

LIME ENERGY CO.
Form 10-Q
November 14, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2016

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

LIME ENERGY CO.

(Exact name of registrant as specified in its charter)

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Delaware

(State or other jurisdiction of incorporation or organization)

36-4197337

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

4 Gateway Center, 100 Mulberry Street, Newark NJ 07102
(Address of principal executive offices, including zip code)

(201) 416-2559
(Registrant's telephone number, including area code)

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 the definitions 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

9,680,472 shares of the registrant's common stock, \$.0001 par value per share, were outstanding as of November 14, 2016.

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Cautionary Note Regarding Forward-Looking Statements

Our disclosure and analysis in this report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Statements that are not purely historical may be forward-looking. You can identify these forward-looking statements by the use of words such as anticipate, believe, estimate, expect, hope, intend, may, project, plan, goal, target, should, and similar expressions, including when used in the negative.

Forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements. The following are some of the factors that could affect our financial performance or could cause actual results to differ materially from estimates contained in or underlying the forward-looking statements:

- *our business model has changed significantly since our inception in response to a constantly changing and evolving market, which may make it difficult to evaluate our business and prospects, and may expose us to increased risks and uncertainties;*

- *we have incurred significant operating losses since our inception and may not achieve or sustain profitability in the future;*

- *failure to comply with covenants contained in our loan agreements could trigger prepayment obligations, which could adversely affect our results of operations and financial condition;*

- *we may not be able to raise additional capital to fund future operating losses;*

- *it is difficult for us to estimate our future operating results;*

- *we operate in a highly competitive industry and if we are unable to compete successfully, our revenue and profitability will be adversely affected;*

- *we depend upon a limited number of utility contracts to generate substantially all of our revenues;*

- *failure of our subcontractors to properly and effectively perform their services in a timely manner could cause delays in the delivery of our energy efficiency solutions;*
- *following delisting from the NASDAQ Stock Market LLC our ability to raise capital on acceptable terms or at all could be limited; and*
- *subject to stockholder approval, the board of directors of the Company has approved a reverse/forward stock split to reduce the number of record holders of the Common Stock and to allow the Company to terminate the registration of the Common Stock under the Exchange Act.*

The factors listed above should not be construed as exhaustive and should be read in conjunction with the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2015, particularly under Item 1A, Risk Factors, as well as the additional risk factors set forth below in part II of this report. The Company has filed a preliminary proxy statement that includes important information regarding the proposed reverse/forward stock split. A definitive proxy statement will be filed with the Securities and Exchange Commission and mailed to stockholders at least 20 calendar days prior to the special stockholders meeting at which the proposed transaction will be voted on. Stockholders are urged to read the definitive proxy statement carefully. Any forward-looking statements speak only as of the date the statement is made and, except as otherwise required by federal securities laws, we do not undertake any obligation to publicly update, review or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason. It is not possible to identify all of the risks, uncertainties and other factors that may affect future results. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. Accordingly, users of this report are cautioned not to place undue reliance on the forward-looking statements.

Table of Contents**PART I - FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS (UNAUDITED)****Lime Energy Co.****Condensed Consolidated Balance Sheets**

(in thousands)

	September 30, 2016 (unaudited)	December 31, 2015 (1)
Assets		
Current Assets		
Cash and cash equivalents	\$ 879	\$ 5,389
Restricted cash		1,300
Accounts receivable, net of allowance for doubtful accounts at September 30, 2016 and December 31, 2015 of \$1,371 and \$1,636, respectively	23,262	23,641
Inventories	1,791	2,502
Unbilled accounts receivable	6,818	6,451
Prepaid expenses and other	809	1,300
Current assets of discontinued operations	32	90
Total Current Assets	33,591	40,673
Net Property and Equipment	3,036	2,651
Long-Term Receivables	1,111	1,224
Intangible Assets, net	3,711	4,716
Deferred Financing Costs, net	104	129
Goodwill	8,173	8,173
Total Assets	\$ 49,726	\$ 57,566

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

(in thousands, except share data)

	September 30, 2016 (unaudited)	December 31, 2015 (1)
Liabilities and Stockholders Equity (Deficiency)		
Current Liabilities		
Accounts payable	\$ 21,243	\$ 22,423
Accrued expenses	4,935	2,909
Unearned revenue	1,188	1,313
Customer deposits	293	471
Other current liabilities	11	11
Current portion of long-term liabilities	25	16
Current liabilities of discontinued operations	133	138
Total Current Liabilities	27,828	27,281
Long-Term Debt, less current maturities	90	60
Long-Term Debt - Related Party	12,732	7,753
Derivative Liability - Related Party	2,220	6,671
Total Liabilities	42,870	41,765
Commitments and Contingencies		
Contingently redeemable Series C Preferred stock, \$0.01 par value: 10,000 shares authorized, issued and outstanding (includes accrued dividends)	11,786	10,703
Stockholders Equity		
Common stock, \$.0001 par value; 50,000,000 shares authorized 9,680,472 and 9,570,398 issued and outstanding as of September 30, 2016 and December 31, 2015, respectively	1	1
Additional paid-in capital	208,256	208,603