

THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF NORTH CAROLINA
WESTERN DIVISION
No. 3:14-CV-271

BRANDON HIGGINS, Individually and on
Behalf of All Others Similarly Situated,

Plaintiff,

v.

POWERSECURE INTERNATIONAL,
INC., SIDNEY HINTON and
CHRISTOPHER T. HUTTER,

Defendants.

CLASS ACTION COMPLAINT FOR
VIOLATIONS OF THE FEDERAL
SECURITIES LAWS

JURY TRIAL DEMAND

Plaintiff Brandon Higgins (“Plaintiff”), by and through his attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff’s information and belief is based upon, among other things, his counsel’s investigation, which includes without limitation: (a) review and analysis of regulatory filings made by Powersecure International, Inc., (“PowerSecure” or the “Company”), with the United States Securities and Exchange Commission (“SEC”); (b) review and analysis of press releases and media reports issued by and disseminated by PowerSecure; and (c) review of other publicly available information concerning PowerSecure.

NATURE OF THE ACTION AND OVERVIEW

1. This is a class action on behalf of purchasers of PowerSecure securities between March 10, 2014 and May 7, 2014, inclusive (the “Class Period”), seeking to pursue remedies under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. PowerSecure is a provider of products and services to electric utilities, and their large commercial, institutional and industrial customers. The Utility and Energy Technologies segment includes the Company's three product and service offerings: Distributed Generation products and services, Utility Infrastructure products and services, and Energy Efficiency products and services.

3. On May 7, 2014, PowerSecure reported its financial results for its 2014 fiscal first quarter. While analysts estimated that the Company's earnings would be \$0.02 per share, PowerSecure shocked the market by announcing an adjusted loss of (\$0.17) per share. Additionally, PowerSecure disclosed that its gross profit margin had decreased to 20.9% for the quarter from 30.6% for the same quarter in 2013. According to the Company, the decrease in its margins and earnings was attributable to substantial shortfalls in its utility infrastructure revenue and to the Company's failure to properly allocate resources to sustain its margins.

4. On this news, shares of PowerSecure declined \$1.90 per share, over 10%, to close on May 7, 2014, at \$18.60 per share, on unusually heavy volume, and further declined an additional \$11.60 per share, over 62%, to close on May 8, 2014, at \$7.00 per share, again on unusually heavy trading volume. Over the course of these two days of trading, PowerSecure's stock declined a combined \$13.50 per share, nearly 66%, from the closing price of \$20.50 per share on May 6, 2014.

5. Throughout the Class Period, Defendants made false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants made false and/or misleading statements and/or failed to disclose: (1) that the Company was attempting to shift resources within its Utility Infrastructure business from certain lower-profit assignments to higher-profit assignments; (2)

that this shifting of resources was negatively impacting the Company's operations and utility services performance; (3) that the Company was experiencing productivity losses and higher costs within its utility services group, which were negatively impacting the Company's gross margins; and (4) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects, including statements about the Company's gross margins lacked a reasonable basis.

6. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

JURISDICTION AND VENUE

7. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

8. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331 and Section 27 of the Exchange Act (15 U.S.C. §78aa).

9. Venue is proper in this Judicial District pursuant to 28 U.S.C. §1391(b) and Section 27 of the Exchange Act (15 U.S.C. §78aa(c)). Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the preparation and dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District. Additionally, PowerSecure's principal executive offices are located within this Judicial District.

10. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the

United States mail, interstate telephone communications, and the facilities of a national securities exchange.

PARTIES

11. Plaintiff Brandon Higgins, as set forth in the accompanying certification, incorporated by reference herein, purchased PowerSecure common stock during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

12. Defendant PowerSecure is a Delaware corporation with its principal executive offices located at 1609 Heritage Commerce Court, Wake Forest, North Carolina 27587.

13. Defendant Sidney Hinton (“Hinton”) was, at all relevant times, Chief Executive Officer (“CEO”) and a director of PowerSecure.

14. Defendant Christopher T. Hutter (“Hutter”) was, at all relevant times, Chief Financial Officer (“CFO”) of PowerSecure.

15. Defendants Hinton and Hutter are collectively referred to hereinafter as the “Individual Defendants.” The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of PowerSecure’s reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. Each defendant was provided with copies of the Company’s reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, each of these defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations

which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each “group-published” information, the result of the collective actions of the Individual Defendants.

SUBSTANTIVE ALLEGATIONS

Background

16. PowerSecure is a provider of products and services to electric utilities, and their large commercial, institutional and industrial customers. The Utility and Energy Technologies segment includes the Company’s three product and service offerings: Distributed Generation products and services, Utility Infrastructure products and services, and Energy Efficiency products and services.

Materially False and Misleading Statements Issued During the Class Period

17. The Class Period begins on March 10, 2014. On this day, PowerSecure issued a press release entitled, “Powersecure Reports Fourth Quarter and Full Year 2013 Results.” Therein, the Company, in relevant part, stated:

—57.4 percent revenue growth in fourth quarter concludes year of record revenues —

—\$248 million backlog represents all-time high—

—Full year 2013 revenue growth is 66.8 percent, with 45.2 percentage points driven by organic growth—

—Full year 2013 net income up 43.3 percent to \$4.4 million, adjusted EBITDA up 97.0 percent to \$22.1 million y-o-y (see non-GAAP reconciliation, below)—

PowerSecure International, Inc. (NYSE: POWR) today reported its fourth quarter and full year 2013 results. Highlights include:

- **Fourth quarter 2013 revenues increase 57.4 percent y-o-y to \$73.6 million**
- **Fourth quarter 2013 GAAP EPS of (\$0.09), non-GAAP EPS of \$0.13 (see reconciliation, below)**

- **Fourth quarter distributed generation revenues of \$26.4 million, up 16.4 percent y-o-y**
- **Fourth quarter utility infrastructure revenues of \$37.5 million, up 81.7 percent y-o-y**
- **Fourth quarter energy efficiency revenues of \$9.7million, up 181.6 percent y-o-y**
- **Full year 2013 revenues increase 66.8 percent y-o-y to record \$270.2 million**
- **Full year 2013 GAAP EPS of \$0.22, non-GAAP EPS of \$0.38 (see reconciliation, below)**
- **Full year 2013 distributed generation revenues of \$111.5 million, up 46.1 percent y-o-y**
- **Full year 2013 utility infrastructure revenues of \$111.7 million, up 83.8 percent y-o-y**
- **Full year 2013 energy efficiency revenues of \$47.0 million, up 88.5 percent y-o-y**

“A very successful fourth quarter capped a record 2013 for PowerSecure with more than \$100 million of revenues in both our distributed generation and utility infrastructure product lines, and our ESCO and Solais acquisitions significantly enhanced the scale and capabilities of our energy efficiency offerings,” said Sidney Hinton, chief executive officer of PowerSecure.

“Our record backlog, healthy order activity, exceptional balance sheet, and the benefits we are realizing from our acquisitions, all provide our team with confidence that our best-in-class solutions for large, growing and underserved markets, combined with our relentless commitment to serve our customers, will translate into a strong year for PowerSecure in 2014,” Hinton added.

Fourth Quarter 2013:

PowerSecure’s fourth quarter 2013 (4Q 2013) revenues of \$73.6 million, an increase of \$26.8 million, or 57.4 percent, from the fourth quarter of 2012 (4Q 2012), were driven by an 81.7 percent year-over-year (y-o-y) increase in revenues from utility infrastructure products and services, a 16.4 percent y-o-y increase in revenues from distributed generation products and services, and a 181.6 percent y-o-y increase in revenues from energy efficiency products and services, as shown below.

[Table omitted]

GAAP gross margin as a percentage of revenue was 22.4 percent in 4Q 2013, compared to 33.0 percent in 4Q 2012. On a non-GAAP basis, excluding the inventory-related portions of the 4Q 2013 restructuring charge discussed below, gross margin as a percentage of revenue was 27.4 percent in 4Q 2013. The decrease in y-o-y gross margin was driven by the restructuring charge, and the y-o-y growth of utility infrastructure, solar and ESCO revenues in 4Q 2013, which are generally lower gross margin product and service categories, as well as differences in the mix of projects completed in the two periods.

Operating expenses for 4Q 2013 were \$18.3 million, compared to \$13.4 million in 4Q 2012. Excluding the restructuring and executive compensation charges discussed below, 4Q 2013 operating expenses were \$16.7 million, or 22.6 percent of revenues, a 3.8 percentage point reduction on a y-o-y basis. Excluding the charges discussed below of \$1.7 million and \$1.1 million in Q4 2013 and Q4 2012, respectively, the \$4.3 million increase in operating expenses consists of \$2.9 million of on-going incremental operating costs related to the acquisitions of our ESCO, Solais and Encari businesses, and \$1.4 million of increased operating expenses related to our revenue growth.

Operating margin as a percentage of revenue was negative 2.5 percent in 4Q 2013 on a GAAP basis, and positive 4.8 percent on a non-GAAP basis. This compares to positive 4.3 percent in 4Q 2012 on a GAAP basis, and positive 6.7 percent on a non-GAAP basis. The decrease in operating margins was driven by the decrease in gross margins, partially offset by a decrease in operating expenses as a percentage of revenues.

Diluted earnings per share (EPS) were a loss of \$0.09 in 4Q 2013, compared to a gain of \$0.08 in 4Q 2012. Excluding the charges discussed below, non-GAAP EPS were \$0.13 in 4Q 2013, compared to \$0.13 in 4Q 2012.

18. On March 10, 2014, PowerSecure filed its Annual Report with the SEC on Form 10-K for the 2013 fiscal year. The Company's Form 10-K was signed by Defendants Hinton and Hutter, and reaffirmed the Company's financial results previously announced that day.

19. On March 10, 2014, the Company held a conference call with investors and analysts. Therein, the Company, in relevant part, stated:

We expect 2014 gross margins to continue to be in the mid to high 20 percents, with on-balance a little more risk than upside in the near term, driven by some of the cautiousness, and you heard Sidney talk about this with regard to our LED lighting realignment and potential cost of goods sold inefficiencies related to that

transition, and a little more upside than risk as we move past that and into the second half of 2014.

20. The statements contained in ¶¶17-19 were materially false and/or misleading when made because defendants failed to disclose or indicate the following: (1) that the Company was attempting to shift resources within its Utility Infrastructure business from certain lower-profit assignments to higher-profit assignments; (2) that this shifting of resources was negatively impacting the Company's operations and utility services performance; (3) that the Company was experiencing productivity losses and higher costs within its utility services group, which were negatively impacting the Company's gross margins; and (4) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects, including statements about the Company's gross margins lacked a reasonable basis.

Disclosures at the End of the Class Period

21. On May 7, 2014, PowerSecure issued a press release entitled, "PowerSecure Reports First Quarter 2014 Results." Therein, the Company, in relevant part, stated:

PowerSecure International, Inc. (NYSE: POWR) today reported its first quarter 2014 results.

- ***First quarter 2014 revenues of \$52.8 million***
- ***GAAP gross margin decreases to 20.9 percent percent driven by utility infrastructure revenue and gross margin shortfalls, non-GAAP gross margin decreases to 21.5 percent (see reconciliation, below)***
- ***GAAP EPS of (\$0.19), non-GAAP EPS of (\$0.17) (see reconciliation, below)***
- ***Company provides 2014 near-term financial outlook***

"PowerSecure is very well positioned for the long-term, but we were very disappointed with first quarter revenues and the degree to which our utility infrastructure revenue shortfalls and operating inefficiencies negatively impacted gross margins and our bottom line," said Sidney Hinton, chief executive officer of PowerSecure.

“Our strategic priority in utility infrastructure is to increase its long-term profitability, but we mis-timed actions to shift resources to more profitable customers, as revenues from those new customers were not adequate to sustain our margins. Based on the efforts we are undertaking to improve our utility infrastructure business, as well as protracted timing in converting larger distributed generation project opportunities from our pipeline into our backlog, we have reduced our revenue and profit expectations for 2014, as reflected in the outlook we have provided,” Hinton continued.

“The strong first quarter gross margins we saw in our distributed generation and energy efficiency businesses, combined with excellent progress in the manufacturing transition of our LED products, continued execution from our ESCO services team, and the outstanding pipeline of large, high quality distributed generation opportunities we are pursuing all provide us with confidence that improvements in our UI business will further strengthen our platform for success in 2015 and beyond. To be clear, we have near-term work to do to improve our utility infrastructure margins and increase the conversion of our distributed generation pipeline into backlog, but we believe our future is very bright with significant opportunities across the business,” Hinton added.

PowerSecure’s first quarter 2014 (1Q 2014) revenues of \$52.8 million, an increase of \$7.8 million, or 17.4 percent, over the first quarter of 2013 (1Q 2013), were driven by a 104.2 percent year-over-year (y-o-y) increase in energy efficiency products and services and a 35.2 percent y-o-y increase in revenues from utility infrastructure products and services, partially offset by a 16.5 percent y-o-y decrease in revenues from distributed generation products and services, as shown below.

[Table Omitted]

* * *

GAAP gross margin as a percentage of revenue decreased to 20.9 percent in 1Q 2014 from 30.6 percent in 1Q 2013. On a non-GAAP basis, excluding the inventory-related portions of the 1Q 2014 restructuring charge discussed below, gross margin as a percentage of revenue was 21.5 percent in 1Q 2014. This year-over-year gross margin decrease was driven primarily by inefficiencies in our utility services group as we took actions to shift resources, including equipment and people, away from certain lower-profit assignments. Our intent was to deploy these resources towards customer opportunities to increase our long-term profitability. However, we were not successful in redeploying all of the assets to new assignments in a timely manner as a result of lower-than-expected revenues from certain customers. These productivity losses caused us to incur higher levels of personnel and equipment costs in our cost of goods sold as a percentage of our revenues, driving the gross margin on our utility services revenue to 5.9 percent

for 1Q 2014, and our overall utility infrastructure revenue gross margin to 9.9 percent. This compares to 25.6 percent in 1Q 2013 and an average quarterly gross margin of 19.5 percent for utility infrastructure revenues in full year 2013.

Our distributed generation and energy efficiency gross margins remained strong in 1Q 2014. Distributed generation revenue gross margins were 36.2 percent compared to 36.0 percent in 1Q 2013. And, our 1Q 2014 energy efficiency revenue gross margins were 24.2 percent on a GAAP basis, and 27.9 percent on a non-GAAP basis (excluding the inventory-related portion of the restructuring charge), compared to 26.6 percent in 1Q 2013. Operating expenses for 1Q 2014 were \$17.7 million, compared to \$12.7 million in 1Q 2013. Excluding the 1Q 2014 restructuring charge discussed below, 1Q 2014 operating expenses were \$17.2 million. Excluding the charge, the \$4.6 million increase in operating expenses consisted of \$2.8 million of on-going incremental operating costs related to the acquisitions of our ESCO, Solais and Encari businesses in 2013, \$0.3 million of incremental depreciation and amortization expense, driven by additional capital expenditures related to company-owned distributed generation recurring revenue projects and utility infrastructure equipment, and \$1.5 million of increased operating expenses related to our revenue growth.

Diluted earnings per share (EPS) decreased to a loss of \$0.19 in 1Q 2014, compared to income of \$0.04 in 1Q 2013. Excluding the charges discussed below, non-GAAP EPS were a loss of \$0.17 in 1Q 2014, compared to income of \$0.04 in 1Q 2013.

22. On this news, shares of PowerSecure declined \$1.90 per share, over 10%, to close on May 7, 2014, at \$18.60 per share, on unusually heavy volume, and further declined an additional \$11.60 per share, over 62%, to close on May 8, 2014, at \$7.00 per share, again on unusually heavy trading volume. Over the course of these two days of trading, PowerSecure's stock declined a combined \$13.50 per share, nearly 66%, from the closing price of \$20.50 per share on May 6, 2014.

CLASS ACTION ALLEGATIONS

23. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all those who purchased PowerSecure's securities between March 10, 2014 and May 7, 2014, inclusive (the "Class Period") and who were damaged thereby (the "Class"). Excluded from the Class are Defendants,

the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

24. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, PowerSecure's securities were actively traded on the New York Stock Exchange (the "NYSE"). While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Millions of PowerSecure shares were traded publicly during the Class Period on the NYSE. As of May 1, 2014, PowerSecure had 22,364,162 shares of common stock outstanding. Record owners and other members of the Class may be identified from records maintained by PowerSecure or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

25. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

26. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

27. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period omitted and/or misrepresented material facts about the business, operations, and prospects of PowerSecure; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

28. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

UNDISCLOSED ADVERSE FACTS

29. The market for PowerSecure's securities was open, well-developed and efficient at all relevant times. As a result of these materially false and/or misleading statements, and/or failures to disclose, PowerSecure's securities traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired PowerSecure's securities relying upon the integrity of the market price of the Company's securities and market information relating to PowerSecure, and have been damaged thereby.

30. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of PowerSecure's securities, by publicly issuing false and/or misleading statements and/or omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and/or misleading. Said statements and omissions were materially false and/or misleading in that they failed to disclose material adverse information

and/or misrepresented the truth about PowerSecure's business, operations, and prospects as alleged herein.

31. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about PowerSecure's financial well-being and prospects. These material misstatements and/or omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein.

LOSS CAUSATION

32. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

33. During the Class Period, Plaintiff and the Class purchased PowerSecure's securities at artificially inflated prices and were damaged thereby. The price of the Company's securities significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

SCIENTER ALLEGATIONS

34. As alleged herein, Defendants acted with scienter in that Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their receipt of information reflecting the true facts regarding PowerSecure, his/her control over, and/or receipt and/or modification of PowerSecure's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning PowerSecure, participated in the fraudulent scheme alleged herein.

APPLICABILITY OF PRESUMPTION OF RELIANCE (FRAUD-ON-THE-MARKET DOCTRINE)

35. The market for PowerSecure's securities was open, well-developed and efficient at all relevant times. As a result of the materially false and/or misleading statements and/or failures to disclose, PowerSecure's securities traded at artificially inflated prices during the Class Period. On March 11, 2014, the Company's stock closed at a Class Period high of \$25.28 per share. Plaintiff and other members of the Class purchased or otherwise acquired the Company's securities relying upon the integrity of the market price of PowerSecure's securities and market information relating to PowerSecure, and have been damaged thereby.

36. During the Class Period, the artificial inflation of PowerSecure's stock was caused by the material misrepresentations and/or omissions particularized in this Complaint causing the damages sustained by Plaintiff and other members of the Class. As described herein,

during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about PowerSecure's business, prospects, and operations. These material misstatements and/or omissions created an unrealistically positive assessment of PowerSecure and its business, operations, and prospects, thus causing the price of the Company's securities to be artificially inflated at all relevant times, and when disclosed, negatively affected the value of the Company stock. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at such artificially inflated prices, and each of them has been damaged as a result.

37. At all relevant times, the market for PowerSecure's securities was an efficient market for the following reasons, among others:

(a) PowerSecure stock met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient and automated market;

(b) As a regulated issuer, PowerSecure filed periodic public reports with the SEC and/or the NYSE;

(c) PowerSecure regularly communicated with public investors *via* established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and/or

(d) PowerSecure was followed by securities analysts employed by brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force

and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

38. As a result of the foregoing, the market for PowerSecure's securities promptly digested current information regarding PowerSecure from all publicly available sources and reflected such information in PowerSecure's stock price. Under these circumstances, all purchasers of PowerSecure's securities during the Class Period suffered similar injury through their purchase of PowerSecure's securities at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

39. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as "forward-looking statements" when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of PowerSecure who knew that the statement was false when made.

FIRST CLAIM

Violation of Section 10(b) of The Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants

40. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

41. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase PowerSecure's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

42. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for PowerSecure's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

43. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about PowerSecure's financial well-being and prospects, as specified herein.

44. These defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of PowerSecure's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and/or omitting to state material facts necessary in order to make the statements made about PowerSecure and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities during the Class Period.

45. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of their responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of, and had access to, other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew and/or recklessly disregarded was materially false and misleading.

46. The defendants had actual knowledge of the misrepresentations and/or omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing PowerSecure's financial well-being and prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by Defendants' overstatements and/or misstatements of the Company's business, operations, financial well-being, and prospects throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

47. As a result of the dissemination of the materially false and/or misleading information and/or failure to disclose material facts, as set forth above, the market price of PowerSecure's securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of the Company's securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trades, and/or in the absence of material adverse information that was known to or recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired PowerSecure's securities during the Class Period at artificially high prices and were damaged thereby.

48. At the time of said misrepresentations and/or omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff

and the other members of the Class and the marketplace known the truth regarding the problems that PowerSecure was experiencing, which were not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their PowerSecure securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

49. By virtue of the foregoing, Defendants have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

50. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

SECOND CLAIM

Violation of Section 20(a) of The Exchange Act Against the Individual Defendants

51. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

52. The Individual Defendants acted as controlling persons of PowerSecure within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public

filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

53. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

54. As set forth above, PowerSecure and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and/or omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

- (a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;
- (b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- (c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- (d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

This 27th day of May 2014.

By: /s/ H. Forest Horne
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