

ACORN ENERGY, INC.  
Form DEFA14A  
July 30, 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:

o 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:

3903 Centerville Road, Wilmington, Delaware 19807

Phone: (302) 656-1707 Fax: (302) 656-1703

Dear Fellow Acorn Shareholder:

The original “milestones,” you may recall, were markers that the ancient Romans built along the Appian Way for travelers to judge how far they’d progressed. So much is happening at Acorn these days that it seems like we pass a new milestone every week.

We already have many achievements behind us. Last year, for the first time, we surpassed \$100 million in market cap after selling our CoaLogix subsidiary. We then instituted our first dividend. We achieved business development goals for our other three businesses. Earlier this year the Russell 2000 included us in their index for the first time.

Even more exciting than the milestones behind us are the ones ahead of us. On May 10, 2012, **US Seismic Systems** CEO Jim Andersen testified before the United States Congress. He told the House Science, Space, and Technology Subcommittee on Energy and Environment that USSI has developed revolutionary fiber optic sensing technology that can have a large potential impact on unconventional oil and gas production.

“Large potential impact” sounds good but probably understates the case made in popular magazines like *The Economist*. In fact, US Seismic has positioned itself to help *transform* an energy sector that is already experiencing historic change.

We stand at the cusp of an energy revolution. Directional drilling and hydrofracturing (fracking) technology have already begun to usher in a new era, dropping natural gas prices to historic lows, with cost implications that positively impact every sector of the economy: electricity, transportation, chemicals and agriculture, to name a few.

But cost only tells part of the story. In coming decades, places that now produce relatively little energy may produce much more, to the point where some net importers of energy will even become net exporters. In the United States alone, these newly harvestable reserves may usher in a hundred years of energy independence, with major impacts on our economy and on geopolitics. We are already seeing “hockey stick” growth in the use of natural gas quickly displacing coal for electricity production.

It’s a potential revolution in the making, but every revolution must overcome certain challenges to succeed. In the case of fracking, those challenges are largely environmental. It has been alleged that improper fracking may contaminate ground water, and that it can also cause earthquakes. Yet both of these problems can be mitigated, and even eliminated, by 100% seismic monitoring during the fracking process. The International Energy Agency (IEA) recently published their Golden Rules for the Golden Age of Gas. Rule #2 is “Watch where you drill” with a special emphasis on seismic monitoring.

In short, better pictures of underground oil and gas reservoirs lead to better targets and yields for the directional drillers and minimize the environmental impact, satisfying both the profit needs of drilling companies and those regulators looking out for society at large.

Why can't the current suppliers satisfy this new huge emerging opportunity for seismic tools? All innovation in seismic to date has been around the processing of data. There has been virtually no innovation in the sensor technology in over fifty years. Our investment in US Seismic is funding a fundamental change in the domain of the sensor technology from copper and electronics to ultra-high sensitivity (UHS) fiber optics. US Seismic promises to reduce the cost of the sensors to a small fraction of the current offerings while dramatically improving the quality of the images of the subsurface. The impact of this innovation promises to be as fundamental for the petroleum industry as the change in our nation's telecom infrastructure from copper and electronics to fiber optics twenty-five years ago. We would not have an internet today if there had not been a domain change. In so doing, we have proceeded deliberately to satisfy the demands of the multi-billion dollar seismic services industry, moving through six proof-of-concept field trials that have to date generated five initial commercial orders.

USSI shipped its first commercial product at the end of June. It is the world's first commercial optical borehole array. We anticipate a successful customer deployment and to receive follow-on orders beginning next year. If this were a horse race, we'd still be in the stall, but the gate is open and we're the first one out.

Other highlights from the first half of 2012:

We acquired **OmniMetrix**, the leading brand of remote monitoring services for back-up generators in February. I hope you are not one of the tens of millions of Americans who experienced an electrical outage this year. You may be surprised to learn that ten percent of all standby generators without monitors fail when they're needed most. Studies show that these failures are usually not attributable to manufacturing defects, but occur because of issues related to consumables and other preventative failures (such as a dead battery or lack of fuel). OmniMetrix delivers peace of mind to generator owners by remotely monitoring all potential failure points and making certain the unit works when called upon. This is incredibly important for owners of critical infrastructure like data centers, cell phone towers, nursing homes and air traffic control towers to name just a few. After thirteen years of hard work, OmniMetrix founder, Harold Jarrett and his hand-picked CEO, Deena Redding, accomplished what many entrepreneurs attempt but few accomplish; they created a category creating brand and a small but very profitable business. To grow the business from their 2,400 generator connections to a meaningful portion of the two million installed units they needed a partner that shared their vision and had the ability to provide expansion capital. We are grateful they chose Acorn and that they have both stayed to run the business. Together we have innovated the business model to a pure subscription model. We have decided to sacrifice near term revenue and profits for the chance to expand on our early lead in creating this new category of power reliability. We are investing to recruit a sales team and to build the infrastructure to support the expected growth. So far we are very impressed. As of today we have 4,200 connections and we hope to achieve 7,500 connections by the end of 2012 and 50,000 units on generators across America by the end of 2014.



Our largest and most profitable business, **DSIT** landed the largest underwater energy terminal monitoring deal in the world last December. This contract is being implemented now and should result in great revenue growth in 2012. We won a \$900,000 grant from the Israel-United States Binational Industrial Research and Development Foundation for collaboration between DSIT and USSI on the first active and passive sonar system for harbor security in the world. As this is an outright grant, it is non-dilutive to shareholders, however if these products generate revenue as we expect, we will pay it back as a royalty.

Finally, our **GridSense** subsidiaries have continued to gain major traction in the marketplace this year expanding our customer pilot programs from just a handful to over twenty around the globe. We expect that many of these paid pilot projects will result in substantial commercial rollouts in 2013. Customers are also finding new applications for the product, giving them “buy-in” and opening unanticipated potential revenue streams such as the use of the TransformerIQ™ by Baltimore Gas & Electric for voltage control as described in this article in the July 2012 issue of Transmission and Distribution World.

Understanding the time it takes to build these businesses and the pace of customer adoption is critical for your ability to profit from your investment in Acorn Energy. I believe investing in energy technology is about the transfer of wealth from the impatient to the patient. It is critical to understand not only that we are developing industry changing technology but also the time that it takes for our technology to encounter the market, be changed by the market and to ultimately be integrated into other value creating systems of our customers. Most small companies and many investors focus too much on the innovation of technology and not enough on the time it takes for a technology to diffuse into the market. Satisfying the market is of course where shareholder value is realized. Bill Gates is famous for saying, “We always overestimate the change that will occur in the next two years and underestimate the change that will happen in the next ten.” I hope it is clear why I am so excited about our future and what challenges and opportunities remain ahead of us.

In sum, we remain firm in our conviction that the energy sector is transforming not only itself but our whole economy. Please read the fantastic Brian Arthur article in the McKinsey Quarterly on the Second Economy which describes the rise of the digital energy industry we are leading. Services like OmniMetrix’s and GridSense’s monitors and DSIT’s sonar systems make energy more reliable and secure. Fiber optic arrays, when used in conjunction with directional drilling, enhanced oil recovery technologies and hydrofracking will have an enormous, outsized impact on the world’s business, resulting in an era of increased energy independence for some and prosperity for all.

Your company has positioned itself not merely to have a front-row seat at that transformation, but to lead it. Thank you for putting your faith in us. Please join us for our annual meeting at The University Club at One West 54<sup>th</sup> Street in Manhattan, beginning with lunch at noon, on September 11<sup>th</sup> 2012. Jacket and tie required.

Sincerely,



John A. Moore

Chairman, President & CEO

July 25, 2012

P.S. If you are reading this letter in printed format, please visit our website, [www.acornenergy.com](http://www.acornenergy.com), for an electronic copy of this letter that will allow access to the articles hyperlinked above.









