

LIME ENERGY CO.  
Form 10-Q  
November 12, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

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

**For the quarterly period ended September 30, 2009**

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

For the transition period from to

**Commission file number 001-16265**

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**LIME ENERGY CO.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**36-4197337**

(I.R.S. Employer Identification No.)

**1280 Landmeier Road, Elk Grove Village, Illinois 60007-2410**

(Address of principal executive offices, including zip code)

**(847) 437-1666**

(Registrant's telephone number, including area code)

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(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller reporting company

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

23,492,531 shares of the registrant's common stock, \$.0001 par value per share, were outstanding as of November 11, 2009.

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**LIME ENERGY CO.**

**FORM 10-Q**

For The Quarter Ended September 30, 2009

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**PART I - FINANCIAL INFORMATION**



## ITEM 1. Financial Statements

## Lime Energy Co.

## Condensed Consolidated Balance Sheets

(in thousands)

	September 30, 2009 (unaudited)	December 31, 2008 (1)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 24,217	\$ 3,734
Accounts receivable, net	23,890	24,227
Inventories	316	665
Costs and estimated earnings in excess of billings on uncompleted contracts	3,624	4,078
Prepaid expenses and other	892	1,418
<b>Total Current Assets</b>	<b>52,939</b>	<b>34,122</b>
<b>Net Property and Equipment</b>	<b>1,962</b>	<b>2,081</b>
<b>Long Term Receivables</b>	<b>633</b>	<b>1,031</b>
<b>Deferred Financing Costs, net</b>	<b>298</b>	<b>4</b>
<b>Intangibles, net</b>	<b>6,328</b>	<b>7,137</b>
<b>Goodwill</b>	<b>18,627</b>	<b>18,513</b>
	<b>\$ 80,787</b>	<b>\$ 62,888</b>

Table of Contents**Lime Energy Co.****Condensed Consolidated Balance Sheets**

(in thousands)

	September 30, 2009 (unaudited)	December 31, 2008 (1)
<b>Liabilities and Stockholders Equity</b>		
<b>Current liabilities</b>		
Lines of Credit	\$	\$ 3,987
Current portion of long-term debt	194	187
Accounts payable	13,251	15,452
Accrued expenses	3,112	3,855
Billings in excess of costs and estimated earnings on uncompleted contracts	1,538	1,958
Deferred revenue		358
Customer deposits	777	1,289
<b>Total Current Liabilities</b>	<b>18,872</b>	<b>27,086</b>
<b>Deferred Revenue</b>	<b>6</b>	<b>90</b>
<b>Long-Term Debt</b> , less current portion	<b>575</b>	<b>5,717</b>
<b>Deferred Tax Liability</b>	<b>1,034</b>	<b>1,034</b>
<b>Total Liabilities</b>	<b>20,487</b>	<b>33,927</b>
<b>Stockholders Equity</b>		
Preferred stock, \$0.01 par value; 1,000 authorized, 0 and 359 issued as of September 30, 2009 and December 31, 2008, respectively (liquidation value of \$0 and \$14,707 as of September 30, 2009 and December 31, 2008, respectively)		4
Common stock, \$0.0001 par value; 50,000 shares authorized 22,730 and 9,555 issued as of September 30, 2009 and December 31, 2008, respectively	2	1
Additional paid-in capital	177,286	134,390
Accumulated deficit	(116,988)	(105,434)
<b>Total Stockholders Equity</b>	<b>60,300</b>	<b>28,961</b>
	\$	\$ 62,888

See accompanying notes to condensed consolidated financial statements

(1) Derived from audited financial statements in the Company's annual report on Form 10-K for the year ended December 31, 2008

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## Lime Energy Co.

## Unaudited Condensed Consolidated Statements of Operations

(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
<b>Revenue</b>	\$ 21,003	\$ 17,709	\$ 50,523	\$ 26,334
Cost of sales	16,524	13,388	40,397	21,075
<b>Gross Profit</b>	4,479	4,321	10,126	5,259
Selling, general and administrative	5,731	5,509	16,513	12,331
Amortization of intangibles	269	602	927	984
<b>Operating Loss</b>	(1,521)	(1,790)	(7,314)	(8,056)
Other Income (Expense)				
Interest income	30	13	92	70
Interest expense	(2,004)	(944)	(2,907)	(1,862)
Total other income (expense)	(1,974)	(931)	(2,815)	(1,792)
Loss from continuing operations before discontinued operations	(3,495)	(2,721)	(10,129)	(9,848)
<b>Discontinued Operations:</b>				
Loss from operation of discontinued business	(396)	(418)	(1,425)	(2,055)
<b>Net Loss</b>	(3,891)	(3,139)	(11,554)	(11,903)
Preferred Stock Dividends	(297)		(1,499)	
<b>Net Loss Available to Common Stockholders</b>	\$ (4,188)	\$ (3,139)	\$ (13,053)	\$ (11,903)
Basic and diluted loss per common share from Continuing operations	\$ (0.24)	\$ (0.31)	\$ (0.87)	\$ (1.21)
Discontinued operations	(0.02)	(0.05)	(0.11)	(0.25)
<b>Basic and Diluted Loss Per Common Share</b>	\$ (0.26)	\$ (0.36)	\$ (0.98)	\$ (1.46)
Weighted Average Common Shares Outstanding (in thousands)	15,956	8,683	13,365	8,125

See accompanying notes to condensed consolidated financial statements





Table of Contents**Lime Energy Co.****Unaudited Condensed Consolidated Statement of Stockholders' Equity**

(in thousands)

	Common Shares	Common Stock	Series A-1 Preferred Shares	Series A-1 Preferred Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders Equity (Deficit)
<b>Balance, December 31, 2008</b>	<b>9,555</b>	<b>\$ 1</b>	<b>359</b>	<b>\$ 4</b>	<b>134,390</b>	<b>\$ (105,434)</b>	<b>\$ 28,961</b>
Issuance of common stock (less issuance costs of \$2,057)	5,933		1		28,717		28,718
Acquisition of Advanced Biotherapy, Inc. (less transaction costs of \$771)	2,486				6,738		6,738
Earn-out shares paid to former owners of Applied Energy Management, Inc.	63				293		293
Preferred dividends					(1,499)		(1,499)
Satisfaction of accrued dividends through the issuance of preferred stock			19		781		781
Satisfaction of interest obligation through issuance of common stock	45				204		204
Conversion of subordinated notes	852				5,000		5,000
Beneficial conversion value of adjustment in conversion price of subordinated notes					938		938
Conversion of series A-1 preferred stock	3,778		(378)	(4)	4		
Warrants issued in connection with bridge line of credit					309		309
Share based compensation					1,326		1,326
Shares issued for benefit plans and option exercises	16				72		72
Shares issued for services received	2				13		13

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Net loss for the nine months ended September 30, 2009					(11,554)	(11,554)
<b>Balance, September 30, 2009</b>	<b>22,730</b>	<b>\$</b>	<b>2</b>	<b>\$</b>	<b>177,286</b>	<b>\$ (116,988) \$ 60,300</b>

*See accompanying notes to condensed consolidated financial statements.*

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## Lime Energy Co.

## Condensed Consolidated Statements of Cash Flows

(in thousands, unaudited)

Nine Months Ended September 30,	2009	2008
<b>Cash Flows from Operating Activities</b>		
Net Loss	\$ (11,554)	\$ (11,903)
Adjustments to reconcile net loss to net cash used in operating activities, net of assets acquired		
Provision for (recovery of) bad debt	130	(24)
Share based compensation	1,326	2,862
Preferred stock dividends	(1,499)	
Depreciation and amortization	1,495	1,687
Amortization of deferred financing costs	15	2
Amortization of issuance discount	1,411	749
Issuance of stock and warrants in exchange for services received	13	97
Accrued dividend satisfied through the issuance of preferred stock	781	
Accrued interest satisfied through the issuance of common stock	204	250
Beneficial value of change in conversion price of subordinated notes	938	
PIK notes issued for interest	21	26
Asset impairment	503	
Loss on disposition of fixed assets	13	2
Changes in assets and liabilities		
Accounts receivable	493	(8,933)
Inventories	(310)	241
Costs and estimated earnings in excess of billings on uncompleted contracts	454	(1,117)
Prepaid expenses and other current assets	526	(513)
Accounts payable	(2,217)	2,526
Accrued expenses	124	661
Billings in excess of costs and estimated earnings on uncompleted contracts	(420)	1,341
Deferred revenue	(90)	(572)
Customer deposits	(440)	(47)
Net cash used in operating activities	(8,083)	(12,665)
<b>Cash Flows Used in Investing Activities</b>		
Acquisition costs, net of cash acquired	(1,047)	(3,789)
Expense related to 2007 acquisitions		(12)
Proceeds from sale of fixed assets	11	2
Purchase of property and equipment	(305)	(357)
Net cash used in investing activities	(1,341)	(4,156)
<b>Cash Flows Provided by Financing Activities</b>		
Net (payments) advances on line of credit	(3,966)	13,236
Proceeds from long-term debt	27	133
Payments of long-term debt	(1,574)	(570)
Proceeds from issuance of common stock	38,203	
Costs related to stock issuances	(2,828)	

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Proceeds from exercise of options and warrants	45	120
Net cash provided by financing activities	29,907	12,919
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>20,483</b>	<b>(3,902)</b>
Cash and Cash Equivalents, at beginning of period	3,734	4,781
Cash and Cash Equivalents, at end of period	\$ 24,217	\$ 879

*See accompanying notes to condensed consolidated financial statements.*

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As of September 30,	2009	2008
<b>Supplemental Disclosure of Cash Flow Information (in thousands)</b>		
Cash paid during the period for interest - continuing operations	\$ 417	\$ 365
Cash paid during the period for interest - discontinued operations	1	1
Cash paid for preferred dividends	1,006	
Subordinated notes converted to common stock	5,000	
Interest obligation satisfied through the issuance of common stock	204	250
Accrued earn-out satisfied through the issuance of common stock	293	
Satisfaction of accrued dividend through the issuance of 19 shares of Series A-1 preferred stock	781	