ORION ENERGY SYSTEMS, INC.
Form DEF 14A
June 19, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

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))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Orion Energy Systems, 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):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

June 19, 2015

Dear Fellow Shareholders:

Our 2015 Annual Meeting of Shareholders will be held on Wednesday, August 5, 2015, at 1:00 p.m., Central Time, on the 40th Floor of the U.S. Bank Center, located at 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202.

Like last year, we have made access to our meeting easier due to the growing number of our institutional shareholders across the country and the world. So, rather than having to attend our meeting in person, you will be able to view and listen to our meeting live via the internet. We will broadcast the meeting as a live webcast through our website, www.oesx.com, and a replay will be available on our website during the month of August. Also, if you desire to ask an appropriate question at the meeting of our Board of Directors, management or auditors, you may do so by submitting your question in writing by July 31, 2015 to Alexandra Kirsenlohr (akirsenlohr@oesx.com).

Despite access to our webcast, if you still desire to attend the meeting in person, you will need to comply with our admission procedures. All shareholders as of the meeting record date, June 10, 2015, may attend the meeting, but must have an admission badge and photo identification in order to enter. You may request an admission badge by sending a request via mail or e-mail using the following contact information:

Orion Energy Systems, Inc.

2210 Woodland Drive

Manitowoc, Wisconsin 54220

Attn: Alexandra Kirsenlohr

akirsenlohr@oesx.com

(920) 892-5410

In order to allow sufficient time for us to mail you an admission badge, your request must be received prior to 5:00 p.m., Central Time, on July 31, 2015. Admission badges will only be distributed via mail and will not be available for pick-up at the Annual Meeting.

If you are a shareholder of record (your shares are held in your name) as of the meeting record date, you must write your name on the request exactly as it appears on your stock ownership records from Wells Fargo Shareowner Services. If you are a beneficial shareholder (your shares are held through a broker, bank or nominee) as of the meeting record date, you must provide current evidence of your ownership of shares as of the meeting record date with your admission request, which you can obtain from your broker, bank or nominee. No person will be allowed entry into the meeting if such person is deemed by the Company, in its discretion, to be a potential disruption to the meeting or a potential danger to the health or safety of other meeting participants.

We hope that by making access to our annual meeting easier through our website we ll be able to reach a broader audience to hear about the exciting progress we are making at Orion.

Sincerely,

James R. Kackley
Chairman of the Board of Directors

Orion Energy Systems, Inc.

2210 Woodland Drive

Manitowoc, Wisconsin 54220

(800) 660-9340

NOTICE OF 2015 ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders of Orion Energy Systems, Inc.:

Our 2015 Annual Meeting of Shareholders will be held on Wednesday, August 5, 2015, at 1:00 p.m., Central Time, on the 40th Floor of the U.S. Bank Center, located at 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202.

As we did last year, we have made access to our meeting easier for all of our shareholders. So, rather than having to attend our meeting in person, you will be able to view and listen to our meeting live via the internet. We will broadcast the meeting as a live webcast through our website, www.oesx.com, and a replay will be available on our website during the month of August. Despite access to our webcast, if you still desire to attend the meeting in person, you will need to comply with our admission procedures. All shareholders as of the meeting record date, June 10, 2015, may attend the meeting, but must have an admission badge and photo identification in order to enter. You may request an admission badge by following the procedure described in the accompanying proxy statement.

At the annual meeting, as we describe in the accompanying proxy statement, we will ask you to vote on the following matters:

1. the election of three nominees named in the attached proxy statement as Class II directors to serve terms expiring at the 2018 annual meeting of shareholders and one nominee named in the attached proxy statement as a Class III director to serve a term expiring at the 2016 annual meeting of shareholders, and, in each case, until their successors have been duly elected and qualified;

2. an advisory vote to approve the compensation of our named executive officers as disclosed in the accompanying proxy statement;

3. the ratification of BDO USA, LLP to serve as our independent registered public accounting firm for our fiscal year 2016; and

4. such other business as may properly come before the annual meeting, or any adjournment or postponement thereof.

You are entitled to vote at the annual meeting only if you were a shareholder of record at the close of business on June 10, 2015. A proxy statement and proxy card are enclosed. Whether or not you expect to attend the annual meeting, it is important that you promptly complete, sign, date and mail the proxy card in the enclosed envelope so that you may vote your shares. **If you hold your shares in a brokerage account, you should be aware that, if you do not instruct your broker how to vote, your broker will not be permitted to vote your shares for the election of directors or on the advisory vote to approve the compensation of our named executive officers. Therefore, you must affirmatively take action to vote your shares at our annual meeting. If you do not, your shares will not be voted on these items.**

By order of the Board of Directors:

John H. Scribante
Chief Executive Officer

Manitowoc, Wisconsin

June 19, 2015

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting To Be Held on August 5, 2015. The Orion Energy Systems, Inc. proxy statement for the 2015 Annual Meeting of Shareholders and the 2015 Annual Report to Shareholders are available at https://www.proxydocs.com/OESX.

Our Annual Report on Form 10-K is enclosed with this notice and proxy statement.

PROXY STATEMENT

FOR THE 2015 ANNUAL MEETING OF SHAREHOLDERS

To be Held August 5, 2015

This proxy statement and accompanying form of proxy are being furnished to our shareholders beginning on or about June 19, 2015, in connection with the solicitation of proxies by our board of directors for use at our 2015 Annual Meeting of Shareholders to be held on Wednesday, August 5, 2015, at 1:00 p.m., Central Time, on the 40th Floor of the U.S. Bank Center, located at 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202, and at any adjournment or postponement thereof (which we refer to collectively as our annual meeting), for the purposes set forth in the attached Notice of 2015 Annual Meeting of Shareholders and as described herein.

Like last year, we have made access to our meeting easier due to the growing number of our institutional shareholders across the country and the world. So, rather than having to attend our meeting in person, you will be able to view and listen to our meeting live via the internet. We will broadcast the meeting as a live webcast through our website, www.oesx.com, and a replay will be available on our website during the month of August. Also, if you desire to ask an appropriate question at the meeting of our board of directors, management or auditors, you may do so by submitting your question in writing by July 31, 2015 to Alexandra Kirsenlohr (akirsenlohr@oesx.com). Despite access to our webcast, if you still desire to attend the meeting in person, you will need to comply with our admission procedures. All shareholders as of the meeting record date, June 10, 2015, may attend the meeting, but must have an admission badge and photo identification in order to enter. You may request an admission badge by sending a request via mail or e-mail using the following contact information:

Orion Energy Systems, Inc.

2210 Woodland Drive

Manitowoc, Wisconsin 54220

Attn: Alexandra Kirsenlohr

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(920) 892-5410

In order to allow sufficient time for us to mail you an admission badge, your request must be received prior to 5:00 p.m., Central Time, on July 31, 2015. Admission badges will only be distributed via mail and will not be available for pick-up at the annual meeting.

If you are a shareholder of record (your shares are held in your name) as of the meeting record date, you must write your name on the request exactly as it appears on your stock ownership records from Wells Fargo Shareowner Services. If you are a beneficial shareholder (your shares are held through a broker, bank or nominee) as of the meeting record date, you must provide current evidence of your ownership of shares as of the meeting record date with your admission request, which you can obtain from your broker, bank or nominee. No person will be allowed entry into the meeting if such person is deemed by us, in our discretion, to be a potential disruption to the meeting or a potential danger to the health or safety of other meeting participants.

Execution of a proxy will not affect your right to attend the annual meeting and to vote in person, nor will your presence revoke a previously submitted proxy. You may revoke a previously submitted proxy at any time before it is exercised by giving written notice of your intention to revoke the proxy to our board secretary, by notifying the appropriate personnel at the annual meeting in writing or by voting in person at the annual meeting. Unless revoked, the shares represented by proxies received by our board of directors will be voted at the annual meeting in accordance with the instructions thereon. If no instructions are specified on a proxy, the votes represented thereby will be voted: (1) for the board s four director nominees set forth below; (2) for the advisory vote to approve the compensation of our named executive officers as disclosed in the Compensation Discussion and Analysis section and the executive compensation tables set forth below in this proxy statement; (3) for ratification of BDO USA, LLP to serve as our independent registered public accounting firm for our fiscal year

2016; and (4) on such other matters that may properly come before the annual meeting in accordance with the best judgment of the persons named as proxies. Our board of directors has designated John H. Scribante and Scott R. Jensen, and each or any of them, as proxies to vote the shares of common stock solicited on its behalf.

IMPORTANT: If you hold your shares in a brokerage account, you should be aware that, if you do not instruct your broker how to vote, your broker will not be permitted to vote your shares for the election of directors or on the advisory vote to approve the compensation of our named executive officers. Therefore, you must affirmatively take action to vote your shares at our annual meeting. If you do not, your shares will not be voted on these items.

The four nominees receiving the highest vote totals of the eligible shares of our common stock, no par value per share (Common Stock), will be elected as our directors. With regard to the election of directors, votes may be cast in favor or withheld; votes that are withheld will be excluded entirely from the vote and will have no effect. The advisory vote to approve the compensation of our named executive officers and the appointment of BDO USA, LLP to serve as our independent registered public accounting firm for our fiscal year 2016 will be approved if the votes cast in favor of approval exceed the votes cast against approval. Abstentions will be counted for purposes of determining the presence of a quorum but will be disregarded in the calculation of votes cast.

Only holders of record of shares of our Common Stock as of the close of business on June 10, 2015 (the Record Date) are entitled to vote at the annual meeting. As of the Record Date, we had 27,551,188 shares of Common Stock outstanding and entitled to vote. The record holder of each share of Common Stock outstanding on the Record Date is entitled to one vote per share on each matter submitted for shareholder consideration at the annual meeting. In order for us to validly transact business at the annual meeting, we must have a quorum present. A majority of the votes of the shares of Common Stock entitled to be cast, or shares representing at least 13,775,594 votes, will represent a quorum for the purposes of the annual meeting.

WE INTEND TO BEGIN MAILING THIS PROXY STATEMENT ON OR ABOUT JUNE 19, 2015.

PROPOSAL ONE:

ELECTION OF DIRECTORS

We maintain a staggered board of directors divided into three classes. Currently, there are three directors in each of Classes II and III and four directors in Class I. Each director generally serves for a term ending on the date of the third annual shareholders meeting following the annual shareholders meeting at which such director s class was most recently elected and until his or her successor is duly elected and qualified.

At the annual meeting, the terms of all three of our current Class II directors will expire. At the annual meeting, our shareholders will elect three Class II directors to serve until our 2018 annual meeting of shareholders and one Class III director to serve until our 2016 annual meeting of shareholders, and, in each case, until their successors are duly elected and qualified.

The board s nominees for election as Class II directors are Mark C. Williamson, Michael W. Altschaefl and Anthony L. Otten and the nominee for election as a Class III director is Tryg C. Jacobson. Information about each of these nominees is set forth below. Following the election and assuming all director nominees are elected, we would have three directors in Class II and four directors in Classes I and III.

The individuals named as proxy voters in the accompanying proxy, or their substitutes, will vote for the board s nominees with respect to all proxies we receive unless instructions to the contrary are provided. If any nominee becomes unavailable for any reason, the votes will be cast for a substitute nominee designated by our board. Our directors have no reason to believe that any of the nominees named below will be unable to serve if elected.

The following sets forth certain information, as of June 19, 2015, about each of the board s nominees for election at the annual meeting and each director of our company whose term will continue after our annual meeting.

Nominees For Election at the Annual Meeting

Class II Directors Terms Expiring 2018

Mark C. Williamson, 61, has served as a director since April 2009 and was our lead independent director from October 2009 through May 2013. Mr. Williamson has been a partner of Putnam Roby Williamson Communications of Madison, Wis., a strategic communications firm specializing in energy utility matters, since 2008. He has more than 20 years of executive-level utility experience. Prior to joining Putnam Roby Williamson Communications, Mr. Williamson was vice president of major projects for American Transmission Company from 2002 to 2008, served as executive vice president and chief strategic officer with Madison Gas and Electric Company from 1986 to 2002 and, prior to 1986, was a trial attorney with the Madison firm Geisler and Kay S.C. We believe that Mr. Williamson s background in the energy utility industry and in management positions qualify him for service as a director of our company.

Michael W. Altschaefl, 56, has served as a director since October 2009. Mr. Altschaefl currently serves as the President of Still Water Partners, Inc., a private investment firm. In addition, Mr. Altschaefl has served as the Chairman of E-S Plastic Products LLC, a custom manufacturer of plastic injection parts, since November 2013. Previously, Mr. Altschaefl served as the Vice President Strategy and Business Development of Shiloh Industries, Inc., a public company and leading independent manufacturer of advanced metal product solutions for high volume applications in the North American automotive, heavy truck, trailer and consumer markets from January 2013 until October 2013. Mr. Altschaefl was an owner and Chief Executive Officer of Albany-Chicago Company LLC, a custom die cast and machined components company when Shiloh Industries purchased the company in December 2012. Mr. Altschaefl is a certified public accountant. Prior to acquiring Albany-Chicago Company LLC in 2008, Mr. Altschaefl worked for 27 years with two international independent registered public accounting firms, including 16 years as a partner. We believe that Mr. Altschaefl s experience in leadership positions at manufacturing companies and his background as an accountant qualify him for service as a director of our company.

Anthony L. Otten, 59, is a director nominee. Mr. Otten currently serves as Chief Executive Officer of Versar, Inc. since February 2010 and has served as a member of the Board of Directors of Versar, Inc. since 2008.

Mr. Otten previously served as Managing Member of Stillwater, LLC from July 2009 to February 2010; Operating Partner of New Stream Asset Funding, LLC from 2007 to June 2009; Managing Member of Stillwater, LLC from 2004 to 2007 and Principal of Grisanti, Galef and Goldress, Inc. from 2001 to 2004. Previously, Mr. Otten held senior management positions with Cabot Corporation and Marriott Corporation. We believe that Mr. Otten s experience as a Chief Executive Officer of a public company, capital markets expertise and merger and acquisition experience qualify him for service as a director of our company.

Class III Director Term Expiring 2016

Tryg C. Jacobson, 59, has served as a director since May 2011. Since 2010, Mr. Jacobson has been the founder and president of Jake s Café LLC, a collaborative community for creative professionals. Prior to founding Jake s Café LLC, Mr. Jacobson was the owner and chairman of Jacobson Rost, a Wisconsin-based marketing communications firm specializing in corporate branding, from 1981 to 2010. Before joining Jacobson Rost, Mr. Jacobson ran Ice Nine Corporation, a Minneapolis textile printing firm he founded in 1978. Mr. Jacobson has also been a brand specialist/speaker for The Executive Committee since 1995, focusing on teaching his brand methodology to businesses in the United States and Canada. Mr. Jacobson also serves as a member of the board of directors of Sailing Education Association of Sheboygan (SEAS) and US Sailing Center Sheboygan. Mr. Jacobson previously served on the board of directors of Kohler Foundation and Surgical Site Solutions. We believe that Mr. Jacobson s experiences in leadership positions at companies in the corporate communications and branding industry qualify him for service as a director of our company.

RECOMMENDATION OF THE BOARD: The board of directors recommends a vote for each of the above director nominees.

Directors Continuing in Office

Class III Directors Terms Expiring 2016

James R. Kackley, 73, has served as a director since 2005 and as the non-executive chairman of our board since August 25, 2010, and served as our president and chief operating officer from July 2009 until May 2010. Mr. Kackley practiced as a public accountant for Arthur Andersen, LLP from 1963 to 1999. From 1974 to 1999, he was an audit partner for the firm. In addition, in 1998 and 1999, he served as chief financial officer for Andersen Worldwide. From June 1999 to May 2002, Mr. Kackley served as an adjunct professor at the Kellstadt School of Management at DePaul University. From 2005 until 2014, Mr. Kackley served as a director and a member of the executive committee and the audit committee of Herman Miller, Inc. From 2004 until 2010, Mr. Kackley served as a director and member of the management resources and compensation committee and audit committee of PepsiAmericas, Inc. prior to its sale, and from February 2007 to October 2007 he also served as a director and a member of the nominating and governance committee and the audit committee of Ryerson, Inc. prior to its sale. In December 2010, Mr. Kackley was elected to the board of directors of Perficient, Inc., a publicly-traded information technology consulting firm, where he serves as non-executive chairman of the board, as a member of the audit committee and the nominating and governance committee and as chairman of the compensation committee. We believe that Mr. Kackley s background as an accountant and chief financial officer, his public company board of directors service, his role as our president and chief operating officer and his experience in leadership positions in business qualify him for service as a director of our company.

James D. Leslie, 54, has served as a director since May 2013. Mr. Leslie currently serves as the vice chair of the Blake School and the chair of JD Leslie Family Foundation. Since 2014, Mr. Leslie has served as the CEO and Director of Vidku Inc., an online video interaction platform company. Between October 3, 2011 and June 30, 2013, Mr. Leslie was employed by Datalink Corporation, a national data center solutions company, serving as its executive vice president of advisory services from October 1, 2012 to June 30, 2013 and as executive vice president of strategy and business development from October 3, 2011 to September 30, 2012. Prior to joining Datalink Corporation, Mr. Leslie served as chairman and chief executive officer of Midwave, an information technology services company founded by Mr. Leslie. Mr. Leslie graduated from the University of California, Berkeley. We believe that Mr. Leslie s prior experience as a chief executive officer and in senior management positions qualify him for service as a director of our company.

Thomas N. Schueller, 72, has served as a director since April 2010. From 2007 until his retirement in 2009, Mr. Schueller was chief credit officer and managing director of Lake Shore Wisconsin Corporation, a commercial banking enterprise headquartered in Sheboygan, Wisconsin. Prior to his position at Lake Shore Wisconsin Corporation, Mr. Schueller served as president and senior loan review officer of Community Bank and Trust of Sheboygan, a commercial bank headquartered in Sheboygan, Wisconsin, from 1990 to 2007. From 1970 to 1989, Mr. Schueller served in a variety of positions, including senior vice president and regional senior lender, for Citizens Bank and Trust in Sheboygan. We believe that Mr. Schueller s career in the commercial finance industry and his experience in helping to finance many growth companies qualify him for service as a director of our company.

Class I Directors Terms Expiring 2017

John H. Scribante, 50, was appointed as our chief executive officer and a director in September 2012. Prior to his appointment as chief executive officer, Mr. Scribante served as the president of Orion Engineered Systems Division since August 2009, after serving as our senior vice president of business development since 2007. Mr. Scribante served as our vice president of sales from 2004 until 2007. Prior to joining our company, Mr. Scribante co-founded and served as chief executive officer of Xe Energy, LLC, a distribution company that specialized in marketing energy reduction technologies, from 2003 to 2004. From 1996 to 2003, he co-founded and served as president of Innovize, LLC, a company that provided outsourcing services to mid-market manufacturing companies. We believe that Mr. Scribante s experience working with our company since 2004, as well as his prior experience in high level management positions, qualify him for service as a director of our company.

Michael J. Potts, 51, became our president and chief operating officer in July 2010. Prior to becoming our president and chief operating officer, Mr. Potts served as our executive vice president since 2003 and has served as a director since 2001. Mr. Potts joined our company as our vice president technical services in 2001. Prior to joining our company, Mr. Potts founded Energy Executives Inc., a consulting firm that assisted large energy-consuming clients on energy issues. From 1988 through 2001, Mr. Potts was employed by Kohler Co., one of the world s largest manufacturers of plumbing products. From 1990 through 1999 he held the position of supervising engineer energy in Kohler s energy and utilities department. In 2000, Mr. Potts assumed the position of supervisor energy management group of Kohler s entire corporate energy portfolio, as well as the position of general manager of its natural gas subsidiary. Mr. Potts is licensed as a professional engineer in Wisconsin. We believe that Mr. Potts experiences as our executive vice president and in leadership roles in the energy industry and his public affairs experience and engineering background qualify him for service as a director of our company.

Kenneth L. Goodson, Jr., 62, has served as a director since May 2013. Since 1997, Mr. Goodson was employed by Herman Miller Inc., serving as the executive vice president of worldwide operations from 2001 until his retirement on August 1, 2013. Following his retirement, Mr. Goodson has served as a consultant to Herman Miller Inc. with responsibility for training and developing new operations executives. Mr. Goodson previously served on the board of directors of Fender Musical Instruments Corporation from 2006 until 2014, including eight years on the audit committee and personnel committee (including the chair of the personnel committee for two years). Mr. Goodson graduated in 1975 from The Pennsylvania State University with a Bachelor of Science in Administrative Management. We believe that Mr. Goodson s background in the energy industry and in management positions qualify him for service as a director of our company.

Elizabeth Gamsky Rich, 56, has served as a director since June 2010. Since 1985, Ms. Rich has been in private practice as an attorney with her practice concentrated in business law, environmental law, energy law, land use law, real estate law, and litigation. Ms. Rich has served as a member of the board of directors for Outpost Natural Foods, Gateway 2 Center Inc., the Wisconsin State Bar Board of Governors and the Plymouth Arts Foundation, and she currently serves on the board of directors for the Farm-to-Consumer Legal Defense Foundation. We believe that Ms. Rich s background in advising companies in the energy and environmental sectors and her experience as a director for various entities qualify her for service as a director of our company.

We strongly encourage our directors to attend our annual meeting. All of our then-serving directors attended our 2014 annual meeting.

CORPORATE GOVERNANCE

Board of Directors General

Our board of directors met five times during fiscal 2015. All of our directors attended at least seventy-five percent of the aggregate of (a) the total number of meetings of the board held during the fiscal year while they were a director and (b) the total number of meetings held by all committees of the board on which they served during the fiscal year while they were serving on the committees.

Our board has determined that each of Ms. Rich and Messrs. Altschaefl, Goodson, Jacobson, Kackley, Leslie, Otten, Schueller and Williamson is independent under listing standards of the NYSE MKT as well as the Nasdaq Capital Market. Our board generally uses the director independence standards set forth by the NYSE MKT and the Nasdaq Capital Market as its subjective independence criteria for directors, and then makes an affirmative determination as to each director s independence by taking into account other, objective criteria as applicable.

Standing Board Committees

Our board of directors has established the following standing committees: an audit and finance committee, a compensation committee and a nominating and corporate governance committee. Our board has adopted charters for each standing committee describing their respective responsibilities. The charters are available on our website at www.oesx.com.

Our audit and finance committee is currently comprised of Messrs. Altschaefl, Kackley, Goodson, Schueller and Williamson, with Mr. Altschaefl acting as the chair. Each member of the audit and finance committee is an audit committee financial expert, as defined under rules of the Securities and Exchange Commission (the SEC) implementing Section 407 of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act). The principal responsibilities and functions of our audit and finance committee are to (i) oversee the reliability of our financial reporting, the effectiveness of our internal control over financial reporting, and the independence of our internal and external auditors and audit functions and (ii) oversee the capital structure of our company and assist our board of directors in assuring that appropriate capital is available for operations and strategic initiatives. In carrying out its accounting and financial reporting oversight responsibilities and functions, our audit and finance committee, among other things, oversees and interacts with our independent auditors regarding the auditors engagement and/or dismissal, duties, compensation, qualifications and performance; reviews and discusses with our independent auditors the scope of audits and our accounting principles, policies and practices; reviews and discusses our audited annual financial statements with our independent auditors and management; and reviews and approves or ratifies (if appropriate) related party transactions. Our audit and finance committee also is directly responsible for the appointment, compensation, retention and oversight of our independent auditors. Our audit and finance committee met nine times in fiscal 2015. Each member of our audit and finance committee meets the requirements for independence under the current rules of the NYSE MKT, the Nasdaq Capital Market and the SEC.

Our compensation committee is currently comprised of Ms. Rich and Messrs. Jacobson, Kackley, Leslie and Williamson, with Mr. Williamson acting as the chair. The principal functions of our compensation committee include (i) administering our incentive compensation plans; (ii) establishing performance criteria for, and evaluating the performance of, our executive officers; (iii) annually setting salary and other compensation for our executive officers; (iv) overseeing the company s response to the outcome of the advisory vote on executive compensation; and (v) annually reviewing the compensation paid to our non-employee directors. Our compensation committee met five times in fiscal 2015. Each member of our compensation committee meets the requirements for independence under the current NYSE MKT, the Nasdaq Capital Market and SEC rules. Previously, during fiscal 2013, our compensation committee engaged Towers Watson, a compensation consultant, to provide it with Towers Watson s market assessment, with a focus on competiveness, of the total compensation of the company s executive officers to assist the committee in determining fiscal 2013 compensation. Towers Watson provided no other services to us during fiscal 2013. In light of the analysis provided by Towers Watson in setting executive compensation for fiscal 2013 and because no significant changes in the underlying compensation elements have been made since such engagement, our compensation committee did not engage the services of a compensation consultant to determine executive compensation for fiscal 2014, 2015 or 2016. In general, the compensation committee has determined to engage an independent compensation consultant every several years, unless factors or circumstances change significantly.

Our nominating and corporate governance committee is comprised of Ms. Rich and Messrs. Altschaefl, Kackley and Schueller, with Mr. Schueller acting as the chair. The principal functions of our nominating and corporate governance committee are, among other things, to (i) establish and communicate to shareholders a method of recommending potential director nominees for the committee s consideration; (ii) develop criteria for selection of director nominees; (iii) identify and recommend persons to be selected by our board of directors as nominees for election as directors; (iv) plan for continuity on our board of directors; (v) recommend action to our board of directors upon any vacancies on the board; and (vi) consider and recommend to our board other actions relating to our board of directors, its members and its committees. Our nominating and corporate governance committee met four times in fiscal 2015. Each member of our nominating and corporate governance committee meets the requirements for independence under the current NYSE MKT, the Nasdaq Capital Market and SEC rules.

Board Leadership Structure and Role in Risk Oversight

Our board of directors does not have a policy on whether or not the roles of chief executive officer and chairman should be separate. Our board reserves the right to assign the responsibilities of the chief executive officer and chairman in different individuals or in the same individual if, in the board s judgment, a combined chief executive officer and chairman position is determined to be in the best interest of our company. In the circumstance where the responsibilities of the chief executive officer and chairman are vested in the same individual or in other circumstances when deemed appropriate, the board will designate a lead independent director from among the independent directors to preside at the meetings of the non-employee director executive sessions.

The positions of chief executive officer and chairman have been separate since August 25, 2010, when our board elected Mr. Kackley as the non-executive chairman of the board. Our board retains the authority to modify this structure to best address our company s unique circumstances as and when appropriate.

Our full board is responsible for the oversight of our operational risk management process. Our board has assigned responsibility for addressing certain risks, and the steps management has taken to monitor, control and report such risk, to our audit and finance committee, including risks relating to execution of our growth strategy, acquiring companies or businesses, the effects of the recessionary global economy on customer purchases, communications with the investment community regarding the impact of various activities on profitability, component inventory supply, our ability to expand our partner network, communication with investors, certain actions of our competitors, the protection of our intellectual property, sufficiency of our capital, wireless inventory investment and risk of obsolescence, security of information systems and data, implementation of new information systems, credit risk, product liability, costs of reliance on external advisors and addition of new renewable energy technologies, with appropriate reporting of these risks made periodically to the full board. Our board relies on our compensation committee to address significant risk exposures facing our company with respect to compensation. As described herein under the heading Risk Assessment of our Compensation Policies and Practices, each year, our compensation committee conducts a review of our compensation policies and practices to assess whether any risks arising from such policies and practices are reasonably likely to materially adversely affect our company. Our board s role in the oversight of our risk management has not affected our board s determination that separate chief executive officer and chairman positions constitute the most appropriate leadership structure for our company at this time. Our audit and finance committee and our full board review and comment on the draft risk factors for disclosure in our annual and quarterly reports and use the receipt of such draft risk factors to initiate discussions with appropriate members of our senior management if such risk factors raise questions or concerns about the status of operational risks then facing our company.

Nominating and Corporate Governance Committee Procedures

Our nominating and corporate governance committee will consider shareholder recommendations for potential director nominees, which should be sent to the Nominating and Corporate Governance Committee, c/o board secretary, Orion Energy Systems, Inc., 2210 Woodland Drive, Manitowoc, Wisconsin 54220. The time by which such recommendations must be received in order to be timely is set forth below under Shareholder Proposals. The information to be included with recommendations is set forth in our Amended and Restated Bylaws, and factors that our nominating and corporate governance committee will consider in selecting director nominees are set forth in our Corporate Governance Guidelines. Our Corporate Governance Guidelines are available on our website at www.oesx.com. Our nominating and corporate governance committee evaluates all potential nominees in the same manner, and may consider, among other things, a candidate s strength of character, mature judgment, career specialization, relevant technical skills or financial acumen, industry knowledge and experience and geographic, gender, age, and ethnic diversity. Our nominating and corporate governance committee believes that directors should display the highest personal and professional ethics, integrity and values and sound business judgment. The committee also believes that, while diversity and variety of experiences and viewpoints represented on our board should always be considered, a director nominee should not be chosen nor excluded solely or largely because of geographic, gender, age or ethnic diversity. Our nominating and corporate governance committee evaluates each incumbent director to determine whether he or she should be nominated to stand for re-election, based on the types of criteria outlined above as well as the director s contributions to the board during their current term. As part of its periodic self-assessment, our nominating and corporate governance committee assesses the effectiveness of its director selection policy described in this paragraph, including its provisions relating to the consideration of diversity.

Code of Conduct

We have adopted a Code of Conduct that applies to all of our directors, employees and officers, including our principal executive officer, our principal financial officer, our controller and persons performing similar functions. Our Code of Conduct is available on our web site at www.oesx.com. Any material amendments or waivers relating to the Code of Conduct will be disclosed on our web site referenced in this paragraph within four business days following the date of such amendment or waiver.

EXECUTIVE OFFICERS

The following table sets forth information as of June 19, 2015 regarding our current executive officers:

Name	Age	Position
John H. Scribante	49	Chief Executive Officer
Scott R. Jensen	48	Chief Financial Officer, Chief Accounting Officer and Treasurer
Michael J. Potts	51	President and Chief Operating Officer
Marc Meade	30	Executive Vice President

The following biographies describe the business experience of our executive officers. (For biographies of Messrs. Scribante and Potts, see Proposal One: Election of Directors above.)

Scott R. Jensen has been our chief financial officer since June 3, 2011, our chief accounting officer since October 31, 2011 and our treasurer since July 2008. He also served as our chief accounting officer from April 2011 until June 3, 2011, as our chief financial officer from July 2008 until April 2011, as our controller and vice president of corporate finance from 2007 until 2008 and as our director of finance from 2004 to 2007. From 2002 to 2004, Mr. Jensen was the manager of financial planning and analysis at the Mirro Co. (a division of Newell Rubbermaid). Mr. Jensen is a certified public accountant.

Marc Meade was promoted to the position of executive vice president on January 1, 2014. Mr. Meade had previously served as our senior vice president of finance and operations since November 2012, as vice president of finance and operations of Orion Asset Management and director of finance from February 2012 until November 2012, as finance and taxation manager from 2010 until February 2012 and as director of business development from 2009 to 2010. Prior to joining us in May 2009, Mr. Meade was staff assistant at Schenck SC in the government and not-for-profit solutions division from January 2009 until May 2009. Mr. Meade graduated from Lakeland College in May 2009 with a Bachelor of Arts in accounting with an emphasis in taxation and minor in economics.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This compensation discussion and analysis describes the material elements of compensation awarded to, earned by, or paid to each of our named executive officers, whom we refer to as our NEOs, during fiscal 2015 and describes our policies and decisions made with respect to the information contained in the following tables, related footnotes and narrative for fiscal 2015. The NEOs are identified below in the table titled Summary Compensation Table for Fiscal 2015. In this compensation discussion and analysis, we also describe various actions regarding NEO compensation taken before or after fiscal 2015 when we believe it enhances the understanding of our executive compensation program.

Overview of Our Executive Compensation Philosophy and Design

We believe that a skilled, experienced and dedicated senior management team is essential to the future performance of our company and to building shareholder value. We have sought to establish competitive compensation programs that enable us to attract and retain executive officers with these qualities. The other objectives of our compensation programs for our executive officers are the following:

- to motivate our executive officers to achieve strong financial performance, particularly increased revenue, profitability, free cash flow, cost containment and shareholder value;
- to attract and retain executive officers who we believe have the experience, temperament, talents and convictions to contribute significantly to our future success; and
- to align the economic interests of our executive officers with the interests of our shareholders.

In light of these objectives, we have sought to reward our NEOs for achieving financial performance goals, creating value for our shareholders, and for loyalty and dedication to our company. We continue to implement a corporate culture that focuses on profit before tax, along with revenue growth, and our fiscal 2014, 2015 and 2016 compensation programs were designed to incentivize and reward short-term and long-term decisions that benefit earnings and increase shareholder value.

In late fiscal 2014, our management team recommended, and our compensation committee approved, the following attributes for our fiscal 2015 executive compensation program:

- Awarded our NEOs with increases to their base salaries (other than Marc Meade, whose salary was not further increased in fiscal 2015 because it was previously increased in connection with his promotion to executive vice president on January 1, 2014) following a freeze on executive salaries in fiscal 2014;
- Implemented a fiscal 2015 annual cash bonus program that focused on profitability, as well as increased revenue, in order to incentivize decisions that benefited earnings and increased shareholder value. The fiscal 2015 annual cash bonus plan provided that no bonuses would be paid to our NEOs unless the company achieved at least (i) $2.3 million of profit before taxes and (ii) revenue of $90.4 million; and
- Granted long-term incentive awards in the form of (i) three-year pro rata vesting restricted stock grants (representing 60% of the total long-term incentive award) in order to reward our NEOs for increasing shareholder value and to motivate and retain our NEOs while aligning their economic interests with our shareholders through long-term equity ownership and (ii) cash awards (representing 40% of the total long-term incentive award) payable in one-third increments upon the annual vesting of the tandem restricted stock awards in order to provide liquidity for the tax liabilities incurred by our NEOs upon the vesting of their restricted stock awards.

In early fiscal 2016, our management team recommended, and our compensation committee approved, the following attributes for our fiscal 2016 executive compensation program:

Freezes on the salaries for each of our NEOs other than Marc Meade, whose salary was increased due to his increased responsibilities with regard to manufacturing operations, new product development and sourcing initiatives and also to further align his salary with division presidents. The base salaries for our other NEOs were frozen due to the salary increases received in fiscal 2015;

Implemented a fiscal 2016 annual cash bonus program that focuses on profitability, as well as increased revenue, in order to incentivize decisions that benefit earnings and increase shareholder value. The fiscal 2016 annual cash bonus plan provides that no bonuses will be paid to our NEOs unless the company achieves at least (i) $110,000 of profit before taxes and (ii) revenue growth of 10% more than fiscal year 2015; and

Continued the practice of granting long-term incentive awards in the form of (i) three-year pro rata vesting restricted stock grants (representing 60% of the total long-term incentive award) in order to reward our NEOs for increasing shareholder value and to motivate and retain our NEOs while aligning their economic interests with our shareholders through long-term equity ownership and (ii) cash awards (representing 40% of the total long-term incentive award) payable in one-third increments upon the annual vesting of the tandem restricted stock awards in order to provide liquidity for the tax liabilities incurred by our NEOs upon the vesting of their restricted stock awards; provided, however, that we permitted our NEOs to elect (prior to the grant of the award) to forego the cash portion of the long-term incentive award and receive the entire long-term incentive award in the form of three-year pro rata vesting restricted stock.

Our compensation committee has reserved the right and discretion to make exceptions to our executive compensation programs, including as any such exception may apply to the determination of any and/or all of the relative base salaries, cash bonuses, long-term incentive compensation and/or total direct compensation of our executives, for outstanding contributions to the overall success of our company and the creation of shareholder value, as well as in cases where it may be necessary or advisable to attract and/or retain executives who our compensation committee believes are or will be key contributors to creating and sustaining shareholder value, as determined by our compensation committee based on the recommendations of our chief executive officer (in all cases other than our chief executive officer s own compensation). Our compensation committee also has the discretion to adjust the achievement of the financial metrics under our annual cash bonus programs for unusual and nonrecurring factors and events, such as acquisitions and other unusual events, costs and expenses.

Setting Executive Compensation

Our board of directors, our compensation committee and our chief executive officer each play a role in setting the compensation of our NEOs. Our board of directors appoints the members of our compensation committee and delegates to the compensation committee the direct responsibility for overseeing the design and administration of our executive compensation program. Our compensation committee consists of Ms. Rich and Messrs. Jacobson, Kackley, Leslie and Williamson (Chair). Each member of our compensation committee is an outside director for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, and a non-employee director for purposes of Rule 16b-3 under the Securities Exchange Act of 1934 (the Exchange Act).

Our compensation committee has primary responsibility for, among other things, determining our compensation philosophy, evaluating the performance of our executive officers, setting the compensation and other benefits of our executive officers, overseeing the company s response to the outcome of the advisory votes of shareholders on executive compensation, assessing the relative enterprise risk of our compensation program and administering our incentive compensation plans. Our chief executive officer makes recommendations to our compensation committee regarding the compensation of other executive officers and attends meetings of our compensation committee at which our compensation committee considers the compensation of other executives. Our compensation committee considers these recommendations, but has the final discretionary responsibility for determining the compensation of all of our executive officers.

The compensation committee considered the results from the shareholder advisory vote on executive compensation at our 2014 annual meeting of shareholders as support for the company s compensation policies and practices. At our 2014 annual meeting of shareholders, more than 97% of the votes cast on the shareholder advisory vote on executive compensation were in favor of our executive compensation. Our board of directors and our compensation committee value the opinions of our shareholders and are committed to ongoing engagement with our shareholders on executive compensation practices. Our board of directors has determined that our shareholders should vote on a say-on-pay proposal each year in accordance with the preference expressed by shareholders on the say-when-on-pay proposal at our 2011 annual meeting of shareholders.

Under our fiscal 2015 cash bonus program for NEOs, no bonuses were to be paid unless the company achieved at least (i) $2.3 million of profit before taxes and (ii) revenue of $90.4 million. Under the fiscal 2015 bonus program, for every $1.00 of profit before taxes and bonus expenses earned over the $2.3 million threshold up to a maximum of $5.0 million, a bonus pool of $0.38 would have been earned, up to a maximum total bonus pool of $1,026,000 for all participating executives. In fiscal 2015, the Company reported revenue of $72.2 million and $31.9 million of loss before tax. Accordingly, our NEOs did not earn bonuses for fiscal 2015 despite the company s accomplishments over the past year that should strengthen the foundation and future prospects of the company, including:

- Continuing to implement new initiates to support our continued transition to LED products;
- Entering into a new revolving credit facility;
- Completing a $19.1 million follow-on public common stock offering;
- Continuing to implement a cost-cutting program that has, and should continue to have, a positive effect on our costs and profitability;
- Continuing to streamline our product development process and introducing new LED products to the market; and
- Continuing to reorganizing our sales force to better meet the needs of customers.

For fiscal year 2016, our management proposed, and our compensation committee approved, freezes on the fiscal 2015 salaries for each of our NEOs other than Marc Meade, whose salary was increased due to his increased responsibilities with regard to manufacturing operations, new product development and sourcing initiatives and also to further align his salary with division presidents. In addition, our management proposed, and our compensation committee approved, an incentive compensation program consisting of (i) an annual incentive cash bonus opportunity and (ii) long-term incentive compensation consisting of awards of three-year pro rata vesting restricted stock grants and cash awards payable in one-third increments upon the annual vesting of tandem restricted stock awards in order to provide liquidity for the tax liabilities incurred by our NEOs upon the vesting of the restricted stock awards; provided, however, that we permitted our NEOs to elect (prior to the grant of the award) to forego the cash portion of the long-term incentive award and receive the entire long-term incentive award in the form of three-year pro rata vesting restricted stock. All of our NEOs elected to receive the combined cash and restricted stock award.

In setting compensation for fiscal year 2015, our compensation committee considered the prior compensation programs for the NEOs of PowerSecure International, Inc. and EnerNOC, Inc., two similar profitable growth companies operating in the alternative energy sector. In setting compensation for fiscal year 2016, our compensation committee prepared its own internal report on recent trends in executive compensation at public companies in general, including pay-for-performance, say-on-pay, merit increases, annual incentives, long-term incentives and perquisites. In addition, our compensation committee considered the prior compensation program for the NEOs of LSI Industries Inc., a peer company in the LED lighting market.

Previously, during fiscal 2013, our compensation committee engaged Towers Watson, a compensation consultant, to provide it with Towers Watson s market assessment, with a focus on competiveness, of the total compensation of the company s executive officers to assist the committee in determining fiscal 2013 compensation. In light of the analysis provided by Towers Watson in setting executive compensation for fiscal 2013 and because no significant changes in the underlying compensation elements have been made since such engagement, our compensation committee did not engage the services of a compensation consultant to determine executive compensation for fiscal 2014, 2015 or 2016. In general, the compensation committee has determined to engage an independent compensation consultant every several years, unless factors or circumstances change significantly.

To assure independence, the compensation committee pre-approves all other work unrelated to executive compensation proposed to be provided by a compensation consultant, if any. The compensation committee also considers all factors relevant to the consultant s independence from management, including but not limited to the following factors:

The provision of other services that the consultant provides to us;

- The amount of fees received from us as a percentage of the consultant s total revenue;
- The consultant s policies and procedures designed to prevent conflicts of interest;
- Business or personal relationships of the consultant with our compensation committee members;
- The amount of our stock owned by the consultant; and
- Business or personal relationships of the consultant with our executive officers.

The compensation committee also assessed the independence of the company s outside legal counsel, with whom the committee consults from time to time, using the factors set forth above and determined that the outside legal counsel was independent and that there were no conflicts of interest with respect to its work for the committee.

Elements of Executive Compensation

Our current executive compensation program for our NEOs consists of the following elements:

- Base salary;
- Short-term incentive compensation;
- Long-term incentive compensation; and
- Retirement and other benefits.

Base Salary

We pay our NEOs a base salary to compensate them for services rendered and to provide them with a steady source of income for living expenses throughout the year.

In late fiscal 2014, management recommended, and our compensation committee approved, increases to the salaries of our NEOs (other than Mr. Meade) in effect at the end of fiscal 2014 following the freeze on executive salaries in fiscal 2014. In approving the increases to the salaries of our NEOs, the compensation committee considered the prior freezes on salaries, the fact that no bonuses were earned under our fiscal 2014 cash bonus program despite the company s accomplishments over the past year that should strengthen the foundation and future prospects of the company. Mr. Meade s salary was not increased due to the increase in salary he received in connection with his promotion to executive vice president in January 2014.

In early fiscal 2016, management recommended, and our compensation committee approved, freezes on the fiscal 2015 salaries for each of our NEOs other than Marc Meade, whose salary was increase due to his increased responsibilities with regard to manufacturing operations, new product development and sourcing initiatives and also to further align his salary with division presidents. The salaries for each of our other NEOs were frozen due to the increases to salaries in fiscal 2015 and our relative financial performance in fiscal 2015.

The fiscal 2016 base salaries for our NEOs, as well as the percentage increase from the fiscal 2015 base salaries, if any, are as follows:

Name and Current Position

	Fiscal 2016 Base Salary	Fiscal 2015 Base Salary	Percentage Increase Over Fiscal 2015 Base Salary
John H. Scribante Chief Executive Officer	$ 545,000	$ 545,000	0%
Michael J. Potts President and Chief Operating Officer	$ 315,000	$ 315,000	0%
Scott R. Jensen Chief Financial Officer, Chief Accounting Officer and Treasurer	$ 285,000	$ 285,000	0%
Marc Meade Executive Vice President	$ 235,000	$ 210,000	12%

Incentive Compensation Fiscal 2015

For fiscal 2015, our management proposed, and our compensation committee approved, an incentive compensation program consisting of (i) an annual incentive cash bonus opportunity and (ii) long-term incentive compensation consisting of awards of three-year pro rata vesting restricted stock grants (representing 60% of the total long-term incentive award) and cash awards payable in one-third increments upon the annual vesting of the tandem restricted stock awards (representing 40% of the total long-term incentive award) in order to provide liquidity for the tax liabilities incurred by our NEOs upon the vesting of the restricted stock awards. The annual incentive cash bonus opportunity and the long-term incentive compensation for fiscal 2015 are discussed in detail below.

Annual Incentive Cash Bonus Opportunity for Fiscal 2015

Under the fiscal 2015 cash bonus program for NEOs, no bonuses were to be paid unless the company achieved at least (i) $2.3 million of profit before taxes and (ii) revenue of $90.4 million. Under the fiscal 2015 bonus program, for every $1.00 of profit before taxes and bonus expenses earned over the $2.3 million threshold up to a maximum of $5.0 million, a bonus pool of $0.38 would have been earned, up to a maximum total bonus pool of $1,026,000 for all participating executives.

For fiscal 2015, our compensation committee established a target maximum bonus for each of our NEOs as follows:

Name	**Target Maximum Bonus**	**Percentage of Fiscal 2015 Base Salary**
John Scribante Chief Executive Officer	$ 545,000	100%
Mike Potts President and Chief Operating Officer	$ 157,500	50%
Scott Jensen Chief Financial Officer, Chief Accounting Officer and Treasurer	$ 99,750	35%
March Meade Executive Vice President	$ 73,500	35%

In fiscal 2015, the Company reported revenue of $72.2 million and $31.9 million of loss before tax. Accordingly, our NEOs did not earn bonuses for fiscal 2015 despite the company s accomplishments over the past year that should strengthen the foundation and future prospects of the company, which are described above.

Long-Term Equity Incentive Compensation for Fiscal 2015

Our compensation committee granted our NEOs awards of three-year pro rata vesting restricted stock because it believes granting restricted stock rewards our NEOs for increasing shareholder value and also helps to motivate and retain our NEOs while aligning their economic interests with our shareholders through long-term equity ownership. In addition, our management proposed, and our compensation committee approved cash awards payable in one-third increments upon the annual vesting of the tandem restricted stock awards in order to provide liquidity for the tax liabilities incurred by our NEOs upon the vesting of the restricted stock awards. In general, the value of restricted stock awards must be reported by the recipient as ordinary income in the year that the award vests, even if the NEO does not sell the shares. Accordingly, our compensation committee approved cash awards payable in one-third increments upon the annual vesting of tandem restricted stock awards in order to provide funds to be used by the NEOs to pay income taxes associated with the restricted stock awards to avoid having our NEOs sell or pledge shares to pay the associated tax liability. The compensation committee approved contingent cash awards of $211,336 for Mr. Scribante, $122,148 for Mr. Potts, $110,515 for Mr. Jensen and $13,432 for Mr. Meade.

Our compensation committee awarded our NEOs with restricted stock awards valued at $317,005 for Mr. Scribante, $183,223 for Mr. Potts, $165,773 for Mr. Jensen and $20,149 for Mr. Meade (with the dollar values converted into a specific number of shares based on the closing price of our Common Stock on the NYSE MKT). The restricted stock awards resulted in a grant of the following number of shares to our NEOs on May 15, 2014: