

CLEAN DIESEL TECHNOLOGIES INC
Form DEF 14A
April 28, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant Filed by a Party other than the
Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14A-6(E)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Sec.240.14a-12

CLEAN DIESEL TECHNOLOGIES, INC.
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

CLEAN DIESEL TECHNOLOGIES, INC.
300 ATLANTIC STREET, SUITE 702
STAMFORD CT 06901

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD JUNE 15, 2006

To the Stockholders of Clean Diesel Technologies, Inc.:

The annual meeting (the "Meeting") of stockholders of Clean Diesel Technologies, Inc., a Delaware corporation ("Clean Diesel"), will be held Thursday, June 15, 2006, at the offices of J. M. Finn & Co., Salisbury House, London Wall, London EC2M 5TA U.K. at 11:00 a.m. to consider and act upon the following matters, each of which is explained more fully in the following Proxy Statement. A proxy card for your use in voting is also enclosed.

1. To elect seven (7) directors;
2. To ratify the appointment of Eisner LLP as independent auditors for the year 2006;
3. To authorize an increase in capital from 30 million to 45 million common shares; and
4. To transact any other business that may properly come before the meeting or any adjournment.

Only holders of common shares of record at the close of business on April 17, 2006 are entitled to notice of and to vote at the Meeting.

Following the Meeting there will be a presentation of Clean Diesel's

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business activities and an opportunity for stockholders to ask questions.

The Clean Diesel Technologies, Inc. Annual Report for 2005 is enclosed with this Notice of Meeting and Proxy Statement.

By Order of the Board of Directors

Charles W. Grinnell
Secretary

Stamford, Connecticut
April 21, 2006

WHILE THE PRESENCE IN PERSON OR BY PROXY OF STOCKHOLDERS ENTITLED TO CAST ONE THIRD OF THE OUTSTANDING SHARES SHALL CONSTITUTE A QUORUM AT THE MEETING, NEVERTHELESS, THE AFFIRMATIVE VOTES OF AT LEAST A MAJORITY OF THE OUTSTANDING SHARES IS REQUIRED FOR THE APPROVAL OF ITEM 3 OF THE AGENDA. THEREFORE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON, IT IS REQUESTED THAT YOU PROMPTLY FILL OUT, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD OR VOTING INSTRUCTION FORM TO THE SENDER IN THE ENCLOSED RETURN ENVELOPE.

CLEAN DIESEL TECHNOLOGIES, INC.

PROXY STATEMENT

The enclosed proxy is solicited by the Board of Directors (the "Board") of Clean Diesel Technologies, Inc., a Delaware corporation ("Clean Diesel" or "CDT"), in connection with the annual meeting of stockholders of Clean Diesel (the "Meeting") to be held at the offices of J. M. Finn & Co., Salisbury House, London Wall, London EC2M 5TA U.K., on Thursday, June 15, 2006, at 11:00 a.m. and at any adjournments.

The record date with respect to this solicitation is April 17, 2006. All holders of the CDT's common shares, \$.05 par, as of the close of business on that date are entitled to vote at the Meeting. The common shares are the only outstanding securities of CDT. According to the records of CDT's transfer agent, as of the record date CDT had 26,100,268 common shares outstanding and eligible to vote. A stockholders list as of the record date is available for inspection at the office of CDT set out in the Notice of Meeting and will be available for inspection at the Meeting.

The quorum for the Meeting is that number of common shares representing one third of the votes entitled to be cast. Item 3 on the agenda, however, requires the approval of a majority of the votes entitled to be cast. Each stockholder is entitled as of the record date to cast one vote per common share held.

A proxy may be revoked by a stockholder at any time prior to its being voted. If a proxy is properly signed and not revoked by the stockholder, the shares it represents will be voted at the Meeting in accordance with the instructions of the stockholder. Abstentions and broker non-votes are counted in determining whether a quorum is present, but are not counted in the calculation of the vote. If the proxy is signed and returned without specifying choices, the shares will be voted in accordance with the recommendations of the Board.

Members of the Board and Executive Officers of CDT may solicit stockholders' proxies. CDT shall bear the cost of proxy solicitation, if any.

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The CDT Annual Report to Stockholders, containing financial statements reflecting the financial position and results of operations of Clean Diesel for 2005 (the "Financial Statements"), and this Proxy Statement were distributed together commencing in the week of April 24, 2006.

1

ELECTION OF DIRECTORS

The Board proposes the election of seven directors. The term of office of each director is until the 2007 Annual Meeting or until a successor shall have been duly elected or the director shall sooner resign, retire or be removed. John A. de Havilland, Derek R. Gray, Charles W. Grinnell, John J. McCloy II, David F. Merrion, Jeremy D. Peter-Hoblyn and Bernhard Steiner are the management nominees for election as directors of Clean Diesel. These nominees are all incumbents except Mr. Merrion. Each of the nominees has consented to act as a director, if elected. Should one or more of these nominees become unavailable to accept nomination or election as a director, votes will be cast for a substitute nominee, if any, designated by the Board. If no substitute nominee is designated prior to the election, the individuals named as proxies on the enclosed proxy card will exercise their judgment in voting the shares that they represent, unless the Board reduces the number of directors.

THE AFFIRMATIVE VOTE OF A PLURALITY OF THE SHARES VOTING IS REQUIRED TO ELECT THE NOMINEES AS DIRECTORS. THE BOARD RECOMMENDS A VOTE FOR EACH OF THE NOMINEES.

The following table sets forth certain information with respect to each person nominated and recommended to be elected as a director of Clean Diesel.

| Name | Age | Director Since |
|------------------------|-----|----------------|
| ----- | --- | ----- |
| John A. de Havilland | 68 | 1994 |
| Derek R. Gray | 72 | 1998 |
| Charles W. Grinnell | 69 | 1994 |
| John J. McCloy, II | 68 | 2005 |
| David F. Merrion | 69 | - |
| Jeremy D. Peter-Hoblyn | 66 | 1994 |
| Bernhard Steiner | 57 | 2004 |

DIRECTORS AND EXECUTIVE OFFICERS OF THE CLEAN DIESEL

JOHN A. de HAVILLAND has been a director of CDT since its inception. Mr. de Havilland was a director of J. Henry Schroder Wagg & Co. Ltd., a merchant bank, from 1972 until his retirement in 1989. Except for the period of April through December 1998, Mr. de Havilland was a Managing Director of Fuel-Tech N.V., a pollution control company, from 1987 through March 1, 2002.

DEREK R. GRAY has been a director of CDT since 1998. Mr. Gray has been Managing Director of S G Associates Limited, a United Kingdom fiscal advisory firm since 1971 and a director of Velcro Industries N.V., a manufacturing company, since 1974.

2

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CHARLES W. GRINNELL has been Vice President, General Counsel and Corporate Secretary of CDT since its inception and has held the same positions with Fuel-Tech N.V. since 1987. Mr. Grinnell, a Managing Director of Fuel-Tech N.V., is engaged in the private practice of corporate law in Stamford, Connecticut.

JOHN J. MCCLOY, II is a private investor concentrating on venture capital and early stage investment projects in a variety of industries. He is Chairman of Gravitas Technology, Inc., an information technology company, a director of NCT Group, Inc., a communications technology company, the Sound Shore Mutual Fund, Inc., Ashland Management, Inc., an investment advisory firm, and the American Council on Germany, and a member of the U.S. Council on Foreign Relations.

DAVID F. MERRION, has been Chairman of Clean Diesel's Technical Advisory Board since January 10, 2005. He is the principal of David F. Merrion LLC, a consulting practice. Mr. Merrion is a retired Executive Vice President - Engineering of Detroit Diesel Corporation, his employer from 1988 to 1999. He has been a director of Catalytica Energy Systems, Inc., a catalytic research and development company since 2004 and a director of Greenvision Technology, LLC, an intellectual property holding company, since 2000. If elected a director, Mr. Merrion will continue as chairman of the CDT Technical Advisory Board.

JEREMY D. PETER-HOBLYN was Chief Executive Officer of CDT from its inception until his retirement on September 14, 2004. He was President from inception until March 12 2002 and Chairman from March 12, 2002 until June 11, 2003. He was a Managing Director of Fuel-Tech N.V. from 1987 through March 1, 2002.

R. GLEN REID, 59, has been Vice President - Sales and Marketing of CDT since April 18, 2003 and an employee of CDT since 2002. From 1999 to 2002 Mr. Reid was Vice President - Sales and Marketing of Marathon Sensors, Inc., a manufacturer of sensors and associated instrumentation.

TIMOTHY ROGERS, 44, has been Executive Vice President - International Operations since January 25, 2006; had been Vice President - International of CDT since February 21, 2004; and had been a consultant to CDT since September 30, 2003. From 2002 to September 2003 he was Director of Sales and Marketing of ADAS Consulting, Ltd. and from 1993 to 2002 was a Director of Aadastra, a wholly owned subsidiary of Associated Octel Company, Ltd, a U.K. based multinational Petrochemical Company.

DR. BERNHARD STEINER became Chief Executive Officer of CDT on September 14, 2004 and President on January 25, 2006. Dr. Steiner held Executive Director positions from 2003 at both Wayfinder Systems AB of Sweden, a navigation and location software development company, and OWR AG, a leading NBC protection solutions company. He continues as a non-executive director at both

3

companies. From 1999 until 2003 Dr. Steiner was General Manager of the Software Solutions Group of Motorola, Inc., an electronics company. From 1994 until 1999 he was Chairman and Chief Executive of the NXT PLC Group companies Wharfedale and Mission and from 1996 Group Managing Director of NXT PLC. Dr. Steiner, a graduate of the University of St. Gallen, Switzerland, has also during his business career held executive sales and marketing positions at Canon, Sony and Amstrad PLC.

DR. WALTER G. COPAN, 52, has been Executive Vice President/North American Operations & Chief Technology Officer of CDT since January 25, 2006; and he had been Vice President and Chief Technology Officer of CDT from August 3, 2005 when he joined CDT. Previously, Dr. Copan had been Principal Licensing Executive,

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Technology Transfer, of the National Renewable Energy Laboratory of the U.S. Department of Energy since June 2003; and before that had been Managing Director, Technology Transfer and Licensing of The Lubrizol Corporation, a fuel additive company, his employer since 1975.

DAVID W. WHITWELL, 40, has been Senior Vice President - Administration and Treasurer and Chief Financial Officer of CDT since January 25, 2006; and he had been Vice President, Chief Financial Officer and Treasurer of CDT since 1999. Previously, Mr. Whitwell had been Vice President and Chief Financial Officer of Primedia, Inc.'s Special Interest Magazine Division since 1996 and prior to that position had been Manager of Planning and Analysis at the Health Care Products Division of Schering Plough, Inc. since 1991.

Mr. Merrion was nominated by the directors on recommendation of the Compensation and Nominating Committee. Mr. Merrion was well known to the directors because of his industry experience and membership on the CDT Technical Advisory Board. No fees were paid on account of Mr. Merrion's nomination.

Mr. James M. Valentine, who resigned as a director of CDT on January 19, 2006, is not a nominee.

There are no family relationships among any of the director nominees or executive officers. Please also see the text below under the captions "Certain Relationships and Related Transactions."

COMMITTEES OF THE BOARD

The standing Committees of the Board are an Audit Committee, a Compensation and Nominating Committee and a Finance Committee. Messrs. Gray and de Havilland are the members of the Audit Committee. Messrs. de Havilland, Gray and McCloy are the members of the Compensation and Nominating Committee. Messrs. de Havilland, Gray, McCloy and Dr. Steiner are members of the Finance Committee. Mr. Gray is Chairman of the Audit Committee and the Finance Committee and Mr. de Havilland is Chairman of the Compensation and Nominating Committee. The Charters of the Audit and the Compensation and Nominating Committees are available for viewing on the CDT web site