

POWERSECURE INTERNATIONAL, INC.
Form DEF 14A
April 27, 2012
Table of Contents

U.S. Securities and Exchange Commission

Washington, D.C. 20549

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 Rule 14a-12

POWERSECURE INTERNATIONAL, 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:

Edgar Filing: POWERSECURE INTERNATIONAL, INC. - Form DEF 14A

- (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:

Table of Contents

POWERSECURE INTERNATIONAL, INC.

1609 Heritage Commerce Court

Wake Forest, North Carolina 27587

NOTICE OF 2012 ANNUAL MEETING OF STOCKHOLDERS

To Be Held On June 19, 2012

To Our Stockholders:

The 2012 Annual Meeting of Stockholders of **POWERSECURE INTERNATIONAL, INC.** will be held at the Hampton Inn Hotel, 1904 South Horner Boulevard, Sanford, North Carolina, 27330 on Tuesday, June 19, 2012, at 9:00 a.m., local time, for the following purposes:

1. To elect three directors, one as a Class I director to hold office for a term of one year and two as Class III directors to hold office for a term of three years;
2. To approve the amendment and restatement of our 2008 Stock Incentive Plan, including an amendment to increase the number of shares of our common stock authorized for issuance under the plan by 1,400,000 shares to a total of 2,000,000 shares;
3. To adopt and approve an amendment to our Second Restated Certificate of Incorporation to increase the number of shares of common stock authorized for issuance by 25,000,000 shares to a total of 50,000,000 shares;
4. To approve, on an advisory basis, the compensation of our named executive officers;
5. To ratify the appointment of Hein & Associates LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012; and
6. To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements of the Annual Meeting.

These items of business are more fully described in the proxy statement accompanying this notice.

The Board of Directors has fixed the close of business on April 23, 2012 as the record date for determining the stockholders who are entitled to notice of and to vote at the Annual Meeting and at any adjournments or postponements of the Annual Meeting.

By Order of the Board of Directors,

Sidney Hinton

President and Chief Executive Officer

Wake Forest, North Carolina

April 27, 2012

YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the Annual Meeting, you are urged to submit your proxy or voting instructions as soon as possible so that your shares can be voted at the Annual Meeting. You may vote your shares by telephone or Internet or by completing, signing, dating and returning your proxy card in the enclosed, self-addressed stamped envelope, which requires no postage if mailed in the United States. For further instructions on how to vote your shares, please refer to the section entitled Questions and Answers About the Annual Meeting in the proxy statement and the instructions on the proxy card or voting instruction form.

**Important Notice Regarding the Availability of Proxy Materials for
the Annual Meeting of Stockholders to be Held on June 19, 2012:**

The proxy statement and our 2011 Annual Report to Stockholders

are available at www.edocumentview.com/powr.

Table of Contents**TABLE OF CONTENTS**

	Page
<u>Questions and Answers About the Annual Meeting and Voting</u>	1
<u>Corporate Governance</u>	6
<u>Corporate Governance Guidelines</u>	6
<u>Director Independence</u>	6
<u>Meetings of the Board of Directors</u>	6
<u>Committees of the Board of Directors</u>	7
<u>Board Leadership Structure</u>	10
<u>Executive Sessions</u>	10
<u>Director Attendance at Annual Meetings of Stockholders</u>	10
<u>Nominations of Directors</u>	11
<u>Role of the Board in Risk Oversight</u>	13
<u>Codes of Ethics</u>	13
<u>Compensation Committee Interlocks and Insider Participation</u>	14
<u>Access to Management and Outside Advisors</u>	14
<u>Board and Committee Effectiveness</u>	14
<u>Stock Ownership Guidelines</u>	14
<u>Communications with the Board of Directors</u>	14
<u>Availability of Corporate Governance Documents</u>	15
<u>Proposal 1 - Election of Directors</u>	16
<u>Proposal 2 - Approval of the Amendment and Restatement of our 2008 Stock Incentive Plan</u>	20
<u>Proposal 3 - Approval of an Amendment to our Second Restated Certificate of Incorporation to Increase the Authorized Number of Shares of Common Stock</u>	33
<u>Proposal 4 - Approval, on an Advisory Basis, of the Compensation of our Named Executive Officers</u>	36
<u>Proposal 5 - Ratification of Appointment of Independent Registered Public Accounting Firm</u>	39
<u>Security Ownership of Certain Beneficial Owners and Management</u>	41
<u>Executive Compensation</u>	44
<u>Compensation Discussion and Analysis</u>	44
<u>Compensation Committee Report</u>	58
<u>Compensation Policies and Practices as Related to Risk Management</u>	59
<u>Summary Compensation Table</u>	60
<u>Grants of Plan-Based Awards in Fiscal 2011</u>	62
<u>Outstanding Equity Awards at 2011 Fiscal Year-End</u>	63
<u>Option Exercises and Stock Vested in Fiscal 2011</u>	64
<u>Employment Agreements, Post-Employment Compensation and Potential Payments Upon Termination or a Change in Control</u>	65
<u>Director Compensation</u>	72
<u>Compensation Arrangements</u>	72
<u>Director Compensation Table</u>	72
<u>Certain Relationships and Related Transactions</u>	74
<u>Audit Committee Report</u>	75
<u>Incorporation by Reference</u>	76
<u>Annual Report</u>	76

Edgar Filing: POWERSECURE INTERNATIONAL, INC. - Form DEF 14A

<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	76
<u>Stockholder Proposals</u>	76
<u>Other Matters</u>	78
<u>Appendix A: 2008 Stock Incentive Plan, as amended and restated</u>	A-1

Table of Contents

POWERSECURE INTERNATIONAL, INC.

1609 Heritage Commerce Court

Wake Forest, North Carolina 27587

PROXY STATEMENT

For The

2012 ANNUAL MEETING OF STOCKHOLDERS

To Be Held On June 19, 2012

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

Why am I receiving these materials?

The Board of Directors of PowerSecure International, Inc. (PowerSecure, we, our or us) is providing these proxy materials to you in connection with the Board's solicitation of proxies for use at our 2012 Annual Meeting of Stockholders (the Annual Meeting), which will take place at the Hampton Inn Hotel, 1904 South Horner Boulevard, Sanford, North Carolina, 27330 on Tuesday, June 19, 2012, at 9:00 a.m., local time. As a stockholder of record as of the close of business on April 23, 2012, the record date for the Annual Meeting, you are invited to attend the Annual Meeting and are requested to vote on the proposals described in this proxy statement. We began mailing this proxy statement, the accompanying proxy card and the notice of Annual Meeting on or about April 27, 2012.

What information is contained in this proxy statement?

The information included in this proxy statement relates to the proposals to be voted on at the Annual Meeting, the voting process, our corporate governance, the compensation of our directors and of our executive officers, and certain other required information. Our 2011 Annual Report to Stockholders, notice of the Annual Meeting and a proxy card are also enclosed with this proxy statement.

What proposals will stockholders vote on at the Annual Meeting?

Stockholders will vote on five proposals at the Annual Meeting:

the election of three directors, one as a Class I director to hold office for a term of one year and two as Class III directors to hold office for a term of three years (Proposal 1);

the approval of the amendment and restatement of our 2008 Stock Incentive Plan, including an amendment to increase the number of shares of our common stock authorized for issuance under the plan by 1,400,000 shares to a total of 2,000,000 shares (Proposal 2);

the adoption and approval of an amendment to our Second Restated Certificate of Incorporation to increase the number of shares of our common stock authorized for issuance by 25,000,000 shares to a total of 50,000,000 shares (Proposal 3);

the approval, on an advisory basis, of the compensation of our named executive officers (Proposal 4); and

the ratification of the Audit Committee's appointment of Hein & Associates LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012 (Proposal 5).

We will also consider any other business that properly comes before the Annual Meeting, although as of the date of this proxy statement we are not aware of any other matters to be presented at the Annual Meeting other than as set forth in this proxy statement.

Table of Contents

How does the Board of Directors recommend that I vote my shares?

Our Board of Directors recommends that you vote your shares:

FOR the election as directors of each of the three nominees named in this proxy statement (Proposal 1);

FOR the approval of the amendment and restatement of our 2008 Stock Incentive Plan (Proposal 2);

FOR the adoption and approval of an amendment to our Second Restated Certificate of Incorporation to increase the number of shares of our common stock authorized for issuance by 25,000,000 shares to a total of 50,000,000 shares (Proposal 3);

FOR the approval, on an advisory basis, of the compensation of our named executive officers (Proposal 4); and

FOR the ratification of the Audit Committee's appointment of Hein & Associates LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012 (Proposal 5).

Who is entitled to vote at the Annual Meeting?

Each holder of record of shares of our common stock as of the close of business on April 23, 2012, which is the record date for the Annual Meeting, is entitled to vote at the Annual Meeting. Each share of our common stock outstanding as of the close of business on the record date is entitled to one vote on each proposal presented at the Annual Meeting. You may vote all shares owned by you as of the record date, including shares that are held directly in your name as the stockholder of record, and shares that are held for you as the beneficial owner in street name through a broker, bank, trustee or other nominee. As of the close of business on the record date, 18,152,131 shares of common stock were outstanding and entitled to vote.

What is the difference between holding shares as a stockholder of record and as a beneficial owner in street name ?

These terms describe how your shares are held. Most of our stockholders hold their shares beneficially through a broker, bank, trustee or other nominee rather than directly in their own name. As described below, there are some distinctions between shares held of record and those owned beneficially.

Shares held of record: If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered the stockholder of record of those shares, and these proxy materials are being sent directly to you by us. As a stockholder of record, you have the right to grant your voting proxy directly to us or to vote in person at the Annual Meeting. We have enclosed a proxy card for you to use. You may also vote on the Internet or by telephone, as described on the proxy card and as described below under the heading "How can I vote my shares without attending the Annual Meeting?"

Shares owned beneficially: If your shares are held in an account by a broker, bank, trustee or other nominee in its name as a custodian, then you are considered the beneficial owner of those shares, which are held in street name, and these proxy materials are being forwarded to you by your broker, bank, trustee or other nominee, which is considered the stockholder of record of those shares. As the beneficial owner, you have the right to direct your broker, bank, trustee or other nominee how to vote those shares, and you are also invited to attend the Annual Meeting. However, because you are not the stockholder of record of those shares, you may not vote those shares in person at the Annual Meeting unless you obtain a legal proxy from the broker, bank, trustee or other nominee that holds your shares giving you the right to vote the shares at the Annual Meeting. Your broker, bank, trustee or other nominee has enclosed or provided voting instructions for you to use in directing your broker, bank, trustee or other nominee how to vote your shares. Many brokers or banks also offer voting on the Internet or by telephone. Please refer to the voting instruction form you received from your broker, bank, trustee or other nominee for instructions on the voting methods they offer.

Can I attend the Annual Meeting?

Edgar Filing: POWERSECURE INTERNATIONAL, INC. - Form DEF 14A

You are entitled and invited to attend the Annual Meeting only if you are a stockholder of record or a beneficial owner of shares held in street name as of the record date or hold a valid proxy for the Annual Meeting.

Table of Contents

Can I vote my shares in person at the Annual Meeting?

If you are a stockholder of record as of the record date, you may vote your shares in person at the Annual Meeting. If you are a beneficial owner of shares held in street name as of the record date, you may vote your shares in person at the Annual Meeting only if you obtain a legal proxy from the broker, bank, trustee or other nominee that holds your shares giving you the right to vote the shares at the Annual Meeting. Even if you plan to attend the Annual Meeting, we recommend that you also submit your proxy or voting instructions as described below so that your vote will be counted if you later decide not to attend the Annual Meeting.

How can I vote my shares without attending the Annual Meeting?

Whether you hold shares directly as a stockholder of record or indirectly as a beneficial owner in street name, you may direct how your shares are voted without attending the Annual Meeting.

If you are a stockholder of record, you may vote by submitting a proxy by one of the following methods:

By Internet: Stockholders of record may submit proxies by following the *Vote by Internet* instructions on their proxy cards until 1:00 a.m., Central Time, on June 19, 2012.

By Telephone: Stockholders of record who live in the United States or Canada may submit proxies by following the *Vote by Telephone* instructions on their proxy cards until 1:00 a.m., Central Time, on June 19, 2012.

By Mail: Stockholders of record may submit proxies by completing, signing and dating their proxy cards and mailing them in the accompanying pre-addressed envelopes. Proxy cards submitted by mail must be received by the time of the Annual Meeting in order for your shares to be voted.

If you hold shares beneficially in street name, you may vote by submitting voting instructions to your broker, bank, trustee or other nominee. Most stockholders who hold shares beneficially in street name may vote by Internet or by telephone by accessing the Internet website or by calling the number specified on the voting instruction cards provided by their broker, banks, trustees or other nominees, or by mail by completing, signing and dating the voting instruction cards provided and mailing them in the accompanying pre-addressed envelope. Please refer to the voting instruction card provided by your broker, bank, trustee or other nominee for details.

Can I revoke my proxy and change my vote after I submit my proxy?

If you are a stockholder of record, you may revoke your proxy and change your vote by taking any of the following actions before your shares are voted at the Annual Meeting:

granting a new proxy bearing a later date (which automatically revokes the earlier proxy) using any of the methods described above (and until the applicable deadline for each method);

delivering a written notice of revocation to our Secretary; or

attending the Annual Meeting and voting your shares in person, although attendance at the Annual Meeting will not in and of itself constitute the revocation of a proxy.

For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your broker, bank, trustee or other nominee following the instructions they provided, or, if you have obtained a legal proxy from your broker, bank, trustee or other nominee granting you the right to vote your shares, by attending the Annual Meeting and voting in person.

Table of Contents

How will my shares be voted if I sign and return my proxy card or voting instruction form without specifying how they should be voted?

If you provide specific voting instructions with respect to certain items, your shares will be voted as you specify on such items. If you sign and return your proxy card or voting instruction form without specifying how your shares are to be voted, your shares will be voted as recommended by the Board of Directors. See "How does the Board of Directors recommend that I vote my shares?" above. If you are a beneficial owner and do not return a voting instruction form, your broker, bank, trustee or other nominee may only vote your shares on Proposal 5, the ratification of the appointment of Hein & Associates LLP.

What is the quorum requirement for the Annual Meeting?

The quorum requirement is the minimum number of shares that must be present for us to hold and transact business at the Annual Meeting. For a quorum to exist, the holders of a majority of the shares of common stock outstanding as of the record date must be present in person or represented by proxy at the Annual Meeting. Both abstentions and broker non-votes, as discussed below, are counted as present for the purpose of determining the presence of a quorum.

How are broker non-votes, votes withheld and abstentions treated?

Generally, broker non-votes occur on a proposal when shares held of record by a broker, bank, trustee or other nominee in street name for a beneficial owner are not voted on that proposal because the broker, bank, trustee or nominee has not received voting instructions from the beneficial owner and does not have discretionary authority to vote those shares on that proposal. A broker or other nominee is entitled to vote shares held for a beneficial owner on routine matters, such as the ratification of the independent registered public accounting firm, without instructions from the beneficial owner of those shares. However, a broker is not entitled to vote shares for a beneficial owner on non-routine items absent instructions from the beneficial owner of such shares. Broker non-votes are counted for purposes of determining whether a quorum exists, but are not counted for purposes of determining the number of shares represented and voted with respect to an individual proposal.

We expect that Proposals 1 through 4 the election of directors, the amendment and restatement of our 2008 Stock Incentive Plan, the amendment to our Second Restated Certificate of Incorporation, and the advisory vote on the compensation of our named executive officers will be non-routine matters. So, if you hold your shares in street name and do not instruct your broker, bank, trustee or other nominee how to vote your shares with respect to any of those proposals, then your broker, bank, trustee or other nominee is not permitted to vote your shares on those proposals and your shares will be counted as broker non-votes on those proposals.

Votes withheld and abstentions are deemed present at the Annual Meeting and are counted for purposes of determining whether a quorum exists and for purposes of determining the number of shares represented and voted with respect to an individual proposal.

If you sign your proxy card without specifying your voting instructions on any proposal, then your shares will be voted in accordance with the recommendation of our Board of Directors on such proposal. See "How will my shares be voted if I sign and return my proxy card without specifying how they should be voted?" above.

The effects of broker non-votes, votes withheld and abstentions on the five proposals to be voted on by our stockholders at the Annual Meeting are described in "What vote is required to approve each Proposal" below.

What vote is required to approve each Proposal?

On Proposal 1, the election of three directors, directors are elected by a plurality of the votes cast at the Annual Meeting, meaning that the nominee for Class I and the two nominees for Class III who receive the highest number of FOR votes will be elected as directors in those respective classes. Votes withheld and broker non-votes will have no effect on the outcome of the election of directors.

On Proposal 2, the amendment and restatement of our 2008 Stock Incentive Plan, the affirmative vote of a majority of the shares present, in person or by proxy, at the Annual Meeting and entitled to vote on Proposal 2 is required to approve the amendment and restatement. Abstentions will have the same effect as votes against Proposal 2, while broker non-votes will have no effect on the outcome of Proposal 2.

On Proposal 3, the amendment to our Second Restated Certificate of Incorporation, the affirmative vote of a majority of the shares of our common stock outstanding as of the record date is required to approve the amendment. Abstentions and broker non-votes will have the same effect as votes against Proposal 3.

Table of Contents

On Proposal 4, the advisory vote to approve the compensation of our named executive officers, the affirmative vote of a majority of the shares present, in person or by proxy, at the Annual Meeting and entitled to vote on Proposal 4 is required to approve the compensation of our named executive officers. However, Proposal 4 is advisory and the results of the voting on the compensation of our named executive officers are not binding on us, our Board of Directors or the Compensation Committee, although our Board of Directors and the Compensation Committee will take the voting results on Proposal 4 into consideration when taking future actions on the compensation of our named executive officers. Abstentions will have the same effect as votes against Proposal 4, while broker non-votes will have no effect on the outcome of the advisory vote on Proposal 4.

On Proposal 5, the ratification of the Audit Committee's appointment of Hein & Associates LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012, the affirmative vote of a majority of the shares present, in person or by proxy, at the Annual Meeting and entitled to vote on Proposal 5 is required to ratify the appointment of Hein. Abstentions will have the same effect as votes against Proposal 5, while broker non-votes will have no effect on the outcome of the vote on Proposal 5.

Is cumulative voting permitted for the election of directors?

No, you may not cumulate your votes for the election of directors.

What happens if additional matters are presented at the Annual Meeting?

Other than the five proposals described in this proxy statement, as of the date of this proxy statement we are not aware of any other business to be acted upon at the Annual Meeting. If any additional matters are properly presented for a vote at the Annual Meeting, the persons appointed as proxies in the proxy card will have the discretionary authority to vote or act thereon in accordance with their best judgment.

Who will count the votes?

A representative from Computershare Trust Company, N.A., our transfer agent, will count the votes and serve as the inspector of election at the Annual Meeting.

What should I do if I receive more than one set of proxy materials?

You may receive more than one set of proxy materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards, if your shares are registered in different names or are held in more than one account. Please vote all your shares by voting each proxy card and voting instruction card that you receive.

How can I access the proxy materials and annual report electronically?

The notice of Annual Meeting, this proxy statement and our 2011 Annual Report to Stockholders are available on the Internet at www.edocumentview.com/powr.

Where can I find the voting results for the Annual Meeting?

We will file a Current Report on Form 8-K with the Securities and Exchange Commission within four business days of the Annual Meeting announcing the voting results at the Annual Meeting.

Who pays the costs of this proxy solicitation?

We will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. In addition to the mailing of these proxy materials, we may also solicit proxies in person or by mail, telephone, facsimile, electronic communication or other means of communication by our directors, officers and employees, but we will not provide any additional or special compensation for such soliciting activities. We will request that brokerage houses, banks, nominees, trustees and other custodians forward proxy solicitation materials for shares of common stock held of record by them to the beneficial owners of such shares, and, upon request, we will reimburse those custodians for their reasonable out-of-pocket expenses incurred in forwarding those materials. In addition, we have engaged Georgeson Inc., a professional proxy solicitation firm, to assist us in the solicitation of proxies for an estimated fee of \$12,500, plus customary costs and expenses for those services.

Table of Contents

CORPORATE GOVERNANCE

We believe that solid corporate governance principles and practices provide an important framework to ensure that our company is managed on a sound basis for the long-term benefit of our stockholders. Our Board of Directors periodically reviews its corporate governance policies and practices in light of changes and developments in laws and regulations, including the rules and regulations of the Securities and Exchange Commission and the listing standards of The NASDAQ Stock Market, as well as best practices recommended by recognized authorities.

Corporate Governance Guidelines

Our Board of Directors has adopted a set of Corporate Governance Guidelines, which are intended to formalize the corporate governance practices to which we adhere through our Board of Directors and its committees. Our Board reviews our Corporate Governance Guidelines at least annually, and from time to time may revise our Corporate Governance Guidelines to reflect new laws, regulations, requirements and evolving corporate governance practices. Our Corporate Governance Guidelines are available on the Investor Relations section of our website at www.powersecure.com under Corporate Governance.

Director Independence

Under our Corporate Governance Guidelines and as required by the listing standards of The NASDAQ Stock Market, a majority of the members of our Board of Directors must be independent directors. In order to assist it in determining the independence of our directors, our Board has adopted a formal set of categorical standards, which we refer to as the Standards of Director Independence, based upon and consistent with the definitions of independent directors under applicable law, SEC rules and regulations, including Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act), and the current listing standards of The NASDAQ Stock Market. Under these Standards of Director Independence, a director will only be considered independent if the director is not an executive officer or employee of our company and our Board of Directors affirmatively determines that the director has no relationship which, in the opinion of our Board, would interfere with that director's exercise of independent judgment in carrying out the responsibilities of a director. In making such determination, the Board of Directors considers all relevant facts and circumstances, including any transactions in which we participate and in which any director has any interest. Our Standards of Director Independence are available on the Investor Relations section of our website at www.powersecure.com under Corporate Governance.

The Board of Directors has affirmatively determined and concluded that four of its five current members—Anthony D. Pell, Kevin P. Collins, John A. (Andy) Miller and Thomas J. Madden III, who are the non-management members of our Board—are independent within the meaning and definition of that term under our Standards of Director Independence and the listing requirements of The NASDAQ Stock Market. Accordingly, a majority of the members of the Board of Directors is independent. In addition, our Board has determined that each member of the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Risk Committee is independent. In making its independence determinations, our Board considered that Messrs. Collins, Miller and Madden are not executive officers or employees of our company and have no relationships with us other than as directors and stockholders. Our Board also determined that the relationship of Mr. Pell as our non-executive Chairman of the Board, including the \$15,000 that he is paid by us annually for his services as our Chairman, does not interfere with his exercise of independent judgment as a director. The Board of Directors also determined that W. Kent Geer, who is not currently on the Board but has been nominated to serve as a director, is also independent within the meaning and definition of that term under our Standards of Director Independence and the listing requirements of The NASDAQ Stock Market.

Meetings of the Board of Directors

Our Board of Directors, which consists of five members, meets regularly throughout the year and holds special meetings and acts by unanimous written consent whenever circumstances require. The Board of Directors held a total of 11 meetings during 2011. During 2011, each director attended more than 90% of the total number of meetings of the Board and of the committees of the Board on which he served, and the overall attendance of all directors at all meetings of the Board and committees of the Board exceeded 99%.

Table of Contents

Committees of the Board of Directors

Our Board of Directors has established a standing Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Risk Committee. The membership of each committee and its functions, duties and responsibilities are discussed below. Each committee meets regularly and operates under a written charter that has been adopted by our Board, which periodically reviews these committee charters and amends them as it deems appropriate. These committee charters are available on the Investor Relations section of our website at www.powersecure.com under Corporate Governance. All members of each committee are independent directors.

Audit Committee

Our Board of Directors has established an Audit Committee in accordance with Section 3(a)(58)(A) of the Exchange Act. In 2011, the members of the Audit Committee were Anthony D. Pell (Chairman), Kevin P. Collins, John A. (Andy) Miller and Thomas J. Madden III. The Board of Directors has determined that each member of the Audit Committee is independent under our Standards of Director Independence, under the current listing standards of The NASDAQ Stock Market applicable to members of an audit committee, and under Rule 10A-3 under the Exchange Act. The Board of Directors has also determined that each member of the Audit Committee is able to read and understand fundamental financial statements and qualifies as an audit committee financial expert, as that term is defined in Item 407(d) of Regulation S-K under the Exchange Act. The Audit Committee met seven times during 2011.

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight and monitoring responsibilities relating to:

the quality and integrity of our financial statements;

the quality and integrity of our auditing, accounting and financial reporting processes generally;

our system of internal control over financial reporting and disclosure controls and procedures;

our independent registered public accounting firm, including its engagement, compensation, qualifications, independence and performance; and

our compliance with legal and regulatory requirements.

The Audit Committee's duties and responsibilities include:

reviewing and discussing with management and our independent registered public accounting firm our annual audited and quarterly unaudited consolidated financial statements;

determining whether to recommend to the Board of Directors that our annual consolidated financial statements be included in our Annual Report on Form 10-K;

reviewing with management any earnings announcements or guidance forecasts and other announcements regarding our historical or projected results of operations;

appointing and, when appropriate, terminating our independent registered public accounting firm;

Edgar Filing: POWERSECURE INTERNATIONAL, INC. - Form DEF 14A

reviewing and pre-approving the nature, scope and fee arrangements of the annual audit and non-audit services of our independent registered public accounting firm;

reviewing the independence of our independent registered public accounting firm;

reviewing the scope and the results of the annual audit of our consolidated financial statements by our independent registered public accounting firm;

reviewing and discussing with management, our internal accountants and our independent registered public accounting firm our accounting and financial reporting practices and procedures and the adequacy and effectiveness of our system of internal controls;

preparing the annual Audit Committee report required by the rules of the SEC to be included in our proxy statement for our annual meetings of stockholders;

reviewing any transaction that involves a potential conflict of interest or a related person;

adopting procedures for the receipt, retention and treatment of employee concerns and complaints regarding accounting, internal controls or auditing matters; and

providing other assistance to the Board of Directors, as requested, with respect to our financial, accounting and reporting practices.

Table of Contents

The Audit Committee performs its functions and responsibilities under a written charter adopted by the Board of Directors. A copy of the Audit Committee Charter, as amended and restated by the Board of Directors on April 6, 2009, is available on the Investor Relations section of our website at www.powersecure.com under Corporate Governance. The Audit Committee Report is on page 75 of this proxy statement.

Compensation Committee

Our Board of Directors has established a Compensation Committee. During 2011, the members of the Compensation Committee were John A. (Andy) Miller (Chairman), Anthony D. Pell, Kevin P. Collins and Thomas J. Madden III. The Board of Directors has determined that each member of the Compensation Committee is independent under our Standards of Director Independence and under the current listing standards of The NASDAQ Stock Market. In addition, each member of the Compensation Committee meets the definition of a non-employee director under Section 16b-3 of the Exchange Act, and of an outside director under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). The Compensation Committee met 12 times during 2011.

The primary purposes of the Compensation Committee are to review and approve the compensation of our executive officers and to oversee our compensation plans and policies generally. The Compensation Committee's duties and responsibilities include:

reviewing and approving the compensation of our executive officers, including our Chief Executive Officer;

approving employment agreements for executive officers;

reviewing and approving the compensation of directors;

assisting the Board of Directors in administering and recommending changes to our stock and incentive compensation plans and programs;

reviewing and discussing with management the annual Compensation Discussion and Analysis disclosure regarding named executive officer compensation and, based on its review and discussion, recommending whether we include it in our proxy statement for our annual meeting of stockholders; and

preparing the annual Compensation Committee report required by the rules of the SEC to be included in our proxy statement for our annual meeting of stockholders.

The Compensation Committee does not generally delegate any of its authority to other persons, although it has the power to delegate authority to subcommittees and officers and it has recently commenced a practice of authorizing the Chief Executive Officer to grant a limited number of awards to non-executive employees under conditions prescribed by the Compensation Committee. The Compensation Committee has authority under its charter to retain, approve fees for and terminate independent experts, consultants and advisors as it deems necessary to assist in the fulfillment of its responsibilities.

Since 2007, the Compensation Committee has engaged the services of an independent compensation consultant, Frederic W. Cook & Co. (Cook), to assist it in reviewing and designing the compensation program and policies for our named executive officers and for our non-employee directors. The Compensation Committee typically invites Cook to attend meetings where compensation actions are to be discussed and Cook's advice and analysis is expected to be sought. Cook provides the Compensation Committee with advice and reviews management recommendations on executive compensation as appropriate and as requested by the Compensation Committee. Cook from time to time communicates with the Compensation Committee's Chairman outside of Compensation Committee meetings. Cook has not provided any services to us or received any fees from us other than for compensation consulting services rendered to the Compensation Committee. In addition, Cook was selected by and reports directly to the Compensation Committee and not to management. Accordingly, the Compensation Committee believes that Cook is able to provide it with independent advice.

Table of Contents

While the Compensation Committee gives significant weight to the recommendations of our Chief Executive Officer and of Cook, the Compensation Committee is responsible for making the final decisions on executive compensation matters and exercises its discretion and authority in approving, modifying or rejecting these recommendations. Additional information regarding the Compensation Committee's processes and procedures for considering and determining executive officer compensation are contained in the Compensation Discussion and Analysis included below under Executive Compensation.

The Compensation Committee performs its functions and responsibilities under a written charter adopted by the Board of Directors. A copy of the Compensation Committee Charter, as amended and restated by the Board of Directors on April 3, 2012, is available on the Investor Relations section of our website at www.powersecure.com under Corporate Governance. The Compensation Committee Report is on page 58 of this proxy statement.

Nominating and Corporate Governance Committee

The Board of Directors has established a Nominating and Corporate Governance Committee. During 2011, the members of the Nominating and Corporate Governance Committee were Kevin P. Collins (Chairman), Anthony D. Pell, John A. (Andy) Miller and Thomas J. Madden III. The Board of Directors has determined that each member of the Nominating and Corporate Governance Committee is independent under our Standards of Director Independence and under the current listing standards of The NASDAQ Stock Market. The Nominating and Corporate Governance Committee met four times during 2011.

The principal duties of the Nominating and Corporate Governance Committee are:

identifying individuals qualified to become members of the Board of Directors;

recommending qualified individuals for nomination to the Board of Directors;

assessing and advising the Board of Directors with respect to its composition, procedures and committees; and

reviewing and evaluating our Corporate Governance Guidelines and principles and recommending to the Board of Directors any changes that it deems necessary.

Other specific duties and responsibilities of the Nominating and Corporate Governance Committee include:

developing and applying qualifications for Board membership;

monitoring, and recommending to the Board, committee functions;

recommending Board committee assignments;

overseeing our Board of Directors performance and self-evaluation process; and

reviewing governance-related stockholder proposals and recommending Board responses.

The Nominating and Corporate Governance Committee unanimously recommended the nominees standing for election at the Annual Meeting, which recommendation was unanimously approved by the Board of Directors.

Edgar Filing: POWERSECURE INTERNATIONAL, INC. - Form DEF 14A

The Nominating and Corporate Governance Committee performs its functions and responsibilities under a written charter adopted by the Board of Directors. A copy of the Nominating and Corporate Governance Committee Charter, as amended and restated by the Board of Directors on April 6, 2009, is available on the Investor Relations section of our website at www.powersecure.com under Corporate Governance.

Risk Committee

The Board of Directors has established a Risk Committee. In 2011, the members of the Risk Committee were Thomas J. Madden III (Chairman), Anthony D. Pell, Kevin P. Collins and John A. (Andy) Miller. The Board of Directors has determined that each member of the Risk Committee is independent under our Standards of Director Independence and under the current listing standards of The NASDAQ Stock Market. The Risk Committee met two times during 2011.

Table of Contents

The principal duties of the Risk Committee are:

assessing, and providing oversight to management regarding the identification and evaluation of, major financial, business, strategic, operational, contractual, regulatory, information and external risks inherent in our business and operations and the control processes with respect to such risks;

overseeing our risk management, compliance and control activities;

overseeing the integrity of our systems of operational controls regarding legal and regulatory compliance; and

overseeing our compliance with legal and regulatory requirements, including, without limitation, with respect to the conduct of our business.

The Risk Committee performs its functions and responsibilities under a written charter adopted by the Board of Directors. A copy of the Risk Committee Charter, as adopted by the B