. Mitchell, Herrington, Miller, Taormina and

Socha and 86,103 options to purchase shares of our common stock to Mr. Pickens which were granted on January 2, 2009 at an exercise price equal to the closing price of our common stock on January 2, 2009 of \$6.33.

- (3) The amounts listed in this column represent the dollar amount we recognized for financial statement reporting purposes with respect to fiscal 2008 (for awards made both in and before fiscal 2008), disregarding an estimate of forfeitures related to service-based vesting conditions, under Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment," or SFAS No. 123(R). For a more detailed discussion on the valuation model and assumptions used to calculate the fair value of these awards, see note 9 to the consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2008.
- (4) As compensation for serving as Chairman of the Board, Mr. Mitchell received a flat rate of \$5,000 per month in 2008, plus \$7,500 per quarter in our common stock valued on the last day of each quarter.
- (5) Attributable to personal use of a company-provided natural gas vehicle (as calculated in accordance with Internal Revenue Service Guidelines) and related natural gas fuel.
- (6) Of the fees received by Mr. Socha, \$10,000 was remitted to Perseus, LLC, in accordance with an agreement between Mr. Socha and Perseus, LLC.

## **Stock Incentive Plans**

### *2002 Stock Option Plan*

Our board of directors adopted our 2002 Stock Option Plan, or 2002 Plan, in December 2002. Our stockholders approved the plan and all material amendments. Upon the closing of our initial public offering, the share reserve available for grant under the 2002 Plan was cancelled; and all new grants will be made under our 2006 Equity Incentive Plan, or 2006 Plan, described below. If any outstanding option under the 2002 Plan expires or is cancelled, the shares allocable to the unexercised portion of that option will be added to the share reserve under the 2006 Plan and will be available for grant under the 2006 Plan.

*Administration.* The 2002 Plan may be administered by the board of directors or a committee of the board of directors. In the case of options intended to qualify as "performance based compensation" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, or the Code, the committee will consist of two or more outside directors within the meaning of Section 162(m) of the Code. The administrator has the authority, in its sole discretion:

- to determine the fair market value of the common stock,
- to determine the terms and conditions of any options, including exercise price, the method of payment of the exercise price, term, vesting and whether the option is a non-statutory stock option or an incentive stock option,
- to reduce the exercise price of any option to the then current fair market value if the fair market value of the optioned stock has declined since the date of grant of that option,
- to delegate to others responsibilities to assist in administering the 2002 Plan, and
- to construe and interpret the terms of the 2002 Plan and option agreements and other documentation related to the 2002 Plan.

*Eligibility.* Effective upon the closing of our initial public offering, we no longer grant new options under the 2002 Plan.

*Options.* With respect to options intended to qualify as "performance based compensation" within the meaning of Section 162(m) of the Code, the exercise price must be at least equal to the fair market value of our common stock on the date of grant. In addition, the exercise price for any incentive stock option granted to any employee owning more than 10% of our common stock may not be less than 110% of the fair market value of our common stock on the date of grant. The term of any stock option may not exceed ten years, except that with respect to any participant who owns 10% or more of the voting power of all classes of our outstanding capital stock, the term for incentive stock options must not exceed five years.

Unless the administrator determines otherwise, unvested shares typically will be subject to forfeiture or to our right of repurchase, which we may exercise upon the voluntary or involuntary termination of the participant's service with us for any reason, including death or disability.

*Adjustments upon change in control.* The 2002 Plan provides that in the event of a "change in control," our company and the successor corporation, if any, may agree:

- that all options outstanding on the date that immediately precedes the change of control will become immediately exercisable on that date, with the 2002 Plan terminating upon the date of the change of control (with 21 days prior written notice to the optionees),
- to terminate the 2002 Plan and cancel all outstanding options effective as of the date of the change of control, and either (1) provide 21 days prior written notice to optionees so that the optionees can exercise options that are otherwise exercisable at that time, (2) replace such options with comparable options in the successor corporation or parent thereof, or (3) deliver to each optionee the difference between the fair market value of a share on the date of the change of control and the exercise price of the optionee's option, multiplied by the number of shares underlying the option, or
- that the successor corporation or its parent will assume the 2002 Plan and all outstanding options effective as of the date of the change of control.

*Amendment and termination.* The administrator has the authority to amend, suspend or discontinue the 2002 Plan, subject to the approval of the stockholders in the case of certain amendments. No amendment, suspension or discontinuation will impair the rights of any option, unless agreed to by the optionee.

#### *2006 Equity Incentive Plan*

Our 2006 Equity Incentive Plan, which we refer to as the 2006 Plan, was adopted in December 2006 by our board of directors and stockholders and became effective upon the closing of our initial public offering. Under the 2006 Plan, 6,390,500 shares of common stock were initially authorized for issuance. The number of shares reserved for issuance under the 2006 Plan increases automatically, without the need for further board or stockholder approval, on the first day of each of our fiscal years (up through January 1, 2016) by the lesser of (1) 1,000,000 shares, (2) 15% of our outstanding common stock on the last day of the immediately preceding fiscal year, or (3) such lesser number of shares as may be determined by the board of directors. On each of January 1, 2007, January 1, 2008 and January 1, 2009, the number of authorized shares under the 2006 Plan was increased by 1,000,000 shares.

If any outstanding option under the 2002 Plan expires or is cancelled, the shares allocable to the unexercised portion of that option will be added to the share reserve under the new 2006 Plan and will be available for grant under the 2006 Plan.

*Share limit.* No participant in the 2006 Plan can receive option grants, stock appreciation rights or stock awards for more than 2,000,000 shares total in any calendar year, or for more than 4,000,000 shares total in connection with the participant's initial service.

*Administration.* The 2006 Plan will be administered by our board of directors or the compensation committee of the board. The administrator has the authority, in its sole discretion:

- to select the recipients to whom options, stock awards, stock appreciation rights and cash awards may, from time to time, be granted under the 2006 Plan,
- to determine whether and to what extent options, stock awards, stock appreciation rights and cash awards are granted under the 2006 Plan,
- to determine the number of shares that are covered by options, stock awards, stock appreciation rights grants and the terms of such agreements,
- to determine the terms and conditions of any options, stock awards and stock appreciation rights, including exercise price, the method of payment of the exercise price, term, vesting and whether the option is a non-statutory stock option or an incentive stock option, and
- to construe and interpret the terms of the 2006 Plan and agreements and other documentation related to the 2006 Plan.

*Eligibility.* The 2006 Plan provides for the grant of options to purchase shares of common stock, stock awards, stock appreciation rights and cash awards. ISOs may be granted only to employees. Nonstatutory stock options and other stock based awards may be granted to employees, non-employee directors, advisors and consultants.

*Vesting.* Although the 2006 Plan provides the administrator with the discretion to determine the vesting schedule, we expect that options (other than the initial option grants) granted to optionees will generally vest over three years, at a rate of 34%, 33%, and 33% per year, respectively, if the optionee is then in service to the company.

*Adjustments upon change in control.* The 2006 Plan provides that in the event of a "change in control," all awards outstanding on the date that immediately precedes the change of control will become immediately exercisable on that date, unless otherwise expressly provided in the award document.

*Amendment and termination.* The plan terminates 10 years after its initial adoption, unless earlier terminated by the board. The board of directors or the compensation committee may amend or terminate the plan at any time, subject to stockholder approval where required by applicable law. Any amendment or termination may not impair the rights of holders of outstanding awards without their consent.

#### *Special Stock Option*

As of December 31, 2008, we also had 25,000 shares subject to a special stock option issued outside of the 2002 Plan and the 2006 Plan to a consultant at an exercise price of \$3.86 per share. The option fully vested upon the closing of our initial public offering.

#### *U.S. Tax Consequences*

The federal tax rules applicable to the 2006 Plan under the tax code are summarized below. This summary omits the tax laws of any municipality, state, or foreign country in which a participant resides. Stock option grants under the 2006 Plan may be intended to qualify as incentive stock options under Section 422 of the tax code or may be non-qualified stock options governed by Section 83 of the tax

code. Generally, no federal income tax is payable by a participant upon the grant of a stock option, and a deduction is not taken by the company. Under current tax laws, if a participant exercises a non-qualified stock option, he or she will have taxable income equal to the difference between the market price of the common stock on the exercise date and the stock option grant price. We will be entitled to a corresponding deduction on our income tax return. A participant will not have any taxable income upon exercising an incentive stock option after the applicable holding periods have been satisfied (except that the alternative minimum tax may apply), and we will not receive a deduction when an incentive stock option is exercised. The treatment for a participant of a disposition of shares acquired through the exercise of an option depends on how long the shares were held and on whether the shares were acquired by exercising an incentive stock option or a non-qualified stock option. We may be entitled to a deduction in the case of a disposition of shares acquired under an incentive stock option before the applicable holding periods have been satisfied.

Restricted stock is also governed by Section 83 of the tax code. Generally, no taxes are due when the award is initially made, but the award becomes taxable when it is no longer subject to a "substantial risk of forfeiture" (it becomes vested or transferable). Income tax is paid on the value of the stock or units at ordinary rates when the restrictions lapse, and then at capital gain rates when the shares are sold.

As described above, awards granted under the 2006 Plan may qualify as "performance-based compensation" under Section 162(m) of the tax code. To qualify, options and other awards must be granted under the 2006 Plan by a committee consisting solely of two or more "outside directors" (as defined under Section 162 regulations) and satisfy the 2006 Plan's limit on the total number of shares that may be awarded to any one participant during any calendar year. In addition, for awards other than options and stock-settled SARs to qualify, the grant, issuance, vesting, or retention of the award must be contingent upon satisfying one or more of the performance criteria set forth in the 2006 Plan, as established and certified by a committee consisting solely of two or more "outside directors."

### Equity Compensation Plan Information

The following table provides information about our equity compensation plans at December 31, 2008.

| <u>Plan Category</u>  | (a)<br>Number of common shares to<br>be issued upon exercise of<br>outstanding options | (b)<br>Weighted-average<br>exercise price of<br>outstanding options | (c)<br>Number of common shares remaining<br>available for future issuance under<br>equity compensation plans (excluding<br>shares reflected in column (a)) |
|---|--|---|--|
| Equity compensation plans approved by our stockholders        | 8,209,467  | \$ 9.16   | 11,405   |
| Equity compensation plans not approved by our stockholders(1) | 25,000   | \$ 3.86   | 0  |
| <b>Total</b>  | <b>8,234,467</b>   | <b>\$ 9.14</b>  | <b>11,405</b>  |

(1) Represents shares subject to a special stock option issued to a consultant in May 2006.

**REPORT OF THE AUDIT COMMITTEE OF  
THE BOARD OF DIRECTORS**

The audit committee oversees our financial reporting process on behalf of the board of directors. Management is responsible for the preparation, presentation and integrity of the financial statements, including establishing accounting and financial reporting principles and designing systems of internal control over financial reporting. Our independent registered public accounting firm is responsible for expressing an opinion as to the conformity of our consolidated financial statements with generally accepted accounting principles. The audit committee operates pursuant to a charter that is available on our website at [www.cleanenergyfuels.com](http://www.cleanenergyfuels.com).

In performing its responsibilities, the audit committee has reviewed and discussed, with management and KPMG LLP, our independent registered public accounting firm, the audited consolidated financial statements in our annual report on Form 10-K for the year ended December 31, 2008. The audit committee has also discussed with KPMG LLP matters required to be discussed by Statement on Auditing Standards 61, "Communications with Audit Committees."

Pursuant to Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees," the audit committee received written disclosures and the letter from KPMG LLP, and discussed with KPMG LLP their independence.

Based on the reviews and discussions referred to above, the audit committee recommended to the board of directors that the audited consolidated financial statements of Clean Energy Fuels Corp. be included in the company's annual report on Form 10-K for the year ended December 31, 2008.

Dated: March 20, 2009

Audit Committee:  
James C. Miller III, *Chairman*

John S. Herrington  
Vincent C. Taormina

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following is a description of transactions since January 1, 2008 to which we have been a party, in which the amount involved exceeds \$120,000 in any fiscal year and in which any of our directors, executive officers or holders of more than five percent of our stock had or will have a direct or indirect material interest. This does not include employment compensation or compensation for board of directors service, which are described elsewhere in this proxy statement.

Our audit committee charter requires that all related party transactions, as defined in Item 404(a) of Regulation S-K, must be reviewed and approved by our audit committee, in accordance with NASDAQ Marketplace Rule 4350(h). When evaluating such transactions, our audit committee focuses on whether the terms of such transactions are at least as favorable to us as terms we would receive on an arms-length basis from an unaffiliated third party. The policies and procedures for approving related party transactions are set forth in our audit committee charter, which was adopted in September 2006. We believe that the transactions and agreements that are disclosed below contain comparable terms to those the company could have obtained from unaffiliated third parties.

### **Relationship with BP Capital L.P.**

Boone Pickens, our largest stockholder and a member of our board of directors, is a principal of BP Capital L.P., a firm which provides us advice in connection with our natural gas acquisitions and derivative activities. Under an advisory agreement, we paid BP Capital \$10,000 a month, or \$120,000 in the aggregate, for energy market advice during 2008. BP Capital has no discretion to enter into transactions on our behalf without the consent of our derivative committee.

### **Subscription Agreement with Boone Pickens Interests, Ltd.**

On September 24, 2008, we entered into a subscription agreement with Boone Pickens Interests, Ltd. pursuant to which we issued and sold a total of 319,488 shares of our common stock at a purchase price of \$15.65 per share, the closing price of our common stock on the Nasdaq Global Market on such date, for an aggregate purchase price of approximately \$5.0 million.

Boone Pickens Interests, Ltd. is a limited partnership, the limited partner interest of which is owned collectively by certain trusts for the benefit of various family members and other individuals. Boone Pickens, a director of our company and our largest stockholder, is the settlor of such trusts.

### **Indemnification Agreements**

Our certificate of incorporation and bylaws require us to indemnify our directors and officers to the fullest extent permitted by Delaware law. Additionally, as permitted by Delaware law, we have entered into indemnification agreements with each of our directors, officers and certain employees based on their job responsibilities that require us to indemnify such persons, to the fullest extent authorized or permitted under Delaware law, against any and all costs and expenses (including attorneys', witness or other professional fees) actually and reasonably incurred by such persons in connection with the investigation, defense, settlement or appeal of any action, hearing, suit or other proceeding, whether pending, threatened or completed, to which any such person may be made a witness or a party by reason of (1) the fact that such person is or was a director, officer, employee or agent of our company or its subsidiaries, whether serving in such capacity or otherwise acting at the request of our company or its subsidiaries, and (2) anything done or not done, or alleged to have been done or not done, by such person in that capacity. The indemnification agreements also require us to advance expenses incurred by directors and officers within 20 days after receipt of a written request, provided that such persons undertake to repay such amounts if it is ultimately determined that they are not entitled to indemnification. Additionally, the agreements set forth certain procedures that will apply in the event of a claim for indemnification thereunder, including a presumption that directors and officers are entitled to indemnification under the agreements, and that we have the burden of proof to

overcome that presumption in reaching any contrary determination. We are not required to provide indemnification under the agreements for certain matters, including: (1) indemnification beyond that permitted by Delaware law; (2) indemnification for liabilities for which the officer or director is reimbursed pursuant to such insurance as may exist for such person's benefit; (3) indemnification related to disgorgement of profits under Section 16(b) of the Exchange Act; (4) in connection with certain proceedings initiated against us by the director or officer; or (5) indemnification for settlements the director or officer enters into without our written consent. The indemnification agreements require us to maintain directors' and officers' insurance in full force and effect while any director or officer continues to serve in such capacity, and so long as any such person may incur costs and expenses related to legal proceedings as described above. During 2008 we entered into such indemnification agreements with new directors, officers and employees of the Company.

#### **Reimbursement Payment from Perseus ENRG Investment, L.L.C.**

In January 2008, Perseus ENRG Investment, L.L.C. agreed to reimburse us for \$144,000 of expenses we incurred on behalf of Perseus and other selling stockholders in connection with preparatory work for a proposed secondary offering of common stock that ultimately did not move forward due to market conditions in late 2007. Kenneth M. Socha, a director of our company, is Senior Managing Director of Perseus ENRG Investment, L.L.C.

#### **Transactions with Westport Innovations, Inc.**

##### *Agreement Regarding Acquisition, Conversion and Sale of Vehicles*

On July 21, 2006, we entered into an Agreement Regarding Acquisition, Conversion and Sale of Vehicles (Vehicle Agreement) with Inland Kenworth, Inc. (Inland), Westport Innovations Inc. and Westport Fuel Systems Inc., its wholly owned subsidiary (together, Westport). David Demers, a director of our company until April 2008, serves as chief executive officer and a director of Westport Innovations Inc.; Andrew Littlefair, our chief executive officer, is a director of Westport; Kenneth M. Socha, a director of our company, was formerly a director of Westport; and Boone Pickens, a director and the largest stockholder of our company, holds approximately 9% of the outstanding stock of Westport.

Pursuant to the Vehicle Agreement we agreed to deposit certain amounts with Inland, as security for a guarantee, to fund the acquisition by Kenworth of 100 LNG trucks powered by Westport engines. At December 31, 2008 we had outstanding \$3.2 million of deposits under the Vehicle Agreement.

##### *Westport Deposit Agreements*

To ensure that a ready supply of LNG-powered vehicles would be available for fleet customers in connection with the Clean Truck Program initiated by the Ports of Los Angeles and Long Beach, we agreed to advance to Westport a total of \$6,000,000 to facilitate the production of LNG fuel systems for installation in such vehicles, in accordance with deposit agreements. As of December 31, 2008, we had approximately \$3.0 million outstanding under the deposit agreements. Repayment of these deposits will occur incrementally upon the sale of the converted tractors to customers; however, to the extent that an LNG fuel system incorporated into a tractor is not sold within 24 months of the effective date of the applicable deposit agreement (or such other time period as is agreed to by both us and Westport), Westport is not obligated to repay any of the deposit with respect to such LNG fuel systems.

##### *Reimbursement Payment*

In January 2008, Westport agreed to reimburse us for \$36,000 of expenses we incurred on behalf of Westport and other selling stockholders in connection with preparatory work for a proposed secondary offering of common stock that ultimately did not move forward due to market conditions in late 2007.

## OTHER MATTERS

We know of no other matters to be submitted at the annual meeting. If any other matters are properly brought before the annual meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares that they represent in accordance with their judgment.

For further information about Clean Energy Fuels Corp., please refer to our annual report on Form 10-K for the fiscal year ended December 31, 2008 which accompanies this proxy statement. Our annual report on Form 10-K was filed with the SEC on March 16, 2009 and is publicly available on our website at <http://investors.cleanenergyfuels.com/SEC.cfm> . You may also obtain a copy by sending a written request to Investor Relations, Clean Energy Fuels Corp., 3020 Old Ranch Parkway, Suite 400, Seal Beach, California, 90740.

By order of the Board of Directors,

|   |
|---|
|  SIGNATURE |
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MITCHELL W. PRATT  
*Corporate Secretary*

**CLEAN ENERGY FUELS CORP.  
AMENDED AND RESTATED 2006 EQUITY INCENTIVE PLAN**

**1. Purpose of the Plan .** The purpose of this Plan is to encourage ownership in the Company by key personnel whose long-term service the Company considers essential to its continued progress and, thereby, encourage recipients to act in the stockholders' interest and share in the Company's success.

**2. Definitions .** As used herein, the following definitions shall apply:

"Act" shall mean the Securities Act of 1933, as amended.

"Administrator" shall mean the Board, any Committees, or such delegates as shall be administering the Plan in accordance with Section 4 of the Plan.

"Affiliate" shall mean any entity that is directly or indirectly in control of or controlled by the Company, or any entity in which the Company has a significant ownership interest as determined by the Administrator.

"Applicable Laws" shall mean the requirements relating to the administration of stock plans under federal and state laws; any stock exchange or quotation system on which the Company has listed or submitted for quotation the Common Stock to the extent provided under the terms of the Company's agreement with such exchange or quotation system; and, with respect to Awards subject to the laws of any foreign jurisdiction where Awards are, or will be, granted under the Plan, to the laws of such jurisdiction.

"Award" shall mean, individually or collectively, a grant under the Plan of an Option, Stock Award, SAR, or Cash Award.

"Awardee" shall mean a Service Provider who has been granted an Award under the Plan.

"Award Agreement" shall mean an Option Agreement, Stock Award Agreement, SAR Agreement, or Cash Award Agreement, which may be in written or electronic format, in such form and with such terms as may be specified by the Administrator, evidencing the terms and conditions of an individual Award. Each Award Agreement is subject to the terms and conditions of the Plan.

"Board" shall mean the Board of Directors of the Company.

"Cash Award" shall mean a bonus opportunity awarded under Section 13 pursuant to which a Participant may become entitled to receive an amount based on the satisfaction of such performance criteria as are specified in the agreement or other documents evidencing the Award (the "Cash Award Agreement").

"Change in Control" shall mean any of the following, unless the Administrator provides otherwise:

(i) any merger or consolidation in which the Company shall not be the surviving entity (or survives only as a subsidiary of another entity whose stockholders did not own all or substantially all of the Common Stock in substantially the same proportions as immediately before such transaction);

(ii) the sale of all or substantially all of the Company's assets to any other person or entity (other than a wholly-owned subsidiary of the Company);

(iii) the acquisition of beneficial ownership of a controlling interest (including power to vote) in the outstanding shares of Common Stock by any person or entity (including a "group" as defined by or under Section 13(d)(3) of the Exchange Act);

(iv) the dissolution or liquidation of the Company;

(v) a contested election of Directors, as a result of which or in connection with which the persons who were Directors before such election or their nominees cease to constitute a majority of the Board; or

(vi) any other event specified, at the time an Award is granted or thereafter, by the Board or a Committee.

Notwithstanding the foregoing, the term "Change in Control" shall not include any underwritten public offering of Shares registered under the Act.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Committee" shall mean a committee of Directors appointed by the Board in accordance with Section 4 of the Plan.

"Common Stock" shall mean the common stock of the Company.

"Company" shall mean Clean Energy Fuels Corp., a Delaware corporation, or its successor.

"Consultant" shall mean any natural person, other than an Employee or Director, who performs bona fide services for the Company or an Affiliate as a consultant or advisor.

"Conversion Award" has the meaning set forth in Section 4(b)(xii) of the Plan.

"Director" shall mean a member of the Board.

"Disability" shall mean permanent and total disability as defined in Section 22(e)(3) of the Code.

"Employee" shall mean an employee of the Company or any Affiliate, and may include an Officer or Director. Within the limitations of Applicable Law, the Administrator shall have the discretion to determine the effect upon an Award and upon an individual's status as an Employee in the case of (i) any individual who is classified by the Company or its Affiliate as leased from or otherwise employed by a third party or as intermittent or temporary, even if any such classification is changed retroactively as a result of an audit, litigation or otherwise; (ii) any leave of absence approved by the Company or an Affiliate; (iii) any transfer between locations of employment with the Company or an Affiliate or between the Company and any Affiliate or between any Affiliates; (iv) any change in the Awardee's status from an employee to a Consultant or Director; and (v) an employee who, at the request of the Company or an Affiliate, becomes employed by any partnership, joint venture, or corporation not meeting the requirements of an Affiliate in which the Company or an Affiliate is a party.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Fair Market Value" shall mean, unless the Administrator determines otherwise, as of any date, the closing price for such Common Stock as of such date (or if no sales were reported on such date, the closing price on the last preceding day for which a sale was reported), as reported in such source as the Administrator shall determine.

"Grant Date" shall mean the date upon which an Award is granted to an Awardee pursuant to this Plan.

"Incentive Stock Option" shall mean an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

"Nonstatutory Stock Option" shall mean an Option not intended to qualify as an Incentive Stock Option.

"Officer" shall mean a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act.

"Option" shall mean a right granted under Section 8 of the Plan to purchase a certain number of Shares at such exercise price, at such times, and on such other terms and conditions as are specified in the agreement or other documents evidencing the Award (the "Option Agreement"). Both Options intended to qualify as Incentive Stock Options and Nonstatutory Stock Options may be granted under the Plan.

"Participant" shall mean the Awardee or any person (including any estate) to whom an Award has been assigned or transferred as permitted hereunder.

"Plan" shall mean this Clean Energy Fuels Corp. 2006 Equity Incentive Plan.

"Prior Plan" shall mean the Company's 2002 Stock Option Plan authorizing up to 5,750,000 Shares for issuance pursuant to stock options.

"Qualifying Performance Criteria" shall have the meaning set forth in Section 14(b) of the Plan.

"Related Corporation" shall mean any parent or subsidiary (as those terms are defined in Section 424(e) and (f) of the Code) of the Company.

"Service Provider" shall mean an Employee, Officer, Director, or Consultant.

"Share" shall mean a share of the Common Stock, as adjusted in accordance with Section 15 of the Plan.

"Stock Award" shall mean an award or issuance of Shares or Stock Units made under Section 11 of the Plan, the grant, issuance, retention, vesting, and transferability of which is subject during specified periods to such conditions (including continued service or performance conditions) and terms as are expressed in the agreement or other documents evidencing the Award (the "Stock Award Agreement").

"Stock Appreciation Right" or "SAR" shall mean an Award, granted alone or in connection with an Option, that pursuant to Section 12 of the Plan is designated as a SAR. The terms of the SAR are expressed in the agreement or other documents evidencing the Award (the "SAR Agreement").

"Stock Unit" shall mean a bookkeeping entry representing an amount equivalent to the fair market value of one Share, payable in cash, property or Shares. Stock Units represent an unfunded and unsecured obligation of the Company, except as otherwise provided for by the Administrator.

"Ten-Percent Stockholder" shall mean the owner of stock (as determined under Section 424(d) of the Code) possessing more than 10% of the total combined voting power of all classes of stock of the Company (or any Related Corporation).

"Termination Date" shall mean the date of a Participant's Termination of Service, as determined by the Administrator in its sole discretion.

"Termination of Service" shall mean ceasing to be a Service Provider. However, for Incentive Stock Option purposes, Termination of Service will occur when the Awardee ceases to be an employee (as determined in accordance with Section 3401(c) of the Code and the regulations promulgated thereunder) of the Company or one of its Related Corporations. The Administrator shall determine whether any corporate transaction, such as a sale or spin-off of a division or business unit, or a joint venture, shall be deemed to result in a Termination of Service.

### 3. *Stock Subject to the Plan .*

#### (a) *Aggregate Limits.*

(i) *Basic Limitation .* The maximum aggregate number of Shares that may be issued under the Plan through Awards shall be 10,890,500 plus the additional Shares described in Subsections (ii) and (iii). The initial number in the preceding sentence shall consist of (A) the number of Shares available for issuance, as of the effective date of the Plan, under the Prior Plan; plus (B) those Shares that are issuable upon exercise of options granted pursuant to the Prior Plan that expire or become unexercisable for any reason without having been exercised in full after the effective date of the Plan; plus (C) an additional increase of 1,000,000 Shares to be approved by the Company's stockholders on the effective date of the Plan. Notwithstanding the foregoing, the maximum aggregate number of Shares that may be issued under the Plan through Incentive Stock Options is 6,390,500 Shares. The limitations of this Section 3(a)(i) shall be subject to the adjustments provided for in Section 15 of the Plan.

(ii) *Annual Increase in Shares .* As of the first day of each Company fiscal year beginning in fiscal year 2007, the maximum aggregate number of Shares that may be issued under the Plan through Awards, and the maximum aggregate number of Shares that may be issued under the Plan through Incentive Stock Options, shall each increase by a number equal to the lesser of (A) 15% of the total number of Shares then outstanding, (B) 1,000,000 Shares, or (C) an amount determined by the Board.

(iii) *Additional Shares .* Upon payment in Shares pursuant to the exercise of an Award, the number of Shares available for issuance under the Plan shall be reduced only by the number of Shares actually issued in such payment. If any outstanding Award expires or is terminated or canceled without having been exercised or settled in full, or if Shares acquired pursuant to an Award subject to forfeiture or repurchase are forfeited or repurchased by the Company, the Shares allocable to the terminated portion of such Award or such forfeited or repurchased Shares shall again be available to grant under the Plan. Notwithstanding the foregoing, the aggregate number of Shares that may be issued under the Plan upon the exercise of Incentive Stock Options shall not be increased for restricted Shares that are forfeited or repurchased. Notwithstanding anything in the Plan or any Award Agreement to the contrary, Shares attributable to Awards transferred under any Award transfer program shall not be again available for grant under the Plan. The Shares subject to the Plan may be either Shares reacquired by the Company, including Shares purchased in the open market, or authorized but unissued Shares.

(b) *Code Section 162(m) Limit .* Subject to the provisions of Section 15 of the Plan, the aggregate number of Shares subject to Awards granted under this Plan during any calendar year to any one Awardee shall not exceed 2,000,000, except that in connection with his or her initial service, an Awardee may be granted Awards covering up to an additional 2,000,000 Shares. Notwithstanding anything to the contrary in the Plan, the limitations set forth in this Section 3(b) shall be subject to adjustment under Section 15 of the Plan only to the extent that such adjustment will not affect the status of any Award intended to qualify as "performance-based compensation" under Code Section 162(m).

### 4. *Administration of the Plan .*

#### (a) *Procedure.*

(i) *Multiple Administrative Bodies .* The Plan shall be administered by the Board or one or more Committees, including such delegates as may be appointed under paragraph (a)(iv) of this Section 4.

(ii) *Section 162(m)* . To the extent that the Administrator determines it to be desirable to qualify Awards granted hereunder as "performance-based compensation" within the meaning of Section 162(m) of the Code, Awards to "covered employees" within the meaning of Section 162(m) of the Code or Employees that the Committee determines may be "covered employees" in the future shall be made by a Committee of two or more "outside directors" within the meaning of Section 162(m) of the Code.

(iii) *Rule 16b-3* . To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3 promulgated under the Exchange Act ("Rule 16b-3"), Awards to Officers and Directors shall be made in such a manner to satisfy the requirement for exemption under Rule 16b-3.

(iv) *Other Administration* . The Board or a Committee may delegate to an authorized Officer or Officers of the Company the power to approve Awards to persons eligible to receive Awards under the Plan who are not (A) subject to Section 16 of the Exchange Act; or (B) at the time of such approval, "covered employees" under Section 162(m) of the Code.

(v) *Delegation of Authority for the Day-to-Day Administration of the Plan* . Except to the extent prohibited by Applicable Law, the Administrator may delegate to one or more individuals the day-to-day administration of the Plan and any of the functions assigned to it in this Plan. Such delegation may be revoked at any time.

(b) *Powers of the Administrator* . Subject to the provisions of the Plan and, in the case of a Committee or delegates acting as the Administrator, subject to the specific duties delegated to such Committee or delegates, the Administrator shall have the authority, in its sole discretion:

(i) to select the Service Providers of the Company or its Affiliates to whom Awards are to be granted hereunder;

(ii) to determine the number of shares of Common Stock to be covered by each Award granted hereunder;

(iii) to determine the type of Award to be granted to the selected Service Provider;

(iv) to approve the forms of Award Agreements for use under the Plan;

(v) to determine the terms and conditions, consistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include the exercise or purchase price, the time or times when an Award may be exercised (which may or may not be based on performance criteria), the vesting schedule, any vesting or exercisability acceleration or waiver of forfeiture restrictions, the acceptable forms of consideration, the term, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine and may be established at the time an Award is granted or thereafter;

(vi) to correct administrative errors;

(vii) to construe and interpret the terms of the Plan (including sub-plans and Plan addenda) and Awards granted pursuant to the Plan;

(viii) to adopt rules and procedures relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures. Without limiting the generality of the foregoing, the Administrator is specifically authorized (A) to adopt the rules and procedures regarding the conversion of local currency, withholding procedures, and handling of stock certificates that vary with local requirements; and (B) to adopt sub-plans and Plan addenda as the Administrator deems desirable, to accommodate foreign laws, regulations and practice;

(ix) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans and Plan addenda;

(x) to modify or amend each Award, including the acceleration of vesting, exercisability, or both; provided, however, that any modification or amendment of an Award is subject to Section 16 of the Plan and may not materially impair any outstanding Award unless agreed to by the Participant;

(xi) to allow Participants to satisfy withholding tax amounts by electing to have the Company withhold from the Shares to be issued pursuant to an Award that number of Shares having a Fair Market Value equal to the amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined in such manner and on such date that the Administrator shall determine or, in the absence of provision otherwise, on the date that the amount of tax to be withheld is to be determined. All elections by a Participant to have Shares withheld for this purpose shall be made in such form and under such conditions as the Administrator may provide;

(xii) to authorize conversion or substitution under the Plan of any or all stock options, stock appreciation rights, or other stock awards held by service providers of an entity acquired by the Company (the "Conversion Awards"). Any conversion or substitution shall be effective as of the close of the merger or acquisition. The Conversion Awards may be Nonstatutory Stock Options or Incentive Stock Options, as determined by the Administrator, with respect to options granted by the acquired entity. Unless otherwise determined by the Administrator at the time of conversion or substitution, all Conversion Awards shall have the same terms and conditions as Awards generally granted by the Company under the Plan;

(xiii) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;

(xiv) to determine whether Awards will be settled in Shares, cash, or in any combination thereof;

(xv) to determine whether to provide for the right to receive dividends or dividend equivalents;

(xvi) to establish a program whereby Service Providers designated by the Administrator can reduce compensation otherwise payable in cash in exchange for Awards under the Plan;

(xvii) to impose such restrictions, conditions, or limitations as it determines appropriate as to the timing and manner of any resales by a Participant or other subsequent transfers by the Participant of any Shares issued as a result of or under an Award, including (A) restrictions under an insider trading policy, and (B) restrictions as to the use of a specified brokerage firm for such resales or other transfers;

(xviii) to provide, either at the time an Award is granted or by subsequent action, that an Award shall contain as a term thereof, a right, either in tandem with the other rights under the Award or as an alternative thereto, of the Participant to receive, without payment to the Company, a number of Shares, cash, or a combination of both, the amount of which is determined by reference to the value of the Award; and

(xix) to make all other determinations deemed necessary or advisable for administering the Plan and any Award granted hereunder.

(c) *Effect of Administrator's Decision* . All decisions, determinations and interpretations by the Administrator regarding the Plan, any rules and regulations under the Plan and the terms and conditions of any Award granted hereunder, shall be final and binding on all Participants. The Administrator shall consider such factors as it deems relevant, in its sole and absolute discretion, to

making such decisions, determinations and interpretations, including the recommendations or advice of any officer or other employee of the Company and such attorneys, consultants and accountants as it may select.

**5. Eligibility .** Awards may be granted to Service Providers of the Company or any of its Affiliates.

**6. Effective Date and Term of the Plan .** The Plan shall be effective as of the effective date of the registration statement for the Company's initial public offering, provided that the Company's stockholders have approved the Plan before such date. Unless terminated pursuant to Section 16, the Plan shall continue in effect until the tenth anniversary of the earlier of (i) the date of the Plan's approval by the Board, or (ii) the date of the Plan's approval by the Company's stockholders.

**7. Term of Award .** The term of each Award shall be determined by the Administrator and stated in the Award Agreement. In the case of an Option, the term shall be ten years from the Grant Date or such shorter term as may be provided in the Award Agreement.

**8. Options .** The Administrator may grant an Option or provide for the grant of an Option, from time to time in the discretion of the Administrator or automatically upon the occurrence of specified events, including the achievement of performance goals, and for the satisfaction of an event or condition within the control of the Awardee or within the control of others.

(a) *Option Agreement .* Each Option Agreement shall contain provisions regarding (i) the number of Shares that may be issued upon exercise of the Option; (ii) the type of Option; (iii) the exercise price of the Shares and the means of payment for the Shares; (iv) the term of the Option; (v) such terms and conditions on the vesting or exercisability of an Option, or both, as may be determined from time to time by the Administrator; (vi) restrictions on the transfer of the Option and forfeiture provisions; and (vii) such further terms and conditions, in each case not inconsistent with this Plan, as may be determined from time to time by the Administrator.

(b) *Exercise Price .* The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be determined by the Administrator, subject to the following:

(i) In the case of an Incentive Stock Option, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the Grant Date. Notwithstanding the foregoing, if any Incentive Stock Option is granted to a Ten-Percent Stockholder, then the exercise price shall not be less than 110% of the Fair Market Value of a share of Common Stock on the Grant Date.

(ii) In the case of a Nonstatutory Stock Option, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the Grant Date. The per Share exercise price may also vary according to a predetermined formula; provided, that the exercise price never falls below 100% of the Fair Market Value per Share on the Grant Date.

(iii) Notwithstanding the foregoing, at the Administrator's discretion, Conversion Awards may be granted in substitution or conversion of options of an acquired entity, with a per Share exercise price of less than 100% of the Fair Market Value per Share on the date of such substitution or conversion.

(c) *Vesting Period and Exercise Dates .* Options granted under this Plan shall vest, be exercisable, or both, at such times and in such installments during the Option's term as determined by the Administrator. The Administrator shall have the right to make the timing of the ability to exercise any Option granted under this Plan subject to continued service, the passage of time, or such performance requirements as deemed appropriate by the Administrator. At any time after the grant of an Option, the Administrator may reduce or eliminate any restrictions surrounding any Participant's right to exercise all or part of the Option.

(d) *Form of Consideration*. The Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment, either through the terms of the Option Agreement or at the time of exercise of an Option. The consideration, determined by the Administrator (or pursuant to authority expressly delegated by the Board, a Committee, or other person), and in the form and amount required by applicable law, shall be actually received before issuing any Shares pursuant to the Plan; which consideration shall have a value, as determined by the Board, not less than the par value of such Shares. Acceptable forms of consideration may include:

(i) cash;

(ii) check or wire transfer;

(iii) subject to any conditions or limitations established by the Administrator, other Shares that have a Fair Market Value on the date of surrender or attestation that does not exceed the aggregate exercise price of the Shares as to which said Option shall be exercised;

(iv) consideration received by the Company under a broker-assisted sale and remittance program acceptable to the Administrator to the extent that this procedure would not violate Section 402 of the Sarbanes-Oxley Act of 2002, as amended;

(v) subject to any conditions or limitations established by the Administrator, the Company's retention of so many of the Shares that would otherwise have been delivered upon exercise of the Option as have a Fair Market Value on the exercise date not exceeding the aggregate exercise price of all Shares as to which the Option is being exercised, provided that the Option is surrendered and cancelled as to such Shares;

(vi) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws; or

(vii) any combination of the foregoing methods of payment.

## **9. *Incentive Stock Option Limitations.***

(a) *Eligibility*. Only employees (as determined in accordance with Section 3401(c) of the Code and the regulations promulgated thereunder) of the Company or any of its Related Corporations may be granted Incentive Stock Options.

(b) *\$100,000 Limitation*. Notwithstanding the designation "Incentive Stock Option" in an Option Agreement, if the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Awardee during any calendar year (under all plans of the Company and any of its Related Corporations) exceeds \$100,000, then the portion of such Options that exceeds \$100,000 shall be treated as Nonstatutory Stock Options. An Incentive Stock Option is considered to be first exercisable during a calendar year if the Incentive Stock Option will become exercisable at any time during the year, assuming that any condition on the Awardee's ability to exercise the Incentive Stock Option related to the performance of services is satisfied. If the Awardee's ability to exercise the Incentive Stock Option in the year is subject to an acceleration provision, then the Incentive Stock Option is considered first exercisable in the calendar year in which the acceleration provision is triggered. For purposes of this Section 9(b), Incentive Stock Options shall be taken into account in the order in which they were granted. However, because an acceleration provision is not taken into account before its triggering, an Incentive Stock Option that becomes exercisable for the first time during a calendar year by operation of such provision does not affect the application of the \$100,000 limitation with respect to any Incentive Stock Option (or portion thereof) exercised before such acceleration. The Fair Market Value of the Shares shall be determined as of the Grant Date.

(c) *Leave of Absence*. For purposes of Incentive Stock Options, no leave of absence may exceed three months, unless the right to reemployment upon expiration of such leave is provided by statute or

contract. If the period of leave exceeds three months and the Awardee's right to reemployment is not provided by statute or contract, the Awardee's employment with the Company shall be deemed to terminate on the first day immediately following such three-month period, and any Incentive Stock Option granted to the Awardee shall cease to be treated as an Incentive Stock Option and shall terminate upon the expiration of the three-month period starting on the date the employment relationship is deemed terminated.

(d) *Transferability.* The Option Agreement must provide that an Incentive Stock Option cannot be transferable by the Awardee otherwise than by will or the laws of descent and distribution, and, during the lifetime of such Awardee, must not be exercisable by any other person. Notwithstanding the foregoing, the Administrator, in its sole discretion, may allow the Awardee to transfer his or her Incentive Stock Option to a trust where under Section 671 of the Code and other Applicable Law, the Awardee is considered the sole beneficial owner of the Option while it is held in the trust. If the terms of an Incentive Stock Option are amended to permit transferability, the Option will be treated for tax purposes as a Nonstatutory Stock Option.

(e) *Exercise Price.* The per Share exercise price of an Incentive Stock Option shall be determined by the Administrator in accordance with Section 8(b)(i) of the Plan.

(f) *Ten-Percent Stockholder.* If any Incentive Stock Option is granted to a Ten-Percent Stockholder, then the Option term shall not exceed five years measured from the date of grant of such Option.

(g) *Other Terms.* Option Agreements evidencing Incentive Stock Options shall contain such other terms and conditions as may be necessary to qualify as Incentive Stock Options, to the extent determined desirable by the Administrator, under the applicable provisions of Section 422 of the Code.

## **10. Exercise of Option.**

### *(a) Procedure for Exercise; Rights as a Stockholder.*

(i) Any Option granted hereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the respective Award Agreement.

(ii) An Option shall be deemed exercised when the Company receives (A) written or electronic notice of exercise (in accordance with the Award Agreement) from the person entitled to exercise the Option; (B) full payment for the Shares with respect to which the related Option is exercised; and (C) with respect to Nonstatutory Stock Options, payment of all applicable withholding taxes.

(iii) Shares issued upon exercise of an Option shall be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Unless provided otherwise by the Administrator or pursuant to this Plan, until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option.

(iv) The Company shall issue (or cause to be issued) such Shares as soon as administratively practicable after the Option is exercised. An Option may not be exercised for a fraction of a Share.

### *(b) Effect of Termination of Service on Options.*

(i) *Generally.* Unless otherwise provided for by the Administrator, if a Participant ceases to be a Service Provider, other than upon the Participant's death or Disability, the Participant may

exercise his or her Option within such period as is specified in the Award Agreement to the extent that the Option is vested on the Termination Date (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the vested portion of the Option will remain exercisable for three months following the Participant's Termination Date. Unless otherwise provided by the Administrator, if on the Termination Date the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will automatically revert to the Plan. If after the Termination of Service the Participant does not exercise his or her Option within the time specified by the Administrator, the Option will automatically terminate, and the Shares covered by such Option will revert to the Plan.

(ii) *Disability of Awardee.* Unless otherwise provided for by the Administrator, if a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within such period as is specified in the Award Agreement to the extent the Option is vested on the Termination Date (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve months following the Participant's Termination Date. Unless otherwise provided by the Administrator, if at the time of Disability the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will automatically revert to the Plan. If the Option is not so exercised within the time specified herein, the Option will terminate, and the Shares covered by such Option will automatically revert to the Plan.

(iii) *Death of Awardee.* Unless otherwise provided for by the Administrator, if a Participant dies while a Service Provider, the Option may be exercised following the Participant's death within such period as is specified in the Award Agreement to the extent that the Option is vested on the date of death (but in no event may the Option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement), by the Participant's designated beneficiary, provided such beneficiary has been designated before the Participant's death in a form acceptable to the Administrator. If no such beneficiary has been designated by the Participant, then such Option may be exercised by the personal representative of the Participant's estate or by the person or persons to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve months following Participant's death. Unless otherwise provided by the Administrator, if at the time of death Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If the Option is not so exercised within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

## **11. Stock Awards.**

(a) *Stock Award Agreement.* Each Stock Award Agreement shall contain provisions regarding (i) the number of Shares subject to such Stock Award or a formula for determining such number; (ii) the purchase price, if any, of the Shares, and the means of payment for the Shares; (iii) the performance criteria, if any, and level of achievement versus these criteria that shall determine the number of Shares granted, issued, retained, or vested, as applicable; (iv) such terms and conditions on the grant, issuance, vesting, or forfeiture of the Shares, as applicable, as may be determined from time to time by the Administrator; (v) restrictions on the transferability of the Stock Award; and (vi) such further terms and conditions in each case not inconsistent with this Plan as may be determined from time to time by the Administrator.

(b) *Restrictions and Performance Criteria.* The grant, issuance, retention, and vesting of each Stock Award may be subject to such performance criteria and level of achievement versus these criteria

as the Administrator shall determine, which criteria may be based on financial performance, personal performance evaluations, or completion of service by the Awardee.

Notwithstanding anything to the contrary herein, the performance criteria for any Stock Award that is intended to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code shall be established by the Administrator based on one or more Qualifying Performance Criteria selected by the Administrator and specified in writing.

(c) *Forfeiture.* Unless otherwise provided for by the Administrator, upon the Awardee's Termination of Service, the unvested Stock Award and the Shares subject thereto shall be forfeited, provided that to the extent that the Participant purchased any Shares pursuant to such Stock Award, the Company shall have a right to repurchase the unvested portion of such Shares at the original price paid by the Participant.

(d) *Rights as a Stockholder.* Unless otherwise provided by the Administrator, the Participant shall have the rights equivalent to those of a stockholder and shall be a stockholder only after Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) to the Participant. Unless otherwise provided by the Administrator, a Participant holding Stock Units shall be entitled to receive dividend payments as if he or she were an actual stockholder.

**12. *Stock Appreciation Rights.*** Subject to the terms and conditions of the Plan, a SAR may be granted to a Service Provider at any time and from time to time as determined by the Administrator in its sole discretion.

(a) *Number of SARs.* The Administrator shall have complete discretion to determine the number of SARs granted to any Service Provider.

(b) *Exercise Price and Other Terms.* The per SAR exercise price shall be no less than 100% of the Fair Market Value per Share on the Grant Date. The Administrator, subject to the provisions of the Plan, shall have complete discretion to determine the other terms and conditions of SARs granted under the Plan.

(c) *Exercise of SARs.* SARs shall be exercisable on such terms and conditions as the Administrator, in its sole discretion, shall determine.

(d) *SAR Agreement.* Each SAR grant shall be evidenced by a SAR Agreement that will specify the exercise price, the term of the SAR, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, shall determine.

(e) *Expiration of SARs.* A SAR granted under the Plan shall expire upon the date determined by the Administrator, in its sole discretion, and set forth in the SAR Agreement. Notwithstanding the foregoing, the rules of Section 10(b) will also apply to SARs.

(f) *Payment of SAR Amount.* Upon exercise of a SAR, the Participant shall be entitled to receive a payment from the Company in an amount equal to the difference between the Fair Market Value of a Share on the date of exercise over the exercise price of the SAR. This amount shall be paid in cash, Shares of equivalent value, or a combination of both, as the Administrator shall determine.

**13. *Cash Awards.*** Each Cash Award will confer upon the Participant the opportunity to earn a future payment tied to the level of achievement with respect to one or more performance criteria established by the Administrator for a performance period.

(a) *Cash Award.* Each Cash Award shall contain provisions regarding (i) the performance goal or goals and maximum amount payable to the Participant as a Cash Award; (ii) the performance criteria and level of achievement versus these criteria that shall determine the amount of such payment; (iii) the period as to which performance shall be measured for establishing the amount of any payment;

(iv) the timing of any payment earned by virtue of performance; (v) restrictions on the alienation or transfer of the Cash Award before actual payment; (vi) forfeiture provisions; and (vii) such further terms and conditions, in each case not inconsistent with the Plan, as may be determined from time to time by the Administrator. The maximum amount payable as a Cash Award that is settled for cash may be a multiple of the target amount payable, but the maximum amount payable pursuant to that portion of a Cash Award granted under this Plan for any fiscal year to any Awardee that is intended to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code shall not exceed **\$2.5 million**.

(b) *Performance Criteria.* The Administrator shall establish the performance criteria and level of achievement versus these criteria that shall determine the target and the minimum and maximum amount payable under a Cash Award, which criteria may be based on financial performance or personal performance evaluations or both. The Administrator may specify the percentage of the target Cash Award that is intended to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code. Notwithstanding anything to the contrary herein, the performance criteria for any portion of a Cash Award that is intended to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code shall be a measure established by the Administrator based on one or more Qualifying Performance Criteria selected by the Administrator and specified in writing.

(c) *Timing and Form of Payment.* The Administrator shall determine the timing of payment of any Cash Award. The Administrator may specify the form of payment of Cash Awards, which may be cash or other property, or may provide for an Awardee to have the option for his or her Cash Award, or such portion thereof as the Administrator may specify, to be paid in whole or in part in cash or other property.

(d) *Termination of Service.* The Administrator shall have the discretion to determine the effect of a Termination of Service on any Cash Award due to (i) disability, (ii) retirement, (iii) death, (iv) participation in a voluntary severance program, or (v) participation in a work force restructuring.

#### **14. Other Provisions Applicable to Awards.**

(a) *Non-Transferability of Awards.* Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent and distribution, and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, either at the time of grant or thereafter, such Award shall contain such additional terms and conditions as the Administrator deems appropriate, and any transferee shall be bound by such terms upon acceptance of such transfer.

(b) *Qualifying Performance Criteria.* For purposes of this Plan, the term "Qualifying Performance Criteria" shall mean any one or more of the following performance criteria, applied to either the Company as a whole or to a business unit, Affiliate, Related Corporation, or business segment, either individually, alternatively, or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a preestablished target, to previous years' results or to a designated comparison group, in each case as specified in the Award by the Committee: (i) cash flow, (ii) earnings (including gross margin, earnings before interest and taxes, earnings before taxes, and net earnings), (iii) earnings per share, (iv) growth in earnings or earnings per share, (v) stock price, (vi) return on equity or average stockholders' equity, (vii) total stockholder return, (viii) return on capital, (ix) return on assets or net assets, (x) return on investment, (xi) revenue, (xii) income or net income, (xiii) operating income or net operating income, (xiv) operating profit or net operating profit, (xv) operating margin, (xvi) return on operating revenue, (xvii) market share, (xviii) contract awards or backlog, (xix) overhead or other expense reduction, (xx) growth in stockholder value relative to the moving average of the S&P 500 Index or a peer group index, (xxi) credit rating, (xxii) strategic plan

development and implementation, (xxiii) improvement in workforce diversity, (xxiv) EBITDA, (xxv) annual volume in gasoline gallon equivalents, (xxvi) total sales in U.S. dollars, and (xxvii) any other similar criteria.

(c) *Certification.* Before payment of any compensation under an Award intended to qualify as "performance-based compensation" under Section 162(m) of the Code, the Committee shall certify the extent to which any Qualifying Performance Criteria and any other material terms under such Award have been satisfied (other than in cases where such relate solely to the increase in the value of the Common Stock).

(d) *Discretionary Adjustments Pursuant to Section 162(m).* Notwithstanding satisfaction or completion of any Qualifying Performance Criteria, to the extent specified at the time of grant of an Award to "covered employees" within the meaning of Section 162(m) of the Code, the number of Shares, Options or other benefits granted, issued, retained, or vested under an Award on account of satisfaction of such Qualifying Performance Criteria may be reduced by the Committee on the basis of such further considerations as the Committee in its sole discretion shall determine.

(e) *Section 409A.* Notwithstanding anything in the Plan to the contrary, it is the Company's intent that all Awards granted under this Plan comply with Section 409A of the Code, and each Award shall be interpreted in a manner consistent with that intention.

## **15. *Adjustments upon Changes in Capitalization, Dissolution, Merger or Asset Sale.***

### **(a) *Changes in Capitalization.***

(i) The limitations set forth in Section 3, the number and kind of Shares covered by each outstanding Award, and the price per Share (but not the total price) subject to each outstanding Award shall be proportionally adjusted to prevent dilution or enlargement of rights under the Plan for any change in the outstanding Common Stock subject to the Plan, or subject to any Award, resulting from any stock splits, combination or exchange of Shares, consolidation, spin-off or recapitalization of Shares or any capital adjustment or transaction similar to the foregoing or any distribution to holders of Common Stock other than regular cash dividends.

(ii) The Administrator shall make such adjustment in such manner as it may deem equitable and appropriate, subject to compliance with Applicable Laws. Any determination, substitution or adjustment made by the Administrator under this Section shall be conclusive and binding on all persons. The conversion of any convertible securities of the Company shall not be treated as a transaction requiring any substitution or adjustment under this Section. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Award.

(b) *Dissolution or Liquidation.* In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify each Participant as soon as practicable before the effective date of such proposed transaction. The Administrator in its discretion may provide for an Option to be fully vested and exercisable until ten days before such proposed transaction. In addition, the Administrator may provide that any restrictions on any Award shall lapse before the proposed transaction, provided the proposed dissolution or liquidation takes place at the time and in the manner contemplated. To the extent it has not been previously exercised, an Award will terminate immediately before the consummation of such proposed transaction.

(c) *Change in Control.* If there is a Change in Control of the Company, as determined by the Board or a Committee, then unless otherwise expressly provided in the Award Agreement, all Options and SARs granted to Employees shall fully vest, and any restrictions on all Stock Awards and Cash Awards granted to Employees shall lapse, as of the effective date of the Change in Control. In any

Award in which the Board has determined not to permit full vesting upon a Change in Control, the Board or Committee or Board of Directors of any surviving entity or acquiring entity may, in its discretion, in the Award Agreement (i) provide for the assumption, continuation or substitution (including an award to acquire substantially the same type of consideration paid to the stockholders in the transaction in which the Change in Control occurs) of, or adjustment to, all or any part of the Awards; (ii) accelerate the vesting of all or any part of the Options and SARs and terminate any restrictions on all or any part of the Stock Awards or Cash Awards; (iii) provide for the cancellation of all or any part of the Awards for a cash payment to the Participants; or (iv) provide for the cancellation of all or any part of the Awards as of the closing of the Change in Control; provided, that the Participants are notified that they must exercise or redeem their Awards (including, at the discretion of the Board or Committee, any unvested portion of such Award) at or before the closing of the Change in Control.

**16. *Amendment and Termination of the Plan.***

(a) *Amendment and Termination.* The Administrator may amend, alter, or discontinue the Plan or any Award Agreement, but any such amendment shall be subject to approval of the stockholders of the Company in the manner and to the extent required by Applicable Law.

(b) *Effect of Amendment or Termination.* No amendment, suspension, or termination of the Plan shall materially impair the rights of any Award, unless agreed otherwise between the Participant and the Administrator. Termination of the Plan shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan before the date of such termination.

(c) *Effect of the Plan on Other Arrangements.* Neither the adoption of the Plan by the Board or a Committee nor the submission of the Plan to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board or any Committee to adopt such other incentive arrangements as it or they may deem desirable, including the granting of restricted stock or stock options otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

**17. *Designation of Beneficiary.***

(a) An Awardee may file a written designation of a beneficiary who is to receive the Awardee's rights pursuant to Awardee's Award or the Awardee may include his or her Awards in an omnibus beneficiary designation for all rights under the Awardee's Awards and all benefits under the Plan. To the extent that Awardee has completed a designation of beneficiary such beneficiary designation shall remain in effect with respect to any Award hereunder until changed by the Awardee to the extent enforceable under Applicable Law.

(b) The Awardee may change such designation of beneficiary at any time by written notice. If an Awardee dies and no beneficiary is validly designated under the Plan who is living at the time of such Awardee's death, the Company shall allow the executor or administrator of the estate of the Awardee to receive the Awardee's rights under the Awardee's Awards and all benefits under the Plan, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may allow the spouse or one or more dependents or relatives of the Awardee to receive the Awardee's rights under the Awardee's Awards and all benefits under the Plan to the extent permissible under Applicable Law.

**18. *No Right to Awards or to Service.*** No person shall have any claim or right to be granted an Award and the grant of any Award shall not be construed as giving an Awardee the right to continue in the service of the Company or its Affiliates. Further, the Company and its Affiliates expressly reserve the right, at any time, to dismiss any Service Provider or Awardee at any time without liability or any claim under the Plan, except as provided herein or in any Award Agreement entered into hereunder.

- 19. *Preemptive Rights.*** No Shares will be issued under the Plan in violation of any preemptive rights held by any stockholder of the Company.
- 20. *Legal Compliance.*** No Share will be issued pursuant to an Award under the Plan unless the issuance and delivery of such Share, as well as the exercise of such Award, if applicable, will comply with Applicable Laws. Issuance of Shares under the Plan shall be subject to the approval of counsel for the Company with respect to such compliance. Notwithstanding anything in the Plan to the contrary, the Plan is intended to comply with the requirements of Section 409A of the Code and shall be interpreted in a manner consistent with that intention.
- 21. *Inability to Obtain Authority.*** To the extent the Company is unable to or the Administrator deems that it is not feasible to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, the Company shall be relieved of any liability with respect to the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.
- 22. *Reservation of Shares.*** The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.
- 23. *Notice.*** Any written notice to the Company required by any provisions of this Plan shall be addressed to the Secretary of the Company and shall be effective when received.
- 24. *Governing Law; Interpretation of Plan and Awards.***
- (a) This Plan and all determinations made and actions taken pursuant hereto shall be governed by the substantive laws, but not the choice of law rules, of the State of Delaware.
- (b) If any provision of the Plan or any Award granted under the Plan is declared to be illegal, invalid, or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid, and enforceable, or otherwise deleted, and the remainder of the terms of the Plan and Award shall not be affected except to the extent necessary to reform or delete such illegal, invalid, or unenforceable provision.
- (c) The headings preceding the text of the sections hereof are inserted solely for convenience of reference, and shall not constitute a part of the Plan, nor shall they affect its meaning, construction or effect.
- (d) The terms of the Plan and any Award shall inure to the benefit of and be binding upon the parties hereto and their respective permitted heirs, beneficiaries, successors, and assigns.
- (e) All questions arising under the Plan or under any Award shall be decided by the Administrator in its total and absolute discretion. If the Participant believes that a decision by the Administrator with respect to such person was arbitrary or capricious, the Participant may request arbitration with respect to such decision. The review by the arbitrator shall be limited to determining whether the Administrator's decision was arbitrary or capricious. This arbitration shall be the sole and exclusive review permitted of the Administrator's decision, and the Awardee shall as a condition to the receipt of an Award be deemed to waive explicitly any right to judicial review.
- 25. *Limitation on Liability.*** The Company and any Affiliate or Related Corporation that is in existence or hereafter comes into existence shall not be liable to a Participant, an Employee, an Awardee, or any other persons as to:

- (a) *The Non-Issuance of Shares.* The non-issuance or sale of Shares as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by the Company's counsel to be necessary to the lawful issuance and sale of any shares hereunder; and

(b) *Tax Consequences.* Any tax consequence expected, but not realized, by any Participant, Employee, Awardee or other person due to the receipt, exercise or settlement of any Option or other Award granted hereunder.

**26. *Unfunded Plan.*** Insofar as it provides for Awards, the Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Awardees who are granted Stock Awards under this Plan, any such accounts will be used merely as a bookkeeping convenience. The Company shall not be required to segregate any assets that may at any time be represented by Awards, nor shall this Plan be construed as providing for such segregation, nor shall the Company or the Administrator be deemed a trustee of stock or cash to be awarded under the Plan. Any liability of the Company to any Participant with respect to an Award shall be based solely upon any contractual obligations that may be created by the Plan; no such obligation of the Company shall be deemed secured by any pledge or other encumbrance on any property of the Company. Neither the Company nor the Administrator shall be required to give any security or bond for the performance of any obligation that may be created by this Plan.

IN WITNESS WHEREOF, the Company, by its duly authorized officer, has executed this Plan, effective as of May 12, 2009.

CLEAN ENERGY FUELS CORP.

By: \_\_\_\_\_

Its: *President and CEO*

GRAPHIC

**CLEAN ENERGY FUELS CORP.**  
3020 OLD RANCH  
PARKWAY SUITE 400  
SEAL BEACH, CA 90740

**VOTE BY INTERNET— [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE—1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Clean Energy Fuels Corp., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

CLEFC1

KEEP THIS PORTION FOR YOUR RECORDS

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

DETACH AND RETURN THIS PORTION ONLY

**CLEAN ENERGY FUELS**

**For All**      **Withhold All**      **For All Except**

To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below.

**A Proposals—The Board of Directors recommends a vote FOR all nominees for director listed in Proposal 1, a vote FOR Proposal 2, and a vote FOR Proposal 3.**                 

**Vote On Directors**

**1. Election of Directors**

**Nominees:**

01—Andrew J. Littlefair      05—Boone Pickens  
02—Warren I. Mitchell      06—Kenneth M. Socha  
03—John S. Herrington      07—Vincent C. Taormina  
04—James C. Miller III

**Vote On Proposals**

**For      Against      Abstain**

2. Ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009.                 

3. Approval of our Amended and Restated 2006 Equity Incentive Plan, which would increase the number of authorized shares issuable under the Plan from 9,390,500 shares to 10,890,500 shares.                 

**Yes      No**

**Please indicate if you plan to attend this meeting.**           

**B Authorized Signatures—This section must be completed for your vote to be counted.—Date and Sign Below**

Please sign exactly as name(s) appear(s) hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

\_\_\_\_\_  
\_\_\_\_\_  
Signature [PLEASE SIGN WITHIN BOX]      Date      Signature (Joint Owners)      Date

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**

The Notice and Proxy Statement and Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com).

**You can vote by Internet or telephone!  
Available 24 hours a day, 7 days a week!**

**Instead of mailing your proxy, you may choose one of the two voting methods  
outlined on the reverse side to vote your proxy.**

**Proxies submitted by the Internet or telephone must be received by  
11:59 p.m., Eastern Time, on May 11, 2009.**

**IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION,  
DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

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CLEFC2

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**2009 Proxy—Clean Energy Fuels Corp.**

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**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

I appoint Warren I. Mitchell and Andrew J. Littlefair, or either of them, with power of substitution to each, to vote all shares of common stock which I have power to vote at the annual meeting of stockholders of Clean Energy Fuels Corp. to be held on Tuesday, May 12, 2009 at 1:00 p.m., or at any adjournment or postponement thereof, in accordance with the instructions on the reverse side of this card and with the same effect as though I were present in person and voting such shares. My appointed proxies are authorized in their discretion to vote upon such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

**UNLESS A CONTRARY DIRECTION IS INDICATED, THIS PROXY WILL BE VOTED "FOR" ALL NOMINEES FOR DIRECTOR LISTED IN PROPOSAL 1, "FOR" PROPOSAL 2, "FOR" PROPOSAL 3, AND IN THE DISCRETION OF THE APPOINTED PROXIES UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING. IF SPECIFIC INSTRUCTIONS ARE INDICATED, THIS PROXY WILL BE VOTED IN ACCORDANCE THEREWITH.**

**If you vote by phone or Internet, please do not mail your proxy card.**

(CONTINUED, AND TO BE SIGNED AND DATED ON REVERSE SIDE)

Thank You For Voting

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QuickLinks

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT  
PROPOSAL NO. 1 ELECTION OF DIRECTORS  
PROPOSAL NO. 2 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
PROPOSAL 3 APPROVAL OF AMENDED AND RESTATED 2006 EQUITY INCENTIVE PLAN  
CORPORATE GOVERNANCE  
INFORMATION ABOUT OUR EXECUTIVE OFFICERS  
COMPENSATION DISCUSSION AND ANALYSIS  
COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS  
REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS  
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS  
OTHER MATTERS

Appendix A

CLEAN ENERGY FUELS CORP. AMENDED AND RESTATED 2006 EQUITY INCENTIVE PLAN