

ACORN ENERGY, INC.
Form DEF 14A
July 26, 2012

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)

(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 2012 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 University Club of New York, One West 54th Street, New York, New York 10019, on September 11, 2012 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 seven directors to hold office until the 2013 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, 2012;
- (3) consider an advisory vote on the compensation of the Company’s named executive officers;
- (4) approval of an amendment to the Company's 2006 Stock Incentive Plan to increase the number of available shares;
- (5) approval of an amendment to the Company’s 2006 Stock Option Plan for Non-Employee Directors to increase the number of available shares; and
- (6) 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 University Club of New York. Please note that business attire is required by Club rules.

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 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 2011 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, 2011 is enclosed.

By Order of the Board of Directors,

Wilmington, Delaware HEATHER K. MALLARD
July 25, 2012 Secretary

ACORN ENERGY, INC.

3903 Centerville Road

Wilmington, Delaware 19807

PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON SEPTEMBER 11, 2012

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 2012 Annual Meeting of Stockholders (the “Annual Meeting”) to be held at 1:00 p.m. Eastern Daylight Time on Tuesday, September 11, 2012, at The University Club of New York, One West 54th Street, New York, New York 10019, and any adjournments thereof. Distribution to stockholders of this proxy statement and a proxy form is scheduled to begin on or about July 25, 2012 to each stockholder of record at the close of business on July 16, 2012 (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 2012 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 seven directors to hold office until the 2013 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, 2012;
- (3) consider an advisory vote on the compensation of the Company's named executive officers;
- (4) approval of an amendment to the Company's 2006 Stock Incentive Plan to increase the number of available shares;
- (5) approval of an amendment to the Company's 2006 Stock Option Plan for Non-Employee Directors to increase the number of available shares; and
- (6) 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, 3, 4 and 5.

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 17,926,752 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 10, 2012.

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, 3, 4 and 5.

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 seven 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, 3, 4 and 5 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 2013 Annual Meeting?

Proposals that our stockholders may wish to include in our proxy statement and form of proxy for presentation at our 2013 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 March 27, 2013.

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 2013 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 2013 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:

BY MAIL	BY PHONE
The Board of Directors	1-302-656-1707
Acorn Energy, Inc.	
Attn: Heather K. Mallard, Secretary	
3903 Centerville Road,	
Wilmington, Delaware 19807	

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 16, 2012 (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 Common Stock Beneficially Owned (2)	Percentage of Common Stock Outstanding (2)
John A. Moore	1,217,578 (3)	6.7 %
George Morgenstern	358,861 (4)	2.0 %
Richard J. Giacco	96,000 (5)	*
Joe Musanti	61,200 (6)	*
Richard Rimer	159,400 (7)	*
Samuel M. Zentman	113,370 (8)	*
Christopher E. Clouser	25,090 (9)	*
Mannie L. Jackson	—	—
Michael Barth	108,828 (10)	*
Heather K. Mallard	1,000 (11)	*
Benny Sela	10,000 (12)	*
Lindon Shiao	5,684 (13)	*
Deena Redding	—	—
Jim Andersen	— (14)	—
All executive officers, directors and nominee for director of the Company as a group (14 people)	2,157,011 (15)	11.4 %
Columbia Wanger Asset Management, LLC	2,455,000 (16)	13.7 %
Verition Fund Management LLC	1,585,406 (17)	8.8 %

* 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.

(2) For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any 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 17,926,752 shares outstanding as of July 16, 2012.

(3) Consists of 875,912 shares and 341,666 shares underlying currently exercisable options.

(4) Consists of 61,922 shares, 247,500 shares underlying currently exercisable options, and 49,439 shares owned by Mr. Morgenstern's wife.

(5) Consists of 31,000 shares and 65,000 shares underlying currently exercisable options.

(6) Consists of 6,200 shares and 55,000 shares underlying currently exercisable options.

- (7) Consists of 44,400 shares and 115,000 shares underlying currently exercisable options.
- (8) Consists of 50,870 shares and 62,500 shares underlying currently exercisable options.
- (9) Consists solely of shares.
- (10) Consists of 33,828 shares and 75,000 shares underlying currently exercisable options. Mr. Barth also owns 56,900 shares of DSIT representing approximately 4.0% of DSIT's outstanding shares.
- (11) Consists solely of shares.
- (12) Consists of 10,000 shares underlying currently exercisable options. Mr. Sela also owns 92,500 shares of DSIT representing approximately 6.5% of DSIT's outstanding shares.
- (13) Consists solely of shares.
- (14) Mr. Andersen owns 370,000 shares of USSI representing approximately 4.6% of USSI's outstanding shares.
- (15) Consists of 1,185,345 shares and 971,666 shares underlying currently exercisable options.
- The information presented with respect to this beneficial owner is based on a Schedule 13G filed with the SEC on (16) February 10, 2012. The business address for Columbia Wanger Asset Management, LLC is 227 West Monroe Street, Suite 3000, Chicago, IL 60606.
- The information presented with respect to this beneficial owner is based on a Schedule 13G filed with the SEC on (17) June 6, 2012. The business address for Verition Fund Management LLC is One American Lance, Greenwich CT 06831.

PROPOSAL 1

ELECTION OF DIRECTORS

The Board of Directors of the Company is currently comprised of seven seats. The Board of Directors has nominated Richard J. Giacco, John A. Moore, Joe Musanti, Richard Rimer, Samuel M. Zentman, and Christopher Clouser, all current Directors, and Mannie L. Jackson, a new nominee, for election as directors at the Annual Meeting to serve until the 2013 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.

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 seven 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 seven 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 seven nominees receiving the greatest number of votes will be elected as directors).

Nominees for Election

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. 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 is currently a member of the Board of Directors of Voltaix, Inc., a leading provider of specialty gases to the solar and semiconductor industries. 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. Mr. Moore serves as a director on the Board of Directors or Managers for each of our subsidiaries and as chairman thereof, except in the case of DSIT.

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 Chairman 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.

Samuel M. Zentman has been one of our directors since November 2004. 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 serves on the boards of Powersafe Technology Corp. 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. Dr. Zentman also brings leadership and oversight experience to the Board.

Richard J. Giacco was elected to the Board in September 2006. Mr. Giacco has been President of Empower Materials, Inc., a manufacturer of carbon dioxide based thermoplastics, since January 1999. Mr. Giacco was the Managing Member of Ajedium Film Group, LLC, a manufacturer of thermoplastic films from its inception until its sale in 2008. Mr. Giacco served as Associate General Counsel of Safeguard Scientifics, Inc. from 1984 to 1990.

Key Attributes, Experience and Skills. Mr. Giacco brings strong operational and strategic background and valuable business, leadership and management experience to our Company. Mr. Giacco's experience helping to lead the growth and ultimate sale of a family business provides strategic vision and insights as the Company implements its growth strategies. Mr. Giacco also brings legal experience to the Board.

Richard Rimer was elected to the Board in September 2006 and was appointed Vice-Chairman of the Board effective January 1, 2012. Mr. Rimer is a principal of Top Quartile Partners, an investment fund, and is a consultant to Acorn. From 2001 to 2006, Mr. Rimer was a Partner at Index Ventures, a private investment company. He formerly served on the boards of Direct Medica, a provider of marketing services to pharmaceutical companies, and Addex Pharmaceuticals, a pharmaceutical research and development company. Prior to joining Index Ventures, Mr. Rimer was the co-founder of MediService, the leading direct service pharmacy in Switzerland and served as a consultant with McKinsey & Co.

Key Attributes, Experience and Skills. Mr. Rimer brings to the Board broad business experience, and a deep understanding of capital markets. As a successful entrepreneur, Mr. Rimer founded a company in Holland which he successfully sold and went on to found MediService – one of Europe’s leading mail service pharmacies (sold to Galenica GALN-SW). While at Index Ventures, Mr. Rimer led work on multiple deals including sourcing, due diligence, deal structuring and negotiation, monitored growth of portfolio companies, syndicated subsequent financings, supported exit negotiations as well as helped with key recruits. These experiences enable Mr. Rimer to bring valuable resources to the Company in addition to Mr. Rimer’s leadership, analytical skills and broad familiarity with international and cross-border transactions.

Joe Musanti was elected to the Board in September 2007. Mr. Musanti currently serves as 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 President, Mr. Musanti served as Vice President Finance of Main Tape. Prior to that, Mr. Musanti was Vice President 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.

Key Attributes, Experience and Skills. Mr. Musanti’s training and extensive experience in financial management at both public and private companies provide the Board with valuable insights and skills necessary to lead the Audit Committee. Mr. Musanti’s strong operational and business background complement his accounting and finance experience, and are valuable resources to the Board as it exercises its oversight duties and support of the Company’s growth strategies.

Christopher E. Clouser was appointed to the Board on November 16, 2011. 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 also serves as Chairman of the International Tennis Hall of Fame and Museum in Newport, Rhode Island. 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.

Mannie L. Jackson is a current nominee to our Board. Mr. Jackson graduated in 1960 from the University of Illinois with a Bachelor of Science degree in Applied Life Science, majoring in physical education and biological science. He played professional basketball for a brief time before starting his business career at General Motors, Inc. While at GM, he worked on a Master's in Business Administration degree, majoring in economics from the University of Detroit and later while at Honeywell Inc., completed an advanced management program in Finance and Accounting at Wharton. He went on to serve as President and General Manager of Honeywell's Telecommunications Business and later Corporate Executive VP of worldwide Sales and Marketing before retiring as a Corporate Officer and Senior Vice President in 1993. In 1986, Mr. Jackson helped found and Chaired the Executive Leadership Council which represents the most senior African American corporate executives in Fortune 500 companies. He 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 an active philanthropist. He is a member of the University of Illinois Foundation Board of Directors and received the inaugural International Award from The National Civil Rights Museum in Memphis, Tennessee in recognition of his years of commitment in promoting human rights throughout the world.

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

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 and nominee for director, set forth below is certain information concerning the directors, nominee for director and certain officers of the Company:

Name	Age	Position
John A. Moore	47	Director, Chairman of the Board, President and Chief Executive Officer
Samuel M. Zentman	67	Director and member of our Audit Committee
Richard J. Giacco	60	Director and member of our Audit Committee
Richard Rimer	47	Director and Vice Chairman of the Board
Joe Musanti	54	Director and Chairman of our Audit Committee
Christopher E. Clouser	60	Director
Mannie L. Jackson	73	Nominee for Director
Benny Sela	64	Chief Executive Officer and President of DSIT
Lindon Shiao	38	Chief Executive Officer and President of GridSense
Jim Andersen	56	Chief Executive Officer and President of USSI
Deena Redding	43	Chief Executive Officer and President of OmniMetrix
Michael Barth	51	Chief Financial Officer of the Company and DSIT
Heather K. Mallard	48	Vice President, General Counsel & Secretary

Benny Sela serves as the CEO 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 from the Technion – Israel Institute of Technology, a Master's Degree in Operations Research from Stanford University, and an MBA from Bar-Ilan University in Israel.

Lindon Shiao serves as CEO and President of GridSense, a position he has held since 2006. Mr. Shiao was a co-founder and principal of Prime Powered Holdings LLC and remains a stockholder of Prime Energy Partners Ltd. As an integral member of a team from AES-New Energy, Mr. Shiao co-led the spin-off and growth management of Catalyst PowerPartners LLC as a principal and key member of the operating team. Prior to Catalyst Power, Mr. Shiao led M&A teams at Arthur Andersen supporting buy-side transactions across different industries, including manufacturing, consumer marketing and distribution, healthcare services, and real estate. Mr. Shiao earned a B.S. from the Haas Business School at the University of California at Berkeley, and is a C.P.A.

Jim Andersen serves as CEO and President of USSI, positions that he has held since he founded USSI in October 2007. Mr. Andersen began his career as an Engineering Officer on US Navy Nuclear Submarines, and upon leaving the Navy, went on to hold a variety of technical and senior management positions in high technology companies,

including Westinghouse, Whitehall/Hydroscience, Litton Industries and Northrop Grumman. He was the Business Unit Director for Litton's Fiber Optic Acoustic Systems, heading the company's fastest growing business unit from 1995 to 2002. At Litton, he landed the first major (and still the largest) production contract for fiber optic sensors, a sonar system on the US Navy's newest Virginia class submarines, valued at over \$400 million. Prior to that, Mr. Andersen held technical and executive positions in companies that developed systems for oil exploration and ocean applications.

Deena Redding serves as CEO and President of OmniMetrix, LLC, a position she has held since 2009, prior to that she served as its controller from 2008 to 2009. She began her more than twenty years of management experience responsible for more than a billion dollars of insurance reserves for UPS and Ryder Integrated Logistics. Ms. Redding partnered with Remote Business Management, LLC during the pioneer era of Digital Video Recording and led her company to a successful multi-million dollar venture with a publicly traded South Korean satellite technology company. Her accomplishments led her to the appointed position of President of Kyros, LLC, a distributor of high tech video and camera security products, where her role guided another successful acquisition. She graduated from North Georgia College with a Bachelor's degree in math and a minor in accounting.

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 years of experience in public and private accounting.

Heather K. Mallard joined Acorn as Vice President, General Counsel and Secretary effective February 1, 2012. For the twenty-three years prior, Ms. Mallard practiced with the law firm Womble Carlyle Sandridge & Rice, LLP, most recently in the firm's Raleigh, North Carolina office. Ms. Mallard is a seasoned 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. Based solely on our review of such forms or written representations from certain reporting persons, we believe that during 2011 our executive officers and directors complied with the filing requirements of Section 16(a) except: Christopher E. Clouser filed a late Form 3 and Form 4, and Benny Sela, Michael Barth and Samuel M. Zentman each filed a late Form 4.

We have implemented measures to assure timely filing of Section 16(a) reports by our executive officers and directors in the future.

Board Composition and Director Independence

Our Board of Directors is composed of one class, with seven Board seats, and all seven directors serving until their reelection or replacement at the 2012 Annual Meeting of Stockholders. John A. Moore serves as both Chief Executive Officer and Chairman of our Board of Directors. Richard Rimer serves as Vice-Chairman. We do not have a lead independent director. Applying the definition of independence provided under the NASDAQ rules, the Board has determined that with the exception of John A. Moore, and Richard Rimer, all of the members of the Board of Directors are independent.

Board Leadership Structure and Role in Risk Oversight

The Board believes Mr. Moore's service as Chief Executive Officer and Chairman of the Company 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. In addition, the Board believes that having one person serve as both Chief Executive Officer and Chairman of the Board of Directors demonstrates for our employees, strategic partners, customers and stockholders that Acorn Energy has one clear leader.

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 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, 2011, there were nine 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, and all directors attended the 2011 annual meeting of stockholders.

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 Joe Musanti, Richard J. Giacco and Samuel M. Zentman. Richard Rimer resigned from the Audit Committee in December 2011, prior to his appointment as Vice-Chairman of the Board of Acorn. 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 Joe Musanti qualifies as an "audit committee financial expert," as defined in the rules and regulations of the SEC. During 2011, the Audit Committee met four (4) times. The charter of the Audit Committee is available on our website 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 Standards No. 61 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, 2011, which was filed with the Securities and Exchange Commission on March 15, 2012.

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

Joe Musanti
Richard J. Giacco
Samuel M. Zentman

Nominating Committee and Procedures. The Board of Directors of the Company established a Nominating Committee in October 2011. The Nominating Committee has overall responsibility for identifying, evaluating, recruiting and selecting qualified candidates for election, re-election or appointment to the Board. The Board appointed Samuel M. Zentman and Christopher Clouser as members of the Nominating Committee with Dr. Zentman serving as Chairman of the Nominating Committee. In December 2011, Mr. Clouser replaced Mr. Rimer, who had been the Committee's chair, following his resignation from the Committee upon being appointed as Vice Chairman. 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 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 2011, 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.

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Compensation Committee and Matters. Our executive compensation is administered by the Compensation Committee of the Board of Directors which was formed in October, 2011. The members of the Committee are Richard Giacco (Chairman) and Joseph Musanti, both of whom are independent in accordance with NASDAQ's requirement for independent director oversight of executive officer compensation. 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. Prior to the establishment of the Compensation Committee, our Board of Directors as a whole set compensation policies and made compensation decisions, including the specific compensation levels for each executive officer, and also administered the Company's equity compensation plans and practices. As required by NASDAQ, all action taken by the full Board with respect to the compensation of our executive officers was also approved or recommended for approval by a majority of our independent directors. The Compensation Committee did not meet in 2011. 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 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, 2011 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 “Compensation Committee”) which was formed in October 2011. The members of the Compensation Committee are Richard Giacco (Chairman) and Joseph Musanti, both of whom are independent in accordance with NASDAQ's requirement for independent director oversight of executive officer compensation. 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 as 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 administers the Company's 2006 Stock Incentive Plan and 2006 Non-Employee Director Stock Option Plan 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. Prior to the establishment of the Compensation Committee, our Board of Directors as a whole set compensation policies and made compensation decisions, including the specific compensation levels for each executive officer, and also administered the Company's equity compensation plans and practices. As required by NASDAQ, all action taken by the full Board of Directors prior to the establishment of the Compensation Committee with respect to the compensation of our executive officers was also approved or recommended for approval by a majority of our independent directors.

Compensation objectives and philosophy. Our executive compensation programs are designed to motivate and reward sustainable long-term performance. 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 continuously evaluate our executive compensation programs and make prudent changes when necessary to ensure alignment with stockholder interests. The Compensation Committee 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. As part of our continual evaluation of our compensation programs, the Compensation Committee is currently designing a comprehensive new long term incentive program that is discussed below under “Contemplated Director and Executive Compensation Program.”

Compensation program. In 2011, the elements of our compensation program included base salary and performance-based cash bonuses, as well as long-term compensation in the form of stock options. The Compensation Committee believes that our 2011 executive compensation program achieved an appropriate balance between fixed compensation and variable incentive compensation and paid for performance. The Compensation Committee also believes that the Company's 2011 executive compensation program effectively aligned 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. See the section entitled "Contemplated Director and Executive Compensation Program" below for a discussion of a comprehensive new long term incentive program currently being designed by our Compensation Committee. Changes in each named executive officer's base compensation for 2011, together with the methodology for determining their respective bonuses, if any, are described below. The Boards of Directors of our subsidiary companies (DSIT, USSI, GridSense and OmniMetrix) determine the compensation of their own executive officers and other employees; provided that we made a separate bonus award to Mr. Cogdell in 2011 as described below.

John A. Moore. In October 2010, Mr. Moore agreed to a voluntary reduction of his base compensation from \$375,000 per year to \$300,000 per year to assist us in managing our cash resources. We restored the amount of Mr. Moore's base salary to \$375,000 per annum effective November 1, 2011 in recognition of his efforts to lead us through the successful sale of CoaLogix. We also made a payment to Mr. Moore of a discretionary cash bonus of approximately \$422,000. This bonus was based on Mr. Moore's efforts in leading the successful sale of CoaLogix, his voluntary reduction of his salary during the prior twelve month period and in lieu of an award of additional options which the Board of Directors had intended to make to Mr. Moore in connection with the one-year extension of his employment agreement in early 2011. He was also awarded an additional cash bonus of up to \$25,000, the amount to be determined and paid when we receive our portion of the escrowed sales proceeds from the sale of CoaLogix (scheduled for release on August 31, 2012).

Michael Barth. Mr. Barth's base compensation for 2011 increased by approximately \$7,400 currency due to exchange rates and contractual cost of living adjustments.

William J. McMahon. Mr. McMahon received a \$25,000 increase in his base salary for 2011 from \$280,000 to \$305,000 in recognition of his efforts in connection with expanding the international scope of CoaLogix' operations. He was also entitled under the terms of his employment agreement to receive his full year maximum cash bonus upon the sale of CoaLogix, which was \$152,000. In connection with the closing of the CoaLogix sale in August 2011, Mr. McMahon received a payment of \$1,462,785 under the CoaLogix Capital Appreciation Rights Plan.

Benny Sela. Mr. Sela's base compensation for 2011 increased by approximately \$15,000 due to currency exchange rates and contractual cost of living adjustments. He also received a cash bonus of approximately \$67,000 in accordance with the terms of his contract whereby he is entitled to a bonus payment equal to 1.75% of DSIT's gross

profit.

Lindon Shiao. Mr. Shiao received no increase in his base compensation for 2011 and was not entitled to a bonus from us under the terms of his employment through a management company.

Joe B. Cogdell. Mr. Cogdell received a \$6,240 increase in his base salary for 2011 from \$312,000 to approximately \$318,000 representing a 2% cost of living adjustment. He was also entitled under the terms of his employment agreement to receive his full year maximum cash bonus upon the sale of CoaLogix, which was approximately \$48,000, and was paid an additional discretionary bonus in the amount of \$63,000 in recognition of his past efforts for the Company and helping to lead us through the successful sale of CoaLogix. In connection with the closing of the CoaLogix sale in August 2011, Mr. Cogdell received a payment of \$445,971 under the CoaLogix Capital Appreciation Rights Plan.

