

LIME ENERGY CO.  
Form PRER14A  
November 15, 2016

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

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**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. 1)

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 Under Rule 14a-12

**LIME ENERGY CO.**

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(Name of Registrant as Specified In Its Charter)

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

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Lime Energy Co.  
4 Gateway Center, 4th Floor  
100 Mulberry Street  
Newark, NJ 07102

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
TO BE HELD [•] [•], 201[•]**

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NOTICE IS HEREBY GIVEN that a Special Meeting of Stockholders (the "Special Meeting") of Lime Energy Co., a Delaware corporation (the "Company"), will be held at the Company's headquarters at 4 Gateway Center, 4<sup>th</sup> Floor, 100 Mulberry Street, Newark, NJ on [•] [•], 201[•] at 9:00 a.m., local time, for the following purposes:

1. To consider and vote upon proposals to amend the Company's Certificate of Incorporation to effect, alternatively, as determined by the Company's Board of Directors in its discretion, one of three reverse stock splits 1-for-300, 1-for-500, or 1-for-1000 of the shares of the Company's common stock, par value \$.0001 per share (the "Common Stock") which, if approved and implemented, would enable the Company to suspend its periodic reporting obligations under the Securities Exchange Act of 1934, as amended, and thereby eliminate many of the expenses associated with being subject to reporting obligations of the Securities and Exchange Commission. A copy of the proposed alternative amendments to the Certificate of Incorporation for the reverse stock split is attached as Annex A-1 to the accompanying proxy statement.
2. To consider and vote upon a proposal to amend the Company's Certificate of Incorporation to effect a forward stock split of the Common Stock immediately following the reverse stock split of the Common Stock, at a ratio that is reciprocal to the ratio ultimately selected by the Board for the reverse stock split. A copy of the proposed amendment to the Certificate of Incorporation for the forward stock split is attached as Annex A-2 to the accompanying proxy statement.

As a result of these proposed amendments, (a) each stockholder of record owning fewer than a minimum number of shares (300, 500, or 1000) immediately prior to the effective time of the reverse stock split will receive at least \$2.49 in cash (subject to any applicable U.S. federal, state and local withholding tax), without interest, per pre-split share, and (b) each stockholder of record owning at least a minimum number of shares (300, 500, or 1000) immediately prior to the effective time of the reverse stock split will continue to hold the same number of shares of Common Stock after completion of the reverse/forward stock split. Although both the reverse stock split and the forward stock split will be voted on separately, the Company will not implement either the reverse stock split or the forward stock split unless both are approved by the Company's stockholders and the Board gives final approval to implement them.

You can vote at the Special Meeting in person or by proxy if you were a stockholder of record at the close of business on [•] [•], 2016.

You are cordially invited to attend the Special Meeting in person. To ensure that your vote is counted at the meeting, however, please vote as promptly as possible. Submitting your proxy now will

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not prevent you from voting your shares at the meeting if you desire to do so, as your vote by proxy is revocable at your option in the manner described in the proxy statement.

By Order of the Board of Directors,

Bruce D. Torkelson

*Chief Financial Officer and Corporate Secretary*

Newark, New Jersey

[•] [•], 2016

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**IMPORTANT: Please fill in, date, sign and return the enclosed proxy card in the return-addressed envelope to ensure that your shares are represented at the Special Meeting. If you attend the Special Meeting, you may vote in person, if you wish to do so, even though you have previously voted.**

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE TRANSACTIONS DESCRIBED HEREIN, PASSED UPON THE MERITS OR FAIRNESS OF THE PROPOSED TRANSACTIONS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THE PROXY STATEMENT OR RELATED SCHEDULE 13E-3. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL AND A CRIMINAL OFFENSE. NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THE PROXY STATEMENT OR RELATED SCHEDULE 13E-3, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY US.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY  
OF PROXY MATERIALS FOR THE SPECIAL MEETING  
OF STOCKHOLDERS TO BE HELD ON [•] [•], 201[•]**

**This notice of meeting, the proxy statement and the related Schedule 13E-3, and the proxy card are available electronically at  
[www.proxyvote.com](http://www.proxyvote.com).**

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**LIME ENERGY CO.**  
**4 Gateway Center, 4th Floor, 100 Mulberry Street**  
**Newark, NJ 07102**

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**PROXY STATEMENT**  
**FOR**  
**SPECIAL MEETING OF STOCKHOLDERS**  
**TO BE HELD ON [•], 2016**

**\*\*\*PRELIMINARY COPY\*\*\***

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**INTRODUCTION**

This proxy statement is being furnished to stockholders by the Board of Directors (the "Board") of Lime Energy Co., a Delaware corporation (the "Company"), in connection with the solicitation of proxies for use at a special meeting of stockholders of the Company (the "Special Meeting") to be held at the Company's headquarters at 4 Gateway Center, 4th Floor, 100 Mulberry Street, Newark, NJ on [•] [•], 201[•] at 9:00 a.m., local time, for the following purposes:

1. To consider and vote upon proposals to amend the Company's Certificate of Incorporation to effect, alternatively, as determined by the Board in its discretion, one of three reverse stock splits 1-for-300, 1-for-500, or 1-for-1000 ("Reverse Stock Split") of the shares of the Company's common stock, par value \$.0001 per share (the "Common Stock") which, if approved and implemented, would enable the Company to suspend its periodic reporting obligations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and thereby eliminate many of the expenses associated with being subject to reporting obligations of the Securities and Exchange Commission (the "SEC"), by terminating the registration of the Common Stock under the Exchange Act. A copy of the proposed amendment to the Certificate of Incorporation for the reverse stock split is attached as Annex A-1 to this proxy statement.
2. To consider and vote upon a proposal to amend the Company's Certificate of Incorporation to effect a forward stock split of the Common Stock immediately following the Reverse Stock Split, at a ratio that is reciprocal to the ratio ultimately selected by the Board for the Reverse Stock Split (the "Forward Stock Split" and, together with the Reverse Stock Split, the "Reverse/Forward Stock Split"). A copy of the proposed amendment to the Certificate of Incorporation for the Forward Stock Split is attached as Annex A-2 to this proxy statement.

As a result of these proposed amendments, (a) each stockholder of record owning fewer than a minimum number of shares (300, 500, or 1000) immediately prior to the effective time of the Reverse Stock Split will receive at least \$2.49 in cash (subject to any applicable U.S. federal, state and local withholding tax), without interest, per pre-split share, and (b) each stockholder of record owning at least a minimum number of shares (300, 500, or 1000) immediately prior to the effective time of the Reverse Stock Split will continue to hold the same number of shares of Common Stock after completion of the Reverse/Forward Stock Split. Although both the Reverse Stock Split and the Forward Stock Split will be voted on separately, the Company will not implement either the Reverse Stock Split or the Forward Stock Split unless both are approved by the Company's stockholders.

The Board has fixed [•] [•], 2016 as the record date for the Special Meeting. It is anticipated that the proxy statement and the proxy card will first be made available to stockholders on or about [•] [•], 2016.

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**SUMMARY OF THE TERMS OF THE REVERSE/FORWARD STOCK SPLIT**

The following is a summary of the material terms of proposed amendments to the Company's Certificate of Incorporation effecting a reverse/forward stock split of the outstanding shares of the Company's Common Stock. The purpose of the reverse/forward stock split is to reduce the number of record holders of the Common Stock, so as to allow the Company to terminate registration of the Common Stock under Section 12(g) of the Exchange Act. Terminating such registration will allow the Company to suspend its reporting obligations under the Exchange Act. Accordingly, the proposed reverse/forward stock split constitutes a "going private" transaction within the meaning of Rule 13E-3 of the Exchange Act. The Board is proposing this course of action in response to a determination by The Nasdaq Stock Market to suspend trading in the Company's Common Stock on The Nasdaq Capital Market, as a result of the Company's failure to meet certain quantitative standards for continued listing. The Common Stock ceased trading on Nasdaq effective at market open on August 31, 2016. On November 10, 2016, Nasdaq filed a Form 25 to delist the Common Stock. The Form 25 becomes effective, and the Common Stock will be delisted, on November 20, 2016. In light of Nasdaq's determination to delist the Common Stock, the Board has determined that the costs of reporting and compliance under the Exchange Act exceed the benefits of such reporting and compliance to the Company and its stockholders. Accordingly, the Board recommends that the Company's stockholders approve each of the proposals described in this proxy statement for consideration at the special meeting.

For a more detailed description of the terms of the proposed transactions, please read the entire proxy statement and each of the documents attached as annexes to this proxy statement and the related Schedule 13E-3 carefully.

The Board has authorized, subject to stockholder approval and subsequent final approval by the Board, amendments to the Company's Certificate of Incorporation, to effect one of the following three alternative stock splits:

- (1) a 1-for-300 reverse stock split followed immediately by a 300-for-1 forward stock split of the Common Stock
- (2) a 1-for-500 reverse stock split followed immediately by a 500-for-1 forward stock split of the Common Stock
- (3) a 1-for-1000 reverse stock split followed immediately by a 1000-for-1 forward stock split of the Common Stock.

In this document, the term "Minimum Number" means: 300, if the 1-for-300 reverse split is implemented; 500, if the 1-for-500 reverse split is implemented; and 1000, if the 1-for-1000 reverse split is implemented.

The Reverse Stock Split would cause each of the stockholders owning of record fewer than the Minimum Number of shares of Common Stock immediately before the Reverse Stock Split (sometimes referred to as the "Cashed-Out Stockholders") to have a fractional share of less than one whole share after giving effect to the Reverse Stock Split.

The Company does not intend to issue any fractional shares in the Reverse Stock Split. Rather, instead of being issued fractional shares, each Cashed-Out Stockholder will receive a cash payment for such stockholder's fractional interests resulting from the Reverse Stock Split. The Board has determined to pay each Cashed-Out Stockholder at least two dollars

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and forty-nine cents (\$2.49) for each share of Common Stock held of record by the Cashed-Out Stockholder immediately before the Reverse Stock Split.

Stockholders who hold of record more than the Minimum Number of shares of Common Stock before the Reverse Stock Split will not be cashed-out. Cash consideration will only be paid for the fractional interests of the Cashed-Out Stockholders.

If the proposed amendments are approved by the Company's stockholders and implemented at the direction of the Board, the Company expects to have fewer than 300 stockholders of record of the Common Stock, which would make the Company eligible to deregister the shares of Common Stock and suspend the Company's reporting obligations under the Exchange Act. Any such deregistration would be in the Board's sole discretion and would not require the approval of the Company's stockholders.

The proposed transaction will not affect the shares of Series C Convertible Preferred Stock, all of which are held by Bison Capital Partners IV, L.P.

See the information under the captions "Special Factors Purposes of and Reasons for the Reverse/Forward Stock Split," "Special Factors Effects of the Reverse/Forward Stock Split," and "Special Factors Fairness of the Reverse/Forward Stock Split" in this proxy statement.

**QUESTIONS AND ANSWERS ABOUT THE REVERSE/FORWARD STOCK SPLIT**

The following questions and answers are intended to provide additional or clarifying information with respect to the Reverse/Forward Stock Split. This Q&A may not include all the information that may be important or relevant to the particular circumstances of a stockholder. Please read the entire proxy statement carefully.

***What are some of the advantages of the Reverse/Forward Stock Split?***

The Company will be able to terminate the registration of the Common Stock under the Exchange Act, which will eliminate the significant tangible and intangible costs of being a reporting company under the Exchange Act (a "reporting company"). The Company estimates annual tangible cost savings in the range of \$825,000 to \$1,000,000.

Management will not have the burdens associated with the reporting and compliance requirements of a reporting company and will be able to devote more time to the operations of the Company and the efforts to return the Company to profitability.

Stockholders holding less than the Minimum Number of shares will be able to liquidate their position at a premium to the current market price without paying any brokerage fees, commissions, or transaction costs, which may be significant in relation to the market value of such stockholders' holdings.

See also information under the caption "Special Factors Purposes of and Reasons for the Reverse/Forward Stock Split" in this proxy statement.

***What are some of the disadvantages of the Reverse/Forward Stock Split?***

Stockholders owning fewer than the Minimum Number of shares of Common Stock will not have an opportunity to liquidate their shares at a time and for a price of their



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choosing; instead, such stockholders will be cashed-out, will no longer be stockholders of the Company and will not have the opportunity to participate in or benefit from any future appreciation in the Company's value.

Stockholders holding Common Stock following the Reverse/Forward Stock Split may no longer have the same level of information as currently provided in the Company's filings with the SEC pursuant to the Exchange Act and the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), regarding such matters as the Company's business operations and developments, legal proceedings involving the Company, the Company's financial results, the compensation of the Company's directors and executive officers, and Company securities held by the Company's directors, executive officers and major stockholders.

Stockholders will no longer have the protections provided by the liability provisions of the Exchange Act and the Sarbanes-Oxley Act applicable to the Company and the Company's directors, officers and major stockholders, including the short-swing profit provisions of Section 16, the proxy solicitation rules under Section 14 and the stock ownership reporting rules under Section 13.

The trading volume of the Common Stock may decline and it may be more difficult for stockholders to buy or sell shares of Common Stock.

See also information under the captions "Special Factors - Effects of the Reverse/Forward Stock Split," and "Special Factors - Fairness of the Reverse/Forward Stock Split" in this proxy statement.

***What are some of the factors that the Board considered in approving the Reverse/Forward Stock Split?***

In light of Nasdaq's decision to delist the Company's Common Stock, the Board decided to engage in a review process to examine whether it was reasonable for the Company to continue to incur the significant costs and expenses associated with being a reporting company. The initial consensus of the Board was that the Company did not appear to reap much benefit from being a reporting company and as such it was reasonable for the Board to consider deregistering the Common Stock and suspending the Company's reporting obligations under the Exchange Act.

The Board appointed an Ad-Hoc Committee of directors (Andreas Hildebrand, Christopher Capps, and C. Adam Procell) with a mission to explore and evaluate potential transactions that would allow the Company to have fewer than 300 stockholders of record of the Common Stock, which would enable the Company to terminate the Common Stock's registration under the Exchange Act.

The Ad-Hoc Committee engaged in several informal discussions, and formally met three times. During its review process leading to its recommendations, the Ad-Hoc Committee considered, among other things:

- (1) pros and cons of the proposed Reverse/Forward Stock Split and subsequent deregistration;
- (2) alternatives to the proposed transactions;
- (3) estimated cost savings to be achieved by deregistration;

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- (4) estimated transaction costs associated with the proposed Reverse/Forward Stock Split and subsequent deregistration;
- (5) different potential split ratios;
- (6) method of determining the fair value to be paid for the fractional interests of the Cashed-Out Stockholders;
- (7) trading volumes, liquidity and price history of the Common Stock; and
- (8) other factors relating to fairness of the proposed transactions.

The Ad-Hoc Committee and the Board deliberated on the manner of determining the fair value for the fractional interests of the Cashed-Out Stockholders. That evaluation included consideration of the trading history and price data for the Company's Common Stock.

Most of the Company's stockholders hold, in aggregate, a small percentage of the outstanding Common Stock (as of September 7, 2016, 461 stockholders of record, or 55.6%, held only a single share and 587 stockholders of record, or 70.7%, held less than 10 shares).

Only a small percentage of the Company's outstanding Common Stock is being cashed-out.

Stockholders that wish to become Cashed-Out Stockholders but currently hold at least the Minimum Number of Common Stock can sell part of their holdings in order to get below the Minimum Number and thereby have their remaining shares cashed-out after the Reverse Stock Split. Similarly, if stockholders currently have less than the Minimum Number of shares of Common Stock and do not wish to become Cashed-Out Stockholders they can purchase additional shares so that they hold at least the Minimum Number of shares of Common Stock immediately before the Reverse Stock Split.

See also information under the captions "Special Factors – Fairness of the Reverse/Forward Stock Split," and "Special Factors Background of the Reverse/Forward Stock Split; Deliberations of the Board and the Ad-Hoc Committee" in this proxy statement.

***What are the interests of directors and executive officers of the Company in the Reverse/Forward Stock Split?***

The Company's directors and officers do not have any particular interest in the Reverse/Forward Stock Split. Mr. Hildebrand and Mr. Macdonald are affiliates of Bison Capital Partners IV, L.P, an entity that owns 30.1%, on an as-converted basis, of the Company's issued and outstanding shares of Common Stock. Mr. Capps, a member of the Board, is the son-in-law of the late Richard Kiphart. The estate of Mr. Kiphart, who until his passing was a member of the Company's Board, owns approximately 29.7%, on an as-converted basis, of the Company's issued and outstanding shares of Common Stock. After the Reverse/Forward Stock Split is effected, such percentage ownership will be essentially unchanged. Following the Reverse/Forward Stock Split, it is expected that each of the Company's current directors and executive officers will continue to serve in their current capacity. See also information under the captions "Special Factors – Effects of the Reverse/Forward Stock Split" and "Special Factors – Potential Conflicts of Interests of Officers, Directors and Certain Affiliated Persons" in this proxy statement.

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***What are the principal effects of the Reverse/Forward Stock Split?***

Each stockholder owning of record fewer than the Minimum Number of shares of Common Stock immediately prior to the effective time of the Reverse Stock Split will receive at least \$2.49 in cash (subject to any applicable U.S. federal, state and local withholding tax), without interest, for each pre-split share held by such stockholder. The fractional shares resulting from the Reverse/Forward Stock Split will be retired and returned to the authorized Common Stock of the Company available for future issuance.

Each share of Common Stock held by a stockholder of record owning at least the Minimum Number of shares immediately prior to the effective time of the Reverse Stock Split will continue to represent one share of Common Stock after completion of the Reverse/Forward Stock Split.

Following the Reverse/Forward Stock Split, the Company expects to have fewer than 300 stockholders of record of the Common Stock, which will enable the Company to deregister the shares of Common Stock and suspend the Company's reporting obligations under the Exchange Act.

See "Special Factors Effects of the Reverse/Forward Stock Split."

***What is the total cost of the Reverse/Forward Stock Split to the Company?***

The Company estimates that it will pay approximately \$25,000 to \$85,000 to cash out fractional interests. In addition, the Company anticipates incurring approximately \$160,000 to \$265,000 in printing and mailing expenses, legal, financial, accounting and other fees and costs in connection with the Reverse/Forward Stock Split. The Company has the financial resources to complete the Reverse/Forward Stock Split. See also information under the captions "Special Factors Costs Associated with the Reverse/Forward Stock Split; Sources of Funds" in this proxy statement.

***What was the stock price history of the Common Stock on Nasdaq?***

The following is a schedule of the reported high and low closing share price for the Common Stock during the period from January 1, 2014 through August 30, 2016 (the last trading day of the

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Common Stock on Nasdaq). These quotations do not include any mark-up, mark-down, commission or other transaction cost and may not necessarily represent actual transactions:

	<b>HIGH</b>	<b>LOW</b>	
2014			
First Quarter	\$ 3.92	\$ 2.86	
Second Quarter	\$ 3.92	\$ 2.49	
Third Quarter	\$ 7.29	\$ 2.04	
Fourth Quarter	\$ 3.49	\$ 2.14	
2015			
First Quarter	\$ 4.38	\$ 2.39	
Second Quarter	\$ 3.75	\$ 2.64	
Third Quarter	\$ 3.85	\$ 2.62	
Fourth Quarter	\$ 3.48	\$ 2.82	
2016			
First Quarter	\$ 3.44	\$ 2.51	
Second Quarter	\$ 3.04	\$ 1.88	
Third Quarter (through August 30, 2016)	\$ 2.53	\$ 1.35	

On August 30, 2016, the last day trading on Nasdaq, the Common Stock's closing price per share was \$1.64, with 145,900 trading volume. See also information under the caption "Special Factors Fairness of the Reverse/Forward Stock Split Price Range of Common Stock; Dividends; Trading Volume" in this proxy statement.

#### ***What is the recent stock price history of the Common Stock as quoted on OTCPink?***

Since it was suspended from trading on Nasdaq, the Common Stock has been quoted over-the-counter on OTCPink, the lowest market tier of OTC Markets Group Inc. The highest quote before November 14, 2016 was \$2.25 and the lowest quote was \$1.30. These quotations do not include any mark-up, mark-down, commission or other transaction cost and may not necessarily represent actual transactions.

	<b>HIGH</b>	<b>LOW</b>	
2016			
Third Quarter (from August 31, 2016)	\$ 2.13	\$ 1.30	
Fourth Quarter (through November, 11, 2016)	\$ 2.25	\$ 1.70	

#### ***Do Stockholders have any dissenters' rights of appraisal?***

Under Delaware law, you are not entitled to dissenter's rights in connection with the Reverse Stock Split. See also the information under the caption "Special Factors No Appraisal or Dissenters' Rights" in this proxy statement.

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**SPECIAL FACTORS**

***Purposes of and Reasons for the Reverse/Forward Stock Split***

The purpose of the Reverse/Forward Stock Split is 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. Accordingly, the proposed reverse/forward stock split is a "going private" transaction under Rule 13E-3 of the Exchange Act.

The Board has decided that the costs of being a reporting company under the Exchange Act ("reporting company") currently outweigh the benefits and that it is no longer in the Company's best interests or the best interests of the Company's stockholders, including unaffiliated stockholders, for the Company to remain subject to the reporting requirements of the Exchange Act. Therefore, the Board has unanimously adopted proposals to effect, subject to stockholder approval, a 1-for-300, 1-for-500, or 1-for-1000 reverse stock split (the "Reverse Stock Split") of the Common Stock, followed immediately by a reciprocal forward stock split (the "Forward Stock Split" and, together with the Reverse Stock Split, the "Reverse/Forward Stock Split"). Although both the Reverse Stock Split and the Forward Stock Split will be voted on separately, the Company will not effect either the Reverse Stock Split or the Forward Stock Split unless both are approved by the Company's stockholders.

The primary effect of the Reverse/Forward Stock split is to cancel the shares of Common Stock held by each record holder that, on the record date, holds fewer than the "Minimum Number" of such shares. As used in this proxy statement, the term "Minimum Number" means: 300, if the 1-for-300 reverse split is implemented; 500, if the 1-for-500 reverse split is implemented; and 1000, if the 1-for-1000 reverse split is implemented. In the Reverse Stock Split, a record holder of less than the Minimum Number of shares would receive only fractional shares of the Common Stock. The Company will not issue any fractional shares as a result of the Reverse Stock Split. Rather, the Company will pay such holders the fair value of their fractional shares in cash. The Board has determined that the fair value of a share of Common Stock as of September 14, 2016 is \$2.49. Accordingly, each holder of less than the Minimum Number of shares on the Record Date will receive a cash payment of at least \$2.49 (subject to any applicable U.S. federal, state and local withholding tax), without interest, for each "pre-split" share of Common Stock held, in lieu of the fractional shares that would otherwise be issuable in the Reverse Stock Split.

Holders of more than the Minimum Number of shares on the record date will NOT receive cash for any fractional shares resulting from the Reverse Stock Split. Rather, such holders will receive whole shares of Common Stock in the Forward Stock Split. Since the ratio in the Forward Stock Split will be the reciprocal of the ratio in the Reverse Stock Split (that is, 300-for-1, if the Reverse Stock Split was 1-for-300; 500-for-1, if the Reverse Stock Split was 1-for-500; and 1000-for-1, if the Reverse Stock Split was 1-for-1000), holders of at least the Minimum Number of shares on the record date will continue to hold the same number of shares of Common Stock after the Reverse/Forward Stock Split as they did before the Reverse/Forward Stock Split. Only holders of less than the Minimum Number of shares will be cashed-out.

As a result of the Reverse/Forward Stock Split, the Company expects to have fewer than 300 record holders of the Common Stock, which will cause the Common Stock to be eligible for termination of registration under the Exchange Act. If after the Reverse/Forward Stock Split there are fewer than 300 record holders of the Common Stock, the Company intends to file a notice on Form 15 with the SEC to terminate the Common Stock's registration under Section 12(g) of the Exchange Act. Upon the filing of the Form 15, the Company's obligation to file periodic and current reports under the Exchange Act will be immediately suspended. Deregistration of the Common Stock will be effective

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90 days after filing of the Form 15. Upon deregistration of the Common Stock, the Company's obligation to comply with the requirements of the proxy rules and to file proxy statements under Section 14 of the Exchange Act will also be suspended. The Company will not be required to file periodic and current reports with the SEC in the future unless it subsequently files another registration statement under the Securities Act of 1933, as amended (the "Securities Act"), becomes listed on a national securities exchange, or again has at least 300 record holders of common shares.

The Forward Stock Split is not necessary for the Company to reduce the number of holders of record of Common Stock and to deregister the Common Stock under the Exchange Act. However, the Board has decided that it is in the best interests of the Company's stockholders to effect the Forward Stock Split to mitigate any loss of liquidity in the Common Stock on the over-the-counter market, to facilitate any over-the-counter trading of shares following the Reverse Stock Split by the Company's continuing stockholders, to avoid the administrative burden of having fractional interests outstanding, and to permit outstanding derivative securities, such as stock options, to be unaffected by the Reverse/Forward Stock Split.

In determining whether the number of stockholders of record falls below 300 as a result of the Reverse/Forward Stock Split, the Company must count stockholders of record in accordance with Rule 12g5-1 under the Exchange Act. Rule 12g5-1 provides, with certain exceptions, that in determining whether issuers, including the Company, are subject to the registration provisions of the Exchange Act, securities are considered to be "held of record" by each person who is identified as the owner of such securities on the respective records of security holders maintained by or on behalf of the issuers. However, institutional custodians such as Cede & Co. and other commercial depositories are not considered a single holder of record for purposes of these provisions. Rather, each depository's accounts are treated as the record holder of shares.

The Company's reasons for proposing the transaction include the following:

*Alleviate Burden of Regulatory Requirements; Future Cost and Time Savings.* The Company believes that it will be able to realize significant cost savings by eliminating most of the expenses related to the disclosure, reporting and compliance requirements of the Exchange Act and the Sarbanes-Oxley Act, and other accounting, legal, printing and other miscellaneous costs associated with being a reporting company.

As a reporting company, the Company is currently required to prepare and file with the SEC, among other items, the following:

Quarterly Reports on Form 10-Q;

Annual Reports on Form 10-K;

Proxy statements and annual stockholder reports as required by Regulation 14A under the Exchange Act; and

Current Reports on Form 8-K.