

POWERSECURE INTERNATIONAL, INC.

Form DEF 14A

April 25, 2008

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**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.

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3) Filing Party: _____

4) Date Filed: _____

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**Powersecure International, Inc.
1609 Heritage Commerce Court
Wake Forest, North Carolina 27587**

**NOTICE OF 2008 ANNUAL MEETING OF STOCKHOLDERS
To Be Held June 9, 2008**

To Our Stockholders:

The Annual Meeting of Stockholders of **POWERSECURE INTERNATIONAL, INC.** will be held at the Hampton Inn Hotel, 1904 South Horner Boulevard, Sanford, North Carolina, on Monday, June 9, 2008 at 9:00 a.m., local time, for the following purposes:

1. To elect two directors, each to serve for a term of three years and until his successor is duly elected and qualified;
2. To approve the PowerSecure International, Inc. 2008 Stock Incentive Plan;
3. To ratify the appointment of Hein & Associates LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008; and
4. To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

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

Only stockholders of record as of the close of business on April 15, 2008 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 25, 2008

YOUR VOTE IS IMPORTANT

All stockholders are cordially invited to attend the Annual Meeting in person. However, whether or not you plan to attend, it is important that your shares be represented and voted at the Annual Meeting. You are requested to sign and date the enclosed proxy card and return it promptly in the enclosed, self-addressed stamped envelope, which requires no postage if mailed in the United States, or to submit your proxy by using the telephone or the Internet. For specific instructions on how to vote your shares, please refer to the section entitled Questions and Answers About the Proxy Materials and the Annual Meeting beginning on page 1 of the proxy statement and the instructions on the proxy card. If you attend the Annual Meeting and so desire, you may revoke your proxy and vote your shares in person.

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**POWERSECURE INTERNATIONAL, INC.
1609 Heritage Commerce Court
Wake Forest, North Carolina 27587**

**PROXY STATEMENT
For The
2008 Annual Meeting of Stockholders
To Be Held June 9, 2008**

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

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 2008 Annual Meeting of Stockholders (the Annual Meeting), which will take place at the Hampton Inn Hotel, 1904 South Horner Boulevard, Sanford, North Carolina, on Monday, June 9, 2008 at 9:00 a.m., local time. As a stockholder, 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 25, 2008.

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 most highly compensated executive officers, and certain other required information. Our 2007 Annual Report to Stockholders, notice of the Annual Meeting and a proxy card are also enclosed.

What proposals will be voted on at the Annual Meeting?

Three proposals will be voted on at the Annual Meeting:

the election of two directors, each to serve for a term of three years and until his successor is duly elected and qualified;

the approval of the PowerSecure International, Inc. 2008 Stock Incentive Plan; and

the ratification of the appointment of Hein & Associates LLP as our independent registered public accounting firm for the 2008 fiscal year.

We will also consider any other business that properly comes before the Annual Meeting, although we are not aware of any other business as of the date of this proxy statement.

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 of the two nominees to the board of directors;

FOR the adoption of the PowerSecure International, Inc. 2008 Stock Incentive Plan; and

FOR the ratification of the appointment of Hein & Associates LLP as our independent registered public accounting firm for the 2008 fiscal year.

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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 15, 2008, which is the record date for the Annual Meeting, is entitled to vote at the Annual Meeting. You may vote all shares owned by you as of the record date, including (1) shares that are held directly in your name as the stockholder of record, and (2) shares that are held for you as the beneficial owner in street name through a broker, bank, trustee or other nominee. You may cast one vote for each share of common stock that you held on the record date. On the record date, 16,908,165 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. 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. 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?

If your shares are held in the name of a broker, bank, trustee or other nominee 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. As the beneficial owner, you have the right to direct the broker 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 or other nominee that holds your shares giving you the right to vote the shares at the Annual Meeting. Your broker or other nominee has enclosed or provided voting instructions for you to use in directing your broker or other nominee how to vote your shares.

Can I attend the Annual Meeting?

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.

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 or other nominee that holds your shares giving you the right to vote the shares at the Annual Meeting.

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

Whether you hold shares directly as the stockholder of record or 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 methods described below. Proxy cards 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 or other nominee. For directions on how to vote, please refer to the instructions below and those included on your proxy card or, for shares held beneficially in street name, the voting instruction card provided by your broker or other nominee.

By Internet Stockholders of record with Internet access may submit proxies by following the Vote by Internet instructions on their proxy cards until 1:00 a.m., Central Time, on June 9, 2008. Most stockholders who hold shares beneficially in street name may vote by accessing the web site specified on the voting instruction cards provided by their brokers or other nominees. Please check the voting instruction card for Internet voting availability.

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 9, 2008. Most stockholders who hold shares beneficially in street name and live in the United States or Canada may vote by telephone by calling the number specified on the voting instruction cards provided by their brokers or other nominees. Please check the voting instruction card for telephone voting availability.

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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. Stockholders who hold shares beneficially in street name may vote by mail by completing, signing and dating the voting instruction cards provided by their brokers or other nominees and mailing them in the accompanying pre-addressed envelopes.

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

You may revoke or 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 or other nominee following the instructions they provided, or, if you have obtained a legal proxy from your broker or other nominee granting you the right to vote your shares, by attending the Annual Meeting and voting in person.

How will my shares be voted if I do not specify how they should be voted?

If you provide specific voting instructions, your shares will be voted as you specify. If you sign and return your proxy card at or prior to the Annual Meeting without specifying how your shares are to be voted, your shares will be voted as follows:

FOR the election of the two nominees to the board of directors;

FOR the approval of the PowerSecure International, Inc. 2008 Stock Incentive Plan; and

FOR the ratification of the appointment of Hein & Associates LLP as our independent registered public accounting firm for the 2008 fiscal year.

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 matter when shares held of record by a broker or other nominee in street name for a beneficial owner are not voted on that matter because the broker or nominee has not received voting instructions from the beneficial owner and does not have discretionary authority to vote those shares on that matter. A broker or other nominee is entitled to vote shares held for a beneficial owner on routine matters, such as the election of directors and the ratification of the independent registered public accounting firm, without instructions from the beneficial owner of those shares. However, a broker may not be entitled to vote shares for a beneficial owner on certain non-routine items, such as the approval of a stock plan, absent instructions from the beneficial owner of such shares. Broker non-votes count for the purposes of determining whether a quorum exists but do not count as entitled to vote with respect to an individual proposal and thus have no effect on the outcome of any matter.

Votes withheld and abstentions are deemed present at the Annual Meeting and are counted for the purposes of determining whether a quorum exists. Votes withheld will have no effect on the outcome of the election of directors. Abstentions on a matter will have the same effect as a vote against that matter.

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What vote is required to approve each proposal?

The directors will be elected by a plurality of the votes cast at the Annual Meeting, meaning that the two nominees for director that receive the highest number of FOR votes will be elected.

The proposal to approve our 2008 Stock Incentive Plan and the proposal to ratify the appointment of Hein & Associates LLP as our independent registered public accounting firm for the 2008 fiscal year each requires the affirmative vote of a majority of the shares present, in person or by proxy, at the Annual Meeting and entitled to vote on that proposal.

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

Other than the three 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 voting materials?

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

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 soliciting organization, to assist us in the solicitation of proxies for an estimated fee of \$12,500, plus reimbursement for customary costs and expenses for those services. We have agreed to indemnify Georgeson Inc. against certain liabilities arising out of or in connection with its agreement to assist us in the solicitation of proxies.

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CORPORATE GOVERNANCE

We have long believed that good corporate governance principles and practices provide an important framework to ensure that our company is managed for the long-term benefit of our stockholders. Our board of directors continually reviews its corporate governance practices in light of changes and developments in laws and regulations, including the Sarbanes-Oxley Act of 2002, 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 committees of the board. 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. 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, which are based upon and fully comply with the definitions of independent directors under applicable law, SEC rules and regulations (including Rule 10A-3 under the Securities Exchange Act of 1934) 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 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 his responsibilities as a director. In making such determinations, 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.

Based upon these Standards of Director Independence, the board of directors has affirmatively determined that Basil M. Briggs, Anthony D. Pell, Kevin P. Collins and John A. (Andy) Miller, who are the non-management members of our board, are independent. Accordingly, a majority of the members of the board of directors is independent. In addition, our board has determined that each of the members of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee is independent.

In making its independence determinations, our board determined that Messrs. Pell and Collins have no relationships with us other than as directors and stockholders. Our board also determined that the relationship of Mr. Briggs as our non-executive Chairman of the Board and the related fee of \$25,000 that we pay him for that role does not interfere with his exercise of independent judgment as a director. In addition, our board determined that the payment of less than \$100,000 in consulting fees to Mr. Miller during fiscal 2007 for his services as our consultant on investor relations matters, which services and payments ended during 2007, also do not interfere with his exercise of independent judgment as a director. Accordingly, our board has affirmatively concluded and determined that Messrs. Briggs, Pell, Collins and Miller are all 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 meets regularly throughout the year and holds special meetings and acts by unanimous written consent whenever circumstances require. In 2007, our board of directors consisted of five members until June 2007, when our founders, W. Phillip Marcum, our former President Chief Executive Officer, and A. Bradley Gabbard, our former Vice President and Chief Financial Officer, resigned their board positions in connection with their retirements, and Sidney Hinton, our current President and Chief Executive Officer, was elected to the board by our stockholders. Our board then consisted of four members until September 2007, when our board appointed John A. (Andy) Miller to serve as a director. Since then, our board of directors has consisted of five members.

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The board of directors held a total of 15 meetings during 2007. During 2007, each director attended more than 98% of the total number of meetings of the board and of the committees of the board on which he served, and the average attendance of all directors at all board and committee meetings during 2007 exceeded 99%.

Committees of the Board of Directors

Our board of directors has established a standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. The membership of each committee and its functions, duties and responsibilities are discussed below. Each committee operates under a formal written charter that was 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.

Audit Committee

Our board of directors has established an Audit Committee in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are Anthony D. Pell (Chairman), Basil M. Briggs and Kevin P. Collins. 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 nine times during 2007.

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

the integrity of our financial statements;

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;

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;

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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 Meeting 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.

The Audit Committee performs its functions and responsibilities under a formal 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 15, 2008, is available on the Investor Relations section of our website at www.powersecure.com under Corporate Governance. The Audit Committee Report is on page 58 of this proxy statement.

Compensation Committee

The board of directors has established a Compensation Committee. During 2007, the members of the Compensation Committee were Basil M. Briggs (Chairman), Anthony D. Pell and Kevin P. Collins. In January 2008, John A. (Andy) Miller joined the Compensation Committee and replaced Mr. Briggs as its Chairman. 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. The Compensation Committee met 31 times during 2007.

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 this 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.

In addition to the duties and responsibilities listed above, the Compensation Committee was also appointed by the board to serve as, and to have the duties and authority of, a management transition committee, in connection with our management transition and corporate reorganization during 2007.

The Compensation Committee does not generally delegate any of its authority to other persons, although it has the power to delegate authority to subcommittees. The Compensation Committee relies upon our executive officers and other management employees in order to assist the Compensation Committee in performing its duties. 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. The Compensation Committee

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engaged the services of a compensation consultant, Frederic W. Cook & Co., to assist it in reviewing the compensation package of Mr. Hinton, in light of the board's appointment of Mr. Hinton as our new President and Chief Executive Officer, and the compensation of our non-employee directors. In addition, the Compensation Committee is considering utilizing Frederic W. Cook & Co. to assist it in evaluating our executive compensation programs generally and establishing the compensation of executives in the future. 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 in Executive Compensation.

The Compensation Committee performs its functions and responsibilities under a formal 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 January 18, 2007, is available on the Investor Relations section of our website at www.powersecure.com under Corporate Governance. The Compensation Committee Report is on page 38 of this proxy statement.

Nominating and Corporate Governance Committee

The board of directors has established a Nominating and Corporate Governance Committee. The members of the Nominating and Corporate Governance Committee are Kevin P. Collins (Chairman), Basil M. Briggs and Anthony D. Pell. 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 2007.

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 size, 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 re-election at the Annual Meeting, which recommendation was unanimously approved by the board of directors.

The Nominating and Corporate Governance Committee performs its functions and responsibilities under a formal 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 25, 2005, is available on the Investor Relations section of our website at www.powersecure.com under Corporate Governance.

Non-Executive Chairman

In June 2007, in connection with our management transition and upon the resignation of Mr. Marcum from his office as Chairman of the Board, our board of directors appointed independent director Basil M. Briggs to serve as our non-executive Chairman of the Board. In that capacity, Mr. Briggs also serves as our lead independent director. In April 2007,

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upon the retirement and resignation of Mr. Marcum from his offices as President and Chief Executive Officer, the board appointed Sidney Hinton to serve as our President and Chief Executive Officer. The board of directors has not adopted any formal policy on splitting the roles of Chairman and Chief Executive Officer, and will continue to evaluate the appropriate leadership structure of our company from time to time in the future.

Executive Sessions

Executive sessions of independent directors, without any management directors or other members of management being present, are held at least twice a year, and more often if such directors deem appropriate. The sessions are scheduled and chaired by our non-executive Chairman of the Board. Any independent director can request that additional executive sessions be scheduled.

Director Attendance at Annual Meetings of Stockholders

The board of directors expects all directors to attend each Annual Meeting of Stockholders, except where the failure to attend is due to unavoidable or unforeseeable circumstances. All members of the board of directors attended the 2007 Annual Meeting of Stockholders.

Nominations of Directors

Identifying and Evaluating Nominees for Director

The Nominating and Corporate Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director. In selecting candidates for nomination at an Annual Meeting of our stockholders, the Nominating and Corporate Governance Committee begins by determining whether the incumbent directors whose terms expire at that meeting desire and are qualified to continue their service on the board. The Nominating and Corporate Governance Committee believes that the continuing service of qualified incumbents promotes stability and continuity in the boardroom, giving us the benefit of the familiarity and insight into our affairs that our directors have accumulated during their tenure, while contributing to the board's ability to work as a collective body. Accordingly, it is the policy of the Nominating and Corporate Governance Committee, absent special circumstances, to nominate qualified incumbent directors who continue to satisfy the criteria for membership on the board, and who the Nominating and Corporate Governance Committee believes will continue to make important contributions to the board.

If there are board positions for which the Nominating and Corporate Governance Committee will not be re-nominating a qualified incumbent, the Nominating and Corporate Governance Committee will consider recommendations for director nominees from a wide variety of sources, including board members, management, business contacts, professional search firms, stockholders and other appropriate sources. In evaluating such recommendations, the Nominating and Corporate Governance Committee seeks to achieve a balance of knowledge, experience and capability on the board of directors and to address the criteria for membership set forth below under

Qualifications of Nominees for Director. Candidates recommended by the Nominating and Corporate Governance Committee are subject to approval by the board of directors. The two nominees for election to the board of directors at the Annual Meeting were unanimously recommended by the Nominating and Corporate Governance Committee and unanimously nominated by the full board, based on their qualifications and their prior experience with us. Mr. Collins has served on our board since 2000, and Mr. Miller has served on our board since he was appointed by our board of directors in September 2007 to fill a vacancy on the board.

Qualifications of Nominees for Director

The Nominating and Corporate Governance Committee is responsible for reviewing with the board of directors the requisite skills and characteristics of new board candidates in the context of the current composition of the board, our operating requirements and the long-term interests of our stockholders. While the Nominating and Corporate Governance Committee has not established specific requirements regarding age, education or years of experience or specific types of skills for potential candidates, it has established certain criteria and qualifications that candidates for membership on the board of directors must possess. Except in limited and exceptional circumstances, each candidate to serve on the board of directors should have the following qualifications:

A reputation for high personal and professional integrity, strong moral character and adherence to our high ethical standards and the values.

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The absence of any conflict of interest (whether due to a business or personal relationship) or legal impediment to, or restriction on, the nominee serving as a director, and no other interests that would materially impair the candidate's ability to (i) exercise independent judgment, or (ii) otherwise discharge the fiduciary duties owed as a director to us and our stockholders.

Holds or has held a recognized position of leadership in his community or the candidate's field of endeavor, and has demonstrated high levels of achievement in the candidate's community or field.

Business acumen and experience, inquisitiveness, strong analytical skills and the ability to exercise sound business judgment and common sense in matters that relate to our current and long-term objectives.

A general level of expertise and experience in our business areas.

The ability to read and understand basic financial statements and other financial information pertaining to us.

A commitment to understanding our company and our business, industry and strategic objectives.

The availability and a commitment to devote adequate time to the board and its committees and the ability to generally fulfill all responsibilities as a member of our board of directors, including to regularly attend and participate in meetings of the board, board committees and stockholders, in light of the number of other company boards on which the candidate serves and his other personal and professional commitments.

The willingness and ability to represent fairly and to act in the interests of all of our stockholders rather than the interests of any particular stockholder, special interest group or other constituency.

For prospective non-employee directors, independence under SEC and applicable stock exchange rules and regulations.

The willingness to accept the nomination to serve as a member of our board of directors.

The Nominating and Corporate Governance Committee will also consider the following additional factors in connection with its evaluation of each prospective nominee:

Whether the prospective nominee will foster a diversity of skills, experiences and backgrounds on the board.

Whether the prospective nominee possesses the requisite education, training and experience to qualify as financially literate or as an audit committee financial expert under applicable SEC and stock exchange rules.

For incumbent directors standing for re-election, the incumbent director's performance during his term, including the number of meetings attended, the level of participation, and overall contribution to us.

The composition of the board and whether the prospective nominee will add to or complement the board's existing strengths.

From time to time the Nominating and Corporate Governance Committee may identify certain other skills or attributes as being particularly desirable to help meet specific board needs that have arisen.

Nominations by Stockholders

The policy of the Nominating and Corporate Governance Committee is to consider properly submitted written nominations from stockholders for nominees for director. In general, persons properly recommended by stockholders as nominees for director are evaluated on the same basis as candidates recommended by other sources. Any such nominations made by stockholders must be submitted in compliance with the requirements for stockholder nominations set forth in our by-laws, which requirements are summarized at the end of this proxy statement under Stockholder Proposals, and should include the following:

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The name and address of the stockholder making the nomination and the number of shares of our common stock which are owned beneficially and of record by such stockholder;

The nominee's name, age, address, number of shares of common stock owned beneficially and of record, principal occupation, employment, background, experience, education and qualifications for board membership;

A description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; and

All other information relating to such nominee that is required to be disclosed pursuant to Regulation 14A under the Exchange Act (including such person's written consent to be named in the proxy statement as a nominee and to serving as a director if elected).

Nominations by stockholders for director candidates must be addressed to:

PowerSecure International, Inc.
1609 Heritage Commerce Court
Wake Forest, North Carolina 27587
Attn: Chief Financial Officer

Communications with the Board of Directors

Any stockholder who wishes to communicate directly with the board of directors, any committee of the board or any specific director may do so by directing a written request addressed to such director or directors in care of our Chief Financial Officer at our principal executive offices at the address listed above. Communications directed to members of the board will be forwarded to the intended board members, unless such communication is deemed unduly hostile, threatening, illegal or otherwise unnecessary or inappropriate to forward, in which case our Chief Financial Officer has the authority to discard the communication or to take appropriate action regarding such communication.

Codes of Ethics

We have adopted two codes of ethics, each designed to encourage our directors, officers and employees to act with the highest level of integrity. These codes are available on the Investor Relations section of our website at www.powersecure.com under Corporate Governance.

We have adopted the PowerSecure International, Inc. Code of Ethics for Principal Executive Officer and Senior Financial Officers, which is a code of ethics that applies to our Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer and other senior finance organization employees. The purpose of this Code of Ethics is to deter wrongdoing and to promote, among other things, honest and ethical conduct and to ensure to the greatest possible extent that our business is conducted in a consistently legal and ethical manner.

We have also adopted the PowerSecure International, Inc. Code of Business Conduct and Ethics, which is a code of conduct that applies to all of our directors, officers and employees. Under the Code of Business Conduct and Ethics, each officer, director and employee is required to maintain a commitment to high standards of business conduct and ethics. The Code of Business Conduct and Ethics covers many areas of professional conduct, including conflicts of interest, protection of confidential information, and strict adherence to laws and regulations applicable to the conduct of our business. Directors, officers and employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Code of Business Conduct and Ethics.

If we make any amendment to, or grant any waiver from a provision of, either code of conduct with respect to any director, executive officer or senior financial officer, we will disclose the nature of such amendment or waiver on our website, in a Current Report on Form 8-K or both.

We also have adopted procedures to receive, retain and treat complaints regarding accounting practices, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by employees customers, suppliers, stockholders and other interested persons of concerns regarding those matters.

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Availability of Corporate Governance Documents

Our Corporate Governance Guidelines, board committee charters and codes of ethics are available on the Investor Relations section of our website at www.powersecure.com under Corporate Governance. In addition, we will provide a copy of any of these corporate governance documents without charge upon written request addressed to us at PowerSecure International, Inc., 1609 Heritage Commerce Court, Wake Forest, North Carolina 27587, attention: Chief Financial Officer.

Compensation Committee Interlocks and Insider Participation

All members of the Compensation Committee are independent directors. No member of the Compensation Committee is or has ever been an officer or employee of us or of any of our subsidiaries, and no member has any relationship required to be disclosed pursuant to Item 404 of Regulation S-K. None of our executive officers serves as a member of the board of directors or of the compensation committee of any other entity that has one or more executive officers serving as a member of our board of directors or of the Compensation Committee.

Access to Management and Outside Advisors

Our directors have full and unrestricted access to our management and employees. Additionally, from time to time key members of management attend board meetings to present information about the results, plans and operations of the business within their areas of responsibility. Our board and each of its committees may retain outside advisors and consultants of their choosing at our expense, without the consent or approval of management.

Stock Ownership Guidelines

Upon recommendation of the Compensation Committee, our board has recently adopted formal stock ownership guidelines for our directors, officers and other key executives. These stock ownership guidelines are discussed below in this proxy statement under Executive Compensation Compensation Discussion and Analysis Stock Ownership Guidelines. We believe these guidelines are consistent with our culture, which encourages an equity interest in our company, and will help in aligning the interests of our directors, officers and other key executives with our stockholders.

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**PROPOSAL NO. 1
ELECTION OF DIRECTORS**

Our board of directors currently consists of five members. The board is divided into three classes, designated as Class I, Class II and Class III, and members of each class serve staggered three year terms. The number of directors in each class is fixed to be as equal as possible, depending on the total number of members of the board. Each director serves in office until the expiration of his term and until his successor is duly elected and qualified, or until his earlier death, resignation or removal.

The term of the Class II directors expires at the Annual Meeting. Accordingly, two Class II directors will be elected at the Annual Meeting, each to serve for a term of three years and until his successor is duly elected and qualified. Upon the unanimous recommendation of the Nominating and Corporate Governance Committee, the board of directors has nominated **Kevin P. Collins**, who has served on our board since 2000, and **John A. (Andy) Miller**, who was appointed by our board in September 2007 to fill a vacancy, to be re-elected as Class II directors. All other current members of our board of directors will continue in office until the expiration of their respective terms, as indicated below, and until their respective successors are duly elected and qualified.

Each of the nominees has agreed to serve if elected. The board has no reason to believe that any of the nominees will be unable to serve. However, if a nominee should become unexpectedly unable to serve as a director, then the persons appointed as proxies in the accompanying proxy card intend to vote for such other nominee as the board of directors may designate, upon the recommendation of the Nominating and Corporate Governance Committee, unless the number of directors is reduced by the board of directors.

Nominees

Class II Term Expires in 2011

Kevin P. Collins, 57, has served on our board of directors since March 2000. Mr. Collins has been a Managing Member of The Old Hill Company LLC, which provides corporate financial and advisory services, since 1997. From 1992 to 1997, he served as a principal of JHP Enterprises, Ltd., and from 1985 to 1992 he served as Senior Vice President of DG Investment Bank, Ltd., both of which were engaged in providing corporate finance and advisory services. Mr. Collins also serves as a director of Key Energy Services, Inc., an oilfield service provider; The Penn Traffic Company, a food retailer; and Mail Contractors of America Inc., a trucking company.

John A. (Andy) Miller, 65, has served on our board of directors since September 2007. Mr. Miller is the founder, chairman and CEO of Miller Consulting Group, Boston, Massachusetts, a corporate and market positioning firm specializing in the information technology and financial services sectors. In 1977, he founded Miller Communications, one of the first firms to specialize in public relations for the IT industry. Prior to founding Miller Communications, Mr. Miller served in various capacities at Little, Brown & Co. and the Associated Press, and as Associate Editor of *The Harvard Business Review*. He currently serves on the Advisory Boards of Internet Capital Group, Azima, Cecropia, iMotions, Cymtec and Helium, Inc. and is a member of Common Angels, a venture group comprised of select technology and business leaders investing in emerging technologies and promising start-ups. He has also served as Adjunct Member of the Governor's Committee on Telecom Policy for the State of Massachusetts, known as Mass Telecom, an early member of the Massachusetts Software Council, and Trustee of the Computer Museum.

Continuing Directors

Class I Term Expires in 2010

Sidney Hinton, 45, has served as our President and Chief Executive Officer since April 16, 2007, and has served as the President, Chief Executive Officer and a director of our PowerSecure subsidiary since its incorporation in September 2000. Mr. Hinton also serves as the Chairman and Chief Executive Officer of each of PowerSecure's subsidiaries. In 2000, he was an Executive-in-Residence with Carousel Capital, a private equity firm. In 1999, he was the Vice President of Market Planning and Research for Carolina Power & Light (now known as Progress Energy). From August 1997 until December 1998, Mr. Hinton was the President and Chief Executive Officer of IllumElex Lighting Company, a national lighting company. From 1982 until 1997, Mr. Hinton was employed in several positions with Southern Company and Georgia Power Company.

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Basil M. Briggs, 72, has served on our board of directors since June 1991 and has been appointed to serve as our non-executive Chairman commencing at the Annual Meeting. Mr. Briggs has been an attorney in the Detroit, Michigan area since 1961, practicing law with Giarmarco, Mullins & Horton, P.C., since January 1997. He was of counsel with Miro, Weiner & Kramer, P.C., from 1987 through 1996, and the President of Briggs & Williams, P.C., Attorneys at Law, from its formation in 1977 through 1986. Mr. Briggs was the Secretary of Patrick Petroleum Company, an oil and gas company, from 1984, and a director of Patrick Petroleum from 1970, until Patrick Petroleum was acquired by Goodrich Petroleum Company, an oil and gas company, in August 1995. From August 1995 until June 2000, he served as a director of Goodrich Petroleum.

Class III Term Expires in 2009

Anthony D. Pell, 69, has served on our board of directors since June 1994. Mr. Pell is the President, Chief Executive Officer and a co-owner of Pelican Investment Management, an investor advisory firm that he co-founded in November 2001. He was the President and a co-owner of Pell, Rudman & Co., an investment advisory firm, from 1981 until 1993, when it was acquired by United Asset Management Company, and he continued to serve as an employee until June 1995. Mr. Pell was a director of Metrotek, Incorporated until it was acquired by us in March 1994. He was associated with the law firm of Coudert Brothers from 1966 to 1968 and with the law firm of Cadwalder, Wickersham and Taft from 1968 to 1972, specializing in estate and tax planning. In 1972, Mr. Pell joined Boston Company Financial Strategies, Inc. as a Vice President and was appointed a Senior Vice President in 1975.

Vote Required

The two nominees receiving the highest number of affirmative FOR votes cast by the holders of the shares of our common stock present, in person or by proxy, and entitled to vote at the Annual Meeting will be elected as directors.

Recommendation

Our board of directors recommends that stockholders vote FOR the election to the board of directors of each of the Nominees listed above. Proxy cards properly signed and returned to us at or prior to the Annual Meeting will be voted FOR the election of the Nominees listed above, unless contrary instructions are specified.

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**PROPOSAL NO. 2
APPROVAL OF THE
POWERSECURE INTERNATIONAL, INC. 2008 STOCK INCENTIVE PLAN**

At the Annual Meeting, our stockholders will be asked to approve the PowerSecure International, Inc. 2008 Stock Incentive Plan, which we refer to as the 2008 Plan. In April 2008, the Compensation Committee recommended, and our board unanimously adopted, the 2008 Plan, subject to stockholder approval.

The 2008 Plan is intended to succeed and replace the PowerSecure International, Inc. 1998 Stock Incentive Plan, as amended and restated, which we refer to as the 1998 Plan. The 1998 Plan, under which only 43,283 shares of common stock remain available for issuance as of the date of this proxy statement, expires on June 12, 2008, and no shares are available for issuance under the 1998 Plan after that date. Thus, whether or not the 2008 Plan is approved by our stockholders, no awards can be made under the 1998 Plan after June 12, 2008. Moreover, we will not issue any of the 43,283 shares remaining under the 1998 Plan unless the 2008 Plan is not approved by our stockholders.

The Compensation Committee and the board of directors believe that in order to successfully attract, retain, reward and motivate the best available officers, directors, employees, advisors and consultants, we must continue to provide them with an equity interest in our company in order to align their interest with those of our stockholders and to provide such persons with incentives to pursue the long-term growth, profitability and financial success of our company and to increase stockholder value. A stock incentive plan, providing for stock-based awards, is a critical part of our overall compensation program. Because our only current stock plan, the 1998 Plan, expires in June 2008, we need to adopt a new stock plan to allow us to continue offering stock-based awards. Accordingly, upon recommendation of the Compensation Committee, our board of directors adopted, and recommends that our stockholders approve, the 2008 Plan.

The 2008 Plan will become effective immediately upon stockholder approval at the Annual Meeting. No grants or awards will be made under the 2008 Plan unless and until stockholders approve the 2008 Plan. If stockholders do not approve the 2008 Plan, it will not become effective.

Summary of the 2008 Plan

The principal features of the 2008 Plan are summarized below. The following summary does not purport to be complete and is qualified in its entirety by reference to the 2008 Plan. The full text of the 2008 Plan is attached to this proxy statement as Appendix A.

Purpose. The purpose of the 2008 Plan is to attract, retain, reward and motivate the best available officers, directors, employees, advisors and consultants by providing them with an equity interest in order to align their interests with those of our stockholders and providing such persons with incentives to promote our long-term growth and profitability and the success of our business and to enhance stockholder value. The 2008 Plan is also designed to permit us to make cash- and equity-based awards intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). The 2008 Plan will become effective immediately upon stockholder approval at the Annual Meeting.

Shares Available for Issuance. If stockholders approve the 2008 Plan, a total of 600,000 shares of our common stock will be authorized and reserved for issuance under the 2008 Plan, subject to adjustment for certain changes in our capital structure. The shares of common stock issuable under the 2008 Plan may be authorized and unissued shares or treasury shares, including shares repurchased by us in the open market (other than with the proceeds of stock option exercises).

The number of shares available for issuance under the 2008 Plan will be reduced by 1.5 shares for each share delivered in settlement of any full value award granted under the 2008 Plan, which is any award other than a stock option, stock appreciation right or other award for which the participant pays the intrinsic value, and by one share for each share issued upon exercise or settlement of all awards that are not full value awards, such as stock options and stock appreciation rights. In the event that an award expires or is cancelled, forfeited, settled in cash or otherwise terminated before delivery of all or some of the shares subject to such award, then the number of shares available for issuance under the 2008 Plan will be increased by 1.5 shares for each share subject to a full value award and by one share for each share subject to an award that is not a full value award.

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The 2008 Plan counts shares on a gross basis and does not allow the re-grant of shares withheld or surrendered in payment of the exercise price or tax withholding obligations of an award. To the extent permitted by applicable law or any stock exchange rule, shares issued or issuable in connection with any award issued in substitution for any outstanding award of any entity acquired in any form of combination by us or our subsidiaries will not be counted against the shares available for issuance under the 2008 Plan.

On April 15, 2008, the closing sale price of our common stock as reported on The NASDAQ Stock Market was \$12.02.

Administration. The 2008 Plan will be administered by the Compensation Committee or another committee appointed by our board of directors, unless our board decides at any time to administer the 2008 Plan. The committee will be comprised of three or more directors who are not our officers or employees and who meet certain other criteria under applicable federal securities law and federal tax law provisions, including meeting the definition of non-employee directors under Section 16(b) of the Exchange Act and meeting the definition of outside directors under Section 162(m) of the Code. The members of the board and of the committee will be eligible for awards under the 2008 Plan. If the board of directors at any time decides to administer the 2008 Plan, it will have all of the powers of the committee under the 2008 Plan.

The committee is authorized to designate which participants will receive awards, determine the type and number of awards to be granted, set the terms, conditions and provisions of awards (including the exercise price, the exercisability and vesting and the form of consideration payable upon exercise of awards), cancel awards, prescribe forms of award agreements, interpret the 2008 Plan, establish, amend and rescind rules and regulations related to the 2008 Plan, and make all other determinations which may be necessary or advisable to the administration of the 2008 Plan or the grant of awards under the 2008 Plan, subject to the terms and conditions of the 2008 Plan. The board or the committee may, to the extent permitted by applicable law, delegate the authority to grant or amend awards to one or more of our officers or non-employee directors. Any such officer or non-employee director will not be delegated the authority to grant awards to our officers.

Eligibility. The officers, directors, employees, consultants and advisers of our company and of our existing or future subsidiaries who, in the determination of the board or committee, are responsible for or contribute to our management, growth, profitability and successful performance are eligible to receive awards under the 2008 Plan. All of our approximately 387 employees, all four of our non-employee directors, and in general our advisors and consultants are eligible to receive awards under the 2008 Plan. However, only our employees are eligible to receive awards of incentive stock options under the 2008 Plan.

Limitations. During any calendar year, the maximum number of shares that can be granted to any individual participant subject to awards under the 2008 Plan is 500,000 shares, and the maximum amount of cash payable under awards, even performance-based awards, to any individual participant is \$2.5 million. In addition, the maximum number of shares that can be issued upon exercise of incentive stock options awarded under the 2008 Plan is 500,000.

In addition, our board of directors has committed to limiting the average burn rate under the 2008 Plan and any other stock plan during 2008, 2009 and 2010 to 3.5% of our shares of common stock outstanding. The burn rate means the total number of shares issued pursuant to awards of stock options, restricted stock, stock-settled stock appreciation rights, performance shares or other awards, with each share issued under a full value award counting as 1.5 shares, divided by the number of shares of our common stock outstanding at the end of each year. Awards settled in cash within the terms of the 2008 Stock Plan will not be included in the calculation of the burn rate.

Awards. The 2008 Plan provides that the committee may grant or issue stock options, stock appreciation rights, restricted stock, restricted stock units, deferred stock, dividend equivalents, performance awards and other stock-based compensation awards or any combination thereof to our officers, directors, employees, consultants and advisors. These awards may be granted on the terms and conditions described in the 2008 Plan. Each award will be evidenced by a separate agreement with the grantee of the award and will indicate the type, terms and conditions of the award.

Stock Options. Under the 2008 Plan, the committee is authorized to grant stock options, which can be either incentive stock options or non-qualified stock options. A stock option is the right to purchase shares of our common stock at a fixed exercise price for a fixed period of time. The committee will determine the number of shares that can be exercised under a stock option. In addition, the exercise price of stock options will be determined by the board or

committee but may not be less than the fair market value of our common stock on the date of grant (or 110% of the fair market value in the case of an incentive stock option granted to an employee beneficially owning more than 10% of our outstanding common stock). The committee may grant non-qualified stock options to any eligible participant, but may grant incentive stock options only to employees. Stock options will become exercisable at such time or times in whole or in part as determined by the committee,

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except that stock options may not be exercised later than 10 years after the date of grant (5 years after grant in the case of an incentive stock option granted to an employee beneficially owning more than 10% of our outstanding common stock). Stock options may be exercised by payment of the exercise price in cash, shares of our common stock, cashless exercise, exchange of outstanding awards or other property, or in any combination of those methods having a fair market value equal to the exercise price, as the committee determines. Stock options are generally not transferable other than by will or the laws of descent and distribution, and may be exercised during the optionee's lifetime only by the optionee.

Stock Appreciation Rights. The 2008 Plan authorizes the committee to grant stock appreciation rights, either alone or in tandem with underlying stock options. Stock appreciation rights entitle the participant to receive, upon exercise, an amount of cash or shares or some combination of both, as determined by the committee, equal in value to the excess, if any, of the fair market value of the shares covered by the stock appreciation right on the date of exercise over the base price of the stock appreciation right. The base price for stock appreciation rights will be fixed by the committee but will not be less than the fair market value of our common stock on the date of grant. Stock appreciation rights will be exercisable at such time or times and under such other terms and conditions as determined by the committee, except that stock appreciation rights may not be exercised later than 10 years from the date of grant.

Prohibition on Repricing Stock Options and Stock Appreciation Rights. The 2008 Plan prohibits the direct or indirect repricing of outstanding stock options or stock appreciation rights granted under the 2008 Plan, without stockholder approval. For example, the exercise price of stock options or the base price of stock appreciation rights outstanding under the 2008 Plan are not permitted to be reduced, outstanding stock options and stock appreciation rights are not permitted to be exchanged for stock options or stock appreciation rights with a lower exercise or base price, and underwater stock options and stock appreciation rights are not permitted to be exchanged for cash, shares, other property or other awards, without stockholder approval.

Restricted Stock. The 2008 Plan also authorizes the award of restricted stock. An award of restricted stock is an award of shares of common stock that vests in accordance with such terms and conditions, and is subject to such restrictions, as the committee determines. The terms, conditions and restrictions applicable to an award of restricted stock may be based on service conditions, performance goals, other conditions or a combination of all of those as the committee determines to be appropriate. The restricted stock vests and may be disposed of by the participant only in accordance with those terms and conditions and after such restrictions lapse in whole or in installments as the committee determines. Restricted stock awards may be subject to forfeiture if, for example, the participant's employment terminates before the award vests. A participant receiving restricted stock has all the rights of a stockholder, including the right to vote the shares and the right to receive any dividends, unless the committee otherwise determines.

Restricted Stock Units. The 2008 Plan also authorizes the award of restricted stock units. A restricted stock unit is the right to receive a share of common stock upon the completion of a vesting period. The board or committee determines the terms and conditions, including vesting, of restricted stock units. As with awards of restricted stock, restricted stock units vest in accordance with terms and conditions, and are subject to such restrictions, as the committee determines, and those terms, conditions and restrictions may be based on service conditions, performance goals, other conditions or a combination of all of those as the committee determines to be appropriate. However, unlike an award of restricted stock, a participant receiving restricted stock units has no rights of a stockholder until the restricted stock unit vests and the shares are issued.

Deferred Stock. The 2008 Plan also authorizes the committee to make deferred stock awards, generally consisting of a right to receive shares of our common stock at the end of specified deferral periods. Awards of deferred stock are subject to such conditions or limitations as the committee may impose, which conditions or limitations may lapse at the end of the deferral period in installments or otherwise. Deferred stock awards carry no voting or dividend rights or other rights associated with stock ownership. Upon termination of employment during the restriction or deferral period, deferred stock will be forfeited subject to such exceptions, if any, as are authorized by the committee.

Bonus Shares and Awards in Lieu of Obligations. The committee is authorized under the 2008 Plan to grant shares of common stock to eligible persons as a bonus or in lieu of obligations (such as salary requirements) to pay cash or deliver other property, subject to such terms as determined by the committee.

Performance Awards. Under the 2008 Plan, the committee may make a performance award, which is an award of a number of units that represents the right to receive a specified number of shares of common stock or cash, or both, upon satisfaction of certain specified performance criteria, as applicable to us or any subsidiary, division, business unit or individual, subject to such terms and conditions as the committee determines. Performance awards will be earned to the extent such performance goals established by the committee are achieved over a period of time specified by the committee.

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The performance objectives may vary from participant to participant, group to group and period to period. The performance objectives for awards intended to constitute qualified performance-based compensation (see discussion below under the heading Summary of Federal Income Tax Consequences) will include, but not be limited to, the following: earnings per share and growth in earnings per share; gross or net sales, revenues and growth of sales or revenues; cash flow (including, but not limited to, operating cash flow and free cash flow); return on investment; return on net assets, assets, capital or equity; economic value added; operating margins; gross or net profit margin; income or net income (before or after taxes); pre-tax income before interest, depreciation and amortization; pre-tax operating earnings after interest expense and before extraordinary or special items; operating income or net operating income; operating profit or net operating profit; total stockholder returns; price of the shares (and changes thereof); cost reductions or savings; research and development expenses; productivity; expenses; operating efficiency; customer satisfaction; working capital; market share; and any of the above goals as compared to the performance of a published or special index deemed applicable by the committee. Performance goals may be measured either in absolute terms or as compared to any incremental increase or decrease or as compared to the results of a peer group, and may reflect the results of our company on a consolidated basis or any one or more of our subsidiaries, divisions or other business units. The committee has the discretion to determine the value of each performance award, to adjust the performance goal as it deems equitable to reflect events affecting the us or changes in law or accounting principles or other factors, and to determine the extent to which performance awards that are earned may be paid in the form of cash, deferred cash, shares of common stock or other awards or property, or a combination thereof.

Dividend Equivalents. The committee is authorized to grant dividend equivalents conferring on a participant the right to receive an amount equal to the value of dividends per share paid by us, if any, calculated with reference to a specified number of shares of our common stock. Dividend equivalents may be granted in connection with full value awards granted under the 2008 Plan. Dividend equivalents may be paid in cash or shares of our common stock, or in a combination of both, at the election of the committee. No dividend equivalents will be payable with respect to stock options or stock appreciation rights.

Stand-Alone, Additional, Tandem and Substitute Awards. Awards granted under the 2008 Plan may, in the discretion of the committee, be granted either alone or in addition to or in tandem with any other award granted under the 2008 Plan or any award granted under any other plan we may adopt from time to time. Generally, awards may not be granted in substitution for another award under the 2008 Plan, or retroactively in tandem with another award under the 2008 Plan at an exercise or base price lower than that of the previously granted award, without stockholder approval. However, the committee may grant shares or awards under the 2008 Plan in assumption of, or substitution or exchange for, options or other awards granted, or the right or obligation to grant future options or other awards, by a company involved in a corporate transaction with us.

Other Stock-Based Awards. In order to enable us to respond to material developments in the area of taxes and other legislation and regulations and interpretations thereof, and to trends in executive compensation practices, the 2008 Plan authorizes the committee to grant awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to our securities in addition to those specifically described in the 2008 Plan. These awards must be valued in whole or in part by reference to, or must otherwise be based on, the shares of our common stock, or the cash equivalent of such shares. These awards may be granted wither alone, in addition to, or in tandem with, other awards granted under the 2008 Plan or cash awards made outside the 2008 Plan. The committee will determine the terms and conditions of such awards, including the consideration paid for awards as purchase rights, which consideration generally may not be less than the fair market value of the common stock on the date that the purchase right is granted. These awards may include, without limitation, performance shares and restricted stock units that entitle the participant to receive, upon satisfaction of performance goals or other conditions, a specified number of shares of common stock or the cash equivalent thereof.

Vesting of Awards. The applicable award agreement governing an award will contain the period during which the right to exercise the award in whole or in part vests, including the events or conditions upon which the vesting of any award may accelerate. Full value awards made under the 2008 Plan will be subject to vesting over a period of not less than (i) three years following the grant date of the award if it vests based solely on employment or service with us, or (ii) one year measured from the commencement of the period over which performance is evaluated for full value

awards that are issued or vest based upon the attainment of performance goals or other performance-based objectives. However, full value awards covering up to an aggregate of 5% of the total number of shares available for awards under the 2008 Plan may be granted without respect to such minimum vesting provisions.

Transferability of Awards. Under the 2008 Plan, awards are generally not assignable or transferable by a participant, except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order, except to us under the terms of the 2008 Plan, and except that, upon approval by the committee, non-qualified stock options and

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SARs may be transferred by participants to immediate family members, to trusts for the benefit of immediate family members and to partnerships or similar entities in which such participant and the participant's immediate family members are the only parties or members.

Acceleration of Awards Upon Change in Control. The 2008 Plan provides that in the event of our change in control (as defined in the 2008 Plan and subject to limitations due to Section 409A of the Code), all outstanding awards under the 2008 Plan, regardless of any limitations or restrictions, will immediately vest and become fully exercisable, and all restrictions applicable to outstanding restricted stock, performance awards and other stock-based awards will lapse, unless otherwise provided by the committee at the time of grant of the award or unless waived or deferred by the participants.

Amendment and Termination of the 2008 Plan. The board of directors has the right to amend, alter, suspend, discontinue or terminate the 2008 Plan at any time without the consent of the stockholders or participants, except that (i) stockholder approval of such action will be required if such approval is required by any federal or state law or regulation or stock exchange or stock market rule, regulation or policy, or if the board in its discretion determines that obtaining such stockholder approval is advisable, and (ii) subject to the terms of the 2008 Plan, no amendment or termination of the 2008 Plan may materially and adversely affect the rights of a participant under any award granted under the 2008 Plan without the consent of the affected participant. Unless earlier terminated by the board, the 2008 Plan will terminate on June 9, 2018, the tenth anniversary of the Annual Meeting, and no award may be granted under the 2008 Plan after that date, although awards granted prior to that date will remain in full force and effect subject to their terms.

The committee may amend or terminate outstanding awards under the 2008 Plan, unless expressly prohibited by the 2008 Plan. However, the amendment or termination of any award that materially reduces the value of an award or otherwise impairs or adversely affects the rights of the participant under such award will require the consent of the participant.

Adjustments upon Changes in Capitalization. In the event that our stock changes by reason of any dividend (excluding an ordinary dividend) or other distribution, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, liquidation, dissolution, sale, transfer, exchange or other disposition of all or substantially all of our assets, exchange of our securities, issuance of warrants or other rights to purchase common stock or other of our securities, or other similar transaction or change in our capital structure, then the committee will make equitable adjustments to prevent the dilution or enlargement of the benefits or potential benefits intended to be made available under the 2008 Plan by making appropriate adjustments to the number and class of shares with respect to which awards may be granted under the 2008 Plan, the maximum number of shares that may be issued to any individual in any fiscal year pursuant to awards, the terms and conditions of any outstanding awards, and the number and kind of shares and the exercise price of any outstanding award under the 2008 Plan.

Section 409A. Section 409A of the Code generally establishes very specific requirements that must be followed with respect to covered deferred compensation plans in order to avoid the imposition of an additional 20% federal income tax (plus interest) on the service provider who is entitled to receive the deferred compensation. Certain awards that may be granted under the 1998 Plan may constitute deferred compensation within the meaning of and subject to Section 409A. The 2008 Plan is intended to be interpreted and operated in accordance with Section 409A, including any regulations or guidance issued by the Treasury Department, and contains a number of provisions intended to avoid the imposition of additional tax on 2008 Plan recipients under Section 409A. The 2008 Plan contains provisions intended to assist the committee in complying with Section 409A including, among other things, the authority to amend the 2008 Plan and outstanding awards to preserve the intended benefits of awards granted under the 2008 Plan and to avoid the imposition of an additional tax under Section 409A. For example, if the committee determines that any awards made under the 2008 Plan will be taxable to a participant under Section 409A, then prior to exercise of stock options or stock appreciation rights by such participant or payment of other awards to such participant, the committee may amend the 2008 Plan and any outstanding awards, including retroactively, if the committee, if any, determines it is necessary or appropriate to do so to preserve the intended tax treatment of the awards granted under the 2008 Plan. The committee also may take other actions it determines necessary or appropriate to avoid the imposition of an additional tax under Section 409A.

Summary of Federal Income Tax Consequences

The following is a brief and general summary of certain federal income tax consequences of awards that may be granted under the 2008 Plan. This summary is based upon the Code, the applicable treasury regulations promulgated thereunder, judicial authority and administrative ruling and practice, all as currently in effect. Legislative, judicial or administrative rules and interpretations are subject to change, potentially on a retroactive basis, at any time, and such changes could alter or modify the statements and conclusions set forth below. This summary does not purport to be complete and

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does not address all aspects of federal income taxation that may be relevant to a particular participant in light of such participant's personal investment circumstances or participants subject to special treatment under the federal income tax laws. The summary also does not address the effects of foreign, state or local tax consequences. The 2008 Plan is not a tax-qualified deferred compensation plan under Section 401(a) of the Code, and is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended.

Incentive Stock Options. A participant who is granted an incentive stock option will not recognize any taxable income at the time the incentive stock option is granted or exercised, although the amount by which the fair market value of our common stock on the date of exercise exceeds the option exercise price is an adjustment item for purposes of the alternative minimum tax. If the participant holds the shares received upon the exercise of the incentive stock option for at least one year after the date of exercise and two years after the date of grant, referred to as the holding period, then any difference between the amount realized upon the disposition of the shares and the exercise price will be treated as long-term capital gain or loss to the participant. We will not have any tax consequences from the grant or exercise of an incentive stock option (except as discussed below) if the participant satisfies the holding period requirements.

If a participant exercises an incentive stock option but does not satisfy the holding period requirements above, the participant generally will recognize ordinary income in the year of disposition of the shares acquired upon the exercise of an incentive stock option equal to the excess, if any, of the fair market value of the common stock on the date of exercise over the option exercise price, and any excess of the amount realized on such disposition over the fair market value of the common stock on the date of exercise will be taxed as long-term or short-term capital gain, as applicable. If the participant disposes of the shares prior to the satisfaction of the holding period requirements but the amount realized is less than the fair market value of the common stock on the date of exercise, the participant will recognize ordinary income equal only on the excess of the amount realized upon the disposition of the shares over the option exercise price. In either event, we will be entitled to a tax deduction in an amount equal to the amount constituting ordinary income to the participant.

If a participant exercises an incentive stock option by tendering shares (other than the shares acquired upon the exercise of an incentive stock option and not held for the requisite holding period) in payment of all or part of the option exercise price, the participant will not be required to recognize any taxable income from the exchange and option exercise, and the participant's tax basis and holding period (for capital gain purposes) for the tendered shares will be treated as a substituted basis for the shares received upon the exercise of the incentive stock option. If the participant uses shares received upon the exercise of an incentive stock option as to which the participant had not satisfied the applicable holding period requirements, the exchange will be treated as a taxable disqualifying disposition of the exchanged shares, with the result of the excess of the fair market value of the shares tendered over the participant's basis in such shares would be taxable.

Non-Qualified Stock Options. A participant who is granted a non-qualified stock option will not recognize any taxable income, and we will not have any tax consequences, at the time the non-qualified stock option is granted. In general, upon the exercise of a non-qualified stock option, a participant will recognize ordinary income in an amount equal to the excess, if any, of the fair market value of our common stock on the date of exercise over the option exercise price, and we will be entitled to a tax deduction in the same amount in the year the participant exercises the non-qualified stock option. Upon subsequent disposition of shares acquired upon the exercise of a non-qualified stock option, a participant will have a capital gain or loss equal to the difference between the amount realized on the disposition and the participant's tax basis in the shares, which is generally the amount paid for the shares plus the amount treated as ordinary income at the time the non-qualified stock option was exercised. Such capital gain or loss will be long-term if the participant's holding period is longer than one year, and short-term otherwise. The participant's taxable disposition of the shares acquired upon the exercise of a non-qualified stock option will not result in any additional tax consequences to us.

Stock Appreciation Rights. The grant of a stock appreciation right will create no federal income tax consequences for the participant or us. When a participant exercises a stock appreciation right, the amount of any cash received and the fair market value on the date of exercise of any shares received will constitute ordinary income to the participant, and we will be entitled to a tax deduction in the same amount in the year of exercise.

Restricted Stock. The federal income tax consequences of restricted stock awards depend upon the restrictions imposed on the restricted stock. In the absence of an election under Section 83(b) of the Code by a participant, the grant of restricted stock will not result in taxable income to the participant or entitle us to a tax deduction in the year of grant if the restricted stock received is subject to a substantial risk of forfeiture and is either non-transferable or after transfer remains subject to such substantial risk of forfeiture. In such case, a participant must recognize ordinary income equal to the fair market value of the restricted stock received as of the first date the restricted stock becomes either transferable or not subject

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to a substantial risk of forfeiture, whichever occurs earlier. However, a participant may, in his or her discretion, make a Section 83(b) election to recognize as ordinary income the value of the restricted stock as of the date of receipt rather than upon lapse of restrictions on transferability or the substantial risk of forfeiture. We generally will be entitled to a tax deduction in the amount of the fair market value of the restricted stock transferred to the participant in the year the participant recognizes ordinary income. Prior to the lapse of restrictions, dividends paid on restricted stock will be taxable to the participant as ordinary income in the year such restricted stock is received free of restrictions, and we will be entitled to a tax deduction in the same amount.

Restricted Stock Units and Deferred Stock. A participant who receives an award of restricted stock units or a deferred stock award will generally not recognize any taxable income, and we will not have any tax consequences, at the time the award of restricted stock units or a deferred stock is granted. When a participant receives the shares of common stock under the terms of the award, the fair market value on the date of exercise of the shares received, less any amount paid by the participant for such shares, will constitute ordinary income to the participant, and we will be entitled to a tax deduction in the same amount in the year of exercise.

Dividend Equivalent Awards. A participant who receives a dividend equivalent award generally will not recognize any taxable income, and we will not have any tax consequences, at the time the dividend equivalent award is granted. When a participant is paid for the award, the amount of any cash received and the fair market value on the date any shares are received will constitute ordinary income to the participant, and we will be entitled to a tax deduction in the same amount in the year of the award is paid.

Performance Awards. A participant who receives a performance award of shares of common stock will generally recognize ordinary income in the year the award is received equal to the fair market value of our common stock on the date of award. We will be entitled to a tax deduction equal to the amount of ordinary income recognized by the participant in the year such income is recognized.

Other Stock-Based Awards. A participant will recognize ordinary income equal to the amount of any cash payments or the fair market value of any shares of common stock or other property received in connection with other stock-based awards (less any amounts paid by the participant) in the year the stock-based award is received or made available to the participant without substantial restrictions or risk of forfeiture in a manner consistent with the treatment of restricted stock. We generally will be entitled to a tax deduction in the same amount and at the same time the participant recognizes such ordinary income.

Section 162(m). Section 162(m) of the Code generally limits the deductible amount of annual compensation paid (including, unless an exception applies, compensation otherwise deductible in connection with awards granted under the 2008 Plan) by a public company to the chief executive officer and to the four other most highly compensated executive officers of the Company to no more than \$1,000,000 per person. This limit, however, does not apply to qualified performance-based compensation. We generally intend to structure any stock options and other awards granted under the 2008 Plan that might be affected by Section 162(m) of the Code to comply with the performance-based compensation exemption to the deductibility limit.

Section 409A. The 2008 Plan permits the grant of various types of incentive awards, which may or may not be exempt from Section 409A of the Code. The tax consequences (including the amounts and the timing of those tax consequences) described above assume that an award is not subject to or does not violate the requirements of Section 409A. If an award is subject to Section 409A, and if the requirements of Section 409A are not met, the taxable events as described above could apply earlier than described, and could result in the imposition of additional taxes and penalties. Stock options, stock appreciation rights and restricted stock awards that comply with the terms of the 2008 Plan and do not have a deferral feature, and are not amended, are generally exempt from the application of Section 409A, which is applicable to deferred compensation plans within the meaning of Section 409A. Restricted stock units, deferred stock awards and performance shares granted under the 2008 Plan are generally subject to Section 409A unless they are designed to satisfy the short-term deferral exemption from Section 409A. Awards that do not comply with Section 409A can result in the value of the deferred compensation being currently includable in the service provider's federal income tax purposes and being taxed at the service provider's marginal federal income tax rate plus an additional 20%, and interest and penalties may be included.

New Plan Benefits

No awards will be granted under the 2008 Plan unless and until the 2008 Plan has been approved by our stockholders. The grant of awards under the 2008 Plan to eligible directors, officers, employees, consultants and advisors, including the

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named executive officers, is subject to the discretion of the committee and therefore cannot be determined in advance, other than the grants of restricted stock payable to non-employee directors discussed below. As of the date of this proxy statement, no determination has been made as to which or how many of the persons eligible to receive awards under the 2008 Plan will receive future awards under the 2008 Plan, except that the board of directors has approved (subject to change upon the recommendation of the Compensation Committee) the grant of shares of restricted stock to our non-employee directors on a formula basis as discussed under **Director Compensation** below. Accordingly, except as otherwise provided above, the benefits or amounts that will be received by or allocated to individuals or groups under the 2008 Plan in the future are not presently determinable.

Vote Required

The approval of the 2008 Plan requires the affirmative **FOR** vote of a majority of the shares of common stock present, in person or by proxy, at the Annual Meeting and entitled to vote on this proposal.

Recommendation

The board of directors unanimously recommends that stockholders vote FOR the adoption and approval of the 2008 Plan. Proxy cards signed and timely returned to us will be so voted, unless contrary instructions are specified thereon.

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**PROPOSAL NO. 3
RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Proposal

The Audit Committee of the board of directors has appointed Hein & Associates LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2008. Hein has served as our independent registered public accounting firm since 2004. In addition, Hein provides us with certain tax and audit-related services as described below.

Stockholder ratification of the appointment of Hein as our independent registered public accounting firm is not required by our by-laws or any other applicable legal requirement. However, the Audit Committee is submitting the appointment of Hein to the stockholders for ratification as a matter of good corporate governance. If the stockholders do not ratify the appointment of Hein, then the Audit Committee will reconsider the appointment of Hein, provided that it may not change its appointment. Even if the appointment is ratified by the stockholders, the Audit Committee may, in its discretion, appoint a different independent registered public accounting firm for fiscal 2008 at any time during the year if it determines that such a change would be in the best interests of our company and our stockholders.

We expect that one or more representatives of Hein will be present telephonically at the Annual Meeting, and will be available to respond to appropriate questions and have the opportunity to make a statement if they desire to do so.

Audit and Non-Audit Fees

The aggregate fees for professional services rendered to us by Hein for fiscal 2007 and fiscal 2006 were as follows:

	Fees	
	2007	2006
Audit Fees (1)	\$ 445,190	\$ 293,000
Audit-Related Fees (2)	32,063	24,500
Tax Fees (3)	100,935	40,040
All Other Fees	0	0
Total	\$ 578,188	\$ 357,540

- (1) Audit Fees represents fees for professional services rendered for the audit of our consolidated annual financial statements, the audit of our internal controls over financial reporting, and the review of our consolidated interim financial statements included in our

Quarterly
Reports on
Form 10-Q.

- (2) Audit-Related
Fees represents
fees for
professional
services
rendered for the
audit of our
401(k) plan and
the audit of
Marcum
Midstream
1995-2 Business
Trust, an
unconsolidated
affiliate.

- (3) Tax Fees
represents fees
for professional
services
rendered by
Hein for tax
compliance, tax
advice and tax
planning.

The Audit Committee has determined that the provision of non-audit services by Hein in fiscal 2007 and fiscal 2006 was compatible with maintaining their independence.

Audit Committee Pre-Approval Policy

The Audit Committee has adopted a policy that requires the Audit Committee to pre-approve all audit and non-audit services to be provided by our independent registered public accounting firm. The Audit Committee may delegate this pre-approval authority to one or more of its members. Any such members must report any decisions to the Audit Committee at the next scheduled meeting. In accordance with this pre-approval policy, all professional services provided by Hein as our independent registered public accounting firm during fiscal 2007 were pre-approved by the Audit Committee.

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Vote Required

The affirmative FOR vote of a majority of the shares of common stock present, in person or by proxy, at the Annual Meeting and entitled to vote on this proposal is required to ratify the appointment by the Audit Committee of Hein as our independent registered public accounting firm for the fiscal year ending December 31, 2008.

Recommendation

The Audit Committee and our board of directors recommend that stockholders vote FOR the ratification of the appointment of Hein as our independent registered public accounting firm for the fiscal year ending December 31, 2008. Proxy cards signed and timely returned to us will be so voted, unless contrary instructions are specified thereon.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table contains information regarding the beneficial ownership of our common stock as of April 15, 2008 (except as otherwise noted) by:

each person known to us to be the beneficial owner of more than 5% of the outstanding shares of our common stock;

each of our directors and nominees for director;

each of our named executive officers (as defined on page 39); and

all of our directors and executive officers as a group.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o PowerSecure International, Inc., 1609 Heritage Commerce Court, Wake Forest, North Carolina 27587. The information provided in the table below is based on our records, information filed with the SEC and information provided to us.

Name of Beneficial Owner	Shares Beneficially Owned (1)	
	Number	Percent (2)
Jeffrey L. Gendell (3)	1,567,002	9.3
Tontine Capital Management, L.L.C. Tontine Capital Partners, L.P. Tontine Overseas Associates, L.L.C. 55 Railroad Avenue Greenwich, CT 06830		
Gruber & McBaine Capital Management, LLC (4) 50 Osgood Place, Penthouse San Francisco, CA 94133	1,362,355	8.1
Independence Investments LLC (5) 160 Federal Street Boston, MA 02110	1,316,660	7.8
Edward C. Johnson 3d (6) FMR LLC 82 Devonshire Street Boston, MA 02109	1,125,850	6.7
Austin W. Marxe and David M. Greenhouse (7) c/o Special Situations Funds 527 Madison Avenue, Suite 2600 New York, NY 10022	988,004	5.8
John Kleinheinz (8) Kleinheinz Capital Partners, Inc. 301 Commerce Street, Suite 1900 Fort Worth, Texas 76102	857,919	5.1
Sidney Hinton (9) Christopher T. Hutter	942,756	5.5
Gary J. Zuiderveen (10)	25,000	0.1
John D. Bernard (11)	88,798	0.5
Anthony D. Pell (12)	91,567	0.5
Basil M. Briggs (13)	173,549	1.0
Kevin P. Collins (14)	126,249	0.7
	96,776	0.6

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John A. (Andy) Miller (15)	25,000	0.1
W. Phillip Marcum (16)	641,101	3.7
A. Bradley Gabbard (17)	145,000	0.9
Joseph L. Harley, Jr. (18)	83,350	0.5
Daniel J. Packard (19)	39,000	0.2
All directors and executive officers as a group (8 persons)(20)	1,569,695	9.0

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- (1) For purposes of this table, we have determined beneficial ownership in accordance with the rules of the Securities and Exchange Commission, although such information does not necessarily indicate beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the beneficial owner has sole or shared voting power or investment power and any shares that the beneficial owner has the right to acquire within 60 days of April 15, 2008 through the exercise of any stock option or other right. In addition, such shares that the beneficial owner has the right to acquire are deemed to be outstanding in calculating the percent beneficially

owned by such beneficial owner, but are not deemed to be outstanding in determining the percent beneficially owned by any other beneficial owner. Unless otherwise indicated in these notes, we believe, based on the information furnished to us, that each beneficial owner has sole voting and investment power with respect to the shares beneficially owned, subject to community property laws where applicable.

- (2) The percentage ownership is based upon 16,908,165 shares of common stock outstanding as of April 15, 2008.
- (3) Information based upon Schedule 13G/A, Amendment No. 1 filed with the SEC on January 25, 2008 by Jeffrey L. Gendell, Tontine Capital Management, L.L.C. (TCM),

Tontine Capital Partners, L.P. (TCP) and Tontine Overseas Associates, L.L.C. (TOA), indicating beneficial ownership as of December 31, 2007.

Mr. Gendell is the managing member of TCM and TOA. TCM is the general partner of TCP. Mr. Gendell has shared voting and dispositive power with respect to all such shares. Each of TCM and TCP has shared voting and dispositive power with respect to 1,253,787 shares. TOA has shared voting and dispositive power with respect to 313,215 shares.

- (4) Information based upon Schedule 13G filed with the SEC on January 28, 2008 by Gruber & McBaine Capital Management, LLC (GMCM), Jon D. Gruber, J. Patterson McBaine and Eric B. Swergold, indicating beneficial ownership as of

December 31,
2007.

Messrs. Gruber and McBaine are the managers, controlling persons and portfolio managers of GMCM. GMCM and Messrs. Gruber, McBaine and Swergold constitute a group within the meaning of Rule 13d-5(b) under the Exchange Act. GMCM is a registered investment adviser whose clients have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, these shares. GMCM has shared voting and dispositive power with respect to 1,263,185 shares. Mr. Gruber has sole voting and dispositive power with respect to 99,170 shares and shared voting and dispositive power with respect to 1,263,185 shares. Mr. McBaine has sole voting and dispositive power with respect to 95,145 shares and

shared voting and dispositive power with respect to 1,263,185 shares. Mr. Swergold has shared voting and dispositive power with respect to 1,263,185 shares.

- (5) Information based upon Schedule 13G filed with the SEC on January 24, 2008 by Independence Investments LLC, indicating beneficial ownership as of December 31, 2007. Independence Investments has sole voting power with respect to 1,268,120 shares and sole dispositive power with respect to 1,316,660 shares. Accounts managed on a discretionary basis by Independence Investments are known by Independence Investments to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such shares.

(6)

Information based upon Schedule 13G filed with the SEC on February 14, 2008 by FMR LLC and Edward C. Johnson 3d, indicating beneficial ownership as of December 31, 2007. These shares are beneficially owned by Fidelity Management & Research Company (Fidelity) in its capacity as an investment advisor to various funds. Fidelity is a wholly-owned subsidiary of FMR, a parent holding company. Mr. Johnson is the Chairman of FMR. Mr. Johnson and members of his family own approximately 49% of the voting power of FMR and may be deemed to form a controlling group with respect to FMR. Mr. Johnson and FMR, through its control of Fidelity, and the funds each has sole dispositive power with

respect to the shares owned by the funds. Neither Mr. Johnson nor FMR has sole voting power with respect to the shares owned by the funds. The funds have sole voting power with respect to the shares they own directly, and Fidelity carries out the voting of the shares held by the funds under written guidelines established by the funds' boards of trustees.

- (7) Information based upon Schedule 13G filed with the SEC on February 13, 2008 by Austin W. Marx and David M. Greenhouse, indicating beneficial ownership as of December 31, 2007. Messrs. Marx and Greenhouse share voting and investment power with respect to 217,727 shares owned by Special Situations Cayman Fund, L.P., 38,723 shares owned by Special Situations Fund III, L.P.,

536,920 shares
owned by Special
Situations Fund
III QP, L.P. and
194,634 shares
owned by Special
Situations Private
Equity Fund, L.P.
Messrs. Marx
and Greenhouse
are the
controlling
principals of
AWM
Investment
Company, Inc.
(AWM), which is
the general
partner of and
investment
adviser to Special
Situations
Cayman Fund.
AWM also serves
as the general
partner of MGP
Advisers

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Limited Partnership, which is the general partner of and investment adviser to Special Situations Fund III and the general partner of Special Situations Fund III QP. AWM is the investment advisor to Special Situations Fund III QP and Special Situations Private Equity Fund. Messrs. Marx and Greenhouse are members of MG Advisers L.L.C., which is the general partner of Special Situations Private Equity Fund.

- (8) Information based upon Schedule 13G filed with the SEC on February 14, 2008 by Kleinheinz Capital Partners, Inc., (Kleinheinz), Kleinheinz Capital Partners LDC (LDC),

and John Kleinheinz, indicating beneficial ownership as of December 31, 2007.

Mr. Kleinheinz is the principal of both Kleinheinz and LDC. The shares were purchased by Mr. Kleinheinz for the account of private investment funds for which Kleinheinz acts as investment adviser.

Kleinheinz, LDC and Mr. Kleinheinz, as principal of both entities, have the sole power to vote and dispose of the shares.

- (9) Includes 195,000 shares that may be acquired by Mr. Hinton upon the exercise of currently exercisable stock options.
- (10) Includes 45,000 shares that may be acquired by Mr. Zuiderveen upon the exercise of currently exercisable

stock options.

(11) Includes 89,334 shares that may be acquired by Mr. Bernard upon the exercise of currently exercisable stock options.

(12) Includes 3,237 shares held in trust for the benefit of Mr. Pell's wife and 10,100 shares held in an account of Mr. Pell's daughter that is managed by Mr. Pell. Also includes 93,415 shares that may be acquired by Mr. Pell upon the exercise of currently exercisable stock options or stock options exercisable within 60 days of April 15, 2008.

(13) Includes 70,952 shares that are owned jointly with Mr. Briggs wife and 2,000 shares that are owned by Mr. Briggs's wife. Also includes 15,686 shares that may be acquired by Mr. Briggs upon the

exercise of
currently
exercisable
stock options or
stock options
exercisable
within 60 days
of April 15,
2008.

(14) Includes 94,526
shares that may
be acquired by
Mr. Collins
upon the
exercise of
currently
exercisable
stock options or
stock options
exercisable
within 60 days
of April 15,
2008.

(15) Includes 15,000
shares that may
be acquired by
Mr. Miller upon
the exercise of
currently
exercisable
stock options

(16) Includes
350,000 shares
that may be
acquired by
Mr. Marcum
upon the
exercise of
currently
exercisable
stock options.
Mr. Marcum
resigned and
retired as an
executive
officer on
April 16, 2007
and as a director

on June 11,
2007.

(17) Includes 40,000 shares that may be acquired by Mr. Gabbard upon the exercise of currently exercisable stock options. Mr. Gabbard resigned and retired as an executive officer on April 16, 2007 and as a director on June 11, 2007.

(18) Includes 26,000 shares that may be acquired by Mr. Harley upon the exercise of currently exercisable stock options. Mr. Harley resigned and retired as an executive officer of Metrotek, Incorporated on March 31, 2008.

(19) Includes 29,000 shares that may be acquired by Mr. Packard upon the exercise of currently exercisable stock options. Mr. Packard resigned and retired as an

executive
officer of
WaterSecure
Holdings, Inc.
(f.k.a. Marcum
Gas
Transmission,
Inc.) on
April 30, 2007.

- (20) Includes
547,961 shares
that may be
acquired upon
the exercise of
currently
exercisable
stock options or
stock options
exercisable
within 60 days
of April 15,
2008 by our
directors and
current
executive
officers. See
notes
(9) through (15).

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of Compensation Committee

The Compensation Committee of our board of directors is responsible for establishing and administering the compensation program and policies for our executive officers as well as developing and monitoring our compensation program and philosophy for our employees generally. The Compensation Committee approves all compensation paid to our executive officers, establishes our compensation policies for our executive officers, reviews and approves our general compensation policies for our non-executive employees and also oversees the administration by the board of directors of our stock plan under which grants of stock options and restricted stock may be made to our executive officers and employees.

During 2007, the members of the Compensation Committee were Basil M. Briggs (Chairman), Anthony D. Pell and Kevin P. Collins. In January 2008, John A. (Andy) Miller joined the Compensation Committee and replaced Mr. Briggs as its Chairman. 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.

Executive Compensation Philosophy and Objectives

Our executive compensation philosophy is to provide a competitive executive compensation program that allows us to attract, retain, motivate and reward highly qualified and industrious executives and to enhance stockholder value. We believe we have developed an effective compensation program that entices outstanding talent to join our company, encourages professional growth in our officers and employees, rewards outstanding individual and corporate performance and creates a path towards corporate excellence. Our executive compensation program is intended to accomplish the following objectives:

to attract and retain highly talented and productive executive officers;

to provide incentives and rewards for our executive officers to be strong leaders and managers, to perform at a superior level and to achieve important financial and strategic goals; and

to align the interests of our executive officers with the interests of our stockholders.

To achieve these objectives, the Compensation Committee has designed an executive compensation program that consists of four basic components:

base salary;

short-term incentive compensation in the form of annual cash bonuses;

long-term incentive compensation in the form of stock options, restricted stock and performance-based restricted stock; and

perquisites and general benefit programs.

Our compensation program is designed to be performance-driven, which we believe is in the best interests of our stockholders, as well as in the best interests of our executives, employees and customers. We seek to design our compensation program with a goal of maximizing corporate performance and enhancing stockholder value.

Compensation Committee Processes and Procedures; Role of CEO and Compensation Consultant

The Compensation Committee makes all compensation decisions relating to our named executive officers. Annually, it reviews the base salaries, establishes the annual bonus and incentive compensation goals and arrangements and evaluates the long-term incentives compensation levels of our named executive officers. The Compensation Committee generally makes these critical annual compensation decisions in February and March of each year, to coincide with the reporting of, and to allow the Compensation Committee to have available the results of, the prior year's annual consolidated financial results.

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During its annual review, the Compensation Committee considers the value of the overall role and contribution of each named executive officer, including the impact that the named executive officer has had on the achievement of our corporate performance and on our strategic, financial and operating goals. The Compensation Committee considers recommendations from our Chief Executive Officer regarding the compensation of other executives. Our Chief Executive Officer typically provides the Compensation Committee with his annual recommendations for each executive officer's compensation, including salary adjustments, discretionary bonuses and equity awards. While the Compensation Committee gives significant weight to the recommendations of our Chief Executive Officer, the Compensation Committee is responsible for making the final decision on executive compensation matters and exercises its discretion and authority in approving, modifying or rejecting these recommendations. Our Chief Executive Officer is not present for any portions of meetings relating to his compensation, but from time to time he is present in meetings discussing the compensation of other executive officers. After considering these recommendations and making its own evaluation, the Compensation Committee establishes the base salary, annual bonus and incentive programs and targets and long-term compensation for the named executive officers.

In general, the Compensation Committee's compensation process is subjective and based primarily on the judgment of the members of the Compensation Committee, on existing employment contracts and on making incremental changes to existing employment arrangements. In making compensation decisions, the Compensation Committee considers such factors as it from time to time has deemed relevant, appropriate, reasonable and in the best interests of the stockholders, including individual performance, corporate performance, informal information about peer companies, the recommendations of the Chief Executive Officer and the knowledge and experience of the members of the Compensation Committee. In setting the compensation for the named executive officers for fiscal 2007, the Compensation Committee reviewed tally sheets showing the executive's current compensation, including equity and non-equity based compensation. Before 2007, the Compensation Committee had not specifically utilized benchmarking or any peer company comparisons to establish executive compensation levels, although from time to time it had informally considered data regarding pay practices at other companies in assessing the reasonableness of compensation and ensuring that compensation levels remain competitive. It has been the belief of the Compensation Committee that due to the diversification, market niches and size of our company, it is difficult to establish a meaningful peer group, and even if such were possible, the uniqueness of our business and our compensation incentive arrangements would not permit helpful comparisons. Accordingly, the Compensation Committee has believed that its members, with the assistance and recommendations of management, are generally best situated to make compensation decisions in light of our size, the service and experience of the members of the Compensation Committee and the executive officers and the nature of our business that did not provide for meaningful comparisons with other companies. The Compensation Committee has not adopted a policy regarding the ratio of total compensation of the chief executive officer to that of our other executive officers, although compensation levels are reviewed and compared to ensure that appropriate pay equity exists in the opinion of the Compensation Committee.

However, driven by the importance of establishing a new compensation program reasonable and appropriate for our company for our new Chief Executive Officer in connection with our management transition and corporate reorganization during 2007, the Compensation Committee retained a compensation consultant and utilized peer company comparisons in established the new Chief Executive Officer's compensation in 2007, and the Compensation Committee is considering utilizing a compensation consultant and peer company comparisons for making other executive compensation decisions in the future. In 2007, the Compensation Committee retained Frederic W. Cook & Co. to provide its expertise as an independent compensation consultant to the Compensation Committee in reviewing Mr. Hinton's compensation and providing its recommendations on the appropriate compensation package for Mr. Hinton in his new role and with his new duties as our President and Chief Executive Officer. Based in large part upon the recommendation and advice of Cook, the Compensation Committee approved a new compensation package for Mr. Hinton in August 2007, as discussed below under Compensation of Chief Executive Officer. The Compensation Committee is considering utilizing a compensation consultant to assist it in performing a comprehensive review, including benchmarking and peer company comparison, of our entire executive compensation program, including base salaries, bonus and incentive compensation plans and arrangements and equity granting practices, for use by the Compensation Committee in evaluating and establishing executive compensation for fiscal

2009, although a final decision on the compensation process for 2009, and the amount of weighting to be given to any benchmarking, will not be made until the end of 2008 or early 2009.

Due to the management transition and corporate reorganization during 2007, the Compensation Committee addressed the compensation of the named executive officers on several different occasions during 2007, during processes that resulted in new or amended employment agreements for new and continuing executive officers, and severance and termination agreements and arrangements for departing executive officers. As a result of these new arrangements, discussed below under 2007 Management Transition, Corporate Reorganization and Agreements with Named Executive Officers, the Compensation Committee in general did not adjust or establish new compensation arrangements for 2008 during February

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and March 2008, in accordance with its historical practice, but rather decided to retain virtually without change the arrangements and agreements adopted and approved at various times during 2007, with the intention of addressing discretionary bonuses for 2008 and new compensation arrangements, bonuses and incentives for 2009 in February and March 2009, in accordance with its general procedures.

The Compensation Committee does not generally delegate any of its authority to other persons, although it has the power to delegate authority to subcommittees. The Compensation Committee relies upon our executive officers and other management employees in order to assist the Compensation Committee in performing its duties. 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.

Components of Executive Compensation

The Compensation Committee reviews our executive compensation program through the application of the subjective business judgment of each of its members and based in part upon the recommendations of our Chief Executive Officer, as well as from time to time through informal surveys of the executive compensation of other companies. The philosophy of the Compensation Committee is that the compensation and incentives of each officer should be significantly influenced by the executive officer's individual performance, and accordingly a significant percentage of the total compensation and equity incentive package of each executive officer is contingent upon individual performance. The Compensation Committee does not generally use a quantitative method or mathematical formula to set the elements of compensation for a particular executive officer, except for certain year-end cash incentive compensation awards. The Compensation Committee uses discretion and considers all elements of an executive's compensation package when setting each portion of compensation, based upon corporate performance and individual initiatives and performance.

The Compensation Committee does not set fixed percentages for allocating compensation between cash and non-cash components, but rather applies subjective discretion to the components for each individual. In addition, as our bonus programs are currently structured, all annual incentive compensation is payable in cash, and all long-term incentive compensation is payable in equity. In 2007, we made significant awards of restricted stock to several of our executive officers in connection with their new or amended employment agreements establishing new compensation arrangements. The Compensation Committee determined that these new employment arrangements were necessary, appropriate and reasonable in light of the significant management and corporate transition we went through in April 2007, with the retirements of our former Chief Executive Officer and our former Chief Financial Officer. We did not, however, grant any stock options to any executive officers during 2007 (or during 2006). Under SEC rules, the Summary Compensation Table includes the value of not only stock awards during fiscal 2007 but also stock option awards granted prior to 2006 that were treated as compensation expense during fiscal 2006 and fiscal 2007, in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123(R),

Share-Based Payment (FAS 123(R)). In addition, under SEC rules certain executive officers whose employment terminated during 2007, and their post-employment compensation, is included in the Summary Compensation Table.

For 2007, base salary accounted for only approximately 7.4% of the total compensation of the named executive officers, cash bonuses and cash incentive compensation accounted for only approximately 4.8% of the total compensation of the named executive officers, while post-employment compensation accounted for approximately 79.9% of the total compensation of the named executive officers. However, with respect to named executive officers who did not receive post-employment compensation during 2007, base salary accounted for approximately 31.5% of their total compensation and cash bonuses and cash incentive compensation accounted for approximately 26.8% of their total compensation. Accordingly, cash accounted for approximately 92.2% of the total compensation of all the named executive officers for 2007, including post-employment compensation, but only 58.4% of the total compensation of the named executive officers who did not receive post-employment compensation during fiscal 2007, as computed in accordance with the Summary Compensation Table.

The principal factors that our Compensation Committee considered with respect to each named executive officer's compensation package are summarized below. Our Compensation Committee may, however, in its discretion apply entirely different factors with respect to executive compensation for future years.

Base Salary

We establish base salaries for our named executive officers that are intended to provide them with sufficient, regularly-paid income to compensate them for their services rendered to us during the fiscal year. The base salary is intended to provide financial stability to executives in order to attract and retain qualified and experienced individuals. Base salaries

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are also sometimes used in measuring other compensatory opportunities, such as bonuses and incentive compensation arrangements, which can be set at a percentage of base salary, and severance, which is often based in part upon a multiple of base salary.

The base salary for each of our named executive officers is subjectively determined primarily on the basis of the following factors: experience, personal performance, contribution to our corporate performance, level of responsibility, duties and functions, breadth of knowledge, salary levels in effect for comparable positions within and without our industry and internal base salary comparability considerations. The base salary for each executive officer is reviewed annually and may be adjusted in the discretion of the Compensation Committee, based upon the factors discussed in the previous sentence, as well as changes in the duties, responsibilities and functions of the executive officer, general changes in executive compensation, and our financial performance generally. The relative weight given to each of these factors differs from individual to individual, as the Compensation Committee deems appropriate.

During the course of 2007, the Compensation Committee authorized an increase in the base salaries of each of our named executive officers, reflecting our outstanding corporate performance and record net income in 2006, our expected continued future outstanding performance and the excellent individual performances of each of the named executive officers that were critical factors in that high level of corporate performance. The Compensation Committee first adjusted base salaries during March 2007 for all of our executive officers at that time, then adjusted the base salaries of the continuing executive officers as a result of the management transition and corporate reorganization at various times from April through December 2007. The average increase in base salaries for all of our named executive officers as approved in March 2007 was 16.7% over 2006, with the largest increase being in Mr. Hinton's base salary, reflecting the significant growth and profitability of our PowerSecure subsidiary, which he led, over the prior year and the substantial increase in the scope, scale and complexity of our PowerSecure subsidiary's operations and of Mr. Hinton's overall corporate responsibilities over that period and the Compensation Committee's assessment that Mr. Hinton should be paid at the same level as our Chief Executive Officer, to which office he was appointed on April 16, 2007. The average increase in the base salaries of the other named executive officers (excluding Mr. Hinton) in March 2007 was 11.2% in 2007 over 2006, reflecting their contribution to our success in 2006 and their expected contributions in 2007.

In the second half of 2007, as a result of the management and corporate transition and the succession and addition of offices, roles, duties and authority for Messrs. Hinton, Zuiderveen and Hutter, the Compensation Committee approved amended or new employment agreements with those named executive officers that included increases in base salary that the Compensation Committee felt were commensurate with their new offices, roles, duties and authority. The increases in base salary related to those new employment arrangements are discussed below under

Employment Agreements, Post-Employment Compensation and Potential Payments Upon Termination or a Change in Control Employment Agreements. In February and March 2008, the Compensation Committee determined not to adjust base salaries for 2008 from those set during 2007, primarily because those base salaries had been established late in the previous year and reflected a second increase during the year, and the Compensation Committee believed that the above factors it considers in adjusting base salary did not warrant a further increase at that time. The following table shows the increases in the base salaries of our current executive officers since 2006:

Name	Base Salary For 2006(\$)	Base Salary For 2007 Fixed in March 2007(\$)	Base Salary Adjustment During 2007(\$)(1)	Base Salary For 2008(\$)
Sidney Hinton	315,000	420,000	485,000	485,000
Christopher T. Hutter	N/A	N/A	275,000	275,000
Gary J. Zuiderveen	125,000	150,000	195,000	195,000
John D. Bernard	150,000	170,000	190,000	190,000

(1)

Base salaries for 2007 were adjusted to these amounts in connection with new or amended employment agreements for Mr. Hinton on August 15, 2007, for Mr. Hutter on December 10, 2007, for Mr. Zuiderveen on April 16, 2007 (to \$175,000) and on December 10, 2007, and for Mr. Bernard on April 16, 2007. Base salaries for 2008 were not adjusted from the last base salary fixed for each officer during 2007.

The Compensation Committee believes that the increases in base salaries approved in 2007 were reasonable and a proper reflection of our excellent corporate performance during both 2006 and 2007 and the superior individual performance of the named executive officers during those years, as well as the expected continued high performance of our company and of the named executive officers during 2008.

Table of Contents*Annual Cash Bonuses and Incentives*

Overview. We grant bonuses to our named executive officers, sometimes based on performance metrics determined at the beginning of the fiscal year and sometimes based on discretionary measures of performance determined after the end of the fiscal year, depending on the nature of the executive's position, role and duties. For executives in a position to significantly enhance our corporate performance, we give them the opportunity to earn annual incentive bonuses that are performance-driven in order to encourage them to focus on generating superior annual financial and operating results.

For fiscal 2007, we granted cash bonuses and annual incentive awards to all of our named executive officers, other than to those named executive officers whose employment has terminated and to Mr. Hutter who commenced employment with us during December 2007. Depending on the named executive officer, these bonuses were paid either under established plans and arrangements relating to some metrics of our financial performance or on a discretionary basis as determined by the Compensation Committee, or were based upon some combination thereof. Factors considered by the Compensation Committee in determining discretionary annual cash bonuses are personal performance, corporate performance, level of responsibility and our achievement of corporate goals, as well as many of the same factors considered by the Compensation Committee and discussed above when it reviews and sets base salaries, except with a greater focus on the prior fiscal year. In past years, we had also granted awards to some of our executive officers under our management incentive plan tied to metrics established at the beginning of the fiscal year by the Compensation Committee, but did not utilize that plan for compensation during 2007 because it had been used primarily as an incentive arrangement for Messrs. Marcum and Gabbard.

2007 Bonuses and Incentive Awards. Messrs. Hinton, Zuiderveen, Bernard and Harley received cash bonuses and incentive awards for fiscal 2007. Mr. Hinton received a cash bonus under his employment agreement, which bonus arrangement has been in place since it was negotiated and established when Mr. Hinton became President and Chief Executive Officer of our PowerSecure subsidiary, in an amount equal to 7% of our PowerSecure subsidiary's adjusted net cash flow. Because Mr. Hinton's primary operational focus is managing and leading our PowerSecure subsidiary, which contributed approximately 86% of our consolidated revenues during fiscal 2007, and Mr. Hinton has stock-based awards that provide separate corporate-wide incentives, the Compensation Committee has retained this bonus arrangement in Mr. Hinton's current employment agreement, which was the subject of negotiation with Mr. Hinton. Mr. Hinton's award is reflected under the column entitled "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table. Messrs. Zuiderveen and Bernard each received a cash bonus in the discretion of the Compensation Committee, based upon the recommendation of our Chief Executive Officer (which was not adjusted by the Compensation Committee) as well as the other factors described above for bonuses generally. The bonuses paid to Messrs. Zuiderveen and Bernard are reflected under the column entitled "Bonus" in the Summary Compensation Table. Mr. Harley received an incentive award in an amount equal to a percentage of equipment sales by Metrotek, Incorporated, which we refer to as Metrotek Florida, as reflected under the column entitled "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table and the related note applicable to Mr. Harley. No bonus was paid to any named executive officer whose employment terminated during 2007 or to Mr. Hutter, whose employment commenced in December 2007.

2008 Bonuses and Incentive Awards. For 2008, Mr. Hinton will continue to receive his long-established incentive arrangement, which provides for a bonus equal to 7% of our PowerSecure subsidiary's adjusted net cash flow. The employment agreements of Messrs. Hutter and Zuiderveen provide for discretionary target bonuses equal to 35% and 25% of their base salaries, respectively, based upon such factors, personal and corporate, as the Compensation Committee determines to be appropriate. The Compensation Committee has established a performance-based incentive plan for Mr. Bernard for fiscal 2008, related to the growth of Southern Flow Companies, Inc. While no other annual bonus or incentive award arrangements have been established for the named executive officers as of the date of this proxy statement, the Compensation Committee reserves the right to award additional discretionary bonuses after the end of the year, based on the factors discussed above.

Long-Term Incentive Compensation

We provide long-term incentives to our executive officers primarily through equity grants under our stock plan. Historically, those equity grants typically were in the form of stock options, but in 2007 all such equity grants were in

the form of restricted stock awards that included a substantial performance-based component. Equity grants are designed and intended to align the interests of our executive officers with those of our stockholders, by linking long-term incentive compensation with the creation of stockholder value, to provide an opportunity for increased equity ownership by executives, and to maintain competitive levels of executive compensation, thus providing executives with a significant incentive to manage us from the perspective of an owner with an equity stake in our company. Because of the direct relationship between

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the value of restricted stock and stock options and the market price of our common stock, we believe that the practice of granting awards of restricted stock and stock options provides the Compensation Committee with an excellent method of motivating our executive officers to manage our company in a manner that is consistent with the interests of our stockholders. We also regard our equity grant program as a key retention tool, and the Compensation Committee considers retention as an important factor in setting the vesting schedule for restricted stock and stock options.

During fiscal 2007, we did not grant any options to purchase shares of common stock to the named executive officers, but we did grant awards of restricted stock, including performance-based restricted stock, to Messrs. Hinton, Hutter and Zuiderveen in connection with their new or amended employment agreements and arrangements, which were approved in connection with our management transition and corporate reorganization. In the future, the Compensation Committee intends to review and consider the best methods for utilizing equity incentives to provide long-term equity compensation to our named executive officers, and currently expects to continue granting awards of restricted stock, rather than stock options, to the named executive officers, as well as potentially other equity-based forms of compensation, consistent with our compensation program and the factors discussed in this analysis. However, the Compensation Committee does not currently have any policy or guidelines on the type or amount of equity incentives to grant or on the allocation between restricted stock and stock options.

With respect to our history of stock option grants, each stock option allows the executive officer to acquire shares of common stock at an exercise price per share equal to the closing sale price of the common stock on the date of grant, although in certain circumstances, the Compensation Committee may set an exercise price in excess of the closing sale price on the date of grant. All past stock option grants have been, and all future stock option grants under the proposed 2008 Plan must be, with an exercise price equal to or in excess of the closing sale price of our common stock on the date of grant. Each stock option expires after a fixed period from the date of grant, typically ten years. Each stock option becomes exercisable, either fully immediately upon grant or in installments over a period of years, historically between two and four years, contingent upon the executive officer's continued employment with us. Accordingly, the stock option grant will provide a return to the executive officer only if the executive officer remains employed by us during the vesting period, and then only if the market price of the underlying common stock appreciates. The Compensation Committee is considering changing the terms of any future stock option awards to its executive officers to provide for a longer vesting period of between three and five years and to provide for vesting in part on the basis of performance rather than solely on the basis of continued employment, but the Compensation Committee has not adopted any policy or made any final determination as to future awards.

In 2007, we made awards of restricted stock to Messrs. Hinton, Hutter and Zuiderveen in connection with their new employment arrangements and the negotiation of their new or amended employment agreements. We awarded 600,000 shares of restricted stock to Mr. Hinton, which was intended to cover all stock-based awards to him through 2009. We also awarded 25,000 shares of restricted stock to Mr. Hutter and 20,000 shares of restricted stock to Mr. Zuiderveen. Each of these restricted stock awards vests based upon a combination of performance and service goals as follows: one-half of the restricted shares, the service shares, vest five years after the grant date provided the executive officer remains employed with us through such date (subject to acceleration of vesting upon our change in control or termination of the officer's employment by us without cause), and all or almost all of the other half of the restricted shares, the performance shares, vest based upon the achievement of certain performance goals relating to our financial performance over subsequent years.

For Mr. Hinton, the performance shares vest in five equal annual installments, after the end of fiscal 2007 and our subsequent four fiscal years, based upon us achieving a performance target each year relating to improvements in income from continuing operations, excluding restructuring charges related to our 2007 management transition and corporate reorganization. The performance goal for fiscal year 2007 was equal to 90% of the lower end of the range of our consolidated net income forecast for 2007 as included in our guidance issued publicly on August 8, 2007. For fiscal year 2008 and each fiscal year thereafter, the performance goal is increased by 20% over the prior fiscal year's performance goal. In the event that we fail to achieve the performance goal for any fiscal year, the performance restricted shares that did not vest for that fiscal year will vest in the subsequent fiscal year but only if we exceeds by 10% the performance goal for that subsequent fiscal year. In the event of a change in control, any unvested restricted

shares (regardless of whether their vesting is tied to service or to performance) will immediately vest in full upon the effective date of the change in control. For Mr. Hinton, 60,000 performance shares vested based upon our fiscal 2007 financial performance. The Compensation Committee does not currently intend to grant additional stock-based awards to Mr. Hinton through at least 2009.

For Messrs. Hutter and Zuiderveen, in addition to the service shares that vest as provided above and the 10% of the restricted shares that vested upon the grant date, the performance shares, consisting of 40% of the restricted shares, vest in

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four equal annual installments, commencing with respect to fiscal 2008, based upon the same performance goals in those years as for Mr. Hinton.

Under the 2008 Plan that is subject to stockholder approval at the Annual Meeting, awards of restricted stock for all participants (including executive officers) will have a vesting period of at least three years, for service-based vesting conditions, and at least one year, for performance-based vesting conditions, except that up to 5% of shares issued under the 2008 Plan will not be subject to those vesting restrictions.

The number of shares of common stock that we award in each grant of stock options or restricted stock is subjectively determined by the Compensation Committee primarily related to the executive officer's anticipated contributions to our future success, the level intended to create a meaningful opportunity for stock ownership based on the executive officer's current position with us, the individual's potential for increased responsibility and promotion over the option term and the individual's personal performance in recent periods. The Compensation Committee also considers the number of shares of common stock and the number of stock options already held by the executive officer in order to maintain an appropriate level of equity incentive for that individual. However, the Compensation Committee does not adhere to any specific guidelines as to the relative stock option holdings of our executive officers. With respect to the award of restricted stock, including performance-based restricted stock, to Mr. Hinton, the Compensation Committee also considered the recommendation of Frederic W. Cook & Co., its independent compensation consultant, and to a peer group as discussed below under Compensation of Chief Executive Officer.

Practices Regarding the Grant of Stock Options and Other Equity-Based Awards

We have adopted a policy relating to grants of equity awards, which generally formalizes our prior practices and procedures. The policy provides that all grants of stock options must have an exercise price that is no less than the fair value of our common stock on the date of grant, determined by reference to the closing sale price of our common stock on the date of grant. We do not have any program, plan or practice of awarding options and setting the exercise price based on the price of the common stock on a date other than the grant date, or of determining the exercise price of option grants by using average prices or the lowest prices of our common stock in a period preceding, surrounding or following the grant date.

In general, under our policy, awards of stock options to executives, if made, are to be made once a year, in March after we file our Annual Report on Form 10-K that includes our audited consolidated financial statements for the previous year. In addition, we intend to grant awards of stock options to other employees twice a year, at the same time in March as grants to executives are made, and also in November after we file our third quarter Form 10-Q containing our unaudited financial statements through September 30, except in special cases. These timeframes were designed to ensure that stock grants would be made at regular, predetermined intervals and at a time when we have publicly disclosed all material information. We do not have any program, plan or practice to time the grant of stock options in anticipation of or in coordination with major announcements regarding earnings, guidance or other material non-public information. Our prior stock plan did, and our new stock plan proposed to be adopted at the Annual Meeting will, prohibit the repricing of stock options, directly or indirectly, such as through cancellations and re-grants. We also make grants to newly hired employees at other times, provided the grant occurs on or after the date they commence their employment with us. Under our policy, all grants of stock options must be made at meetings of the board of directors, which may be in person or telephonic, but not by written consent, and the grant date of the award is the date of the meeting.

Our ability to make equity grants of any nature to our executive officers in the future depends upon our stockholders approving a new stock plan, the 2008 Plan, because our prior stock plan, the 1998 Plan, is virtually out of shares available for grant and no further shares can be issued under that plan after June 12, 2008. See Proposal No. 2 Approval of PowerSecure International, Inc. 2008 Stock Incentive Plan.

Perquisites and Other General Benefits

We do not provide significant perquisites or personal benefits to our executive officers that are not otherwise available to all of our employees. We only provide our executive officers with personal benefits that we believe are reasonable and consistent with our overall compensation program and better enable us to attract and retain superior executives. The Compensation Committee periodically reviews the levels of perquisites and other personal benefits provided to the named executive officers. While the Compensation Committee considers these benefits and perquisites

in making compensation decisions, they do not have a material influence on these decisions because they are a relatively insignificant portion of the total compensation of the executives.

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Some of our named executive officers are provided with the use of company automobiles intended primarily for business use, or a car allowance in lieu of such use, and in 2007 we paid for the parking of our named executive officers who worked out of our Denver offices. In addition, we paid for country club memberships for some of our named executive officers in 2007, because we believe club memberships provide an opportunity to build business and community relationships while promoting a healthy lifestyle. We do not own, lease, maintain or otherwise use any corporate aircraft, and our executives exclusively use commercial airlines for all air travel. We do not provide pension arrangements, post-retirement health coverage, or similar benefits to either our executives or our other employees. Our executive officers are also eli