

LIME ENERGY CO.
Form DEF 14A
April 29, 2010
Table of Contents

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

SCHEDULE 14A
(RULE 14a-101)

SCHEDULE 14A INFORMATION

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

LIME ENERGY CO.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) 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.

Edgar Filing: LIME ENERGY CO. - Form DEF 14A

- (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

Table of Contents

1280 Landmeier Road

Elk Grove Village, Illinois 60007

May 6, 2010

Dear Fellow Stockholder:

On behalf of the Board of Directors, I cordially invite you to attend the 2010 Annual Meeting of Stockholders to be held at 9:00 a.m., local time, on Thursday, June 3, 2010 at the Holiday Inn Hotel, 1000 Busse Road, Elk Grove Village, Illinois 60007. The formal notice of the Annual Meeting appears on the following page.

The attached Notice of Annual Meeting and Proxy Statement contain detailed information about the matters that we expect to act upon at the Annual Meeting.

Please sign, date and specify your choices on the enclosed proxy card and promptly return it in the enclosed business reply envelope. This will help insure that your shares are represented at the Annual Meeting, whether or not you plan to attend the Annual Meeting. If you attend the meeting, you may revoke your proxy and personally cast your vote.

We look forward to seeing you at the Annual Meeting and urge you to return your proxy card as soon as possible.

Sincerely,

/s/ David R. Asplund
Lime Energy Co.
David R. Asplund

Chief Executive Officer

Table of Contents

LIME ENERGY CO.

1280 Landmeier Road

Elk Grove Village, Illinois 60007

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held June 3, 2010

To the Stockholders of

LIME ENERGY CO.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Lime Energy Co. will be held at the Holiday Inn Hotel, 1000 Busse Road, Elk Grove Village, Illinois 60007 at 9:00 a.m. local time, on Thursday, June 3, 2010, for the following purposes:

1. To elect nine directors to our Board of Directors;
2. To approve an amendment to our 2008 Long-Term Incentive Plan to increase the maximum number of shares of common stock currently available for awards under the plan from 1,130,000 to 2,850,000;
3. To adopt the 2010 Non-Employee Directors Stock Plan; and
4. To ratify the appointment of BDO Seidman, LLP as our independent registered public accounting firm for the fiscal year 2010.

Stockholders will also transact such other business as may properly come before the Annual Meeting or any adjournment thereof. As of the date of this notice, our Board of Directors knows of no other proposals or matters to be presented.

Edgar Filing: LIME ENERGY CO. - Form DEF 14A

The foregoing items of business are more fully described in the proxy statement accompanying this notice. This proxy statement is accompanied by a copy of the annual report to stockholders. The Board of Directors has fixed the close of business on April 6, 2010 as the record date for determining stockholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof.

The Board of Directors encourages you to complete, sign and date the enclosed proxy card and promptly return it in the enclosed postage prepaid envelope, regardless of whether you plan to attend the Annual Meeting.

By Order of the Board of Directors,

/s/ Richard Kiphart
Richard Kiphart
Chairman of the Board of Directors

Elk Grove Village, Illinois

May 6, 2010

Table of Contents

PROXY STATEMENT

Table of Contents

<u>GENERAL INFORMATION</u>	1
<u>SOLICITATION</u>	1
<u>RECORD DATE AND OUTSTANDING SHARES</u>	1
<u>REQUIRED VOTE</u>	1
<u>QUORUM; ABSTENTIONS AND BROKER NON-VOTES</u>	2
<u>VOTING OF PROXIES; REVOCABILITY OF PROXIES</u>	2
<u>DISSENTER S RIGHT OF APPRAISAL</u>	2
<u>ANNUAL REPORT TO STOCKHOLDERS</u>	2
<u>MULTIPLE STOCKHOLDERS SHARING THE SAME ADDRESS</u>	2
<u>PROPOSAL 1 ELECTION OF DIRECTORS</u>	3
<u>NOMINEES FOR DIRECTOR</u>	3
<u>LEADERSHIP STRUCTURE AND ROLE IN RISK OVERSIGHT</u>	5
<u>DIVERSITY</u>	5
<u>FAMILY RELATIONSHIPS</u>	6
<u>DIRECTOR ATTENDANCE</u>	6
<u>INDEPENDENT DIRECTORS</u>	6
<u>COMPENSATION OF DIRECTORS</u>	6
<u>DIRECTOR COMPENSATION PROGRAM</u>	6
<u>DIRECTOR COMPENSATION TABLE</u>	7
<u>COMMITTEES OF THE BOARD OF DIRECTORS</u>	8
<u>SELECTION OF BOARD NOMINEES</u>	9
<u>CODES OF CONDUCT AND BUSINESS ETHICS</u>	10
<u>EXECUTIVE OFFICERS</u>	10
<u>SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS AND MANAGEMENT</u>	11
<u>BENEFICIAL OWNERS OF GREATER THAN 5% OF OUR COMMON STOCK</u>	11
<u>DIRECTORS AND EXECUTIVE OFFICERS</u>	12
<u>CHANGES IN CONTROL</u>	12
<u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	12
<u>TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CONTROL PERSONS</u>	12
<u>EXECUTIVE COMPENSATION</u>	14
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	14
<u>2009 SUMMARY COMPENSATION TABLE</u>	16
<u>EMPLOYMENT CONTRACTS, TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS</u>	17
<u>POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL</u>	18
<u>GRANTS OF PLAN-BASED AWARDS FOR 2009</u>	19
<u>OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2009</u>	19

<u>STOCK OPTIONS AND INCENTIVE COMPENSATION</u>	19
<u>2009 ONE-TIME STOCK OPTION EXCHANGE PROGRAM</u>	20
<u>OPTION EXERCISES AND STOCK VESTED DURING 2009</u>	21
<u>OPTION RE-PRICING</u>	21
<u>PROPOSAL 2 PROPOSAL TO AMEND OUR 2008 STOCK INCENTIVE PLAN</u>	22
<u>INTRODUCTION</u>	22

Table of Contents

<u>THE PLAN AMENDMENT</u>	23
<u>DESCRIPTION OF THE PLAN</u>	23
<u>TYPES OF AWARDS</u>	24
<u>AWARDS GRANTED UNDER THE PLAN</u>	24
<u>NASDAQ STOCKHOLDER APPROVAL REQUIREMENTS</u>	25
<u>FEDERAL INCOME TAX CONSEQUENCES OF AWARDS UNDER THE PLAN</u>	25
<u>VOTE REQUIREMENT</u>	27
<u>PROPOSAL 3 PROPOSAL TO ADOPT THE 2010 NON-EMPLOYEE DIRECTORS STOCK PLAN</u>	28
<u>INTRODUCTION</u>	28
<u>PURPOSE OF THE PLAN</u>	28
<u>ADMINISTRATION OF THE DIRECTOR PLAN</u>	28
<u>SHARES SUBJECT TO THE DIRECTOR PLAN</u>	29
<u>ELIGIBILITY</u>	29
<u>TERMS AND CONDITIONS OF AWARDS</u>	29
<u>RIGHTS AS STOCKHOLDERS</u>	29
<u>ADJUSTMENTS</u>	30
<u>LIMITS ON TRANSFERABILITY</u>	30
<u>ACCELERATION OF AWARDS IN THE EVENT OF A CHANGE IN CONTROL</u>	30
<u>AMENDMENT AND TERMINATION</u>	30
<u>FEDERAL INCOME TAX CONSEQUENCES</u>	30
<u>AWARDS UNDER THE 2009 DIRECTOR STOCK PLAN</u>	31
<u>VOTE REQUIREMENT</u>	31
<u>PROPOSAL 4 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	32
<u>AUDIT COMMITTEE DISCLOSURE</u>	33
<u>GENERAL</u>	33
<u>INDEPENDENT AUDITORS FEES</u>	33
<u>PROCEDURES FOR AUDIT COMMITTEE PRE-APPROVAL OF AUDIT AND PERMISSIBLE NON-AUDIT SERVICES OF INDEPENDENT AUDITOR</u>	33
<u>REPORT OF THE AUDIT COMMITTEE</u>	34
<u>MISCELLANEOUS AND OTHER MATTERS</u>	35
<u>STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS</u>	35
<u>PROPOSALS OF STOCKHOLDERS FOR NEXT YEAR S MEETING</u>	35
<u>STOCKHOLDER LIST</u>	35
<u>OTHER BUSINESS</u>	35
<u>INCORPORATION BY REFERENCE</u>	35
<u>FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION</u>	36
<u>APPENDIX A - SECOND AMENDMENT TO THE LIME ENERGY CO. 2008 LONG-TERM INCENTIVE PLAN</u>	A-1
<u>APPENDIX B - LIME ENERGY CO. 2008 LONG-TERM INCENTIVE PLAN AS AMENDED</u>	B-1
<u>APPENDIX C - LIME ENERGY CO. 2010 NON-EMPLOYEE DIRECTORS STOCK PLAN</u>	C-1

Table of Contents

LIME ENERGY CO.

1280 Landmeier Road

Elk Grove Village, Illinois 60007

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS

To be held Thursday, June 3, 2010

GENERAL INFORMATION

This proxy statement and the enclosed proxy card are being furnished to our stockholders in connection with the solicitation of proxies by the Board of Directors of Lime Energy Co., a Delaware corporation, for use at our Annual Meeting of Stockholders to be held at the Holiday Inn Hotel, 1000 Busse Road, Elk Grove Village, Illinois 60007 at 9:00 a.m. local time, on Thursday, June 3, 2010, and any adjournments thereof. This proxy statement and the accompanying form of proxy are first being mailed to stockholders on or about May 6, 2010.

A copy of our 2009 Annual Report on Form 10-K for the year ended December 31, 2009 has been mailed to you. Our proxy statement for the Meeting and the 2009 Annual Report on Form 10-K can be viewed on our website at <http://www.lime-energy.com/investors/sec.php>.

We use the terms Lime Energy, the Company, we, our and us in this proxy statement to refer to Lime Energy Co. and its consolidated subsidiaries, unless the context otherwise requires.

Solicitation

The cost of this proxy solicitation will be borne by Lime Energy. We may request banks, brokers, fiduciaries, custodians, nominees and certain other record holders to send proxies, proxy statements and other materials to their principals at our expense. Those banks, brokers, fiduciaries, custodians, nominees and other record holders will be reimbursed by us for their reasonable out-of-pocket expenses of solicitation. We do not anticipate that costs and expenses incurred in connection with this proxy solicitation will exceed an amount normally expended for a proxy solicitation for an election of directors in the absence of a contest. In addition to soliciting proxies by mail, we and our directors, officers and regular employees may also solicit proxies personally, by telephone or by other appropriate means. No additional compensation will be paid to directors, officers or other regular employees for such services.

Record Date and Outstanding Shares

Our Board of Directors fixed the close of business on April 6, 2010 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting or any adjournments thereof. As of the close of business on the record date, we had 23,597,641 shares of common stock with voting rights as to certain matters outstanding. Each outstanding share of common stock on such date is entitled to one vote on each matter to be voted on at the Annual Meeting.

Required Vote

The affirmative vote of a majority of the shares of common stock voted in person or by proxy at the Annual Meeting is required to elect the nominees to the Board of Directors and ratify the appointment of our independent auditors. Stockholders do not have any rights to cumulate their votes in the election of directors.

Table of Contents

Quorum; Abstentions and Broker Non-Votes

The required quorum for transaction of business at the Annual Meeting will be a majority of the total votes of the shares of common stock issued and outstanding as of the record date. Votes cast by proxy or in person at the Annual Meeting will be tabulated by the election inspector appointed for the meeting and will be taken into account in determining whether or not a quorum is present. Abstentions and broker non-votes, which occur when a broker has not received customer instructions and indicates that it does not have the discretionary authority to vote on a particular matter on the proxy card, will be included in determining the presence of a quorum at the Annual Meeting. Neither abstentions nor broker non-votes will have any effect on the vote for the election of directors.

Voting of Proxies; Revocability of Proxies

Our Board of Directors selected Jeffrey R. Mistarz and John O Rourke, the persons named as proxies on the proxy card accompanying this proxy statement, to serve as proxies. Mr. Mistarz is our executive vice president, chief financial officer, treasurer and corporate secretary, and John O Rourke is our chief operating officer. The shares of common stock represented by each executed and returned proxy will be voted in accordance with the directions indicated thereon, or if no direction is indicated, the proxy will be voted in accordance with the recommendations of the Board of Directors contained in this proxy statement. Members of our management and our board have informed us that each of them intends to vote their shares in favor of each of the proposals, which votes will be sufficient to approve each of the proposals to be voted on at the Annual Meeting.

All stockholders may vote in person at the Annual Meeting. You may also be represented by another person at the Annual Meeting by executing a proper proxy designating that person. If you are a beneficial owner of shares, you must obtain a legal proxy from your broker, bank or other holder of record and present it to the inspectors of election with your ballot to be able to vote at the Annual Meeting.

You can revoke a proxy you have given at any time before the shares it represents are voted by giving our secretary either (1) an instrument revoking the proxy or (2) a duly executed proxy bearing a later date. Additionally, you may change or revoke a previously executed proxy by voting in person at the Annual Meeting. However, your attendance at the Annual Meeting will not, by itself, revoke your proxy.

Dissenter s Right of Appraisal

There is no proposal or matter that will be acted upon in the meeting that would grant dissenting stockholders the right of appraisal.

Annual Report to Stockholders

Edgar Filing: LIME ENERGY CO. - Form DEF 14A

We are simultaneously furnishing to you with this proxy statement our Annual Report to Stockholders for the fiscal year ended December 31, 2009, which contains financial and other information pertaining to us.

Multiple Stockholders Sharing the Same Address

Owners of common stock who hold their shares in a brokerage account may receive a notice from their broker stating that only one proxy statement will be delivered to multiple security holders sharing an address. This practice, known as householding, is designed to reduce printing and postage costs. However, if any stockholder residing at such an address wishes to receive a separate proxy statement, he or she may contact our Corporate Secretary at Lime Energy Co., 1280 Landmeier Road, Elk Grove Village, Illinois 60007-2410 or by telephone at 847-437-1666.

Table of Contents**PROPOSAL 1****ELECTION OF DIRECTORS**

At the Annual Meeting, nine nominees to the Board of Directors will be elected to hold office for a one year term ending at our 2011 Annual Meeting of stockholders or until their respective successors are duly elected and qualified. All nominees listed below are currently members of our Board of Directors and have consented to being named in this proxy statement and to serve as directors, if elected. If, at the time of the Annual Meeting, any nominee becomes unavailable or declines to serve as a director for any reason, the persons named in the proxy will vote for the substitute nominee(s) as the Board of Directors recommends, or vote to allow the vacancy created by the nominee who is unable or declines to serve to remain open until filled by the Board of Directors, as the Board of Directors recommends. The Board of Directors has no reason to believe that any nominee will be unable or decline to serve if elected to office.

Nominees for Director

The following table presents the names of the director nominees as well as certain information about them. Proxies cannot be voted for a greater number of persons than the number of nominees named.

Name	Age	Position Held with the Company	Served as Director Since
David R. Asplund	52	Chief Executive Officer and Director	2002
Gregory T. Barnum	55	Director (1)(2)	2006
Christopher W. Capps	27	Director	2009
William R. Carey, Jr.	62	Director (3)	2006
Joseph F. Desmond	46	Director (1)(3)	2007
Stephen Glick	63	Director	2009
Richard P. Kiphart	68	Chairman of the Board of Directors and Director (2)(3)	2006
Daniel W. Parke	54	Director; President; President of Parke Industries, LLC	2005
David W. Valentine	40	Director (1)(2)	2004

-
- (1) Member of our Audit Committee.
- (2) Member of our Compensation Committee.
- (3) Member of our Governance and Nominating Committee.

Below, we provide the following information for each director and Board of Directors nominee:

- principal occupations for at least the past five years

Edgar Filing: LIME ENERGY CO. - Form DEF 14A

- the names of any other public companies where the nominee or director currently serves as a director or has served during the past five years
- the particular experience, qualifications, attributes or skills that led the Board to conclude that the person should serve as a director for the company

David R. Asplund has been our chief executive officer since January 2006. Prior to becoming our chief executive officer, Mr. Asplund was president of Delano Group Securities, LLC, an investment banking firm in Chicago, Illinois, which he founded in 1999. Prior to founding Delano, Mr. Asplund was a senior managing director and branch manager of the Chicago office of Bears Stearns & Co. Inc., having previously worked for other major investment banks including Morgan Stanley and Lehman Brothers. Prior to entering the financial industry in 1983, Mr. Asplund worked for the Dana Corporation as an industrial engineer. Mr. Asplund has a degree in mechanical engineering from the University of Minnesota. Mr. Asplund's investment banking and engineering background and responsibility for executing the Company's strategic plan qualify him for his position on the Lime Energy board.

Table of Contents

Gregory T. Barnum is currently the vice president of finance and chief financial officer of Datalink Corporation, an information storage architect. Prior to joining Datalink in March 2006, Mr. Barnum was the vice president of finance, chief financial officer and corporate secretary of Computer Network Technology Corporation since July 1997. From September 1992 to July 1997, Mr. Barnum served as senior vice president of finance and administration, chief financial officer and corporate secretary at Tricord Systems, Inc., a manufacturer of enterprise servers. From May 1988 to September 1992, Mr. Barnum served as the executive vice president, finance, chief financial officer, treasurer and corporate secretary for Cray Computer Corporation, a development stage company engaged in the design of supercomputers. Prior to that time, Mr. Barnum served in various accounting and financial management capacities for Cray Research, Inc., a manufacturer of supercomputers. Mr. Barnum also serves on the board of Wireless Ronin Technologies, Inc. Mr. Barnum is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants. Mr. Barnum's 20+ years of accounting experience and experience as a chief financial officer of publicly traded companies qualify him to serve on our board of directors and act as a financial expert.

Christopher W. Capps served as President and Chief Executive Officer of Advanced Biotherapy, Inc. from August 2006 until we acquired Advanced Biotherapy, Inc., or Advanced Biotherapy, Inc., on March 3, 2010. Since September 2005, Mr. Capps has also served as President and CEO of KVG Partners, a private equity firm. Mr. Capps' experience working with small and mid-sized companies and knowledge of current corporate finance techniques and market activities qualifies him to serve on our board.

William R. (Max) Carey, Jr. is the chairman of the CRD Companies: CRD, CRD Capital, and CRD Analytics, which he founded in 1981. He is also a managing director of Entrepreneur Equity Corporation, an insurance broker that creates specialty products for middle market companies. Mr. Carey also serves on the boards of Kforce, Inc., Crosswalk.com and J.B. Hanauer & Co., and is a founding board member of Crosswalk.com. Mr. Carey's skills as a leading sales and marketing consultant and experience working with some of the nation's largest and most prestigious firms qualify him to serve on our board.

Joseph F. Desmond is the senior vice president, external affairs for NorthernStar Natural Gas, a developer of liquefied natural gas import terminals. From May 2005 until November 2006, Mr. Desmond served as the chairman of the California Energy Commission. From May 2006 to November 2006 Mr. Desmond also served as the Under Secretary for Energy Affairs in the California Resources Agency. Prior to his public service for the State of California, Mr. Desmond served as president and chief executive officer of Infotility, Inc., an energy consulting and software development firm based in Boulder, Colorado. From 1997 to 2000, Mr. Desmond was president and chief executive officer of Electronic Lighting, Inc., a manufacturer of controllable lighting systems, and from 1991 to 1997 he was with Parke Industries, where he served as vice president. Mr. Desmond also currently serves on the Advisory Board of Stanford University's Precourt Institute for Energy Efficiency. Mr. Desmond's extensive energy background and leadership skills, both in private industry and state government, make him qualified to serve on our board.

Stephen Glick has been one of our directors since July 2009. Mr. Glick was the President of Applied Energy Management, Inc., a company he founded in 1984, until we acquired the company in June 2008. Mr. Glick's 20+ years of experience running an energy efficiency business serving some of the nation's largest ESCOs makes him qualified to serve on our board.

Richard P. Kiphart has been one of our directors since January 2006, when he also became chairman of our Board of Directors. Mr. Kiphart is head of the Private Client Advisors group and a principal of William Blair & Company for over 42 years. In addition, Mr. Kiphart is currently chairman of Ranair Inc. In addition, he is the former chairman of Nature Vision and The Merit Music School, and is currently the president and chief executive officer of the Lyric Opera of Chicago, the chairman of the Erikson Institute and serves on the board of Children's Memorial Hospital. Mr. Kiphart's leadership skills and extensive investment banking experience, as well as his experience serving on numerous boards makes him qualified to serve on our board.

Table of Contents

Daniel W. Parke has been our president since June 2006 when we acquired Parke P.A.N.D.A. Corporation, which he owned and served as its president from its founding in 2001. Mr. Parke also served as our chief operating officer from June 2006 until February 2010. Mr. Parke was previously a founder of Parke Industries, Inc., an energy solutions provider which was acquired in February 1998 by Strategic Resource Solutions, an unregulated subsidiary of Carolina Power & Light. Mr. Parke's years of experience building and operating an energy efficiency business serving the needs of commercial and industrial companies and his responsibility for executing our strategic plan qualifies him to serve on our board.

David W. Valentine has been one of our directors since May 2004. Mr. Valentine is currently the chief operating officer and a founding principal of Victory Park Capital, a private investment firm that he founded in June 2006. From April 2005 to June 2006, Mr. Valentine served as the portfolio manager of private investments for a Chicago-based hedge fund. From June 2004 to April 2005, Mr. Valentine served as President of KVG Partners, a private equity firm. From April 2000 to June 2004, Mr. Valentine served as the global head of debt private placements for UBS Investment Bank. Prior to UBS, Mr. Valentine held several investment banking positions at ABN AMRO and Harris Nesbitt. Mr. Valentine serves on the board of directors for Innovomed, Inc. and Trustwave, Inc. He is also on the board of directors of a Washington DC-based advocacy group, the Friends of the Global Fight Against AIDS, Tuberculosis, and Malaria. Mr. Valentine's extensive capital markets experience qualifies him to serve on our board.

The Board of Directors recommends that the stockholders vote

FOR

the election of all of the director nominees.

Leadership Structure and Role in Risk Oversight

The Company's current board leadership structure separates the board chair and principal executive officer roles into two positions. Richard Kiphart is the Chairman of the Board and David Asplund is the Chief Executive Officer. The Company determines the leadership structure it deems appropriate based on factors such as the experience of the applicable individuals, the current business environment of the Company or other relevant factors. After considering these factors, the Company believes that separating the positions of Chairman of the Board and Chief Executive Officer is the appropriate board leadership structure at this time, allowing our Chief Executive Officer to focus on the business strategy and operations of the Company, while our Chairman provides leadership to the Board necessary for the Board to fulfill its responsibilities. In the future it may determine that combining these positions may be the best structure for operating the Company, based on the factors at that time.

The Board of Directors is responsible for oversight of the Company's risk management practices while management is responsible for the day-to-day risk management processes. In the Board's opinion, this division of responsibilities is the most effective approach for addressing the risks facing the Company, and the Company's board leadership structure supports this approach. The Board receives periodic reports from management regarding the most significant risks facing the Company. In addition, the Audit Committee assists the Board in its oversight role by receiving periodic reports regarding the Company's risk and control environment.

Diversity

The Board does not have a formal policy with respect to Board nominee diversity. In recommending proposed nominees to the full Board, the Nominating Committee is charged with building and maintaining a board that has an ideal mix of talent and experience to achieve our business objectives in the current environment. In particular, the Nominating Committee is focused on relevant subject matter expertise, depth of knowledge in key areas that are important to us, and diversity of thought, background, perspective and experience so as to facilitate robust debate and broad thinking on strategies and tactics pursued by us.

Table of Contents

Family Relationships

The only family relationships between any of our directors and officers are that Mr. Kiphart is the father-in-law of each of Messrs. Capps and Valentine.

Director Attendance

During the fiscal year ended December 31, 2009, the Board of Directors held nine formal meetings. In addition, there were four meetings of the Audit Committee and six meetings of the Compensation Committee. During 2009, all members of the Board of Directors attended at least 75% of the total of all board meetings and applicable committee meetings, except for Mr. Carey who attended 67% of the meetings and Mr. Desmond who attended 50% of the Audit Committee meetings. We encourage our Board members to attend our Annual Meeting, but we do not have a formal policy requiring attendance. All of our Board members, except Mr. Carey, attended last year's Annual Meeting.

Independent Directors

Of the nine directors currently serving on the Board, all of whom are director nominees at the next Annual Meeting, the Board has determined that each of Messrs. Barnum, Capps, Carey, Desmond, Glick, Kiphart and Valentine are independent as defined in NASDAQ Rule 5605(a)(2). Although a company owned by Mr. Carey provided services to us during 2007, the Board determined that the fees paid to this company were insufficient to cause Mr. Carey to lose his independence. Messrs. Asplund and Parke are not considered independent because they also serve as our executive officers.

COMPENSATION OF DIRECTORS

Director Compensation Program

Effective April 1, 2000, we adopted a stock option plan for all non-employee directors that is separate and distinct from the 2008 Long-Term Incentive Plan. The plan was amended on July 11, 2006 to provide that eligible directors receive an initial option grant upon being appointed to our Board of Directors to purchase 14,286 shares of our common stock, and a grant of options to purchase an additional 7,143 shares on the first day of January beginning on the second January following the date the director became an eligible director. These options have an exercise price equal to the closing price of our common stock on the grant date and a term of ten years. The initial options vest on first day of January following the initial grant date or six months following the initial grant date, whichever is later, if the individual is still a director on the vesting date. All future grants vest in two equal amounts, one amount on the grant date and the balance on the anniversary of the grant date, if the individual is still a member of the Board of Directors on such anniversary date.

Edgar Filing: LIME ENERGY CO. - Form DEF 14A

We granted options to purchase 50,001 shares under the directors' stock option plan during 2009, and options to purchase 177,274 shares were outstanding under this plan as of December 31, 2009. Mr. Capps declined his initial option grant upon being nominated to the Board of Directors due to the fact that he received options as a director of Advanced Biotherapy Inc. (Advanced Biotherapy, Inc.) shortly before the Advanced Biotherapy, Inc. was acquired by the Company. As part of the agreement to acquire Advanced Biotherapy, Inc. the Company tendered to exchange all vested Advanced Biotherapy, Inc. options for Lime Energy options based on the exchange rate offered for Advanced Biotherapy, Inc.'s common stock.

Directors who are also our employees receive no additional compensation for their services as directors.

If the 2010 Non-Employee Directors Stock Plan is approved, we will not make any further grants under the existing non-employee stock option plan. For a discussion of the proposed 2010 Non-Employee Director Stock Plan, see Proposal No. 3 - Approval of the 2010 Non-Employee Directors Stock Plan.

Table of Contents**Director Compensation Table**

The following table provides compensation information for the year ended December 31, 2009 for each of our non-executive directors.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)(1)(2)	All Other Compensation (\$)	Total (\$)
Gregory T. Barnum			16,937		16,937
William R. Carey, Jr.			16,937		16,937
Christopher Capps (3)					
Joseph F. Desmond			16,937		16,937
Stephen Glick			38,123		38,123
Richard P. Kiphart			16,937		16,937
David W. Valentine			16,937		16,937

(1) Amounts represent the aggregate grant date fair value of the option awards made during 2009 calculated using a trinomial lattice option pricing model. The value weighted-average significant assumptions used to determine the grant date fair value are as follows:

Significant Assumption (value weighted-average)	2009
Risk-free rate	0.07%
Dividend yield	
Expected volatility	84.5%
Expected life (years)	5.3
Turn-over rate	5.0%
Exercise multiple	2.2

(2) The following options were granted to directors during 2009:

	Options Awarded(4)	Grant Date	Exercise Price	Aggregate Options Outstanding as of 12/31/2009
Gregory T. Barnum	7,143	1/2/2009	\$ 4.65	32,213
William R. Carey, Jr.	7,143	1/2/2009	\$ 4.65	35,784
Joseph F. Desmond	7,143	1/2/2009	\$ 4.65	21,429

Edgar Filing: LIME ENERGY CO. - Form DEF 14A

Stephen Glick	14,286	7/13/2009	\$	5.32	14,286
Richard P. Kiphart	7,143	1/2/2009	\$	4.65	32,213
David W. Valentine	7,143	1/2/2009	\$	4.65	32,261

(3) Mr. Capps declined his initial grant of options.

(4) The options all vest equally on the grant date and the first anniversary of their issuance and expire on the earlier of the tenth anniversary of their issuance or three months following the date the holder is no longer one of our directors.

Table of Contents

Committees of the Board of Directors

The Board of Directors has an Audit Committee, Compensation Committee and a Governance and Nominating Committee.

Audit Committee

The Audit Committee, which is composed entirely of non-employee, independent directors, held four meetings during 2009. Each of the members of the Audit Committee attended at least 75% of the meetings of the Committee held in 2009, except for Mr. Desmond who attended 50% of the meetings. The Audit Committee meets periodically and separately in executive sessions with management and the independent auditors to review the activities of each. The Audit Committee possesses and may exercise the powers of the Board of Directors relating to our accounting, auditing, and financial reporting matters, except when such powers are by statute or the Certificate of Incorporation or Bylaws reserved to the full Board or delegated to another committee of the Board. The Audit Committee reports regularly to the full Board on these matters. The Audit Committee is directly responsible for the appointment, compensation, and oversight of our independent auditors. Among other duties, the Audit Committee:

- recommends the independent auditors to the Board;
- pre-approves all audit and non-audit services provided to us by the independent auditors;
- monitors the independence of the independent auditors;
- reviews and approves:
 - the scope and timing of work to be performed by the independent auditors
 - compensation to be paid to the independent auditors
 - financial accounting and reporting principles used by the Company

Edgar Filing: LIME ENERGY CO. - Form DEF 14A

- results of the audit and the report of the independent auditors
- transactions involving the Company and our officers, directors, affiliates and significant stockholders
- discusses our annual audited financial statements and quarterly financial statements with management and the independent auditors;
- considers allegations made, if any, of possible financial fraud or other financial improprieties;
- prepares an Audit Committee report as required by the SEC to be in this proxy statement; and
- reviews and reassesses the adequacy of the Audit Committee charter at least annually.

The Audit Committee's current members are directors Greg Barnum (Committee Chairman), Joseph Desmond and David Valentine. Our Board of Directors has determined that Mr. Barnum qualifies as an "audit committee financial expert" as defined in Item 407(d)(5) of SEC Regulation S-K. The Board also believes that Messrs. Barnum, Desmond and Valentine are "independent" as defined by NASDAQ Rule 5605(a)(2). The Board of Directors adopted an Audit Committee Charter effective April 19, 2000, which was amended effective January 31, 2001 to combine the Conflicts Committee with the Audit Committee. A copy of the Audit Committee's charter is available on our website (www.lime-energy.com) under the heading "Investor Relations" and subheading "Corporate Governance".

Table of Contents

Compensation Committee

The Compensation Committee, which is composed of three independent directors--David Valentine (Committee Chairman), Greg Barnum and Richard Kiphart, was formed in 2001 upon the Board of Directors' adoption of a Compensation Committee charter. The Compensation Committee held six meetings during 2009, each of which was attended by all members. A copy of the Compensation Committee's charter is available on our website (www.lime-energy.com) under the heading "Investor Relations" and subheading "Corporate Governance." The Compensation Committee's responsibilities are to:

- review and recommend to the Board of Directors the annual salary, bonus, stock options and other benefits of our senior executives;
- review executive compensation programs and the administration thereof;
- plan for executive development and succession;
- review expense accounts and fringe benefits of executive management;
- administer our stock option and stock incentive programs; and
- review and recommend to the Board of Directors the compensation of members of the Board of Directors.

Governance & Nominating Committee

The Governance and Nominating Committee, which is composed of three independent directors--William Carey (Committee Chairman), Joseph Desmond and Richard Kiphart, was formed in 2004 upon the Board of Directors' adoption of a Governance and Nominating Committee Charter. A copy of the Governance and Nominating Committee's charter is available on our website (www.lime-energy.com) under the heading "Investor Relations" and subheading "Corporate Governance." The Board believes that Messrs. Carey, Desmond and Kiphart are independent directors as defined by NASDAQ Rule 5605(a)(2). Prior to the establishment of the Governance and Nominating Committee, the recruitment and selection of candidates for Board of Directors was handled by the Compensation Committee. The Governance and Nominating Committee did not meet during 2009. The Governance and Nominating Committee's responsibilities are to:

Edgar Filing: LIME ENERGY CO. - Form DEF 14A

- develop and recommend to the Board of Directors policies and processes designed to provide for effective and efficient governance;
- plan Board education activities, including new member orientation;
- evaluate the size and composition of the Board of Directors, develop criteria for membership on the Board of Directors, and evaluate the independence of existing and prospective directors, and make recommendations to the Board concerning such matters;
- seek and evaluate qualified individuals to become directors;
- evaluate the nature, structure and composition of other committees of the Board of Directors and make recommendations to the Board concerning such matters; and
- assess the performance of the Board of Directors.

Selection of Board Nominees

Our Governance and Nominating Committee is responsible for identifying and evaluating Board candidates using one or more informal processes deemed appropriate for the circumstances. All of our directors and executive officers play a significant role in bringing potential candidates to the attention of the Committee. A determination of whether to pursue discussions with a particular individual will be made after discussion by the Committee and may be preceded by formal or informal discussions involving one or all of the other Board members. Information considered by the Committee may include information provided by the candidate, the chief executive officer and one or more Committee or Board members. The Committee seeks candidates whose

Table of Contents

qualifications, experience and independence complement those of existing Board members. Board candidates are expected to possess high personal and professional ethics, integrity and values, and relevant business experience and to be committed to representing the long-term interests of all stockholders. They are also expected to have an inquisitive and objective perspective, practical wisdom and good judgment.

Once appropriate candidates have been identified, the Committee will recommend nominations to our Board. Our Governance and Nominating Committee has not adopted a policy or procedure for the consideration of director candidates recommended by stockholders. Our Board does not recall an instance in which a stockholder (other than a stockholder serving as an officer or director) has recommended a director candidate; however, the Governance and Nominations Committee will consider all timely stockholder recommendations. For the 2011 Annual Meeting of Stockholders, nominations may be submitted to the Corporate Secretary, Lime Energy Co., 1280 Landmeier Road, Elk Grove Village, Illinois 60007-2410, which will forward them to the Chairman of the Governance and Nominating Committee. Recommendations must be in writing, must specify the candidate's qualifications for serving as a director and must be received by us not later than December 17, 2010, in order for nominees to be considered for election at our 2011 Annual Meeting of Stockholders.

Codes of Conduct and Business Ethics

We have adopted a code of ethics as part of our compliance program. This code of ethics applies to our chief executive officer and our chief financial officer. In addition, we have a Code of Conduct and Business Ethics that applies to all of our officers, directors and employees. These codes of ethics are available on our website (www.lime-energy.com) under the heading "Investor Relations" and subheading "Corporate Governance." We intend to post amendments to or waivers from the Code of Ethics which are applicable to our directors, principal executive officer and principal financial officer at this location on our website.

EXECUTIVE OFFICERS

The table below identifies our executive officers who are not identified in the table under "Nominees for Director."

Name	Age	Position Held with the Company
Jeffrey R. Mistarz	52	Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary
John O. Rourke	49	Chief Operating Officer

Jeffrey R. Mistarz has been our chief financial officer since January 2000, our treasurer since October 2000, an executive vice president since November 2002, our assistant secretary since February 2003 and our secretary since June 2006. From January 1994 until joining us, Mr. Mistarz served as chief financial officer for Nucon Corporation, a privately held manufacturer of material handling products and systems, where he was responsible for all areas of finance and accounting, managing capital and stockholder relations. Prior to joining Nucon, Mr. Mistarz was with First Chicago Corporation (now JPMorgan Chase & Co.) for 12 years where he held several positions in corporate lending, investment banking and credit strategy.

Edgar Filing: LIME ENERGY CO. - Form DEF 14A

John O Rourke has been our chief operating officer since February 2010. Mr. O Rourke was previously president and chief executive officer of our subsidiary, Applied Energy Management, which we acquired in June 2008. Prior to joining AEM, Mr. O Rourke was the president of Landmark Service Company, LLC from July 2003 until September 2004, when the company was acquired by AEM. Prior to working at Landmark, he was vice president of engineering and operations at Duke Solutions, a Duke Energy subsidiary.

Table of Contents

SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS AND MANAGEMENT

The following tables set forth information regarding the beneficial ownership of our securities as of April 28, 2010 by:

- each person known by us to be the beneficial owner of more than 5% of the outstanding shares of our voting securities;
- each of our directors and named executive officers, and
- all of our directors and executive officers as a group (ten persons).

Each stockholder's beneficial ownership is based on 23,597,641 shares of Lime common stock outstanding as of April 28, 2010. Beneficial ownership is determined in accordance with the rules of the SEC. Except as otherwise noted, the persons or entities named have sole voting and investment power with respect to all shares shown as beneficially owned by them, and the address of each person listed in the following table is c/o Lime Energy Co., 1280 Landmeier Road, Elk Grove Village, Illinois 60007-2410.

Beneficial Owners of Greater Than 5% of Our Common Stock:

Name	Common Shares Directly Held	Common Shares Issuable Upon Exercise of Warrants (1)	Common Shares Issuable Upon Exercise of Options (1)	Total	%
Richard P. Kiphart	9,437,063	416,422	40,194	9,893,679	41.131

Table of Contents**Directors and Executive Officers:**

Name	Common Shares Directly Held	Common Shares Issuable Upon Exercise of Warrants (1)	Common Shares Issuable Upon Exercise of Options (1)	Total	%
<i>Directors and Executive Officers</i>					
David R. Asplund	318,364	7,123	735,857	1,061,344	4.360
Gregory T. Barnum	7,123	1,781	35,785	44,689	*
Christopher W. Capps	9,359		110,448	119,807	*
William R. Carey			39,356	39,356	*
Joseph F. Desmond			25,001	25,001	*
Stephen Glick	624,191		14,286	638,477	2.704
Richard P. Kiphart	9,437,063	416,422	40,194	9,893,679	41.131
Jeffrey R. Mistarz	20,322	712	189,191	210,225	*
John O. Rourke	169,495		25,000	194,495	*
Daniel R. Parke	759,132	7,123	220,308	986,563	4.141
David W. Valentine	77,227	712	44,329	122,268	*
All directors and executive officers as a group (10 persons)**	11,422,276	433,873	1,479,755	13,335,904	52.275

* Denotes beneficial ownership of less than 1%.

(1) Represents warrants and options to purchase our common stock exercisable within 60 days of April 28, 2010.

Changes in Control

We are not aware of any arrangements, including any pledge by any person of our stock, the operation of which may at a subsequent date result in a change of control of the Company.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16 of the Securities Exchange Act of 1934 requires our directors and officers (as defined in Section 16) and persons who beneficially own greater than 10% of a registered class of our equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. The required reports consist of initial statements on Form 3, statements of changes on Form 4 and annual statements on Form 5. Directors, officers and greater than 10% stockholders are required by Securities and Exchange Commission rules to furnish us with

copies of all Section 16(a) reports filed. Based solely on our review of the reports we have received and on written representations from our officers who are reporting persons, we believe that during 2009 all Section 16 filing requirements applicable to our directors, officers and 10% beneficial owners were complied with by these persons, except that Messrs. Capps and Kiphart both filed two reports late.

TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CONTROL PERSONS

On November 13, 2008 we entered into subscription agreements with 15 investors to sell 1,787,893 units, each comprised of one share of our common stock and a warrant to purchase an additional quarter share of common stock. These investors included Richard P. Kiphart, David R. Asplund, Daniel W. Parke, Gregory T. Barnum, David Valentine and Jeffrey R. Mistarz, all of whom are our directors and/or officers. The sale price was \$3.51 per unit, which was equal to 75% of the volume-weighted average price of our common stock for the ten days prior to closing. The warrants allow holders to purchase a share of common stock for \$4.10 per share, which was the closing price of our common stock on the day prior to the closing, and the warrants are exercisable any

Table of Contents

time after May 13, 2010 and before November 13, 2011. The total gross proceeds raised in the private placement was \$6,275,500. The private placement closed in two tranches: tranche A, comprised of unaffiliated investors, closed on November 13, 2008 and raised \$3,000,500; and tranche B comprised of affiliated investors closed on January 30, 2009 and raised \$3,275,000. Proceeds from the Private Placement will be used for working capital purposes.

On November 18, 2008, we entered into a Stock Purchase Agreement with controlling stockholders of Advanced Biotherapy, Inc., pursuant to which we agreed to acquire 90.8% of the outstanding capital stock of Advanced Biotherapy, Inc. at \$0.008625 per share in exchange for their shares of our common stock. Through a short-form merger, we offered the remaining Advanced Biotherapy, Inc. stockholders the same consideration for their common stock. On March 3, 2009, we completed the merger and acquired Advanced Biotherapy, Inc.. Advanced Biotherapy, Inc.'s assets included approximately \$7.4 million of cash and an \$800,000 note receivable. Advanced Biotherapy, Inc.'s assets also included a revolving credit note due by us, which had an outstanding balance of approximately \$52,000 as of the closing. We have cancelled the revolving credit note. We do not intend to continue to operate Advanced Biotherapy, Inc.'s prior business. Messrs. Kiphart, Valentine and Capps were directors and shareholders of Advanced Biotherapy, Inc..

On March 12, 2008, we entered into a revolving credit note with Advanced Biotherapy, Inc. and Richard P. Kiphart. This note was subsequently amended on June 10, 2008, August 14, 2008 and October 31, 2008 to increase the size of the note to \$19 million. On November 14, 2008, Mr. Kiphart converted his \$14.5 million note and accrued interest into 358,710 shares of Series A-1 preferred stock. On August 10, 2009, Mr. Kiphart converted all of his shares of Series A-1 Convertible Preferred Stock into 3,777,705 shares of common stock. Mr. Kiphart is our largest individual stockholder and the chairman of our Board of Directors. He was also the chairman of the board of Advanced Biotherapy, Inc., and owned the majority of the common stock of Advanced Biotherapy. Messrs. Capps and Valentine, who both serve as our directors, were also directors and stockholders of Advanced Biotherapy, Inc..

Also on August 10, 2009, we entered into a \$2 million revolving bridge line with Mr. Kiphart to meet any potential liquidity needs we might have prior to the completion of our follow-on public offering of common stock. We issued Mr. Kiphart two warrants in connection with the issuance of the revolving bridge line of credit. The first warrant gives Mr. Kiphart the right to purchase 75,000 shares of our common stock at \$6.40 per share any time prior to August 10, 2013. The second warrant gave Mr. Kiphart the right to purchase 62,500 shares of our common stock at \$6.40 per share any time prior to February 20, 2014, but this right only vested if we failed to repay any outstanding balance on the bridge line at maturity. We completed our follow-on public offering of common stock in September 2009 and terminated the bridge line on October 2, 2009. The line was never utilized. Upon termination, we paid Mr. Kiphart a \$70,000 termination fee and terminated the warrant to purchase 62,500 shares of its common stock.

On July 11, 2008, we entered into an agreement with Mr. Kiphart, whereby Mr. Kiphart agreed to cause the issuance of certain letters of credit in an amount not to exceed \$10 million, to support the issuance of surety bonds required under certain customer contracts. The obligation to continue to provide support for new letters of credit expired when we completed the follow-on public offering of our common stock in September 2009. We have agreed to pay Mr. Kiphart a fee equal to 3-5/8% per annum on the average outstanding balance on letters of credit, or \$300,000, whichever is greater. In addition, we agreed to indemnify Mr. Kiphart for any claims under the letters of credit.

One of our subsidiary companies, Parke Industries, Incorporated, leases space in a building in Glendora, California that is owned by a company controlled by Dan Parke, our president and one of our directors. Total rent expense for this facility amounted to \$130,000 and \$126,000 for 2009 and 2008, respectively. We believe that the rates charged by Mr. Parke are reasonable in that they are equivalent to rates charged to other unaffiliated third parties in the building.

Table of Contents

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Current Executive Officers

We currently have four executive officers: David Asplund, our Chief Executive Officer, Daniel Parke, our President, John O Rourke our Chief Operating Officer, and Jeffrey Mizarz our Chief Financial Officer. Mr. O Rourke was appointed as our Chief Operating Officer in February 2009.

Overview of Executive Compensation Program

We have not had a formalized program for determining executive compensation. Three of the four current executive officers (Messrs. Asplund, O Rourke and Parke) receive the majority of their compensation pursuant to written employment agreements that were negotiated in connection with their becoming our employees. In each of these instances, the Board of Directors approved the employment agreement and the terms were negotiated at the time in light of specific circumstances. Notwithstanding the absence of a formalized compensation program, our executive officers have generally received compensation consisting of three components:

- a cash component, consisting of salary meant to be competitive with salaries such individuals could obtain from other employers;
- eligibility for annual cash bonuses determined by the Compensation Committee based on our performance; and
- stock options intended to reward achievement of long-term goals and align the interests of our executive officers with those of our stockholders.

In certain cases, we have provided automobile allowances or Company paid leased vehicles to executives who are expected to use their cars for Company business. Executive officers participate in group health and disability insurance on the same basis as other full-time employees and certain executives were offered individual life and disability insurance policies as part of their hiring agreements.

Except as noted above with respect to the current employment agreements with Messrs. Asplund, O Rourke and Parke, the Compensation Committee of the Board of Directors makes all compensation decisions for our executive officers. Generally, compensation decisions for

Edgar Filing: LIME ENERGY CO. - Form DEF 14A

executive officers other than our chief executive officer have been made by the Compensation Committee pursuant to recommendations made by the Chief Executive Officer.

We recently retained the consulting firm of Towers Perrin to assist us in formalizing our executive compensation program and to help ensure that our compensation program is consistent with current market practices. After consultation with Towers Perrin, on August 4, 2009, our Compensation Committee recommended to our board, and our board adopted, our 2009 Management Incentive Compensation Plan (the 2009 Plan). Under the terms of the 2009 Plan, our executive officers are the initial group of participants eligible for cash awards and, in lieu of cash awards, equity-based awards (subject to the availability of shares of common stock and the other terms our 2008 Long-Term Incentive Plan) based upon specified criteria to be determined and approved of by our Compensation Committee, or as otherwise provided in the 2009 Plan.

Performance goals for 2009 Plan participants were set in various goal categories, including, but not necessarily limited to: (a) Company performance objectives, comprising revenue and earnings before interest, taxes, depreciation, amortization and stock-based compensation targets, and (b) individual performance objectives. The relative weight among the performance goal categories vary based on the participant s position within the Company. The weighting will be reviewed annually and may be adjusted by our Compensation Committee.

Table of Contents

Each participant will be informed at the beginning of, or soon after the beginning of, each fiscal year, of his or her 2009 Plan base salary, which will be the basis for determining the award opportunity for that participant, and which amount will be allocated among the participant's performance goal categories. In addition, the 2009 Plan provides that the Compensation Committee will set three performance levels, Threshold, Target and Maximum levels set as a percentage for each performance goal category. Award objectives for 2009 were set following establishment of the 2009 Plan. The award objectives will be reset in 2010 based in part upon the 2010 budget.

Objectives of Compensation Program

Compensation of our executive officers is intended to reward improved overall financial performance of the Company, and to reward performance achievements and increases in stockholder value over the long term.

- Annual salaries for executive officers have been established with the goal of attracting and retaining qualified individuals for the positions. These salaries have been determined on a case-by-case basis.
- Eligibility for annual cash bonus awards has been based on our performance but not specific performance goals. The amount of bonus for which an individual is eligible for any year has been determined on a case-by-case basis. We expect that future bonuses will be determined under our 2009 Plan, although the 2009 Plan does not prohibit discretionary bonuses in addition to those under the plan.
- Stock options awards are intended to reward achievement leading to increases in our profitability and stockholder value over the longer term. The amounts of awards have been determined on a case-by-case basis.

In order to reward superior short-term performance, cash compensation each year has included eligibility for a cash bonus in the discretion of the Compensation Committee, subject to approval of the Board. Those bonuses will in the future be made subject to the 2009 Management Incentive Compensation Plan.

To motivate executive officers to achieve the longer-term goal of increasing our profitability and stockholder value, and to reward them for achieving such long-term goals, stock options have been included as part of the compensation structure for our executive officers. Stock options also provide an increased opportunity for equity ownership by our executive officers, thereby further aligning their interest with those of our stockholders. Historically option grants have been made on a case-by-case basis. A typical stock option grant has been structured to have a ten year exercise period, to vest over a period of years, with vesting also depending upon the executive remaining employed by us, and to have an exercise price equal to the market price on the grant date. In certain cases, options have been granted at an exercise price higher than the market price. We have not granted options with an exercise price that is less than the market price on the grant date. In 2009, a one-time stock option exchange program was implemented to provide improved employee retention and engagement. The exchange program restored economic value to certain stock options held by employees and directors at an insignificant cost to the Company.

Edgar Filing: LIME ENERGY CO. - Form DEF 14A

Stock price performance has not been a factor in determining annual compensation because the price of the common stock is subject to factors which may not reflect our performance and are outside of our control.

We do not have a formula for allocating between cash and non-cash compensation. The number of stock options awarded to an executive officer has been decided on a case-by-case basis taking into consideration other components of compensation, not pursuant to any specific guidelines or program. Most of the stock options we have awarded to executive officers to date have been pursuant to written employment agreements entered into when the executive joined us, or pursuant to extending such employment under a new written agreement.

A copy of the 2009 Management Incentive Compensation Plan was filed as an exhibit to our Current Report on Form 8-K dated August 4, 2009 filed on August 7, 2009.

Table of Contents*Accounting and Tax Considerations*

Our stock option grant policies have been impacted by the implementation of ASC 718 (SFAS No. 123(R)), which we adopted effective on January 1, 2006. Under this accounting pronouncement, we are required to value unvested stock options granted prior to our adoption of ASC 718 under the fair value method and expense those amounts in the income statement over the stock option's remaining vesting period. As a result of adopting ASC 718, \$1.7 million and \$3.8 million of share based compensation expense was included in the results for 2009 and 2008, respectively. In 2009, stockholders approved a one-time stock option exchange program that was designed to restore economic value to certain stock options held by employees and directors, while not creating significant additional expense to the Company.

2009 Summary Compensation Table

The following table sets forth the compensation earned, awarded or paid for services rendered to us for the year ended December 31, 2009 and the year ended December 31, 2008 by our principal executive officer (PEO), our principal financial officer (PFO), and our president. These persons are referred to, collectively, as the named executive officers.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$) (1)	All Other Compensation (\$)	Total (\$)
David R. Asplund	2009	285,000	40,500				