

ACORN ENERGY, INC.  
Form DEF 14A  
August 14, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**(RULE 14a-101)**

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

ACORN ENERGY, INC.

(Name of Registrant as Specified In Its Charter)

Edgar Filing: ACORN ENERGY, INC. - Form DEF 14A

(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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:



**ACORN ENERGY, INC.**

**3903 Centerville Road**

**Wilmington, Delaware 19807**

**NOTICE OF 2014 ANNUAL MEETING OF STOCKHOLDERS**

To the Stockholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Acorn Energy, Inc. (“Acorn Energy” or the “Company”) will be held at The Westin Wilmington, 818 Shipyard Drive, Wilmington, DE 19801, on September 23, 2014 at 1:00 p.m. Eastern Daylight Time, for the following purposes, all as more fully described in the attached Proxy Statement:

- (1) the election of six directors to hold office until the 2015 Annual Meeting and until their respective successors are elected and qualified;
- (2) the ratification of the selection by the Audit Committee of the Company’s Board of Directors of Friedman LLP as the independent registered public accounting firm for the Company for the year ending December 31, 2014;
- (3) consider an advisory vote on the compensation of the Company’s named executive officers;
- (4) such other business as may properly come before the Annual Meeting or any adjournment thereof.

You are cordially invited to attend the meeting in person. You are also invited to be our guest for a buffet lunch to be held before the Annual Meeting beginning at 12:00 noon Eastern Daylight Time at The Westin Wilmington.

You are requested to vote by Internet or by mail whether or not you expect to attend the meeting in person. This year we are once again furnishing our proxy materials to our stockholders who hold their shares through brokers over the Internet, as permitted by rules adopted by the Securities and Exchange Commission. These stockholders should have received a notice containing instructions on how to access these materials and how to vote their shares online. The notice provides instructions on how you can request a paper copy of these materials by mail, by telephone or by e-mail. If you previously requested that you receive annual meeting materials via e-mail, the e-mail contains voting

instructions and links to the materials on the Internet. All stockholders may read, print and download our 2013 Annual Report and our Proxy Statement at <https://materials.proxyvote.com/004848>.

The proxy is revocable by you at any time prior to its exercise and will not affect your right to vote in person in the event you attend the meeting or any adjournment thereof. The prompt return of the proxy will be of assistance in preparing for the meeting and your cooperation in this respect will be appreciated.

A copy of the Company's Annual Report for the year ended December 31, 2013 is enclosed.

*By Order of the Board of Directors,*

Wilmington, Delaware HEATHER K. MALLARD  
August 14, 2014      *Secretary*

**ACORN ENERGY, INC.**

**3903 Centerville Road**

**Wilmington, Delaware 19807**

**PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON SEPTEMBER 23, 2014**

This proxy statement and the accompanying proxy are being furnished in connection with the solicitation of proxies by the Board of Directors (the “Board”) of the Company for use in voting at the 2014 Annual Meeting of Stockholders (the “Annual Meeting”) to be held at 1:00 p.m. Eastern Daylight Time on Tuesday, September 23, 2014, at The Westin Wilmington, 818 Shipyard Drive, Wilmington, DE 19801, and any adjournments thereof. Distribution to stockholders of this proxy statement and a proxy form is scheduled to begin on or about August 14, 2014 to each stockholder of record at the close of business on July 28, 2014 (the “Record Date”).

Your vote is important. Whether or not you plan to attend the Annual Meeting, please take the time to vote your shares of common stock as soon as possible. You can ensure that your shares are voted at the meeting by submitting your proxy by Internet or by completing, signing, dating and returning the enclosed proxy in the envelope provided. Submitting your proxy will not affect your right to attend the meeting and vote. A stockholder who gives a proxy may revoke it at any time before it is exercised by voting in person at the Annual Meeting, by delivering a subsequent proxy or by notifying our corporate Secretary in writing of such revocation.

**INFORMATION ABOUT THE 2014 ANNUAL MEETING AND PROXY VOTING**

**What matters are to be voted on at the Annual Meeting?**

Acorn Energy intends to present the following proposals for stockholder consideration and voting at the Annual Meeting:

- (1) the election of six directors to hold office until the 2015 Annual Meeting and until their respective successors are elected and qualified;

- (2) the ratification of the selection by the Audit Committee of the Company's Board of Directors of Friedman LLP as the independent registered public accounting firm for the Company for the year ending December 31, 2014;
- (3) consider an advisory vote on the compensation of the Company's named executive officers;
- (4) such other business as may properly come before the Annual Meeting or any adjournment thereof.

**What is the Board's recommendation?**

The Board of Directors recommends that you vote your shares "FOR" each of the director nominees in Proposal 1 and "FOR" each of Proposals 2 and 3.

**Will any other matters be presented for a vote at the Annual Meeting?**

We do not expect that any other matters might be presented for a vote at the Annual Meeting. However, if another matter were to be properly presented, the proxies would use their own judgment in deciding whether to vote for or against the proposal.

**Who is entitled to vote?**

All Acorn Energy stockholders of record at the close of business on the Record Date are entitled to vote at the Annual Meeting. Each share outstanding on the Record Date will be entitled to one vote. There were 22,189,877 shares outstanding on the Record Date.

**How do I vote my shares?**

If you are a stockholder of record, you may grant a proxy with respect to your shares by mail using the proxy included with the proxy materials. Stockholders who own their shares through banks, brokers or other nominees may grant their proxy by mail, by telephone or over the Internet in accordance with the instruction in the Notice of Internet Availability of Proxy Materials. Internet and telephone voting will be available through 11:59 p.m. Eastern Daylight Time on September 22, 2014.

If you are a stockholder of record or a duly appointed proxy of a stockholder of record, you may attend the Annual Meeting and vote in person. However, if your shares are held in the name of a bank, broker or other nominee, and you wish to attend the Annual Meeting to vote in person, you will have to contact your bank, broker or other nominee to obtain its proxy. Bring that document with you to the meeting.

All proxies submitted will be voted in the manner you indicate by the individuals named on the proxy. If you do not specify how your shares are to be voted, the proxies will vote your shares FOR all director nominees in Proposal 1 and FOR Proposals 2 and 3.

As permitted by the Securities and Exchange Commission, or SEC, Acorn Energy is sending a Notice of Internet Availability of Proxy Materials to stockholders who hold shares in "street name" through a bank, broker or other holder of record. All such stockholders will have the ability to access this Proxy Statement and the Company's Annual Report at <https://materials.proxyvote.com/004848>. The notice also includes information as to how these stockholders may vote their shares.



**May I change or revoke my proxy after it is submitted?**

Yes, you may change or revoke your proxy at any time before the Annual Meeting by:

• returning a later-dated proxy card;

• attending the Annual Meeting and voting in person; or

• sending your written notice of revocation to Heather K. Mallard, our Secretary.

Your changed proxy or revocation must be received before the polls close for voting.

**What is a “quorum?”**

In order for business to be conducted at the Annual Meeting, a quorum must be present. A quorum will be present if stockholders of record holding a majority in voting power of the outstanding shares of our common stock entitled to vote at the Annual Meeting are present in person or are represented by proxies. For purposes of determining the presence or absence of a quorum, we intend to count as present shares present in person but not voting and shares for which we have received proxies but for which holders thereof have abstained. Furthermore, shares represented by proxies returned by a broker holding the shares in nominee or “street” name will be counted as present for purposes of determining whether a quorum is present, even if the broker is not entitled to vote the shares on matters where discretionary voting by the broker is not allowed (“broker non-votes”).

**What vote is necessary to pass the items of business at the Annual Meeting?**

Holders of our common stock will vote as a single class and will be entitled to one vote per share with respect to each matter to be presented at the Annual Meeting. With respect to Proposal 1, the six nominees for director receiving a plurality of the votes cast by holders of common stock, at the Annual Meeting in person or by proxy, shall be elected to our Board. Approval of Proposals 2 and 3 requires the votes cast in favor of each such proposal to exceed the votes cast against such proposal. Abstentions from voting, as well as broker non-votes, if any, are not treated as votes cast and, therefore, will have no effect on any of these proposals.

**Who pays the costs of this proxy solicitation?**

This solicitation of proxies is made by our Board of Directors, and all related costs will be borne by us. In addition, we may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners.

**What is the deadline for submission of stockholder proposals for the 2015 Annual Meeting?**

Proposals that our stockholders may wish to include in our proxy statement and form of proxy for presentation at our 2015 Annual Meeting of Stockholders must be received by or delivered to us at Acorn Energy, Inc. 3903 Centerville Road, Wilmington, Delaware 19807, Attention: Heather K. Mallard, Secretary, no later than the close of business on April 16, 2015.

Any stockholder proposal must be in accordance with the rules and regulations of the SEC. In addition, with respect to proposals submitted by a stockholder other than for inclusion in our 2015 proxy statement, our By-Laws have established advance notice procedures that stockholders must follow. Pursuant to the By-laws of the Company, stockholders who wish to nominate any person for election to the Board of Directors or bring any other business before the 2015 Annual Meeting must generally give notice thereof to the Company at its principal executive offices not less than 60 days nor more than 90 days before the date of the meeting. All nominations for director or other business sought to be transacted that are not timely delivered to the Company, or that fail to comply with the requirements set forth in the Company's By-Laws, will be excluded from the Annual Meeting, as provided in the By-Laws. A copy of the By-Laws of the Company is available upon request from the Secretary of the Company, 3903 Centerville Road, Wilmington, Delaware 19807.

**Where can I find the voting results of the Annual Meeting?**

The preliminary voting results will be announced at the Annual Meeting. The final results will be published in our current report on Form 8-K to be filed with the Securities and Exchange Commission within four business days after the date of the Annual Meeting, provided that the final results are available at such time. In the event the final results are not available within such time period, the preliminary voting results will be published in our current report on Form 8-K to be filed within such time period, and the final results will be published in an amended current report on Form 8-K/A to be filed within four business days after the final results are available. Any stockholder may also obtain the results from the Secretary of the Company, 3903 Centerville Road, Wilmington, Delaware 19807.

**INFORMATION ABOUT COMMUNICATING WITH OUR BOARD OF DIRECTORS**

**How may I communicate directly with the Board of Directors?**

The Board provides a process for stockholders to send communications to the Board. You may communicate with the Board, individually or as a group, as follows:

|                                     |  |
|-------------------------------------|--|
| <b>BY MAIL</b>                      | <b>BY PHONE</b>  |
| The Board of Directors              | 1-302-656-1707   |
| Acorn Energy, Inc.                  |  |
| Attn: Heather K. Mallard, Secretary | <b>BY EMAIL</b>  |
| 3903 Centerville Road,              | c/o Christopher E. Clouser   |
| Wilmington, Delaware 19807          | <a href="mailto:cclouser@acornenergy.com">cclouser@acornenergy.com</a> |

You should identify your communication as being from an Acorn Energy stockholder. The Secretary may require reasonable evidence that your communication or other submission is made by an Acorn Energy stockholder before transmitting your communication to the Board.

**OWNERSHIP OF THE COMPANY'S COMMON STOCK**

The following table and the notes thereto set forth information, as of July 28, 2014 (except as otherwise set forth herein), concerning beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of common stock by (i) each director of the Company, (ii) each executive officer of the Company named below in the Summary Compensation Table and certain other executive officers, (iii) all executive officers and directors as a group, and (iv) each holder of 5% or more of the Company's outstanding shares of common stock.

| Name and Address of Beneficial Owner (1) (2)                               | Number of Shares of<br>common stock<br>Beneficially Owned (2) |      | Percentage of<br>common stock<br>Outstanding (2) |   |
|--|---|------|--|---|
| John A. Moore  | 1,217,896   | (3)  | 5.4  | % |
| Mannie L. Jackson  | 231,876   | (4)  | 1.0  | % |
| Samuel M. Zentman  | 140,142   | (5)  | *  |   |
| Christopher E. Clouser   | 131,180   | (6)  | *  |   |
| Robert E. McKee III  | 44,896  | (7)  | *  |   |
| Andy H. Sassine  | 593,748   | (8)  | 2.7  | % |
| Michael Barth  | 105,508   | (9)  | *  |   |
| Heather K. Mallard   | 41,000  | (10) | *  |   |
| Benny Sela   | 10,000  | (11) | *  |   |
| Joe Musanti  | 84,200  | (12) | *  |   |
| Mark A. Bashforth  | 0   | (13) | *  |   |
| All executive officers and directors of the Company as a group (11 people) | 2,600,446   | (14) | 11.7   | % |

\* Less than 1%

(1) Unless otherwise indicated, the address for each of the beneficial owners listed in the table is in care of the Company, 3903 Centerville Road, Wilmington, Delaware 19807.

Unless otherwise indicated, each person has sole investment and voting power with respect to the shares indicated. For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any (2) shares as of a given date which such person has the right to acquire within 60 days after such date. Percentage information is based on the 22,189,877 shares outstanding as of July 28, 2014 (exclusive of 801,920 treasury shares outstanding).

(3) Consists of 925,118 shares (2,800 of which are held in an IRA account) and 292,778 shares underlying currently exercisable options.

(4) Consists of 178,100 shares (all of which are held in a trust) and 53,776 shares underlying currently exercisable options.

(5) Consists of 61,445 shares and 78,697 shares underlying currently exercisable options.

(6) Consists of 42,500 shares (26,862 of which are held in a trust) and 88,680 shares underlying currently exercisable options.

(7) Consists solely of currently exercisable options.

(8) Consists of 575,662 shares and 18,086 shares underlying currently exercisable options.

(9) Consists of 48,842 shares and 56,666 shares underlying currently exercisable options. Mr. Barth also owns 56,900 shares of DSIT representing approximately 2.6% of DSIT's shares on a fully diluted as converted basis.

(10) Consists of 1,000 shares and 40,000 shares underlying currently exercisable options.

(11) Consists of 10,000 shares underlying currently exercisable options. Mr. Sela also owns 92,500 shares of DSIT representing approximately 4.2% of DSIT's shares on a fully diluted as converted basis as well as 66,936 currently exercisable options in DSIT representing approximately 3.0% of DSIT's shares on a fully diluted as converted basis.

(12) Consists of 9,200 shares and 75,000 shares underlying currently exercisable options. Mr. Musanti also owns 21,875 currently exercisable options in USSI representing approximately 0.1% of USSI's shares on a fully diluted as converted basis.

(13) Mr. Bashforth joined USSI on July 29, 2014 as its President & CEO.

(14) Consists of 1,847,867 shares and 758,579 shares underlying currently exercisable options.

## **PROPOSAL 1**

### **ELECTION OF DIRECTORS**

The Board of Directors of the Company is currently comprised of seven seats, including one vacancy. The Board of Directors has nominated Christopher E. Clouser, John A. Moore, Mannie L. Jackson, Samuel M. Zentman, Robert E. McKee, III, and Andrew H. Sassine, all current Directors, for election as directors at the Annual Meeting to serve until the 2015 Annual Meeting and until their successors have been duly elected and qualified. The nominees were recommended for nomination by the Nominating Committee of the Company's Board of Directors, the members of which are independent directors as required by Nasdaq. All nominees have consented to be named as such and to serve if elected. The Nominating Committee did not nominate a candidate to fill the presently vacant seventh seat.

With respect to the election of directors, stockholders may vote in favor of all nominees, withhold their votes as to all nominees or withhold their votes as to specific nominees. Stockholders cannot vote for more than the six nominees. Stockholders should specify their choices on the accompanying proxy card. If no specific instructions are given, the shares represented by a signed proxy will be voted FOR the election of all six of the Board's nominees. If any nominee becomes unavailable for any reason to serve as a director at the time of the Annual Meeting (which event is not anticipated), proxies will be voted in the discretion of the persons acting pursuant to the proxy for any nominee who shall be designated by the current Board of Directors as a substitute nominee.

Persons nominated in accordance with the notice requirements of the Company's By-laws are eligible for election as directors of the Company. All nominations for director that are not timely delivered to the Company or that fail to comply with the requirements set forth in the Company's By-laws will be excluded from the Annual Meeting, as provided in the By-laws. A copy of the Company's By-laws can be obtained from the Secretary of the Company, 3903 Centerville Road, Wilmington, Delaware 19807. Directors will be elected at the Annual Meeting by a plurality of the votes cast (i.e., the six nominees receiving the greatest number of votes will be elected as directors).



## Nominees for Election

**Christopher E. Clouser** was elected to the Board in November 2011 and became Chairman in November 2012. He also chairs our Compensation Committee, is a member of our Audit and Nominating Committees and serves on each of our subsidiary boards of directors or managers. Mr. Clouser has held senior level positions including: President of Burger King Brands; President and CEO of Preview Travel/Travelocity; CEO of the Minnesota Twins Major League Baseball Club; Senior Vice President & Chief Communications Officer of Northwest Airlines; Corporate Vice President of Public Affairs and Communications of Hallmark Cards; and Senior Vice President and Chief Administrative Officer of Sprint. In addition, he has served on the corporate Boards of Directors of Piper Jaffray Inc., Gibson Guitar/Baldwin Corp., Mall of America, Pepsi Americas, Marquette Bancshares, Delta Beverage and Mesaba Aviation. He presently serves as Chairman of the International Tennis Hall of Fame and Museum in Newport, Rhode Island and as a member of the Advisory Board of privately held Northstar. Prior to his current positions, he was President of the Association of Tennis Professions (ATP), where he also served as Chairman of ATP Properties and Chair of the ATP Foundation.

*Key Attributes, Experience and Skills.* Mr. Clouser brings to Acorn a wealth of operational and managerial experience culled from decades of service in key roles at major corporations. He has particular skills in marketing and business development, which will enable the Board to better position our companies for customer growth.

**John A. Moore** has been a director and President and Chief Executive Officer of our Company since March 2006. Mr. Moore was elected Chairman of the Board on March 25, 2009 and served in that role until November 13, 2012. Mr. Moore also served as a director of Comverge from March 2006 through January 2008. Mr. Moore was the President and founder of Edson Moore Healthcare Ventures, which he founded to acquire \$150 million of drug delivery assets from Elan Pharmaceuticals in 2002. Mr. Moore was Chairman and EVP of ImaRx Therapeutics, a drug and medical therapy development company, from February 2004 to February 2006 and Chairman of Elite Pharmaceuticals from February 2003 to October 2004. He was CEO of Optimer, Inc. (a research based polymer development company) from inception in 1994 until 2002 and Chairman from inception until its sale in February 2008 of Sterling Capital. He previously served as a member of the Board of Directors of Voltaix, Inc. prior to its sale to Air Liquid. Mr. Moore is currently a member of the Board of Caesar Rodney Institute, a nonprofit public policy organization in Delaware, and USEED LLC, an organization providing fundraising solutions for entrepreneurial projects originating at colleges and universities. He also serves as a director on the Board of Directors or Managers for each of our subsidiaries.

*Key Attributes, Experience and Skills.* Mr. Moore brings his strategic vision for our Company to the Board together with his leadership and business, deal making and investor relations skills. Mr. Moore has an immense knowledge of our Company and the energy technology industry which is beneficial to the Board. Mr. Moore's service as a Director and CEO of the Company bridges a critical gap between the Company's management and the Board, enabling the Board to benefit from management's perspective on the Company's business while the Board performs its oversight function.

**Mannie L. Jackson** was elected to the Board in September 2012 and serves as a member of our Compensation Committee. Mr. Jackson played professional basketball for a brief time before starting his business career at General Motors, Inc. He later served as President and General Manager of Honeywell's Telecommunications Business and then as Corporate Executive VP of worldwide Sales and Marketing before retiring as a Corporate Officer and Senior Vice President in 1993. Mr. Jackson helped found and chaired the Executive Leadership Council which represents the most senior African American corporate executives in Fortune 500 companies and previously served on the Board of Directors of several Fortune 500 companies, including Ashland Inc., Reebok International, Stanley Works, Jostens and True North. Mr. Jackson is currently Chairman of privately held Boxcar Holdings, LLC, and a former owner and Chairman of the Board of the Harlem Globetrotters. He is also former Chairman of the Board of Trustees of the Naismith Basketball Hall of Fame and is a member of the University of Illinois Foundation Board of Directors.

*Key Attributes, Experience and Skills.* Mr. Jackson brings to the Board deep operational, strategic planning and senior managerial experience; as well as access to a network of domestic and international business relationships.

**Robert E. McKee III** was elected to the Board in May 2013 and is Chairman of our Nominating committee. Mr. McKee had a 37-year career at ConocoPhillips and Conoco, Inc., including over ten years as Executive Vice President, Exploration and Production (1992-2003). He was the senior oil advisor to the Coalition Provisional Authority and the Iraqi Oil Ministry in Iraq to manage the rebuilding of its oil industry from September 2003 to March 2004. He is also a Director of QEP Resources, an unconventional oil driller with a \$6 billion market capitalization, Post Oak Bank and a board member of the Colorado School of Mines Foundation.

*Key Attributes, Experience and Skills.* Rob McKee is a widely recognized and experienced energy industry expert both domestically and internationally. He brings a tremendous background and a broad understanding of energy technologies and customer needs to our Board.

**Andrew H. Sassine** was elected to the Board in September 2013 and is a member of our Audit Committee. Mr. Sassine worked as a portfolio manager for Fidelity Investments from 1999 to 2012 holding numerous roles during his tenure. Prior to joining Fidelity, Mr. Sassine was a Vice President in the Acquisition Finance Group at Fleet National Bank and prior to joining Fleet, he managed a portfolio of highly leveraged middle market companies at Continental Bank and Heller Financial in Chicago. Mr. Sassine anticipates rejoining next month the Henry B. Tippie College of Business, University of Iowa, Board of Advisors (on which he previously served) and also serves on the Clarke Schools for Hearing and Speech, Board of Trustees. He is a member of the Board of Directors of CNS Response, Inc. (CNSO), a clinical decision support company providing reference data and analytical tools for clinicians and researchers in psychiatry, and is a member of both its Audit and Governance and Nominations Committee. He was recently elected for a term commencing April 1, 2014 to the Board of Directors of FluoroPharma Medical, Inc. (FPMI), a company specializing in the development of novel diagnostic imaging products that utilize positron emission tomography (PET) technology for the detection and assessment of disease before clinical manifestation. In addition, he is a member of the Board of Directors of two privately-held San Diego based companies, Freedom Meditech, Inc. and MD Revolution Inc. Mr. Sassine earned a Bachelor of Arts degree at the University of Iowa in 1987 and an MBA from the Wharton School at the University of Pennsylvania in 1993.

*Key Attributes, Experience and Skills.* Mr. Sassine brings to the Board his extensive investment management experience and understanding of the capital markets.

**Samuel M. Zentman** has been one of our directors since November 2004 and currently serves as Chairman of our Audit Committee. From 1980 until 2006, Dr. Zentman was the president and chief executive officer of a privately-held textile firm, where he also served as vice president of finance and administration from 1978 to 1980. From 1973 to 1978, Dr. Zentman served in various capacities at American Motors Corporation. He holds a Ph.D. in Complex Analysis. Dr. Zentman presently serves on the board Hinson & Hale Medical Technologies, Inc., as

well as several national charitable organizations devoted to advancing the quality of education.

*Key Attributes, Experience and Skills.* Dr. Zentman's long-time experience as a businessman together with his experience with computer systems and software enables him to bring valuable insights to the Board. Dr. Zentman has a broad, fundamental understanding of the business drivers affecting our Company and also brings leadership and oversight experience to the Board.

**THE BOARD UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE *FOR* EACH OF THE NOMINEES FOR ELECTION. PROXIES SOLICITED BY THE BOARD WILL BE SO VOTED UNLESS STOCKHOLDERS SPECIFY OTHERWISE IN THEIR PROXIES.**

**Certain Information Regarding Directors and Officers**

In addition to the information set forth above about the Company's directors, set forth below is certain information concerning the directors and certain officers of the Company:

| <b>Name</b>            | <b>Age</b> | <b>Position</b>  |
|------------------------|------------|--|
| Christopher E. Clouser | 62         | Director, Chairman of the Board, Chairman of our Compensation Committee and member of our Audit and Nominating Committees                      |
| John A. Moore          | 49         | Director, President and Chief Executive Officer  |
| Mannie L. Jackson      | 75         | Director and member of our Compensation Committee  |
| Robert E. McKee III    | 68         | Director and Chairman of our Nominating Committee  |
| Andy H. Sassine        | 50         | Director and member of our Audit Committee   |
| Samuel M. Zentman      | 69         | Director and Chairman of our Audit Committee   |
| Mark A. Bashforth      | 51         | Chief Executive Officer and President of USSI  |
| Joseph Musanti         | 56         | Chief Operating Officer of the Company, Chief Executive Officer of OmniMetrix and GridSense, Vice-Chairman and Chief Financial Officer of USSI |
| Benny Sela             | 66         | Chief Executive Officer and President of DSIT  |
| Michael Barth          | 53         | Chief Financial Officer of the Company and DSIT  |
| Heather K. Mallard     | 50         | Vice President, General Counsel & Secretary  |

**Mark A. Bashforth** serves as CEO and President of USSI, positions to which he was elected in July 2014. Previously, Mr. Bashforth served as the General Manager of CGG Company's GeoSoftware Group (formerly Fugro Jason, acquired by CGG Veritas in March 2013), a leading reservoir characterization software and services provider to the oil and gas industry. In such position, he lead a team of over 220 geoscience, sales and marketing professionals, including nine direct reports on a global basis in 17 countries and 2014 P&L responsibility of \$65MM. Prior to joining GeoSoftware, he operated a privately held building maintenance franchise from 2009 to 2012. He was also previously the Managing Director and later President for the Americas for Roxar Inc., a leading solution provider for reservoir management prior to its sale to Emerson.

**Joe Musanti** was elected Chief Operating Officer of the Company in January 2014, serves as CEO of GridSense and OmniMetrix and is the Chief Financial Officer of USSI under an arrangement between USSI and GridSense. He previously served as GridSense's President, Chief Operating Officer and Chief Financial Officer and as President of OmniMetrix. He is a Director or Manager on the Boards of OmniMetrix, GridSense and USSI, and is Vice Chairman of the USSI board. Prior to these management roles, he served on the Company's Board from September 2007 until December 2012. Mr. Musanti had also been the General Manager/CFO of Main Tape, a leading manufacturer of surface protection film and paper products, based in Cranbury, New Jersey. Prior to the acquisition of Film Tech Inc.

and their merger into Main Tape in 2010 Mr. Musanti served as President of Main Tape Inc. From 2003 to 2006, prior to becoming its President, Mr. Musanti served as Vice President of Finance of Main Tape. Prior to that, Mr. Musanti was Vice President of Finance of Rheometric Scientific, Inc., a manufacturer of thermal analytical instrumentation products where he held significant domestic and foreign, operational, managerial, financial and accounting positions.

**Benny Sela** serves as the CEO and President of DSIT, a position he has held since July 2007. Previously, he held the position of Executive Vice President and head of the company's Real Time Division since 1996. Mr. Sela joined DSIT in February 1989. Prior to that, Mr. Sela served in the Israeli Air Force reaching the position of Lt. Colonel (Ret.). During his service in the Israeli Air Force, Mr. Sela was head of the Electronic Warfare branch, working on both the F-16 and Lavi projects. He holds a B.Sc. in Electrical Engineering, a Master's Degree in Operations Research, and an MBA.

**Michael Barth** has been our Chief Financial Officer and the Chief Financial Officer of DSIT since December 2005. For the six years prior, he served as Deputy Chief Financial Officer and Controller of DSIT. Mr. Barth is a Certified Public Accountant in both the U.S. and Israel and has over twenty-five years of experience in public and private accounting. He serves on the Boards of GridSense, OmniMetrix and USSI.

**Heather K. Mallard** joined Acorn as Vice President, General Counsel and Secretary in February 2012. For the twenty-three years prior, Ms. Mallard practiced with the law firm Womble Carlyle Sandridge & Rice, LLP. She is an experienced corporate and business lawyer, with a practice that has spanned a variety of industries.

Biographical information about the Company's directors is set forth above under "Nominees for Election."

## **CORPORATE GOVERNANCE MATTERS**

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

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires our executive officers and directors, and persons who own more than 10% of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC. These persons are also required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. Further, we have implemented measures to assure timely filing of Section 16(a) reports by our executive officers and directors. Based solely on our review of such forms or written representations from certain reporting persons, we believe that during 2013 our executive officers and directors complied with the filing requirements of Section 16(a).

### **Board Composition and Director Independence**



Our Board of Directors is composed of one class, with seven Board seats, one of which is vacant, and six directors serving until their reelection or replacement at the 2014 Annual Meeting of Stockholders. John A. Moore serves as both Chief Executive Officer and as a Member of our Board of Directors. Christopher E. Clouser serves as the Non-Executive Chairman of our Board. Applying the definition of independence provided under the NASDAQ rules, the Board has determined that with the exception of John A. Moore, all of the members of the Board of Directors are independent.

### **Board Leadership Structure and Role in Risk Oversight**

Christopher E. Clouser currently serves as the Non-Executive Chairman of our Board of Directors. The appointment of Mr. Clouser to this position demonstrates the Board's commitment to sound corporate governance by adopting the developing best practice among public companies toward retaining non-executive, independent Board leadership. The Board believes that having an independent director in the senior most Board leadership position best ensures that the Board's agenda will reflect the concerns of our stockholders. Furthermore, the Board believes that Mr. Clouser's extensive business experience and network will enable him to help position the Company for growth.

The Board believes Mr. Moore's service as Chief Executive Officer and as a Member of our Board is appropriate because it bridges a critical gap between the Company's management and the Board, enabling the Board to benefit from management's perspective on the Company's business while the Board performs its oversight function. Further, the Board believes Mr. Moore's significant ownership of Acorn Energy stock aligns his interests with those of Acorn Energy's stockholders.

Management is responsible for Acorn Energy's day-to-day risk management, and the Board's role is to engage in informed oversight. The entire Board performs the risk oversight role. Acorn Energy's Chief Executive Officer is a member of the Board of Directors, and Acorn Energy's Chief Operating Officer, Chief Financial Officer and its General Counsel regularly attend Board meetings, which helps facilitate discussions regarding risk between the Board and Acorn Energy's senior management, as well as the exchange of risk-related information or concerns between the Board and the senior management. Further, the independent directors periodically meet in executive session following regularly scheduled Board meetings to voice their observations or concerns and to shape the agendas for future Board meetings.

The Board of Directors believes that, with these practices, each director has an equal stake in the Board's actions and oversight role and equal accountability to Acorn Energy and its stockholders.

### **Meetings and Meeting Attendance**

During the fiscal year ended December 31, 2013, there were sixteen meetings of the Board of Directors. Our independent directors periodically meet in executive session as part of each regularly scheduled Board meeting. All incumbent directors attended 75% or more of the Board meetings and meetings of the committees on which they served during the last fiscal year. Directors are encouraged to attend the annual meeting of stockholders. Only one director was unable to attend the annual meeting in 2013 as the date fell on a religious holiday.

### **Committees of the Board**

Our Board of Directors has established three standing committees: the Audit Committee, the Compensation Committee and the Nominating Committee, all of which have been established and are administered in accordance with applicable SEC and NASDAQ rules.

*Audit Committee; Audit Committee Financial Expert.* The Audit Committee oversees our accounting and financial reporting processes and audits of our financial statements by our independent auditors. The three members of the

Audit Committee are Samuel M. Zentman, Christopher E. Clouser and Andy H. Sassine. Dr. Zentman serves as Chairman of the Audit Committee. Prior to October 2013, the Audit Committee members were Sam Zentman, Mannie L. Jackson and Richard J. Giacco. The Board of Directors has determined that each member of the Audit Committee meets the independence criteria prescribed by NASDAQ governing the qualifications of audit committee members and each Audit Committee member meets NASDAQ's financial knowledge requirements. Our Board has determined that Sam Zentman qualifies as an "audit committee financial expert," as defined in the rules and regulations of the SEC. During 2013, the Audit Committee met six (6) times. The charter of the Audit Committee is available on our website [www.acornenergy.com](http://www.acornenergy.com) under the "Investor Relations" tab.

*Audit Committee Report.* The Audit Committee has (1) reviewed and discussed the audited financial statements with management; (2) discussed with the independent auditors the matters required to be discussed by the statement of Auditing Standard No. 16, as amended; and (3) received the written disclosures and the letter from the independent accountants required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountants' communications with the Audit Committee concerning independence, and has discussed with the independent accountant the independent accountant's independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2013, which was filed with the Securities and Exchange Commission on March 17, 2014.

THE AUDIT COMMITTEE OF THE  
BOARD OF DIRECTORS OF ACORN  
ENERGY, INC.

Samuel M. Zentman  
Christopher E. Clouser  
Andy H. Sassine

*Nominating Committee and Procedures.* The Nominating Committee has overall responsibility for identifying, evaluating, recruiting and selecting qualified candidates for election, re-election or appointment to the Board. The Members of the Nominating Committee are Robert E. McKee and Christopher Clouser as of October 2013. Mr. Clouser served as Chairman of the Nominating Committee until October 2013, when Mr. McKee became Chairman of the Committee. Dr. Zentman served on the Nominating Committee until Mr. McKee's election thereto. The Board of Directors has determined that each member of the Nominating Committee meets the independence criteria prescribed by NASDAQ governing the qualifications of nominating committee members. The charter of the Nominating Committee is available on our website <http://www.acornenergy.com> under the "Investor Relations" tab.

The Nominating Committee identifies potential director candidates from a variety of sources, including recommendations from current directors or management, recommendations of security holders, or any other source that the Board has deemed appropriate. During 2013, the Nominating Committee met twice. In considering candidates for the Board of Directors, the Nominating Committee evaluates the entirety of each candidate's credentials, such as (i) business or other relevant experience; (ii) expertise, skills and knowledge; (iii) integrity and reputation; (iv) the extent to which the candidate will enhance the objective of having directors with diverse viewpoints and backgrounds; (v) willingness and ability to commit sufficient time to Board responsibilities; and (vi) qualification to serve on specialized board committees.

Our stockholders may recommend potential director candidates by contacting the Secretary of the Company to receive a copy of the procedure to recommend a potential director candidate for consideration by the Nominating Committee, who will evaluate recommendations from stockholders in the same manner that they evaluate recommendations from other sources.

*Compensation Committee and Matters.* Our executive compensation is administered by the Compensation Committee of the Board of Directors. The members of the Compensation Committee are Christopher E. Clouser (Chairman) and Mannie L. Jackson, both of whom are independent in accordance with NASDAQ's requirement for independent director oversight of executive officer compensation. Mr. Clouser was elected to the compensation committee in December 2012 and became Chairman in October 2013 following the retirement of Richard J. Giacco from the Board on September 20, 2013. Mr. Jackson was elected in October 2013 to fill the vacancy created by Mr. Giacco's retirement. In fulfilling its role, the Compensation Committee (1) reviews periodically and approves the Company's general philosophy concerning executive compensation and the components of the Company's executive compensation program to align them with the Company's compensation philosophy; (2) reviews and approves goals and objectives that it considers relevant to the compensation of the Company's chief executive officer, evaluates his performance and sets the terms of his compensation; and (3) establishes the compensation of each of the Company's other executive officers, as well approves employment agreements, severance agreements and change in control agreements for the Company's chief executive officer and other executive officers. In addition, the Compensation Committee periodically evaluates the Company's long-term and short-term incentive plans and employee benefit plans, together with the Company's methodology for awarding equity-based and other incentive compensation to all non-executive employees (including new hires) and other service providers and the levels of such compensation. The Compensation Committee met three times in 2013. The charter of the Compensation Committee is available on our website <http://www.acornenergy.com> under the "Investor Relations" tab.

## **Code of Ethics**

We have adopted a Code of Business Conduct and Ethics that applies to all our directors, officers and employees. This Code of Ethics is designed to comply with the Nasdaq marketplace rules related to codes of conduct. A copy of this Code of Ethics may be obtained on our website at <http://www.acornenergy.com> under the "Investor Relations" tab. We intend to post on our website any amendments to, or waiver from, our Code of Business Conduct and Ethics.

## **EXECUTIVE AND DIRECTOR COMPENSATION**

### **Compensation Discussion and Analysis**

*The following discussion and analysis of compensation arrangements of our named executive officers for the year ended December 31, 2013 should be read together with the compensation tables and related disclosures set forth below. This discussion contains forward looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt may differ materially from currently planned programs as summarized in this discussion.*

**Compensation determinations.** Our executive compensation is administered by the Compensation Committee of the Board of Directors (the "Committee"). The members of the Committee in 2013 were Christopher E. Clouser (Chairman since October 3, 2013), Richard J. Giacco (through September 20, 2013) and Mannie L. Jackson (since October 3, 2013), all of whom were independent in accordance with NASDAQ's requirement for independent Director oversight of executive officer compensation. In fulfilling its role, the Committee (1) reviews periodically and approves the Company's general philosophy concerning executive compensation and the components of the Company's executive compensation program to align them with the Company's compensation philosophy; (2) reviews and approves goals and objectives that it considers relevant to the compensation of the Company's chief executive officer, evaluates his performance and sets the terms of his compensation; and (3) establishes the compensation of each of the Company's other executive officers, as well approves employment agreements, severance agreements and change in control agreements for the Company's chief executive officer and other executive officers. In addition, the Committee administers and periodically evaluates the Company's long-term and short-term incentive plans and employee benefit plans, together with the Company's methodology for awarding equity-based and other incentive compensation to all non-executive employees (including new hires) and other service providers and the levels of such compensation.

**Compensation objectives and philosophy.** Our executive compensation programs are designed to motivate and reward sustainable long-term performance, and a key component of our executive compensation is long-term incentives. This ensures that executive compensation aligns appropriately with long-term stockholder interests and the Company's performance. We periodically evaluate our executive compensation programs and make changes when necessary to ensure alignment with stockholder interests. The Board believes that the objectives of our executive compensation program are appropriate for a company of our size and stage of development and that our compensation policies and practices help meet those objectives.

**Compensation program.** The elements of our compensation program include base salary and performance-based cash bonuses, as well as long-term compensation in the form of stock options. The Board believes that our executive compensation program achieves an appropriate balance between fixed compensation and variable incentive compensation and pays for performance. The Board also believes that the Company's executive compensation program effectively aligns the interests of our executive officers with those of our stockholders by tying a significant portion of their compensation to the Company's performance and by providing a competitive level of compensation needed to recruit, retain and motivate talented executives critical to the Company's long-term success. The costs of our compensation programs are a significant determinant of our competitiveness. Accordingly, we are focused on ensuring that the balance of the various components of our compensation program is optimized to motivate employees to achieve our corporate objectives on a cost-effective basis.

In March 2012, the Compensation Committee engaged an independent compensation consultant ("Consultant") to assist it in reviewing our current executive compensation practices and recommend an overall compensation strategy for the executive officers of the Company, including assistance in reviewing the compensation to be included in a new employment agreement for Mr. Moore for 2013.

**Executive compensation for 2013.** Changes in each named executive officer's base compensation for 2013, together with the methodology for determining their respective bonuses, if any, are described below. The Boards of Directors of our subsidiary companies (DSIT, GridSense, OmniMetrix and USSI) determine the compensation of their own executive officers and other employees; provided that we made a separate bonus award to Mr. Barth in 2012 as described below.

**John A. Moore.** Effective January 1, 2013, Mr. Moore and the Company entered into a new five-year Employment Agreement (the "2013 Agreement"). The Compensation Committee contracted in late 2011 with a compensation consultant previously utilized by the Board to assist in developing compensation under the extension of Mr. Moore's previous employment agreement, but ultimately decided as a part of a more comprehensive review of executive and Board compensation to interview and ultimately hire a different party. The original consultant's report was reviewed but not relied upon in developing Mr. Moore's compensation under the 2013 Agreement. As of March 1, 2012, the term of Mr. Moore's existing employment agreement had been amended to continue on a month-to-month basis in anticipation of negotiating and finalizing a new employment agreement. Mr. Moore offered a proposal for the terms of a new employment agreement and the end result was the product of arms' length negotiations between Mr. Moore and the Compensation Committee. The Compensation Committee retained outside legal counsel in connection with the

negotiations with Mr. Moore, in addition to conferring with our General Counsel concerning the agreement. Because Mr. Musanti had been retained by the Company for services to be performed in 2013 (initially as CFO and COO of GridSense and CFO of USSI) shortly before the date at which the 2013 Agreement was scheduled for approval by the Compensation Committee, Mr. Musanti recused himself from final deliberations regarding the 2013 Agreement. Since his recusal left the Committee with a single member, the 2013 Agreement was also considered and ratified by the Corporation's independent directors. The Consultant and our Compensation Committee used peer group benchmarking to assist in setting Mr. Moore's compensation. In so doing, they focused exclusively on market capitalization as the most representative statistic in developing the peer group comparison within the Energy Services Company sector for benchmarking Mr. Moore's position. The Consultant relied on a regression analysis technique which adjusted the sample so that it was able to provide the Committee with more direct and relevant comparisons of data. Benchmarked items include salary, total cash compensation and total direct compensation. The data was used to ensure that Mr. Moore is paid at approximately the 50th percentile of benchmarked companies. Benchmarked companies included the following:



|  |   |
|--|---|
| .                                      | USEC Inc. (USU)                           |
| .                                      | EnerNOC, Inc. (ENOC)                      |
| .                                      | Echelon Corporation (ELON)                |
| .                                      | Warren Resources, Inc. (WRES)             |
| .                                      | Panhandle Oil and Gas Inc. (PHX)          |
| .                                      | Callon Petroleum Company (CPE)            |
| .                                      | Dawson Geophysical Company (DWSN)         |
| .                                      | Safeguard Scientifics, Inc. (SFE)         |
| .                                      | Endeavour International Corporation (END) |
| · Goodrich Petroleum Corporation (GDP) |   |
| .                                      | Oyo Geospace (GEOS)                       |
| .                                      | Bill Barrett Corp. (BBG)                  |
| .                                      | Itron Inc. (ITRI)                         |
| .                                      | Ultra Petroleum Corp. (UPL)               |