

ACORN FACTOR, INC.

Form 424B3

April 17, 2007

**PROSPECTUS SUPPLEMENT NO. 1**  
**(To Prospectus dated December 20, 2006)**

**Filed Pursuant to Rule 424(b)(3)**  
**Registration No. 333-138109**

**1,760,174 Shares of Common Stock**

This prospectus supplement supplements the prospectus dated December 20, 2006 filed pursuant to Rule 424(b)(3) (the "Prospectus") relating to the offer and sale by the selling security holders identified therein of up to 1,760,174 shares of common stock.

This prospectus supplement is comprised of our Current Reports on Form 8-K and amendments thereto filed since the Prospectus. The dates of filing of the incorporated reports are January 3, 2007, January 9, 2007, March 6, 2007 (exhibits excluded), March 30, 2007, April 2, 2007 and April 12, 2007.

This prospectus supplement should be read in conjunction with the Prospectus. This prospectus supplement is qualified by reference to the Prospectus, except to the extent that the information in this prospectus supplement updates and supersedes the information contained in the Prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

**The date of this Prospectus Supplement is April 16, 2007**

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 8-K  
CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**Date of Report (Date of earliest event reported) December 28, 2006**

**ACORN FACTOR, INC.  
(Exact name of Registrant as Specified in its Charter)**

Delaware  
(State or Other Jurisdiction  
of Incorporation)

0-19771  
(Commission file Number)

22-2786081  
(IRS Employer  
Identification No.)

200 Route 17, Mahwah, New Jersey  
(Address of Principal Executive Offices)

07430  
(Zip Code)

Registrant's telephone number, including area code (201) 529-2026

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-2 under the Exchange Act (17 CFR 240.14a-2)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On December 28, 2006 the Registrant entered into letter agreements with officers John A. Moore, President and Chief Executive Officer, and Michael Barth, Chief Financial Officer, which modify the exercise prices of certain stock options previously granted to them. By the terms of the letter agreements the exercise prices of the stock options were increased to the fair market value of the Registrant's common stock on the original date of grant. As a result, the exercise prices of the options have been modified as follows:

Optionee	Original Grant Date	Original Exercise Price	Modified Exercise Price
John A. Moore	March 27, 2006	\$2.00	\$2.60
John A. Moore	March 27, 2006	\$2.25	\$2.60
Michael Barth	July 21, 2006	\$2.65	\$3.00

Except as so modified the terms of the options remain as originally reported.

The modifications to the stock options were made pursuant to transition relief provided under Internal Revenue Code Section 409A and the regulations thereunder.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized on this 3rd day of January 2007.

ACORN FACTOR, INC.

By: /s/ Sheldon Krause

\_\_\_\_\_  
Name: Sheldon Krause

Title: Secretary and General Counsel

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-

**Item 1.01**

**Entry into a Material Definitive Agreement.**

**Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.**

On December 28, 2006, the Board of Directors of the Registrant approved the terms of a \$300,000 loan from John A. Moore, President and Chief Executive Officer of the Registrant. The loan will bear interest at the rate of 9.5% (based on a rate of 1% over prime) and will be repayable with accrued interest on June 30, 2007. The proceeds of the loan will be used for working capital.

Repayment of the loan shall be accelerated to the extent that the Registrant raises net proceeds (i) in any equity or debt financing or (ii) from the sale of any of its shares of stock in its Comverge Inc. equity affiliate.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized on this 3rd day of January 2007.

ACORN FACTOR, INC.

By: /s/ Sheldon Krause

\_\_\_\_\_  
Name: Sheldon Krause

Title: Secretary and General Counsel

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**FORM 8-K  
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**PURSUANT TO SECTION 13 OR 15(d) OF THE  
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**Date of Report (Date of earliest event reported) December 31, 2006**

**ACORN FACTOR, INC.  
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-



**Item 1.01**

**Entry into a Material Definitive Agreement.**

**Item 5.02** **Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers;**

**5.02 Compensatory Arrangements of Certain Officers**

On December 31, 2006, our dsIT Solutions Ltd. subsidiary (“dsIT”) granted options to purchase 3,914 of its ordinary shares, to senior management and employees of dsIT (including an option to purchase 569 ordinary shares that was granted to Michael Barth, Chief Financial Officer of both dsIT and the Registrant) under a newly adopted Key Employee Stock Option Plan (the “Plan”). The options were granted with an exercise price of NIS 1.00 per share and are exercisable for a period of seven years. The options were fully vested and exercisable at the date of grant. If all options were exercised, the Registrant’s equity interest in dsIT would be diluted from 80% to 58%.

On the same date, dsIT granted options to purchase 2,260 of its ordinary shares to senior management and employees of dsIT (including an option to purchase 190 ordinary shares granted to Michael Barth with an exercise price of \$105.26) at exercise prices ranging from NIS 1.00 to \$126.05 per share and are exercisable for a period of seven years. These options vest and become exercisable only upon the occurrence of either an initial public offering of dsIT or a merger, acquisition, reorganization, consolidation or similar transaction involving dsIT. If these options were also exercised, the Registrant’s equity interest in dsIT would be further diluted to approximately 50%.

The purpose of the Plans and corresponding grants is to provide incentives to key employees of dsIT to further the growth, development and financial success of dsIT.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized on this 8th day of January 2007.

ACORN FACTOR, INC.

By: /s/ Sheldon Krause

\_\_\_\_\_  
Name: Sheldon Krause

Title: Secretary and General Counsel

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**FORM 8-K  
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**PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**Date of Report (Date of earliest event reported) February 8, 2007**

**ACORN FACTOR, INC.  
(Exact name of Registrant as Specified in its Charter)**

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-

**Item 1.01**

**Entry into a Material Definitive Agreement.**

**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers**

Adoption of Plans:

On February 8, 2007 the Board of Directors of the Registrant (the "Board") approved the adoption of both (i) the Acorn Factor, Inc. 2006 Stock Incentive Plan and (ii) the Acorn Factor, Inc. 2006 Stock Option Plan for Non-Employee Directors.

**Acorn Factor, Inc. 2006 Stock Incentive Plan (the "Incentive Plan").**

The Incentive Plan allows for grants and awards from time to time to employees, officers, directors, and third party service providers, of cash and stock-based awards, including, stock options, restricted stock, and stock appreciation rights. A total of 400,000 shares of the Registrant's Common Stock, par value \$.01 per share (the "Common Stock"), are available for grant or award under the Incentive Plan.

The Incentive Plan is to be administered by either the full Board or an option committee appointed by the Board. Any grants or awards under the Incentive Plan must be made at fair market value and are intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended.

**Acorn Factor, Inc. 2006 Stock Option Plan for Non-Employee Directors (the "Outside Director Plan").**

The Outside Director Plan provides for formula grants to non-employee directors as follows:

- A grant of 25,000 shares of Common Stock upon first election or appointment to the Board. Vesting as to the purchase of one-third of the shares on each of the three anniversaries following the date of election or appointment.
- A grant of 7,500 shares of Common Stock to each non-employee director immediately following each Annual Meeting of Stockholders, other than non-employee director first elected to the Board within the four months immediately preceding and including such meeting. Vesting on the date that is one year from the date of the meeting.

In addition to the above formula grants, the non-employee directors are eligible for grants at the discretion of the Board. The terms of any discretionary grants are to be set by the Board. A total of 200,000 shares are available for use in the plan. All grants shall be made at the fair market value of the shares of Common Stock on the date immediately preceding the date of grant.

Both the Stock Incentive Plan and the Outside Director Plan shall terminate on February 8, 2017.

Grant of Options to Certain Officers.

On February 26, 2007, the Board approved the following grants:

- John A. Moore, President and CEO, was granted an option to purchase 60,000 shares of Common Stock at a price of \$4.53 per share. The option vested as to two-thirds on the date of grant, the final third to vest on March 30, 2009, subject to acceleration upon the occurrence certain events.

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Michael Barth, CFO and Chief Accounting Officer, was granted an option to purchase 6,000 shares of Common Stock at 4.53 per share. The option vested as to one-third on the date of grant, the remainder to vest as to one-third on each of December 31, 2007 and December 31, 2008.

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The grants are intended to compensate Mr. Moore and Mr. Barth for the loss of value to previously granted options resulting from an increase in the exercise price of such options in compliance with Section 409A of the Internal Revenue Code of 1986, as amended. The vesting terms are identical to those of the previously granted options.

**Item 9.01 Financial Statements and Exhibits**

**(d) Exhibits**

<u>Exhibit No.</u>	<u>Description</u>
10.1	Acorn Factor, Inc. 2006 Stock Option Plan for Non-Employee Directors
10.2	Acorn Factor, Inc. 2006 Stock Incentive Plan

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized on this 6th day of March 2007.

ACORN FACTOR, INC.

By: /s/ Sheldon Krause

\_\_\_\_\_  
Name: Sheldon Krause

Title: Secretary and General Counsel

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**Date of Report (Date of earliest event reported) March 27, 2007**

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**Section 2 - Financial Information**

**Item 2.02 Results of Operations and Financial Condition.**

On March 30, 2007 the Registrant issued a press release announcing its financial results for the year ended December 31, 2006. The press release is filed as Exhibit 99.1 hereto.

**Section 8 - Other Events**

**Item 8.01 Other Events**

On March 27, 2007 the Registrant issued a press release announcing that its equity affiliate, Comverge, Inc., had begun distributing preliminary prospectuses in anticipation of its upcoming initial public offering. The press release is filed as Exhibit 99.2 hereto.

**Section 9 - Financial Statements and Exhibits**

**Item 9.01 Financial Statements and Exhibits**

**(d) Exhibits**

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated March 30, 2007
99.2	Press Release dated March 27, 2007

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has