

ACORN ENERGY, INC.
Form DEF 14A
October 08, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

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):
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1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

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ACORN ENERGY, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON NOVEMBER 3, 2008

The Annual Meeting of Stockholders of Acorn Energy, Inc. will be held at the Union League Club of New York, 38 East 37th Street, New York, New York 10016, on Monday, November 3, 2008, at 10:00 a.m., for the following purposes:

- (1) To elect seven directors to hold office until the next annual meeting of stockholders and until their successors have been duly elected and qualified;
- (2) Approval of the Amended Acorn Energy, Inc. 2006 Stock Incentive Plan;
- (3) Approval of the Amended Acorn Energy, Inc. 2006 Stock Option Plan for Non-Employee Directors; and
- (4) To consider and act upon such other and further matters as may properly come before the meeting or any postponements or adjournments thereof.

Only stockholders of record at the close of business on September 30, 2008, are entitled to notice of and to vote at the meeting or any postponements or adjournments thereof.

Regardless of how many shares you own, your vote is very important. Whether or not you intend to be present at the meeting, please submit your proxy by completing, signing and dating the enclosed proxy card and mailing it promptly in the enclosed postage paid return envelope.

*By Order of the Board
of Directors,*

SHELDON KRAUSE
Secretary

October 8, 2008

ACORN ENERGY, INC.
4 West Rockland Road,
Montchanin, Delaware 19710

PROXY STATEMENT

GENERAL INFORMATION

The Board of Directors of Acorn Energy, Inc., a Delaware corporation, is soliciting the enclosed proxy from you. The proxy will be used at our 2008 Annual Meeting of Stockholders to be held at 10:00 a.m. local time on Monday, November 3, 2008 at the Union League Club of New York, 38 East 37th Street, New York, New York 10016.

This proxy statement contains important information regarding our annual meeting. Specifically, it identifies the proposals on which you are being asked to vote, provides information you may find useful in determining how to vote and describes the voting procedures.

The term “proxy materials” includes this proxy statement, as well as the enclosed proxy card and our Annual Report on Form 10-K for the year ended December 31, 2007.

We are mailing the proxy materials on or about October 9, 2008 to all of our stockholders as of the record date, September 30, 2008. Stockholders who owned Acorn Energy common stock at the close of business on September 30, 2008 are entitled to attend and vote at the annual meeting. On the record date, we had approximately 11,677,157 shares of our common stock issued and outstanding.

Voting Procedures

As a stockholder, you have the right to vote on certain business matters affecting us. The three proposals that will be presented at the annual meeting, and upon which you are being asked to vote, are discussed in the sections entitled “Proposal 1,” “Proposal 2,” and “Proposal 3.” Each share of our common stock you own entitles you to one vote. You can vote by returning the enclosed proxy card and proxy in the envelope provided, or by attending the annual meeting and voting in person.

Methods of Voting

Voting by Mail. By signing and returning the proxy card according to the enclosed instructions, you are enabling each of our Chairman of the Board, George Morgenstern, our President and Chief Executive Officer, John A. Moore, and our Director, Samuel M. Zentman, who are named on the proxy card as “proxies and attorneys-in-fact,” to vote your shares as proxy holders at the meeting in the manner you indicate. We encourage you to sign and return the proxy card even if you plan to attend the meeting. In this way, your shares will be voted even if you are unable to attend the meeting.

Your shares will be voted in accordance with the instructions you indicate on the proxy card. If you submit the proxy card, but do not indicate your voting instructions, your shares will be voted as follows:

- FOR the election of the director nominees identified in Proposal 1;
- FOR Proposal 2 -- Approval of the Amended Acorn Energy, Inc. 2006 Stock Incentive Plan; and

- FOR Proposal 3 -- Approval of the Amended Acorn Energy, Inc. 2006 Stock Option Plan for Non-Employee Directors.

To reduce the expenses of delivering duplicate voting materials, we are delivering only one set of the proxy statement and the annual report on Form 10-K for the year ended December 31, 2007 to certain stockholders who share an address unless otherwise requested. A separate proxy card is included in the voting materials for each of these stockholders. If you share an address with another stockholder and have received only one set of voting materials, you may write or call us to request a separate copy of these materials at no cost to you. For future annual meetings, you may request separate voting materials, or request that we send only one set of voting materials to you if you are receiving multiple copies, by writing our Corporate Secretary at Acorn Energy, Inc., 4 West Rockland Road, Montchanin, Delaware 19710, or calling our Corporate Secretary at (302) 656-1707. You may receive a copy of the exhibits to our Annual Report on Form 10-K for the year ended December 31, 2007 by sending a written request to Acorn Energy, Inc., 4 West Rockland Road, Montchanin, Delaware 19710, Attn: Corporate Secretary.

If you own shares through a broker, follow the voting instructions you received from your broker.

Voting in Person at the Meeting. If you plan to attend the annual meeting and vote in person, we will provide you with a ballot at the meeting. If your shares are registered directly in your name, you are considered the stockholder of record and you have the right to vote in person at the meeting. If your shares are held in the name of your broker or other nominee, you are considered the beneficial owner of shares held in your name, and if you wish to vote at the meeting, you will need to bring with you to the annual meeting a legal proxy from your broker or other nominee authorizing you to vote these shares.

Revoking Your Proxy

You may revoke your proxy at any time before it is voted at the annual meeting. In order to do this, you may either sign and return another proxy bearing a later date, provide written notice of the revocation to our Corporate Secretary at Acorn Energy, Inc., 4 West Rockland Road, Montchanin, Delaware 19710, prior to the time we take the vote at the annual meeting; or attend the meeting and vote in person.

Quorum Requirement

A quorum, which is a majority of our outstanding shares as of the record date, must be present in order to hold the meeting and to conduct business. Your shares will be counted as being present at the meeting if you appear in person at the meeting or if you submit a properly executed proxy card.

Votes Required for Each Proposal

The vote required and method of calculation for the proposals to be considered at the annual meeting are as follows:

Proposal 1—Election of Directors. The seven director nominees receiving the highest number of votes, in person or by proxy, will be elected as directors. You may vote (i) “for” all nominees, (ii) “withhold” for all nominees, or (iii) “withhold” for certain nominees by striking a line through the name(s) of such nominee(s) on your proxy card.

Proposal 2—Approval of the Acorn Energy, Inc. Amended 2006 Stock Incentive Plan. Approval of the Amended and Restated 2006 Stock Incentive Plan will require the affirmative vote of a majority of the shares present at the annual meeting, in person or by proxy. You may vote “for”, “against,” or “abstain” from voting on this proposal.

Proposal 3—Approval of the Acorn Energy, Inc. Amended 2006 Stock Option Plan for Non-Employee Directors will require the affirmative vote of a majority of the shares present at the annual meeting, in person or by proxy. You may vote “for”, “against,” or “abstain” from voting on this proposal.

Abstentions and Broker Non-Votes

Abstentions are counted for determining the number of votes cast on any proposal. If you abstain from voting on the proposal to approve the Acorn Energy, Inc. Amended and Restated 2006 Stock Incentive Plan, or the proposal to approve the Acorn Energy, Inc. Amended and Restated 2006 Stock Option Plan for Non-Employee Directors, your abstention will have the same effect as a vote against that proposal. If you return a proxy card that indicates an abstention from voting on all matters, the shares represented will be counted as present for the purpose of determining a quorum, but they will not be voted on any matter at the annual meeting.

Under the rules that govern brokers who have record ownership of shares that are held in “street name” for their clients, who are the beneficial owners of the shares, brokers have discretion to vote these shares on routine matters but not on non-routine matters. Thus, if you hold your shares through a broker and do not otherwise instruct your broker, the broker may turn in a proxy card voting your shares “FOR” any routine matters on the agenda. A “broker non-vote” occurs when a broker expressly votes on one or more routine matters but does not vote on one or more other matters. Broker non-votes are counted for the purpose of determining the presence or absence of a quorum but are not counted for determining the number of votes cast for or against a proposal. Your broker will have discretionary authority to vote your shares on Proposal 1 (Election of Directors) which is a routine matter, but will not have such authority with respect to the other proposals on the agenda for the meeting.

Proxy Solicitation Costs

We will bear the entire cost of proxy solicitation, including the preparation, assembly, printing and mailing of proxy materials. Our transfer agent, American Stock Transfer and Trust Company, will tabulate the proxies and will send a representative to the Annual Meeting to act as inspector of the election.

Stockholder List

Commencing ten days before the date of the Annual Meeting, an alphabetical list of the names and addresses of the stockholders of record as of the Record Date will be available at our principal executive offices, 4 West Rockland Road, Montchanin, Delaware 19710, for inspection by any stockholder during normal business hours for any purpose germane to the Annual Meeting.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table and the notes thereto set forth information, as of September 30, 2008 (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) certain current or former 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)
George Morgenstern	485,387(3)	4.0%
John A. Moore	933,411(4)	7.7%
Richard J. Giacco	19,666(5)	*
Joseph Musanti	8,333(6)	*
Richard Rimer	104,999(7)	*
Scott B. Ungerer	8,333(8)	*
Samuel M. Zentman	81,323(9)	*
Michael Barth	75,934(10)	*
William J. McMahon	10,500(11)	*
Benny Sela	40,000(12)	*
All executive officers and directors of the Company as a group (10 people)	1,767,886	13.8%
Austin W. Marxe and David M. Greenhouse	871,885(13)	7.5%

* 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, 4 West Rockland Road, Montchanin, Delaware 19710.

(2) 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 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 11,677,157 shares outstanding as of September 30, 2008.

(3) Consists of 45,115 shares, 390,833 shares underlying currently exercisable options, and 49,439 shares owned by Mr. Morgenstern's wife.

(4) Consists of 435,911 shares and 497,500 shares underlying currently exercisable options.

(5) Consists of 3,000 shares and 16,666 shares underlying currently exercisable options.

(6) Consists of 8,333 shares underlying currently exercisable options.

(7) Consists of 35,000 shares and 69,999 shares underlying currently exercisable options.

(8) Consists of 8,333 shares underlying currently exercisable options.

(9) Consists of 20,000 shares, 59,999 shares underlying currently exercisable options and 1,324 shares underlying currently exercisable warrants.

(10) Consists of 3,289 shares, 71,000 shares underlying currently exercisable options, and 1,645 shares underlying currently exercisable warrants.

(11) Consists of 10,500 shares.

(12) Consists of shares underlying currently exercisable options.

(13) The information presented with respect to these beneficial owners is based on a Schedule 13G filed with the SEC on February 13, 2008. Austin W. Marxe and David M. Greenhouse share sole voting and investment power over

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168,043 shares of Common Stock owned by Special Situations Cayman Fund, L.P., 58,633 shares of Common Stock owned by Special Situations Fund III, L.P. and 645,209 shares of Common Stock owned by Special Situations Fund III QP, L.P. The business address for Austin W. Marxe and David M. Greenhouse is 527 Madison Avenue, Suite 2600, New York, NY 10022.

PROPOSAL 1**ELECTION OF DIRECTORS**

The Board of Directors of the Company is currently comprised of seven seats. The Board of Directors has nominated its seven current directors, George Morgenstern, John A. Moore, Samuel M. Zentman, Richard J. Giacco, Richard Rimer, Scott B. Ungerer and Joseph Musanti for election as directors at the Annual Meeting to serve until the 2009 Annual Meeting and until their successors have been duly elected and qualified. 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, 4 West Rockland Road, Montchanin, Delaware 19710. 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).

Certain Information Regarding Directors and Officers

Set forth below is certain information concerning the directors and certain officers of the Company:

Name	Age	Position
George Morgenstern	75	Founder, Chairman of the Board
John A. Moore	43	Director, President and Chief Executive Officer
Richard J. Giacco	56	Director and Member of the Audit Committee and Lead Director for Compensation Matters
Joseph Musanti	50	Director and Chairman of the Audit Committee
Richard Rimer	43	Director
Scott Ungerer	50	Director
Samuel M. Zentman	63	Director and Member of the Audit Committee
Michael Barth	47	Chief Financial Officer of the Company and DSIT
William J. McMahon	52	Chief Executive Officer and President of CoaLogix
Benny Sela	60	Chief Executive Officer and President of DSIT

George Morgenstern, founder of the Company, and one of our directors since 1986, has been Chairman of the Board since June 1993. Mr. Morgenstern served as our President and Chief Executive Officer from our incorporation in 1986 until March 2006. Mr. Morgenstern also serves as Chairman of the Board of DSIT. Mr. Morgenstern served as a member of the Board of Directors of Comverge from October 1997 to March 2006 and as Chairman until April 2003.

John A. Moore has been a director and President and Chief Executive Officer of our Company since March 2006. Mr. Moore also served as a director of Comverge from March 2006 through January 2008. Mr. Moore is 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 Chief Executive Officer 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 to Sterling Capital.

Samuel M. Zentman has been one of our directors since November 2004. From 1980 until 2006 Dr. Zentman was 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 in the Information Systems area at American Motors Corporation. Dr. Zentman currently serves as Lead Director at PowerSafe Technology Corp.

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 is also a Managing Member of Ajedium Film Group, LLC, a manufacturer of thermoplastic films whose operating assets were sold to the Solvay Solexis, Inc. subsidiary of Solvay S.A. in August 2008. Mr. Giacco served as Associate General Counsel of Safeguard Scientifics, Inc. from 1984 to 1990. Mr. Giacco presently serves as a Member of the Audit Committee of the Board of Directors of Ministry of Caring, Inc., and the President of the Board of Directors of Sacred Heart Village, Inc.

Richard Rimer was elected to the Board in September 2006. 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 had served as a consultant with McKinsey & Co.

Scott Ungerer was elected to the Board in September 2007. Mr. Ungerer has been a power and energy sector investor for over 13 years and is the Founder & Managing Partner of EnerTech Capital, a pioneer in energy technology venture investing since 1996. Prior to EnerTech, Mr. Ungerer spent 16 years in various engineering and executive management capacities at Atlantic Energy (now part of Pepco Holdings (NYSE: POM)). Mr. Ungerer's primary investing activities focus on opportunities in software, advanced materials, and engineered solutions. Specific areas of interest include opportunities in electric power generation, transmission and distribution (including smart grid applications), power line carrier, natural gas distribution and advanced engine technologies. He currently serves as a director of CURRENT Group, Intellon (NASDAQ: ITLN), CoaLogix and is Chairman of the Board of The NanoSteel Company.

Joseph Musanti was elected to the Board in September 2007. Mr. Musanti is President of Main Tape Inc., a leading manufacturer of surface protection film and paper products, based in Cranberry, New Jersey. Prior to becoming President, Mr. Musanti served as Vice President Finance of Main Tape. Before 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.

William J. McMahon has served as Chief Executive Officer and President of CoaLogix since its creation in November 2007. Since March 2005, Mr. McMahon has also served as President of SCR-Tech, LLC, a subsidiary of CoalLogix which we acquired in November, 2007. Prior to that, Mr. McMahon served as Group Vice President of the Ultrapure Water division of Ionics, Inc. from 2000 to 2004. From 1997 to 2000, he held several executive level positions, including Chairman, President and Chief Executive Officer of Pantellos; President and Chief Executive Officer of Stone & Webster Sonat Energy Resources; and President of Stone & Webster Energy Services Inc. From 1978 to 1997, Mr. McMahon held positions at DB Riley, Inc. and at The Babcock & Wilcox Company. Mr. McMahon earned a B.S. degree in Nuclear Engineering from Georgia Institute of Technology and an MBA from Xavier University.

Benny Sela has served as the Chief Executive Officer of DSIT since July 2007 and has been a senior manager of DSIT and its predecessors for over 20 years, having served as Executive Vice President and Head of the DSIT's Real Time Division and General Manager of DSI Technologies. 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 Masters Degree in Operations Research from Stanford University, 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 20 years of experience in public and private accounting.

CORPORATE GOVERNANCE MATTERS

Meetings of the Board of Directors

During 2007 the Board of Directors met a total of twelve times, including five in-person meetings and seven telephone meetings. Each director who served as a director in 2007 attended at least 75% of the aggregate of (i) the total number of meetings of the Board of Directors held (during the 2007 period for which the director served) and (ii) the total number of meetings held during 2007 by each committee of the Board of Directors on which such director served (during the period for which such director served), except for Mr. Rimer, who attended four of the in-person meetings and four of the telephonic meetings of the Board of Directors held during 2007.

Audit Committee

Between September 2006 and October 2007, our entire Board of Directors performed the functions of an audit committee. In October 2007, a new Audit Committee was formed, consisting of Samuel M. Zentman, Joseph Musanti and Richard J. Giacco. The Audit Committee oversees our accounting and financial reporting processes and audits of our financial statements by our independent auditors. Our Audit Committee's charter is available on our website at www.acornenergy.com, where it may be found under the "Investor Relations" tab. All three members of our Audit Committee are "independent" under Rule 10A-3 of the Securities Exchange Act of 1934 and the Nasdaq Marketplace Rules. During the period from its formation in October 2007 through the end of 2007, the Audit Committee met one time.

Audit Committee Financial Expert

Joseph Musanti has been designated as our Audit Committee financial expert. Our Board of Directors has determined that Mr. Musanti meets the qualifications for an “audit committee financial expert” set forth in Item 407 of Regulation S-K and is an independent director under Nasdaq standards.

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 received the written disclosures and the letter from the independent accountants required by Independence Standard No.1, 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, 2007, which was filed with the Securities and Exchange Commission on April 15, 2008.