

ENOVA SYSTEMS INC
Form DEF 14A
December 19, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

ENOVA SYSTEMS, INC.

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

.. Fee paid previously with preliminary materials.

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

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Table of Contents

ENOVA SYSTEMS, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON DECEMBER 30, 2011

NOTICE IS HEREBY GIVEN that the 2011 Annual Meeting of Shareholders (the Annual Meeting) of Enova Systems, Inc., a California corporation, will be held on Friday, December 30, 2011 at 8:00 a.m. local time at the offices of Reed Smith LLP, located at 101 Second Street, Suite 1800, San Francisco, CA 94105-3659 for the following purposes:

1. To elect six directors to serve until the 2012 Annual Meeting of Shareholders and until their respective successors are elected and qualify from among the following nominees: Richard Davies, John J. Micek, Edwin O. Riddell, Roy Roberts, Michael Staran, and John R. Wallace.
2. To vote on ratifying the selection of PMB Helin Donovan, LLP as its independent auditors for 2011.
3. To vote on approval of a potential issuance of up to 15,000,000 shares of the common stock of the Company and warrants to acquire up to 15,000,000 shares of the common stock of the Company in accordance with a Warrant and Common Stock Purchase Agreement dated December 15, 2011.
4. To transact such other business as may be properly brought before the Annual Meeting and at any postponements or adjournments thereof.

Any action may be taken on the foregoing matters at the Annual Meeting on the date specified above, or on any date or dates to which, by original or later postponement or adjournment, the Annual Meeting may be postponed or adjourned.

The Board of Directors has fixed the close of business on November 28, 2011 as the record date for determining the shareholders entitled to receive notice of and to vote at the Annual Meeting and at any postponements or adjournments thereof. Only holders of record of Enova Systems, Inc.'s common stock, no par value, or Preferred Stock, no par value, on that date will be entitled to receive notice of and to vote at the Annual Meeting.

All shareholders are cordially invited to attend the meeting in person. To assure your representation at the meeting, however, you are requested to authorize a proxy to vote your shares by filling in and signing the enclosed proxy card, and by mailing it promptly in the enclosed postage-prepaid envelope. You may also authorize a proxy to vote your shares electronically by following the instructions on your proxy card. Any shareholder attending the meeting may vote in person even if he or she has returned a proxy.

By Order of the Board of Directors

/s/ Michael Staran

Michael Staran, President and Chief Executive Officer

Torrance, California

December 19, 2011

IMPORTANT:

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

Regardless of the number of shares you own, your vote is important. Please complete, sign, date and promptly return the enclosed proxy card or form of instruction (in accordance with the instructions thereon) to vote your shares.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on December 30, 2011: The Proxy Statement and Annual Report to Security Shareholders are available at www.proxyvote.com

Table of Contents**TABLE OF CONTENTS**

	Page
<u>GENERAL INFORMATION ABOUT THE ANNUAL MEETING</u>	1
<u>Proxy Statement</u>	1
<u>Record Date and Voting</u>	1
<u>Solicitation</u>	2
<u>Revocability of Proxy</u>	2
<u>PROPOSAL 1: ELECTION OF DIRECTORS</u>	3
<u>Information Regarding Nominees</u>	3
<u>Required Vote and Recommendation</u>	5
<u>PROPOSAL 2: RATIFICATION OF SELECTION OF INDEPENDENT PUBLIC AUDITORS</u>	6
<u>Required Vote and Recommendation</u>	6
<u>PROPOSAL 3: APPROVAL OF THE POTENTIAL ISSUANCE OF SHARES OF COMMON STOCK AND WARRANTS TO PURCHASE COMMON STOCK TO BE SOLD IN ACCORDANCE WITH A WARRANT AND COMMON STOCK PURCHASE AGREEMENT DATED DECEMBER 15, 2011</u>	6
<u>Required Vote and Recommendation</u>	9
<u>CORPORATE GOVERNANCE AND RELATED MATTERS</u>	9
<u>Code of Ethics</u>	9
<u>Board of Directors and its Committees</u>	10
<u>Board Leadership Structure and Role in Risk Oversight</u>	11
<u>Consideration of Director Nominees</u>	11
<u>Contacting the Board</u>	12
<u>Director Compensation</u>	12
<u>EXECUTIVE OFFICERS</u>	13
<u>EXECUTIVE COMPENSATION</u>	13
<u>Summary Compensation Table</u>	13
<u>Outstanding Equity Awards at Fiscal Year-End</u>	15
<u>Current Equity Incentive Plans</u>	15
<u>Change of Control and Retirement Arrangements</u>	16
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	18
<u>Table of Beneficial Ownership</u>	18
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	19
<u>TRANSACTIONS WITH RELATED PERSONS</u>	19
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	19
<u>Pre-approval of Audit and Permissible Non-Audit Services</u>	19
<u>Audit Fees</u>	20
<u>REPORT OF THE AUDIT COMMITTEE</u>	21
<u>ADDITIONAL INFORMATION</u>	21
<u>Shareholder Proposals for Annual Meetings</u>	21
<u>Annual Report to Shareholders</u>	21

Table of Contents

GENERAL INFORMATION ABOUT THE ANNUAL MEETING

Proxy Statement

This proxy statement is furnished to the shareholders of Enova Systems, Inc., a California corporation, in connection with the solicitation of proxies by our Board of Directors for use at our 2011 Annual Meeting of Shareholders to be held on Friday, December 30, 2011 at 8:00 a.m. local time at the offices of Reed Smith LLP, located at 101 Second Street, Suite 1800, San Francisco, CA 94105-3659 and at any and all adjournments of the Annual Meeting. Directions to the offices of Reed Smith LLP may be obtained by calling us at the following telephone number: (310) 527-2800 ext. 118. This proxy statement and the accompanying Notice of Annual Meeting and proxy card are first being sent to shareholders on or about December 19, 2011.

Please mark, date, sign and return the enclosed Proxy or form of instruction in the accompanying postage-prepaid, return envelope as soon as possible so that, if you do not attend the Annual Meeting, your shares may be voted.

Record Date and Voting

The close of business on November 28, 2011 has been fixed as the record date for determining the holders of shares of common stock, Series A Preferred Stock, and Series B Preferred Stock of Enova Systems entitled to notice of and to vote at the Annual Meeting. As of the close of business on the November 28, 2011, there were 31,515,223 shares of common stock, 2,642,159 shares of Series A Preferred Stock, and 546,166 shares of Series B Preferred Stock, outstanding and entitled to vote at the Annual Meeting. The common stock, Series A Preferred Stock and Series B Preferred Stock will vote together as a single class on all matters voted on at the Annual Meeting.

Each outstanding share of common stock on the record date is entitled to one vote, each outstanding share of Series A Preferred Stock on the record date is entitled to 1/45 or 2.22% of one vote, and each outstanding share of Series B Preferred Stock on the record date is entitled to 2/45 or 4.44% of one vote on all matters voted on at the Annual Meeting. The conversion ratio for the preferred stock reflects anti-dilution provisions to account for the 1:45 reverse stock-split that our common stock underwent on July 20, 2005. On a converted basis therefore, the Series A Preferred Stock holds the voting power of 58,714 shares of common stock and the Series B Preferred Stock holds the voting power of 24,274 shares of common stock. Including the preferred stock on an as converted basis together with the 31,515,223 shares of common stock, the total voting shares entitled to vote on the record date was 31,598,211 shares.

The presence at the Annual Meeting of a majority of the shares of common stock, Series A Preferred Stock, and Series B Preferred Stock of Enova Systems in the aggregate on an as converted basis, or approximately 15,799,106 of these shares on an as converted basis either in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting.

Abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present for the transaction of business at the Annual Meeting. A broker non-vote refers to a share represented at the Annual Meeting which is held by a broker or other nominee who has not received instructions from the beneficial owner or person entitled to vote such share and with respect to which, on one or more but not all proposals, such broker or nominee does not have discretionary voting power to vote such share. Abstentions and broker non-votes are each included in the determination of the number of shares present and voting, and each is tabulated separately. However, broker non-votes are not counted for purposes of determining the number of votes cast with respect to a particular proposal. In determining whether a proposal (other than the election of directors) has been approved, abstentions are counted as votes against the proposal and broker non-votes are not counted as votes for or against the proposal.

With respect to the election of directors (Proposal 1), the six nominees receiving the highest number of affirmative votes of the common stock, Series A Preferred Stock (as converted), and Series B Preferred Stock (as converted), present and voting together as a single class at the meeting, either in person or by proxy, will be declared elected. The affirmative vote of a majority of the shares of common stock, Series A Preferred Stock (as converted), and Series B Preferred Stock (as converted), present and voting together as a single class at the meeting, either in person or by proxy, is required for approval of Proposal 2 (ratification of independent auditors).

Table of Contents

With respect to Proposal 3 (approval of the potential issuance of shares of the common stock and warrants to purchase shares of the common stock of the Company in accordance with a Purchase Agreement dated December 15, 2011), the affirmative vote of a majority of the votes cast by the holders of shares of common stock, Series A Preferred Stock (as converted) and Series B Preferred Stock (as converted), voting together as a single class, present or represented at the meeting and entitled to vote, is required for approval.

If a properly signed proxy is submitted but not marked as to a particular item, the shares represented thereby will be voted FOR the election of the six nominees for director of Enova Systems named in this proxy statement, FOR the ratification of the selection of PMB Helin Donovan LLP as our independent auditors for 2011, and FOR the issuance of up to 15,000,000 shares of the Company's common stock and warrants to purchase an equal number of shares of common stock in accordance with a Warrant and Common Stock Purchase Agreement dated December 15, 2011. Note that the NYSE Amex rules no longer permit brokers to vote with respect to Proposal 1, the election of directors, if the broker has not received voting instructions from the beneficial owner as to that proposal. Thus, if your shares are held in street name by your broker, nominee, fiduciary or other custodian, we urge you to respond to your brokerage firm or other custodian so that your votes will be cast with respect to Proposal 1, the election of directors.

The Board of Directors does not know of, and it is not anticipated that, any matters other than those set forth in the proxy statement will be presented at the Annual Meeting. If other matters are presented, proxies will be voted in the discretion of the proxy holders.

An automated system administered by our transfer agent will tabulate votes of the holders of common stock, Series A and Series B Preferred Stock cast by proxy. An employee of Enova Systems will tabulate votes cast in person at the Annual Meeting.

Solicitation

You may submit your proxy by signing your proxy card and mailing it in the enclosed, postage-prepaid and addressed envelope. For shares you hold beneficially in street name, you may sign the voting instruction card included by your broker or nominee and mail it in the envelope provided.

If you hold depositary interests representing share in Enova Systems, you should complete and return the enclosed Form of Instruction (in accordance with the instructions set out on the form) and return it to Enova Systems' registrars, Computershare Investor Services Plc. If you hold depositary interests and wish to attend the meeting and vote your shares in person you should contact Computershare to obtain a letter of representation (please see explanatory notes on the Form of Instruction).

The solicitation of proxies will be conducted by mail and Enova Systems will bear all attendant costs. These costs will include the expense of preparing and mailing proxy materials for the Annual Meeting and reimbursements paid to brokerage firms and others for their expenses incurred in forwarding solicitation material regarding the Annual Meeting to beneficial owners of Enova Systems common stock or preferred stock. We may conduct further solicitation personally, telephonically, by overnight courier, by facsimile or by other electronic or written means through our officers, directors and regular employees, none of whom will receive additional compensation for assisting with the solicitation.

Revocability of Proxy

You may change your proxy instructions at any time prior to the vote at the Annual Meeting. For shares held directly in your name, you may do this by granting a new proxy, by filing a written revocation with the Secretary of Enova Systems, or by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting without further action will not cause your previously granted proxy to be revoked. You may change your proxy instructions for shares you beneficially own by submitting new voting instructions to your broker or nominee.

If you hold depositary interests and wish to change or revoke your voting instructions, please contact our registrars, Computershare Investor Services Plc.

Table of Contents

PROPOSAL 1

ELECTION OF DIRECTORS

The Board of Directors currently consists of six members. Our Bylaws provide that the size of the Board shall be not less than six members nor more than nine members. Pursuant to our Bylaws, the Board of Directors has established the authorized number of directors at six. Six nominees will stand for election at the Annual Meeting and if elected will serve until the 2012 Annual Meeting of Shareholders and until their successors are elected and qualify. The following six individuals have been nominated to serve as directors: Richard Davies, John J. Micek, Edwin O. Riddell, Roy S. Roberts, Michael E. Staran and John R. Wallace. These six nominees currently serve on the Board. Each of the existing Board members was elected at our prior annual meeting of shareholders in December 2010.

The Board anticipates that each of the six nominees, if elected, will serve as a director. In the unexpected event a nominee is unable or declines to serve as a director at the time of the Annual Meeting, the shares of common stock, Series A Preferred Stock and Series B Preferred Stock represented by the enclosed proxy may (unless such proxy contains instructions to the contrary) be voted for such other person or persons as may be determined by the holders of such proxies.

Information Regarding Nominees

Richard Davies. Mr. Davies, age 43, has served on the Board of Directors since 2008. Since 2007, he has served as Managing Director of investments for Jagen Pty Ltd. Prior to that appointment, he managed the listed equity investments of Jagen Ptd Ltd. since 2003. Between 2001 and 2003, Mr. Davies co-founded Kicap Management, a global long short equity hedge fund. Between 1998 and 2001, Mr. Davies worked for Tiger Management as an analyst of telecom and media industries. In addition to his experience as a portfolio manager and analyst, Mr. Davies between 1992 and 1996 practiced an attorney with Baker & McKenzie in Hong Kong and Melbourne, Australia and then Freehill, Hollingdale & Page in Melbourne and Sydney, Australia. Mr. Davies graduated in 1992 from Monash University in 1992 with a Bachelor of Law (Honors) and Bachelor of Economics. He also earned an MBA (Honors) from Columbia Business School.

Mr. Davies' finance background, relationship with a key long-term significant shareholder, and his performance as a board member of our Company led the Board of Directors to conclude that he should be nominated to serve another term as a director.

John J. Micek. Mr. Micek, age 59, was re-appointed to the Board of Directors in 2007 and was appointed as Chief Financial Officer, Treasurer and Secretary of the Company effective January 1, 2011. He previously served on the Board between April 1999 and July 2005. From 2000 to 2010, Mr. Micek was Managing Director of Silicon Prairie Partners, LP, a Palo Alto, California based family-owned venture fund. Since April 2010, Mr. Micek has been Managing Partner of Verdant Ventures, a merchant bank dedicated to sourcing and funding University and corporate lab spinouts in areas including cleantech and pharma. He also is admitted to practice law in California and his prior practice focused on financial services. Currently, Mr. Micek actively serves on the Board of Directors of Armanino Foods of Distinction, Innovaro Corporation and JAL/Universal Assurors. During the past five years, he previously served on the Board of Directors of Benda Pharmaceutical, Wherify Wireless, and ExchangeBlvd.com. Mr. Micek is a cum laude graduate of Santa Clara University, and the University of San Francisco School of Law, where he was Senior Articles Editor of the Law Review. Mr. Micek was also on the Board of Directors of Universal Warranty Corporation, a wholly owned subsidiary of GMACI, from 2000-2003.

Mr. Micek's finance and business background, longstanding relationship with our Company, and his performance as a board member of our Company led the Board of Directors to conclude that he should be nominated to serve another term as a director.

Table of Contents

Edwin O. Riddell. Mr. Riddell, age 69, has served on the Board of Directors since 1995. He also served as our President and Chief Executive Officer from August 20, 2004 until his retirement effective August 28, 2007. Between 1999 and 2004, Mr. Riddell was President of CR Transportation Services, a consultant to the electric and hybrid vehicle industry. From 1992 to 1999, Mr. Riddell was Product Line Manager of the Transportation Business Unit at the Electric Power Research Institute, and from 1985 until 1992, he served with the Transportation Group, Inc. as Vice President of Engineering, working on electrically driven public transportation systems. From 1979 to 1985, Mr. Riddell was Vice President, General Manager and COO of Lift-U, Inc., a manufacturer of handicapped wheelchair lifts for the transit industry. He has also worked with Ford, Chrysler, and General Motors in the area of auto design, and as a member of senior management for a number of public transit vehicle manufacturers. Mr. Riddell served as a member of the American Public Transportation Association's (APTA) Member Board of Governors for over 15 years, and served on APTA's Board of Directors. Mr. Riddell was also Managing Partner of the U.S. Advanced Battery Consortium. He also serves on the Electric Drive Association Board of Directors.

Mr. Riddell's prior service as chief executive officer of our Company, historical perspective on our Company's business, relationships and strategy; and his performance as a board member of our Company led the Board of Directors to conclude that he should be nominated to serve another term as a director.

Roy S. Roberts. Mr. Roberts, age 72, was appointed to the Board of Directors in 2008. He has served as Managing Director of Reliant Equity Investors, a venture capital firm, since September 2000. Mr. Roberts retired from General Motors in 2000. At the time of his retirement, he was Group Vice President for North American Vehicle Sales, Service and Marketing of General Motors Corporation, having been elected to that position in October 1998. Prior to that time, he was Vice President and General Manager in charge of Field Sales, Service and Parts for the Vehicle Sales, Service and Marketing Group from August 1998 to October 1998, General Manager of the Pontiac-GMC Division between 1996 and 1998, and General Manager of the GMC Truck Division between 1992 and 1996. Mr. Roberts first joined General Motors Corporation in 1977 and became a corporate officer of General Motors Corporation in 1987. He was named 1996 Executive of the Year by Black Enterprise magazine and 1997 Executive of the Year by African Americans on Wheels magazine. Mr. Roberts earned a bachelor's degree from Western Michigan University and completed the Executive Development Program at Harvard University. He also received honorary doctorate degrees from Florida A&M University and Grand Valley State College. He previously served as on the Board of Directors for Burlington Northern Santa Fe Corporation, the Morehouse School of Medicine, the United Negro College Fund, the National Urban League, and as president and on the National Board of Directors for the Boy Scouts of America. He currently serves as a director for Abbott Laboratories and as Trustee Emeritus at Western Michigan University.

Mr. Roberts' knowledge of the automotive industry, experience in key automotive companies, and his performance as a board member of our Company led the Board of Directors to conclude that he should be nominated to serve another term as a director.

Michael Staran. Mr. Staran, age 50, was appointed to the Board of Directors in 2007. He currently serves as our President and Chief Executive Officer. Mr. Staran became our Chief Executive Officer effective August 28, 2007. He previously had served as President and Chief Operating Officer since June 26, 2007 and Executive Vice President since November 17, 2006. He also acted as a consultant for Enova Systems from November 2004 through February 2005 when he was hired by us as Director of Sales and Marketing. Mr. Staran has over 25 years of experience in business development, product management, sales and marketing, and engineering. Prior to joining us in 2006, he had served since 1998 as President of Effective Solutions People LLC providing specialized consulting to the OEM supplier segment. His affiliations and work history range from companies such as Ford, General Motors and DaimlerChrysler to suppliers such as Johnson Controls Inc. and Decoma International (a division of Magna International) where he was vice president of sales and marketing for 13 years. Mr. Staran holds a Bachelor of Science degree in Mechanical Engineering with a minor in Mathematics from Lawrence Institute of Technology in Southfield Michigan. Mr. Staran has developed three patented mechanical designs within the automotive components sector.

Table of Contents

Mr. Staran's role as our Chief Executive Officer, his knowledge our operations, and his performance as a board member of our Company led the Board of Directors to conclude that he should be nominated to serve another term as a director.

John R. Wallace. Mr. Wallace, age 63, was elected to the Board of Directors in 2002 and was elected Chairman of the Board of Directors on August 22, 2008. Mr. Wallace has been a member of the Board of Directors for Xantrex Technology, Inc. based in Burnaby, B.C., Canada since 2003 and also held the position of CEO at Xantrex from November 2005 until September 2008. From 2002 to 2005, Mr. Wallace worked independently as a consultant in the alternative energy sector. Prior to working as a consultant, Mr. Wallace served in various capacities at Ford Motor Company from 1988 until his retirement in 2002. He served as Director of Ford's Electronic Systems Research Laboratory, Research Staff, from 1988 through 1990. He then worked in Ford's alternative fuel vehicle programs, serving first as Director of Technology Development Programs then as Director of Electric Vehicle Programs, Director of Alternative Fuel Vehicles, and finally Director of Environmental Vehicles. Prior to joining Ford Research Staff, he was president of Ford Microelectronics, Inc., in Colorado Springs. Mr. Wallace has been past Chairman of the Electric Vehicle Association of the Americas, past Executive Director and Chairman of the Board of Directors of TH!NK Nordic, past chairman of the United States Advanced Battery Consortium, and past Chairman of the California Fuel Cell Partnership. His other experience includes work as program manager with Intel Corporation. He also served as Director, Western Development Center, for Perkin-Elmer Corporation and as President of Precision Microdesign, Inc.

Mr. Wallace's automotive and commercial vehicle industry experience, relationships in the electric and hybrid automotive industry, and his performance as a board member of our Company led the Board of Directors to conclude that he should be nominated to serve another term as a director.

There is no family relationship between any director, nominee, or executive officer of Enova Systems.

Required Vote and Recommendation

The holders of the common stock, Series A Preferred Stock (on an as converted basis), and Series B Preferred Stock (on an as converted basis), voting together as a single class, are entitled to elect the members of the Board.

Every shareholder entitled to vote has the right to cumulate the holder's votes in connection with the election of our directors. Under cumulative voting, each holder of common stock, Series A and Series B Preferred Stock may cast for a single candidate, or distribute among the candidates as such holder chooses, a number of votes equal to the number of candidates (six at this Annual Meeting) multiplied by the number of votes to which holders' shares are entitled. Cumulative voting will apply only to those candidates whose names have been placed in nomination prior to voting. No shareholder will be entitled to cumulate votes unless a shareholder has given notice at the meeting, prior to the voting, of such shareholder's intention to cumulate the shareholder's votes. If any one shareholder gives such notice, all shareholders may cumulate their votes for candidates in nomination, except to the extent that if a shareholder withholds votes from the nominees. You are being asked to grant discretionary authority to cumulate votes to the proxy holders. If cumulative voting is properly invoked by any shareholder, the holders of the proxies solicited hereby intend to vote such proxies in a manner that ensures the election of as many of the nominees set forth herein as possible.

The six nominees receiving the most votes will be elected as directors. Abstentions and broker non-votes will have no effect on the result of the vote, although they will count towards the presence of a quorum. Properly executed and unrevoked proxies will be voted **FOR** the nominees set forth in Proposal 1 unless contrary instructions or an abstention are set forth in the proxy. Note that the NYSE Amex rules no longer permit brokers to vote with respect to Proposal 1 if the broker has not received voting instructions from the beneficial owner as to that proposal. Thus, if your shares are held in street name by your broker, nominee, fiduciary or other custodian, we urge you to respond to your brokerage firm or other custodian so that your votes will be cast with respect to the election of directors. The proxy holders named in the accompanying form of proxy, in their discretion, will if necessary, exercise cumulative voting rights to secure the election of as many of the nominees as possible.

Table of Contents

The Board of Directors unanimously recommends a vote FOR each and all of the nominees for director.

PROPOSAL 2

RATIFICATION OF SELECTION OF INDEPENDENT PUBLIC AUDITORS

The Board recommends that the shareholders ratify the Audit Committee's selection of PMB Helin Donovan LLP as the principal registered independent auditors of Enova Systems for fiscal year 2011. PMB Helin Donovan LLP served as our registered independent auditor at the conclusion of each of our four most recently completed fiscal years. A representative of PMB Helin Donovan LLP is expected to be present at the Annual Meeting, will have the opportunity to make a statement if such representative desires to do so and will be available to respond to appropriate questions.

Although ratification is not required by our Bylaws or otherwise, the Board is submitting the selection of PMB Helin Donovan LLP to our shareholders for ratification as a matter of good corporate practice. If the selection is not ratified, the Audit Committee will consider whether it is appropriate to select another registered public accounting firm. Even if the selection is ratified, the Audit Committee in its discretion may select a different registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of Enova Systems and our shareholders.

Required Vote and Recommendation

The affirmative vote of the holders of a majority of the shares of the common stock, Series A Preferred Stock (on an as converted basis), and Series B Preferred Stock (on an as converted basis), voting together as a single class, present or represented by proxy at the Annual Meeting, is required to ratify the selection of PMB Helin Donovan. Abstentions and broker non-votes will have no effect on the outcome of the vote, although they will count towards the presence of a quorum. Proxies will be voted **FOR** ratifying the selection of PMB Helin Donovan LLP as our independent auditors for fiscal year 2011 unless contrary instructions are set forth in the proxy.

The Board of Directors unanimously recommends a vote FOR the ratification of the selection of PMB Helin Donovan LLP as Enova Systems' independent auditors for fiscal year 2011.

PROPOSAL 3

APPROVAL OF THE POTENTIAL ISSUANCE OF SHARES

OF COMMON STOCK AND WARRANTS TO PURCHASE COMMON STOCK

TO BE SOLD IN ACCORDANCE WITH

A WARRANT AND COMMON STOCK PURCHASE AGREEMENT

DATED DECEMBER 15, 2011

As more particularly described below, on December 15, 2011, the Company entered into a Warrant and Common Stock Purchase Agreement (the "Purchase Agreement"). The Purchase Agreement provides for the sale of up to an aggregate of 15,000,000 shares of common stock of the Company (the "Investor Shares") at \$0.15 per share for an aggregate cash purchase price of approximately \$2,250,000 together with warrants to purchase up to an aggregate of 15,000,000 shares of the common stock of the Company at a per share exercise price equal to the volume weighted average price of the Company's common stock for the twenty trading days immediately preceding the date of the closing (the "Underlying Shares"). As of December 15, 2011, purchasers have subscribed to purchase 3,000,000 shares of common stock for an aggregate purchase price of \$450,000 and accompanying warrants, and the Company has received additional indications of interest for approximately 6,600,000 shares of common stock for an aggregate purchase price of approximately \$1,000,000 and accompanying warrants.

After giving effect to the issuance of the maximum number of Investor Shares and without taking into account the preferred stock, there will be 46,515,223 shares of common stock issued and outstanding, representing an increase of approximately 47.6% of the issued and outstanding shares of the Company's common stock as of the date of this proxy statement. After giving effect to the issuance of the maximum number of Investor Shares (but without taking into account the preferred stock) and assuming the exercise in full of the warrants for the Underlying Shares, there would be 61,515,223 shares of common stock deemed to be issued and outstanding, representing an increase of approximately 95.2% of

the issued and outstanding shares of the Company's common stock as of the date of this proxy statement.

Table of Contents

The Purchase Agreement requires shareholder approval of the issuance of the Investor Shares committed as of the closing of the common stock financing and the accompanying warrants in accordance with the NYSE Amex rules. Additionally, the Purchase Agreement requires that, as a condition to the closing of the transactions contemplated thereunder, the Investor Shares and the Underlying Shares must be approved for listing on the NYSE Amex. The NYSE Amex rules require shareholder approval of certain stock issuances or potential stock issuances (and issuances or potential issuances of securities convertible into common stock) that equal or exceed 20% of the outstanding common stock in order for the shares to be listed. Thus, pursuant to this proxy statement, in order to meet the Company's obligations under the Purchase Agreement, as well as the NYSE Amex rules, the Company is seeking the approval of the issuance of the maximum of 15,000,000 shares of Investor Shares and the 15,000,000 shares of Underlying Shares.

The transaction will not result in a change of control of the Company.

This proxy statement does not constitute an offer of any securities for sale. The securities to be sold pursuant to the Purchase Agreement have not been registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

Need for Additional Financing

The Company's board and executive management have reviewed the business strategy and financial condition of the Company and have determined that the proposed fundraise is necessary to support the working capital needs of the Company.

Purchase Agreement

As of December 15, 2011, Enova entered into the Purchase Agreement with two accredited investors, pursuant to which such investors agreed to purchase up to 3,000,000 shares of Enova's common stock for an aggregate purchase price of \$450,000, together with warrants to purchase up to an equal number of shares of the Company's common stock. The Company has received additional indications of interest from other accredited investors for approximately 6,600,000 shares of common stock for an aggregate purchase price of approximately \$1,000,000 and accompanying warrants. Pursuant to the terms of the Purchase Agreement, Enova is permitted to sell an aggregate of up to 15,000,000 shares of common stock and warrants to acquire up to an equal number of shares of common stock. As not all of the shares authorized for sale had been subscribed to as of December 15, 2011, Enova may continue to negotiate with previously contacted accredited investors and may add one or more of such accredited investors as additional purchasers under the Purchase Agreement (any such purchaser is sometimes referred to herein as "Investor"). The warrants that may be issued pursuant to the Purchase Agreement are referred to herein as the "Warrants" and the Warrants and the Investor Shares are sometimes collectively referred to as the "Securities".

The closing of the sale of the Securities is contingent on, among other things, the approval by the shareholders of the Company of the issuance of the Investor Shares and Warrants pursuant to the Purchase Agreement in accordance with NYSE Amex rules.

The Warrants will have a five year term unless terminated earlier upon a sale of the Company. The Warrants will be exercisable at the option of the holder at a price equal to the volume weighted average price of the Company's common stock for the twenty trading days immediately prior to the date of the closing of the sale of the Investor Shares (the "Exercise Price"). The Warrants will further provide that, at the Company's option, the Company may require that the Warrants be exercised for shares of the Company's common stock upon written notice from the Company if (i) the closing price of one share of its common stock is at or above two times the Exercise Price for twenty consecutive trading days, and (ii) the average daily trading volume during such twenty-day period is at least 10,000 shares per day.

Merriman Capital, Inc. ("Merriman") has acted as the sole placement agent for the offering pursuant to the Purchase Agreement. At closing, Merriman will be paid a cash fee equal to ten percent of the gross proceeds received from the sale of the Investor Shares, less \$100,000 which shall be payable to a third-party.

Under the terms of the Purchase Agreement, Enova is obligated to enter into a Registration Rights Agreement with the Investors no later than the closing of the sale of the Securities. The Registration Rights Agreement

Table of Contents

will require the Company to use commercially reasonable efforts to file within thirty (30) days after the closing with the SEC a registration statement to cover the resale of the Investor Shares and the Underlying Shares not to exceed in the aggregate a number of shares equal to approximately one third of the Company's public float as may be limited by applicable SEC rules and regulations for the resale registration of such shares. If not all of the Investor Shares and the shares issuable under the Warrants may be sold on a delayed or continuous basis under the provisions of Rule 415 under the Securities 1933 Act, the Registration Rights Agreement will provide that such shares will be removed from the registration statement and/or the Investors will agree to such restrictions and limitations on the registration and resale of such shares as the SEC may require to assure the Company's compliance with the requirements of said Rule 415.

The Securities are expected to be sold in a transaction exempt from the registration requirements under Section 5 of the Securities Act of 1933, as amended (the Securities Act), pursuant to Section 4(2) thereof and in reliance upon Rule 506 of Regulation D promulgated by the SEC.

The foregoing descriptions of the Purchase Agreement, the Warrants and the Registration Rights Agreement are summaries only and are qualified by the terms of those agreements. A copy of the Purchase Agreement and the form of each of the Warrants and the Registration Rights Agreement were filed with the SEC as exhibits 99.1, 99.2 and 99.3, respectively, to the Company's Current Report on Form 8-K with date of earliest event reported being December 15, 2011.

NYSE Amex Shareholder Approval Requirement

NYSE Amex Rule Section 713 requires for the listing of shares shareholder approval of any issuances or potential issuances of common stock (or securities convertible into common stock) sold in private transactions if the number of shares sold is equal to or exceeds 20% or more of presently outstanding stock and the price per share is less than the greater of book value or market value of the common stock.

The Company currently has 31,515,223 shares outstanding. After giving effect to the issuance of the 15,000,000 Investor Shares (but without taking into account the shares of common stock issuable upon conversion of the preferred stock), the outstanding shares of the Company will increase to 46,515,223 shares, representing an increase of approximately 47.6% in the number of shares issued and outstanding. After giving effect to the issuance of the 15,000,000 Investor Shares (but without taking into account the shares of common stock issuable upon conversion of the preferred stock) and assuming the exercise in full of the Warrants for 15,000,000 shares of the Underlying Shares, there would be 61,515,223 shares deemed to be issued and outstanding, representing an increase of approximately 95.2% in the number of shares issued and outstanding. As of the date that the Purchase Agreement was entered into, the per share purchase price for the shares was less than the greater of book value or market value of the common stock. Accordingly, pursuant to NYSE Amex Rule 713, the proposed issuance of the Investor Shares and Underlying Shares pursuant to the Purchase Agreement must be approved by the Company's shareholders. If the shareholders do not approve Proposal 3 by the vote required under NYSE Amex rules, the Company will not be able to complete the sale of all the Investor Shares and Warrants pursuant to the Purchase Agreement.

Notwithstanding shareholder approval of Proposal 3, the listing on the NYSE Amex of any of the shares that we may issue following such shareholder approval will be subject to NYSE Amex's review related to our compliance with the listing rules. Furthermore, shareholder approval does not obviate the need for compliance with the requirements of the Exchange Act or other NYSE Amex requirements.

If Proposal 3 is approved at our 2011 Annual Meeting, we will not need to solicit further authorization for the issuance of any of these securities by a vote of our shareholders prior to such issuance.

Use of Proceeds

The Company intends to utilize the net proceeds from the sale of Investor Shares for working capital and general corporate purposes and the completion of key product development initiatives.

Table of Contents

Effects of Issuance on Existing Shareholders

If Proposal 3 is approved and we issue the Investor Shares and Warrants under the Purchase Agreement and the purchase price for the Investor Shares or the exercise price of the Underlying Shares is less than the greater of book value or market value of the common stock as of the date of the closing or the date of exercise of the Warrants, as the case may be, our existing shareholders will incur dilution of their interests, which dilution may be significant. Additionally, because the proposed purchase price under the Purchase Agreement for the Investor Shares is less than the greater of book value or market value of the common stock as of December 15, 2011, such purchase price could depress the market price for our common stock. Likewise, because the proposed exercise price of the Underlying Shares under the Warrants may be less than the greater of book value or market value of the common stock as of December 15, 2011, the exercise price of the Underlying Shares could also depress the market price for our common stock.

If Proposal 3 is approved and we issue additional shares of our common stock, it is anticipated that certain of the Investor Shares and/or Underlying Shares will be registered for resale as provided in the Registration Rights Agreement. Even if not so registered, some or all of those shares may become eligible for sale in the public markets after expiration of the six-month holding period required under Rule 144 of the Securities Act. Any such sales, or the anticipation of the possibility of such sales, could represent an overhang on the market and could depress the market price of our common stock.

Although Proposal 3 and the sale of the Investor Shares and Warrants pursuant to the Purchase Agreement are not part of a plan by the Board of Directors to adopt a series of anti-takeover measures, the issuance of such shares of common stock could have an anti-takeover effect because it may make it more difficult for, or discourage an attempt by, a party to obtain control of the Company by tender offer or other means. These shares of common stock, if and when issued, will increase the number of shares entitled to vote and dilute the interest of a party attempting to obtain control of the Company. The Board of Directors does not have any knowledge of any effort by any person to accumulate our securities or obtain control of Enova by any means.

Because the sale of the Investor Shares and Warrants pursuant to the Purchase Agreement are subject to various conditions, there is no assurance that the transactions contemplated by the Purchase Agreement will be successfully completed or that any or all of the Investor Shares will be sold.

Required Vote and Recommendation

The proposal to issue up to an additional 15,000,000 shares of common stock and Warrants to acquire up to an additional 15,000,000 shares of common stock pursuant to the Purchase Agreement requires the affirmative vote of at least a majority of the votes cast by the holders of shares of common stock, Series A Preferred Stock (as converted), and Series B Preferred Stock (as converted), voting together as a single class, present or represented at the meeting and entitled to vote. Accordingly, abstentions and broker non-votes will have no effect on the outcome of the vote, although they will count towards the presence of a quorum. Proxies will be voted **FOR** Proposal 3 unless contrary instructions are set forth on the enclosed proxy card.

The Board of Directors unanimously recommends a vote FOR approval of the potential issuance of 15,000,000 shares of common stock and warrants to acquire up to 15,000,000 shares of common stock to be sold pursuant to the Purchase Agreement.

CORPORATE GOVERNANCE AND RELATED MATTERS

Code of Ethics

Enova Systems has adopted a Code of Ethics For Officers, Directors, and Employees consistent with Securities and Exchange Commission (SEC) rules requiring a Code of Ethics and the NYSE Amex rules requiring a Code of Conduct and Ethics. It applies to our Board of Directors, Chief Executive Officer, Chief Financial Officer and principal accounting officer, and employees. A copy of the Code of Ethics for Officers, Directors,

Table of Contents

and Employees may be obtained free of charge by writing to Enova Systems, Inc., 1560 West 190th Street, Torrance, California 90501, Attention: Chief Financial Officer or by accessing the Investor Relations section of our website (www.enovsystems.com). To the extent required by the rules of the SEC and the NYSE Amex, we will post on our website any amendments and waivers relating to our code of ethics with respect to our directors, principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

Board of Directors and its Committees

The Board of Directors currently is fixed at and consists of six directors. The minimum and maximum number of Directors under our Bylaws is six and nine members, respectively.

The Board of Directors has determined that at least 50% of its current members are independent within the meaning of NYSE Amex rules as applicable to a smaller reporting company. Specifically, Messrs. Davies, Roberts and Wallace are independent.

The Board met five times during 2010. The Board schedules regular executive sessions at each of its meetings in which non-employee directors meet without management participation. In addition, at least once each year the independent directors meet without non-independent director participation. Each of the directors attended at least 75% of the total number of meetings of the Board and meetings of the committees of the Board of which he was a member. The Board expects all directors to attend, in person or by phone, our annual meetings of shareholders. All of the current Board members attended, in person or by phone, our prior annual meeting of shareholders in December 2010.

Audit Committee. The Board of Directors has established an Audit Committee in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The current members of this committee are Messrs. Riddell (Chair), Roberts and Wallace. Although there presently are three members of the Audit Committee, NYSE Amex rules permit us, as a smaller reporting company, to have only two members of the Audit Committee. The Board has determined that the members of the Audit Committee are independent under the rules of the SEC and the NYSE Amex. In addition to being independent, Mr. Roberts has been determined by the Board to be an audit committee financial expert as defined by the SEC and the NYSE Amex. Mr. Roberts' designation by the Board as an audit committee financial expert is not intended to be a representation that he is an expert for any purpose as a result of such designation, nor is it intended to impose on him any duties, obligations or liability that are greater than the duties, obligations or liability imposed on him as a member of the Audit Committee and the Board in the absence of such designation. Additionally, his designation as an audit committee financial expert does not affect the duties, obligations or liability of any other member of the Audit Committee.

The Audit Committee, among other functions, has the sole authority to appoint and replace the independent auditors, is responsible for the compensation and oversight of the work of the independent auditors, reviews the results of the audit engagement with the independent auditors, and reviews and discusses with management and the independent auditors quarterly and annual financial statements and major changes in accounting and auditing principles. The Audit Committee met five times during 2010. The Board has adopted a written charter for the Audit Committee. A copy of the Audit Committee charter may be obtained free of charge by writing to Enova Systems, Inc., 1560 West 190th Street, Torrance, California, Attention: Chief Financial Officer or by accessing the Investor Relations section of our website (www.enovsystems.com).

Compensation Committee. The Board of Directors has established a Compensation Committee. The current members of this committee are Messrs. Davies (Chair), Roberts and Wallace. The Board has determined that Messrs. Davies, Roberts and Wallace are independent members of the Compensation Committee under the rules of the NYSE Amex.

The Compensation Committee, among other functions, reviews and recommends compensation structures, programs and amounts, and establishes performance goals and objectives relative to the Chief Executive Officer. The determinations of the Compensation Committee typically are ratified by the full Board of Directors, includ-

Table of Contents

ing a majority of independent directors. In performing its functions with respect to compensation of management and employees (other than compensation for the Chief Executive Officer), the Compensation Committee may rely upon the recommendations of or delegate authority to our Chief Executive Officer. The Compensation Committee met two times during 2010. The Board has adopted a written charter for the Compensation Committee. A copy of the Compensation Committee charter may be obtained free of charge by writing to Enova Systems, Inc., 1560 West 190th Street, Torrance, California 90501, Attention: Chief Financial Officer or by accessing the Investor Relations section of our website (www.enovasytems.com).

Pursuant to its charter, the Compensation Committee is authorized to retain compensation consultants to assist it in carrying out its duties. The Compensation Committee has the authority to approve any compensation consultant's fees and other retention terms. The Company did not engage a compensation consultant during fiscal 2010 to provide advice or recommendations on the amount or form of executive and director compensation.

Nominating and Governance Committee. The Board of Directors has established a Nominating and Governance Committee. The current members of this committee are Messrs. Davies, Roberts and Wallace. The Board has determined that Messrs. Davies, Roberts and Wallace are independent members of the Nominating and Governance Committee under the rules of the NYSE Amex. The Nominating and Governance Committee generally monitors, reviews, and makes recommendations on (i) Board composition including assessment of skills, performance, and independence, and (ii) corporate governance matters and practices, including formulating and periodically reviewing the Code of Ethics applicable to the Company's directors, officers and employees. The Nominating and Governance Committee met two times during 2010. The Board has adopted a written charter for the Nominating and Governance Committee. A copy of the charter may be obtained free of charge by writing to Enova Systems, Inc., 1560 West 190th Street, Torrance, California 90501, Attention: Chief Financial Officer or by accessing the Investor Relations section of our web site (www.enovasytems.com).

Board Leadership Structure and Role in Risk Oversight

The Chief Executive Officer and Chairman roles are currently separated between Mr. Staran and Mr. Wallace, respectively. The Board believes that its current leadership structure provides appropriate board oversight and engagement by having our Chief Executive Officer role separate from that of the Chairman of the Board. The Chief Executive Officer is best positioned as the individual with primary responsibility for managing the Company's day-to-day operations and carries in-depth knowledge and understanding of the Company. The Chairman of the Board chairs regular Board meetings as we discuss key business and strategic issues. In conjunction with the non-executive directors who are elected annually, we believe this structure provides appropriate oversight of the day-to-day management of business operations.

The Board believes that the Company's governance structure operates to effectively oversee material risks related to the Company. The Board's role, as a whole and through its committees, in the risk oversight process includes receiving regular reports from members of senior management on areas of material risk to the Company, including operational, financial and strategic risks. Also, the involvement of the Board in reviewing, approving and monitoring our fundamental financial and business strategies, as contemplated by our corporate governance documents, is important to the determination of the types and appropriate levels of risk the Company undertakes.

Consideration of Director Nominees

In evaluating and determining whether to recommend a person as a candidate for election as a director, the Nominating and Governance Committee considers the person's qualities and skills, which include business and professional background, history of leadership or contributions to other organizations, functional skill set and expertise, general understanding of marketing, finance, accounting and other elements relevant to the success of a publicly-traded company in today's business environment, and service on other boards of directors. The Nominating and Governance Committee does not have a formal policy regarding the consideration of diversity in identifying director nominees, but looks for individuals with specific qualifications so that the Board as a whole may maintain an appropriate mix both of experience, background, expertise and skills, and of age, gender, and ethnic and racial diversity. There are no specific minimum qualifications for nominees. The Nominating and Governance Committee may employ a variety of methods for identifying and evaluating nominees for director.

Table of Contents

The Nominating and Governance Committee may assess the size of the Board, the need for particular expertise on the Board, the upcoming election cycle of the Board and whether any vacancies are expected, due to retirement or otherwise. In the event that vacancies are anticipated or otherwise arise, the Nominating and Governance Committee will consider various potential candidates for director which may come to the Nominating and Governance Committee's attention through current Board members, professional search firms, shareholders or other persons. No fees were paid to any third party to identify or evaluate potential nominees for inclusion in this proxy statement.

In exercising its function of recommending individuals for nomination by the Board for election as directors, the Nominating and Governance Committee considers nominees recommended by shareholders under the criteria summarized above. The Nominating and Governance Committee will make an initial analysis of the qualities and skills of any candidate recommended by a shareholder or others pursuant to the criteria summarized above to determine whether the candidate is suitable for service on our Board before deciding to undertake a complete evaluation of the candidate. If any materials are provided by a shareholder or professional search firm in connection with the nomination of a director candidate, such materials are forwarded to the Nominating and Governance Committee as part of its review. The same identifying and evaluating procedures apply to all candidates for director nomination, including candidates submitted by shareholders.

To request that the Nominating and Governance Committee consider a prospective candidate for election to our Board of Directors at our 2012 Annual Meeting of Shareholders, please submit the candidate's name and biographical description to: Enova Systems, Inc., 1560 West 190th Street, Torrance, California 90501, Attention: Secretary.

Contacting the Board

You may contact any of our directors, or our independent directors as a group, by writing to them c/o Enova Systems, Inc., 1560 West 190th Street, Torrance, California 90501, Attention: Secretary. Your letter should clearly specify the name of the individual director or group of directors to whom your letter is addressed. Any communications received in this manner will be forwarded to the appropriate director(s) as addressed, except for solicitations or other matters unrelated to our company.

Director Compensation

The table below summarizes the total compensation we paid to our Directors (other than Mr. Staran) for the fiscal year ended December 31, 2010:

Non-Executive Director Name	Fees Earned or Paid in		Total (\$)
	Cash (\$)	Option Awards (\$)	
Richard Davies(A)			
John J. Micek(D)	\$ 30,000		\$ 30,000
Edwin Riddell(B)	\$ 20,000	\$ 42,000	\$ 62,000
Roy Roberts(B)(C)	\$ 25,000	\$ 42,000	\$ 67,000
John Wallace(B)(C)	\$ 25,000	\$ 42,000	\$ 67,000

(A) Mr. Davies elected not to receive compensation for his services in the year ended December 31, 2010. Mr. Davies did not receive anything in return for not receiving compensation in the year ended December 31, 2010.

(B) In 2010, Messrs. Riddell, Roberts and Wallace received equity options with a grant date fair value of \$42,000 for each director, that vest over one year on a quarterly basis on the last date of each calendar quarter. The options will become fully vested on December 31, 2011.

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

- (C) In 2010, Messrs. Roberts and Wallace were entitled to cash compensation of \$5,000 each for their services as members of the audit committee.

- (D) In 2010, Mr. Micek was entitled to cash compensation of \$10,000 for his services as chairman of the audit committee.

Table of Contents

The provisions of the Board compensation, effective as of July 1, 2008, provides that each Director receive quarterly compensation at a flat rate of \$5,000 in cash and \$7,500 in stock valued at the closing prices of our common stock on the last day of the quarter in which the meeting was held. In 2009 and in lieu of stock for compensation, Messrs. Micek, Riddell, Roberts and Wallace received options to purchase 34,500 shares of our common stock pursuant to the 2006 Equity Compensation Plan, which options had a grant date fair value of \$27,000. The options vested over one year on a quarterly basis on the last date of each calendar quarter. In 2010 and in lieu of stock for compensation, Messrs. Wallace, Roberts and Riddell received options to purchase 34,500 shares of our common stock pursuant to the 2006 Equity Compensation Plan, which options had a grant date fair value of \$42,000 and vest over one year on a quarterly basis on the last date of each calendar quarter. The Company measures and recognizes compensation expense for all share-based payment awards made to employees and directors, including employee stock options based on the estimated fair values at the date of grant. The compensation expense is recognized over the requisite service period. The Company's determination of estimated fair value of share-based awards utilizes the Black-Scholes option-pricing model.

In addition, members of the Board who serve on our audit committee are provided additional compensation of \$2,500 per quarter for the chairman of the audit committee and \$1,250 per quarter for other members of the audit committee. All Directors are also reimbursed for out-of-pocket expenses incurred in connection with attending Board and committee meetings.

EXECUTIVE OFFICERS

We currently have three executive officers.

Michael Staran. Please see Information Regarding Nominees above for a biographical discussion of Mr. Staran, our President and Chief Executive Officer.

John J. Micek. Please see Information Regarding Nominees above for a biographical discussion of Mr. Micek, our Chief Financial Officer.

John Mullins. Mr. Mullins, age 47, joined Enova Systems on December 12, 2007 as Director of Supply Chain Management and was appointed Chief Operating Officer on October 22, 2009. He has 20 years operations related management experience, 11 based outside the United States. From September 2006 to October 2007, Mr. Mullins served as COO/VP Operations for American Racing, an automotive supply company. From September 2004 to July 2006, Mr. Mullins served as SBU global General Manager of Ingersoll-Rand's industrial tool and pump business based in Shanghai, China. His past roles also include General Manager of TRW Automotive's North American aftermarket business; Operations general manager-Europe for Lucas Aftermarket, based in Solihull England, and a variety of positions with Kelsey-Hayes company in engineering and program management, based in Tokyo, Japan and Detroit, Michigan.

EXECUTIVE COMPENSATION**Summary Compensation Table**

The table below summarizes the total compensation paid to or earned by each of the named executive officers for the fiscal years ended December 31, 2010 and 2009:

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)(A)(F)	Options Awards (\$)(B)	Non-Equity Incentive		Total (\$)
					Plan Compensation (\$)(C)	All Other Compensation (\$)(D)	
Michael Staran Chief Executive Officer	2010	\$ 265,000	\$ 60,000	\$	\$ 96,200	\$ 66,931	\$ 488,131
	2009	\$ 250,000	\$ 140,000	\$ 162,261	\$	\$ 76,850	\$ 629,111
Jarett Fenton(E) Chief Financial Officer	2010	\$ 196,350	\$	\$	\$ 48,444	\$ 17,519	\$ 262,313
	2009	\$ 185,050	\$ 60,000	\$ 95,687	\$	\$ 16,174	\$ 356,911
John Mullins Chief Operating Officer	2010	\$ 200,000	\$ 50,000	\$	\$ 61,444	\$ 8,817	\$ 320,061
	2009	\$ 175,346	\$ 50,000	\$ 72,306	\$	\$ 277	\$ 297,929

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

- (A) For the 2009 year, the Board of Directors awarded discretionary bonuses to the Company's officers in December 2009 based on several factors, predominately due to the negotiation of the equity raise with the payment of minimal investment banking fees in December 2009.

Table of Contents

- (B) The valuation of option awards issued to employees are calculated in accordance with SEC rules as the grant date fair value in accordance with FASB ASC 718 consistent with the assumptions set forth in Note 13 to the financial statements in this Annual Report on Form 10-K.
- (C) For the 2010 year, Messrs. Staran, Mullins, and Fenton earned compensation based on the Board of Directors March 22, 2010 establishment of executive compensation where the amount of compensation paid was dependent on achieving a gross margin and cash balance target for the year ended December 31, 2010. Mr. Staran earned \$80,000 and \$16,000; Mr. Fenton earned \$40,000 and \$8,000; Mr. Mullins earned \$50,000 and \$11,000, for achieving certain cash and gross margin targets, respectively.
- (D) For Mr. Staran, the amount shown attributable to 2010 includes (i) \$36,406 for lease of apartment and related insurance; (ii) \$10,147 for auto allowance and insurance; (iii) \$216 value of life insurance premiums paid; and (iv) \$16,183 in medical insurance premiums. In 2009, the amounts shown attributable for Mr. Staran include: (i) \$34,314 for lease of apartment and related insurance; (ii) \$18,418 for auto allowance and insurance; (iii) \$2,218 value of life insurance premiums paid; and (iv) \$15,505 in medical insurance premiums. For Mr. Fenton, the amount shown attributable to 2010 includes (i) \$216 value of life insurance premiums paid; (ii) \$3,858 in medical insurance premiums paid; and (iii) \$11,612 in auto allowance and insurance. In 2009, the amounts shown attributable for Mr. Fenton include: (i) \$2,218 value of life insurance premiums paid; (ii) \$3,436 in medical insurance premiums paid; and (iii) \$8,828 in auto allowance and insurance. For Mr. Mullins, the amount shown attributable to 2010 includes (i) \$7,504 in medical insurance premiums and (ii) \$216 value of life insurance premiums.
- (E) Mr. Fenton resigned as an officer of Enova and his employment ended as of December 31, 2010.
- (F) For the 2010 year, Messrs. Staran and Mullins earned bonus compensation based on the Board of Directors March 22, 2010 establishment of executive compensation where the amount of discretionary bonus paid was influenced by several discretionary factors, including, but not limited to gross margin and cash flow targets, amongst other discretionary factors as of December 31, 2010.

Employment Agreement

Effective February 11, 2008, we entered into an employment agreement with Michael Staran, the President and Chief Executive Officer of Enova, to provide him an annual salary of \$250,000 beginning as of January 1, 2008 and 12 months severance pay. On October 29, 2008, Mr. Staran was granted 12,000 shares of Enova's common stock. Pursuant to the February 11, 2008 employment agreement, we leased a car for Mr. Staran's use and pay for related expenses. Mr. Staran also is entitled to reimbursement for an apartment at the rate of \$3,057 per month. The employment agreement further provides for life, medical and disability benefits and 15 days of annual accrued vacation. Mr. Staran does not receive compensation in his capacity as a member of the Board of Directors.

On February 17, 2009, the Board of Directors of Enova amended the employment agreement of Mr. Staran to increase the severance payment period under his agreement from 12 months to 18 months. In addition, if severance payments are triggered, Enova will reimburse Mr. Staran up to \$20,000 for relocation expenses. Except for the foregoing amendments, all terms and conditions of the employment agreement between Enova and Mr. Staran dated February 11, 2008 remain unchanged and are in full force and effect.

Table of Contents**Outstanding Equity Awards at Fiscal year-End**

The following table presents information regarding outstanding equity awards held by the executive officers named in the Summary Compensation Table at December 31, 2010.

Outstanding Equity Awards at Fiscal Year-Ended December 31, 2010

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Michael Staran	41,667	58,333(A)	\$ 1.26	12/18/2019	(F)	
	33,333	66,667(B)	\$ 0.80	4/13/2014		
	100,000	(C)	\$ 3.81	3/23/2018		
	23,000		\$ 4.35	9/21/2015		
Jarett Fenton	20,833	29,167(A)	\$ 1.26	12/18/2019		
	23,333	46,667(B)	\$ 0.80	4/13/2014		
	70,000	(C)	\$ 3.81	3/23/2018		
John Mullins	20,833	29,167(A)	\$ 1.26	12/18/2019		
	30,000	(C)	\$ 3.81	3/23/2018		
	17,500	12,500(D)	\$ 0.80	4/13/2019		
	30,000	(E)	\$ 0.21	3/11/2019		

- (A) The options were granted on December 18, 2009 and vest over three years on a quarterly basis on the last day of each calendar quarter provided the option holder is then an officer of Enova as of such date. The first 1/12 or 8.33% of the shares under each option vested on January 1, 2010. In the event there is a change of control of Enova, the options will become fully vested.
- (B) The options were granted on April 14, 2009 and vest over three years on an annual basis on the anniversary of the grant date provided the option holder is then an officer of Enova as of such date. The first 1/3 or 33.33% of the shares under each option vested on April 14, 2010. In the event there is a change of control of Enova, the options will become fully vested.
- (C) The options were granted on March 24, 2008 and vest over three years on an annual basis on December 31st of each year, provided the option holder is then an officer of Enova as of such date. The final 1/3 or 33.33% of the shares under each option vested on December 31, 2010.
- (D) The options were granted on April 14, 2009 and vest over three years on a quarterly basis on the last day of each calendar quarter provided the option holder is then an officer of Enova as of such date. The first 1/12 or 8.33% of the shares under each option vested on June 30, 2009. In the event there is a change of control of Enova, the options will become fully vested.

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

- (E) The options were granted on March 12, 2009 and vest over two years on a quarterly basis on the last day of each calendar quarter provided the option holder is then an officer of Enova as of such date. The first 1/8 or 12.5% of the shares under each option vested on March 31, 2009. In the event there is a change of control of Enova, the options will become fully vested.

- (F) Equity shares totaling 75,000 shares were granted on April 4, 2008 and vested over three years on an annual basis on December 31st of each year, as the holder was then an officer of Enova as of such date.

Current Equity Incentive Plans

We presently have only one active stock-based compensation plan. The 2006 Equity Compensation Plan authorizes the Compensation Committee to grant stock options and other stock awards to employees and consultants, including executives and directors, and such grants are currently approved by the whole board of direc-

Table of Contents

tors. The determination of whether option grants are appropriate each year is based upon individual measures established for each individual within the subjective determination of the board of directors. Options are not necessarily granted to each executive during each year. Options granted to executive officers generally vest in conjunction with the attainment of the performance goals of the Company. In 2010, Messrs. Staran, Fenton and Mullins were not granted new stock options from the plan.

Change of Control and Retirement Arrangements

The terms of the February 11, 2008 employment agreement, as modified on February 17, 2009, with our current Chief Executive Officer provides that in the event Mr. Staran's employment is terminated by us without cause, he is entitled to receive as severance (i) three months of health benefits, (ii) his contingent bonus, (iii) 18 months payment of his current base salary on a monthly basis and (iv) a relocation allowance of \$20,000. If his duties or responsibilities are materially diminished or if he is assigned duties that are demeaning or otherwise materially inconsistent with the duties then currently performed by him, Mr. Staran will have the right to receive the same severance payment as if his employment had been terminated without cause.

On February 17, 2009, the Board of Directors entered into a severance agreement with Jarett Fenton, the former Chief Financial Officer of Enova, which permitted severance pay under certain circumstances. Effective December 31, 2010, Mr. Fenton resigned from all offices held by him with Enova and his employment ended as of that date. In connection with his employment termination, Mr. Fenton is receiving 12 months severance based on his base salary as of December 31, 2010. The severance is payable monthly. He was also provided three months of health benefits.

On August 31, 2009, we entered into a severance agreement with John Mullins, the Chief Operating Officer of Enova. Mr. Mullins agreement provides a 12 month severance provision. In the event that Mr. Mullins' employment is terminated by Enova without cause, he is entitled to receive as severance three months of health benefits and 12 months payment of his current base salary, to be paid on a monthly basis. If Mr. Mullins' duties or responsibilities are materially diminished or he is assigned duties that are demeaning or otherwise materially inconsistent with the duties then currently performed, he will have the right to terminate his agreement and receive the same severance payment as if his employment had been terminated without cause.

In addition, effective March 22, 2010 and for the fiscal year ending December 31, 2010, the Board of Directors approved a bonus arrangement providing for certain payments to Messrs. Staran, Fenton and Mullins in the event of an extraordinary transaction the result of which is a change in control of Enova. In the event of certain change of control transactions and provided certain criteria are satisfied, Messrs. Staran, Mullins and Fenton would have been entitled to a bonus based on the amount and type of consideration received in that transaction and such bonus would be payable in the same ratio of cash and stock as may be payable to the shareholders of Enova in that transaction. The amount of the bonuses that would be paid to Messrs. Staran, Mullins and Fenton, individually, would be aggregated with any other change of control payments that they are then eligible to receive under other arrangements and the total amount of the aggregated change of control payments would be capped as determined by the Board to avoid excise taxes and to permit their deductibility. Because no such transaction occurred, such bonuses did not become payable.

Effective December 7, 2010 and for the fiscal year ending December 31, 2011, the Board of Directors approved a cash bonus arrangement for Messrs. Staran, Mullins and Micek comprised of three separate components which are performance-based, and a bonus arrangement providing for certain payments to Messrs. Staran, Mullins and Micek in the event of an extraordinary transaction the result of which is a change in control of the Company. The issuance of the Investor Shares and the Warrants (and the Underlying Shares issuable upon exercise of the Warrants) described above will not constitute, for purposes of the potential 2011 bonus payment, an extraordinary transaction the result of which would be a change in control of the Company.

If, in 2011, certain performance based goals related to gross margin percentages are met, the bonus for Mr. Staran would range from a low of \$8,000 to a high of \$50,000; the bonus for Mr. Mullins would range from a low of \$5,000 to a high of \$30,000; and the bonus for Mr. Micek would range from a low of \$3,000 to a high of \$20,000. If, in 2011, certain performance based goals related to gross margin dollars are met, the bonus for Mr. Staran would range from a low of \$12,000 to a high of \$70,000; the bonus for Mr. Mullins would range from

Table of Contents

a low of \$7,000 to a high of \$50,000; and the bonus for Mr. Micek would range from a low of \$5,000 to a high of \$30,000. An additional performance bonus based on the achievement of certain operating cash flow goals will also be payable to each of Messrs. Staran, Mullins and Micek for 2011 if such operating cash flow goals are met, ranging from a low of \$10,000 to a high of \$60,000 for Mr. Staran; ranging from a low of \$6,000 to a high of \$40,000 for Mr. Mullins; and ranging from a low of \$4,000 to a high of \$25,000 for Mr. Micek. A discretionary bonus may also be determined by the Compensation Committee in its sole discretion and, as such bonus (if any) is discretionary, the amount thereof, if any, is not determinable at this time.

In the event of certain change of control transactions and provided certain criteria are satisfied during 2011, Messrs. Staran, Mullins and Micek would also be entitled to a bonus based on the amount and type of consideration received in that transaction by our shareholders and, at the election of our Board, such bonus would be payable all in cash or in the same ratio of cash and stock as may be payable to our shareholders in that transaction. The amount of the bonuses that would be paid to Messrs. Staran, Mullin and Micek, individually, would be aggregated with any other change of control payments that they are then eligible to receive under other arrangements and the total amount of the aggregated change of control payments would be capped as determined by the Board to avoid excise taxes and to permit their deductibility, but in no event in excess of \$795,000 for Mr. Staran, \$600,000 for Mr. Mullins and \$345,000 for Mr. Micek. Because of the variables associated with this arrangement and other factors related thereto, the Company cannot predict if any such bonus amount will become payable or, if so, the amount thereof.

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

The table below sets forth information as to (a) any person, including their address, known to us to own beneficially more than 5% of our voting securities, (b) equity securities beneficially owned by each of the named executive officers described above and directors; and (c) equity securities beneficially owned by our current executive officers and directors as a group. Beneficial ownership is determined in accordance with the SEC's Regulation 13D-G. Accordingly, the information below reflects stock options, warrants, and other securities beneficially held by the specified person that may be exercised or converted into common stock within 60 days. Except as indicated in the footnotes to this table and subject to applicable community property laws, the persons named in the table to our knowledge have sole voting and investment power with respect to all shares of securities shown as beneficially owned by them. The information in this table is as of November 28, 2011 based upon an aggregate of 31,598,705 voting shares from (i) 31,515,211 shares of common stock outstanding and (ii) potential conversion of Series A Preferred Stock and Series B Preferred Stock into 82,988 shares of common stock.

Owner	Number of Shares of Common Stock	Percent of Common Stock	Percent of Common Stock, Series A and Series B Preferred Stock, and Common Stock Voting Together
Shell Asset Management BV(2) Sir Winston Churchillaan 366H, 2285 SJ Rijswijk ZH, The Netherlands	6,054,960	19.2%	19.2%
Special Situation Fund, L.P.(3) 527 Madison Avenue, Suite 2600, New York, NY 10022	4,413,622	14.0%	14.0%
Jagen, Pty., Ltd.(1) 9 Oxford Street, South Ybarra 3141 Melbourne, Victoria Australia	3,222,222	10.2%	10.2%
Swiss Global Asset Management AG(4) 69, route d Esch, L-1470, Luxembourg	1,771,750	5.6%	5.6%
Jarett Fenton(5)	28,333	*	*
Michael Staran(6)	376,833	1.2%	1.2%
John Mullins(7)	138,333	*	*
Richard Davies(1)	3,222,222	10.2%	10.2%
John J. Micek(10)	226,741	*	*
Roy S. Roberts(8)	120,245	*	*
John R. Wallace(8)	140,938	*	*
Edwin O. Riddell(9)	178,667	*	*
All Executive Officers and Directors as a group(11)	4,403,979	14.0%	14.0%

(1) Jagen Pty. Ltd. (Jagen) shares beneficial ownership with Jagen's controlling shareholder, the B. Liberman Family Trust and its trustee, Jagen Nominees, Pty. Ltd. Mr. Davies is Managing Director for Jagen. Boris and Helen Liberman possess ultimate voting and discretionary authority over the shares.

(2) Based on a Form 3 filed December 15, 2009. Shell Asset Management Company BV manages assets of The Shell Group and its subsidiaries and affiliates, including certain pension plans organized for the benefit of employees of The Shell Group. As such, The Shell Group and such subsidiaries and affiliates, including such pension plans, have the right to the receipt of dividends from, and the proceeds from the sale of, the shares of common stock.

- (3) Based on a Schedule 13G filed February 11, 2011. MGP Advisors Limited (MGP) is the general partner of the Special Situations Fund III, QP, L.P. AWM Investment Company, Inc. (AWM) is the general partner of MGP and the general partner of and investment adviser to the Special Situations Cayman Fund, L.P.

Table of Contents

Austin W. Marx and David M. Greenhouse are the principal owners of MGP and AWM. Through their control of MGP and AWM, Messrs. Marx and Greenhouse share voting and investment power over the portfolio securities of each of the funds listed above.

- (4) Based on a Schedule 13G filed February 11, 2011. SAM Sustainable Asset Management AG (SAM), as investment adviser of the Julius Bar Multipartner SAM Smart Energy Fund (part of the Julius Barr Multipartner SICAV), holds investment power over the shares listed above. The voting power of the shares listed above is held by the Julius Barr Multipartner SICAV fund administrator, Swiss & Global Asset Management Ltd. Zurich, which has delegated such voting power over the shares listed above to SAM which in turn, has delegated such voting power to Robeco Institutional Asset Management.
- (5) Mr. Fenton resigned as an officer and his employment ended effective December 31, 2010.
- (6) Includes 281,333 shares of common stock underlying stock options that are exercisable within 60 days.
- (7) Includes 138,333 shares of common stock underlying stock options that are exercisable within 60 days.
- (8) Includes 69,000 shares of common stock underlying stock options that are exercisable within 60 days.
- (9) Includes 99,000 shares of common stock underlying stock options that are exercisable within 60 days.
- (10) Includes 42,833 shares of common stock underlying stock options that are exercisable within 60 days.
- (11) Includes 699,499 shares of common stock underlying stock options that are exercisable within 60 days. Does not include shares held by Mr. Fenton as he is no longer an executive officer of the Company.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors and beneficial owners of greater than 10% owners of our common stock to file reports of ownership and changes in ownership with the SEC and provide copies to us. Based solely on a review of Section 16 reports and written representations from officers and directors, we believe that during the fiscal year ended December 31, 2010, our officers, directors, and greater than 10% owners timely filed all reports they were required to file under Section 16(a), except each of Messrs. Roberts, Wallace, and Riddell failed to timely report a December 7, 2010 grant to him of an option to purchase 34,500 shares of our common stock, each of whom filed a report with respect thereto on March 22, 2011.

TRANSACTIONS WITH RELATED PERSONS

Item 404 of Regulation S-K of the SEC rules requires that we disclose any transaction in which a related person has a direct or indirect material interest and where the amount exceeds \$120,000. In the fiscal year ended December 31, 2010 and including any currently proposed transaction, there were no transactions that fit the Item 404 criteria.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PMB Helin Donovan LLP served as our registered independent auditor for the most recently completed fiscal year, and has served in that role since its appointment by the Audit Committee on January 31, 2007.

Pre-Approval of Audit and Permissible Non-Audit Services

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. The independent auditors and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis.

Table of Contents**Audit Fees**

The following table sets forth the aggregate fees billed or to be billed by our principal accountant for the following services for the years ended December 31, 2010 and 2009:

	2010	2009
Audit Fees	\$ 200,000	\$ 195,000
Audit-Related Fees	\$	\$ 25,000
Tax Fees	\$ 14,000	\$ 13,000
All Other Fees	\$ 14,000	
Total	\$ 228,000	\$ 233,000

The tax fees above were pre-approved by our Audit Committee as appropriate, which concluded that the provision of such services by PMB Helin Donovan was compatible with the maintenance of that firm's independence in the conduct of its auditing functions.

Table of Contents

REPORT OF THE AUDIT COMMITTEE

The Audit Committee reviews our financial reporting process on behalf of the Board of Directors. Management has primary responsibility for this process, including our system of internal controls, and for the preparation of our consolidated financial statements in accordance with generally accepted accounting principles. Our independent auditors, and not the Audit Committee, are responsible for auditing and expressing an opinion on the conformity of our audited financial statements to generally accepted accounting principles.

The Audit Committee reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2010 with management and the independent auditors. The Audit Committee also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended (AICPA, Professional Standards, vol. 1 AU Section 380), as adopted by the Public Company Accounting Oversight Board in rule 3200T. In addition, the Audit Committee received from the independent auditors the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding independent auditor's communications with the Audit Committee concerning independence and discussed with the independent auditors their independence from Enova Systems and its management.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board of Directors approved, that the audited financial statements be included in our Annual Report on SEC Form 10-K for the year ended December 31, 2010 for filing with the SEC.

Submitted by the Audit Committee

Edwin Riddell (Chair)

Roy S. Roberts

John R. Wallace

The material in the Report of the Audit Committee is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference into any filing by Enova Systems under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

ADDITIONAL INFORMATION

Shareholder Proposals for Annual Meetings

Proposals of shareholders intended to be presented at the next annual meeting must be received by us at our offices at Enova Systems, Inc., 1560 West 190th Street, Torrance, California 90501, Attention: Secretary, no later than August 22, 2012, a date not less than one hundred twenty (120) days prior to the one year anniversary of our initial mailing to shareholders of this proxy statement. Any shareholder proposals must satisfy the conditions established by the SEC for inclusion in our proxy materials. If a shareholder intends to present a proposal at the 2012 Meeting but does not seek inclusion of that proposal in the proxy statement for that Meeting, the holders of proxies for that Meeting will be entitled to exercise their discretionary authority on that proposal if the Company does not have notice of the proposal by November 3, 2012.

Annual Report to Shareholders

Our 2010 Annual Report on Form 10-K, including financial statements for the fiscal year ended December 31, 2010, is being mailed to shareholders concurrently with this proxy statement. The Annual Report, however, is not part of the proxy solicitation material. **A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed with the SEC may be obtained free of charge by writing to Enova Systems, Inc., 1560 West 190th Street, Torrance, California 90501, Attention: Chief Financial Officer or by accessing the Investor Relations section of our website (www.enovsystems.com).**

Table of Contents

Enova Systems, Inc.

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
Telephone 0870 889 4018
Facsimile 0870 703 6101
TextPhone users please call 0870 702 0005
DX 78139
www.computershare.com

United Kingdom
Australia
Canada
Channel Islands
Germany
Hong Kong
Ireland
New Zealand
Russia
South Africa
USA

Form of Instruction Meeting of Shareholders to be held on December 30, 2011

Kindly note: This form is issued only to the addressee(s) and is specific to the unique designated account printed hereon. This personalised form is not transferable between different (i) account holders; or (ii) uniquely designated accounts. The Custodian accepts no liability for any instruction that does not comply with these conditions.

Explanatory Notes:

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

1. Please indicate, by placing X in the appropriate space overleaf, how you wish your votes to be cast in respect of each of the resolutions. If this form is duly signed and returned, but without specific direction as to how you wish your votes to be cast the form will be rejected.
2. The Abstain option overleaf is provided to enable you to abstain on any particular resolution. However, it should be noted that a Vote Abstain is not a vote in law and will not be counted in the calculation of the proportion of the votes For or Against a resolution.
3. Any alternations to this form should be initialled.
4. The completion and return of this form will not preclude a member from attending the meeting and voting in person.
5. Should the holder, or a representative of that holder, wish to attend the meeting and/or vote at the meeting please ensure the relevant box is completed on the reverse. Upon receipt of this instruction, the registered holder, shown above, will receive a Letter of Authority from Computershare Company Nominees Limited authorising the person detailed overleaf to attend on behalf of the holder.
6. Please ensure the completed voting instrument is returned to: **Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, England**

To be effective, all votes must be lodged at the office of the Custodian no later than 72 hours before the commencement of the

Meeting.

Holder: XXXXXXXXXXXXXXX
Designation: XXXXXXXXXXXXXXX
SRN: XXXXXXXXXXXXXXX

Table of Contents

Form of Instruction

Please use a black pen. Mark an **X** inside the box to indicate your directions; as shown in this example. "

I/We hereby direct the Custodian **Computershare Company Nominees Limited** to vote on my/our behalf at the Meeting of Shareholders to be held at 8:00 a.m. local time at the offices of Reed Smith LLP, located at 101 Second Street, Suite 1800, San Francisco, CA 94105-3659.

Ordinary Resolution

For Against Abstain

Please see attached proxy card and return with this Form of Instruction.

Intention to attend

I wish to attend the Meeting of Shareholders. Please email

Lucie.heath@computershare.co.uk if you require a Letter of Representative.

Signature

In the case of joint holders, only one holder need sign. In the case of a corporation, the Form of Instruction should be signed by a duly authorised official whose capacity should be stated, or by an attorney.

DD / MM / YYYY

Table of Contents

ENOVA SYSTEMS, INC.
1560 WEST 190TH STREET

TORRANCE, CA 90501

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

Electronic Delivery of Future PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS
 DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

	For All	Withhold All	For All Except	To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.
	All	All	Except	

The Board of Directors recommends a vote FOR the following:

1. Election of Directors
Nominees

01 Richard Davies	02 John J. Micek	03 Edwin O. Riddell	04 Roy S. Roberts
05 Michael Staran			
06 John R. Wallace			

The Board of Directors recommends a vote FOR the following proposal:

	For	Against	Abstain
2. To ratify the selection of PMB Helin Donovan, LLP as the Company's independent auditors for the year ending December 31, 2011.
3.

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

To approve a potential issuance of up to 15,000,000 shares of the common stock of the Company and warrants to acquire up to 15,000,000 shares of the common stock of the Company in accordance with a Warrant and Common Stock Purchase Agreement dated December 15, 2011.

NOTE: Such other business as may properly come before the meeting or any adjournment thereof.

	Yes	No
Please indicate if you plan to attend this meeting

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]

Date

Signature (Joint Owners)

Date

Table of Contents

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Form 10-K, Notice & Proxy Statement is/are available at www.proxyvote.com.

ENOVA SYSTEMS, INC.

Annual Meeting of Shareholders

December 30, 2011 8:00 AM Local Time

This proxy is solicited by the Board of Directors

The undersigned shareholder of Common Stock and/or Series A and/or Series B Preferred Stock of Enova Systems, Inc., a California corporation (the Company) hereby appoints Michael Staran and John J. Micek and each of them, as proxies for the undersigned, each with full power of substitution, to attend the Annual Meeting of Shareholders to be held at the offices of Reed Smith LLP, located at 101 Second Street, Suite 1800, San Francisco, CA 94105-3659 on December 30, 2011, 8:00 a.m. local time, and any adjournments or postponements thereof (the Annual Meeting), to cast on behalf of the undersigned all votes that the undersigned is entitled to cast at the Annual Meeting and otherwise to represent the undersigned with all of the powers the undersigned would possess if personally present at the Annual meeting. The undersigned hereby acknowledges receipt of the Notice of the Annual Meeting of Shareholders and of the Proxy Statement, the terms of each of which are incorporated herein by reference, and revokes any proxy heretofore given with respect to the Annual Meeting.

This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations.

Continued and to be signed on reverse side