LIME ENERGY CO.
Form 10-K
March 31, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended: December 31, 2014

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

For the transition period from to

Commission file number 001-16265

LIME ENERGY CO.

(Exact name of registrant as specified in its charter)

Delaware	**36-4197337**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
16810 Kenton Drive, Suite 240, Huntersville, NC	**28078-4845**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code **(704) 892-4442**

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
Common Stock $0.0001 par value	**NASDAQ**

Securities registered pursuant to Section 12(g) of the Exchange Act: **None**

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Act).

Large Accelerated Filer o	Accelerated Filer o

Non-Accelerated Filer o Smaller reporting company x

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

The aggregate market value of the registrant s common stock held by non-affiliates was $8,094,526 based on the reported last sale price of common stock on June 30, 2014, which was the last business day of the registrant s most recently completed second fiscal quarter. For purposes of this computation, all executive officers, directors and 10% stockholders were deemed affiliates. Such a determination should not be construed as an admission that such executive officers, directors or 10% stockholders are affiliates.

As of March 31, 2015, there were 9,526,636 shares of common stock, $0.0001 par value, of the registrant issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive proxy statement relating to its 2015 Annual Meeting of Stockholders, to be filed within 120 days after registrant s fiscal year end of December 31, 2014, are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.

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Cautionary Statement on Forward-Looking Information

This annual report contains forward-looking information within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, adopted pursuant to the Private Securities Litigation Reform Act of 1995, which reflect our current views with respect to, among other things, future events. Statements that are not purely historical may be forward-looking. You can identify these forward-looking statements by the use of words such as anticipate, believe, estimate, expect, hope, intend, may, project, plan, should, outlook, potential, continues, future and similar expressions, including when used in the negat

Forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements, including but not limited to those described under Risk Factors, as well as, among others, the following:

- *implementation of our operating and growth strategy;*
- *the loss, or renewal on less favorable terms, of utility contracts;*
- *the adequacy of our remediation of our disclosure controls and procedures;*
- *development of new, competitive energy efficiency services;*
- *changes in federal and state regulations including those affecting energy efficiency tax credits and the energy efficiency industry;*
- *a significant decrease in the cost of energy leading to a decrease in the demand for energy efficiency services; and*
- *availability, terms and employment of capital.*

Although we believe that the expectations reflected in these forward-looking statements are reasonable and achievable, such statements involve risks and uncertainties and no assurance can be given that the actual results will be consistent with these forward-looking statements. Our actual results could differ materially from those anticipated in forward-looking statements as a result of various factors, including matters described in this annual report, including the sections titled Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto.

Except as otherwise required by federal securities laws, we do not undertake any obligation to publicly update, review or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

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Part I

Item 1. Business.

Lime Energy provides utilities with the comprehensive customer relationship services that they need in order to satisfy their shareholders, regulators and customers. Working on behalf of utilities and with their business customers, Lime delivers energy services that result in customer satisfaction, grid reliability and cost-effective environmental compliance. Our innovative contracting methods and software platform enables the integrated delivery of energy efficiency, demand response, renewable energy, customer engagement and behavioral change. The next century of energy infrastructure investment will focus on the customer side of the meter, and Lime Energy is helping utilities to build the new business model that this energy future demands.

We are a leader in designing and implementing energy efficiency programs that enable our utility clients to reach their underserved markets and achieve their energy reduction goals. We offer utilities energy efficiency program delivery services targeted to their small and medium-sized business customers. Our programs help these businesses use less energy through the upgrade of existing equipment with new, more energy efficient equipment. This service allows the utility to delay investments in transmission and distribution upgrades and new power plants while cost-effectively complying with environmental regulations. The same programs provide benefits to their customers in the form of lower energy bills, improved equipment reliability, reduced maintenance costs and a better overall operating environment.

We currently deliver energy efficiency programs for six of the twenty-five largest electric utilities in the country, including the largest investor-owned utility. We focus on deploying solutions for small and mid-size commercial businesses that improve energy efficiency, reduce energy-related expenditures and lessen the impact of energy use on the environment. These programs include energy efficient lighting upgrades, mechanical (HVAC) upgrades, water conservation measures, building controls, refrigeration, pool pumps, building shell improvements and appliance recycling. Our small business energy solutions (SBES) programs provide a cost-effective avenue for our utility clients to offer products and services to a hard-to-reach customer base, while satisfying aggressive state-mandated energy reduction goals.

Our SBES model is a turnkey solution under which we contract with our utility clients to design and market their small and mid-size energy efficiency programs within a defined territory, perform the technical audits, sell the solution to the end-use customer and oversee the implementation of the energy efficiency measures. This model makes it easy and affordable for small businesses to upgrade to new, more energy efficient equipment. We deliver these programs for our utility clients on a performance basis, where we are only paid for delivered energy efficiency resources.

We believe the following factors drive demand for SBES programs within the utility marketplace:

- Magnitude: 96% of all commercial buildings in the U.S. have an electric peak demand of less than 400 kilowatts (kW).

- Consumption: These same businesses account for 43% of the electricity consumption and almost 50% of the electricity expenditures.

- Opportunity: The large majority of these customers have not yet participated in any demand-side management program and most are still using older, less efficient lighting and HVAC equipment.

- SBES Proliferation: U.S. customer-funded electric efficiency budgets totaled $7.7 billion in 2013, comprised of programs promoting energy efficiency, load management/demand response and evaluation, measurement, and verification. This market is forecasted to grow to $15.6 billion by 2025. Our research of this segment indicates that current small business energy efficiency

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spending is approximately 5% of all U.S. energy efficiency programs. Given the cost-effectiveness of Lime s SBES programs and the associated benefits of customer engagement and customer satisfaction for the utilities, we believe that the small business energy efficiency market will grow to 10% of all customer funded spending by 2020. As we continue to add services to our utility offerings, we believe that we will increase the market opportunity across other segments of the customer-funded electric efficiency market.

- Regulation: Increasing regulatory pressures on utilities to increase the amount of energy efficiency and renewable energy in their integrated resource plans (IRPs). Twenty-five states now have some form of Energy Efficiency Resource Standard (EERS) or Energy Efficiency Portfolio Standard (EEPS) in place that requires utilities to achieve a target level of energy sales reductions through energy efficiency. These states make up around 60% of all U.S. electricity sales.

- Politics: Increasing political pressure on utilities to help small businesses manage their energy costs in order to facilitate economic recovery and offset rate increases.

- Resources: Due to their small size and lower consumption, utilities have not actively managed their small business customers in the past. They do not have the resources internally to effectively bring products and services to these customers as internal customer relationship personnel are typically focused on large industrial, municipal and commercial customers. This historical weakness in small business customer service, combined with an aging workforce, make utilities ripe targets for third-party customer service and energy efficiency delivery offerings like Lime s.

History and Business Development

On December 5, 1997, we were formed as Electric City LLC, a Delaware limited liability company. On June 5, 1998, we changed from a limited liability company into a corporation by merging Electric City LLC into Electric City Corp., a Delaware corporation. Trading in our common stock commenced on August 14, 1998, on the OTC Bulletin Board.

On September 13, 2006, we changed our name to Lime Energy Co. to reflect our new Energy Efficiency Services focus. Lime is an acronym for Less is More Efficient, which reflects our focus on reducing energy consumption.

On February 25, 2008, our stock began trading on the NASDAQ Capital Market under the trading symbol LIME.

In June 2008, we acquired Applied Energy Management, Inc. (AEM). AEM provided energy engineering and consulting services and energy efficiency services similar to our existing energy efficiency lighting solutions. In addition, it provided mechanical and electrical conservation services, water conservation services and renewable energy solutions primarily for government and municipal facilities through its Energy Service Company (ESCO) partners.

During 2009, we began serving utility services clients and in late 2009 we won our first contract to provide utility energy efficiency program services.

During 2011, we implemented a corporate restructuring to better integrate and streamline our operations and reduce costs. As part of this restructuring, we merged many of our subsidiaries, changed the name of Applied Energy Management, Inc., to Lime Energy Services Co. and moved our corporate headquarters to Huntersville, North Carolina.

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On February 28, 2013, we divested certain assets of our wholly owned subsidiary, Lime Energy Service Company, constituting our energy service companies (ESCO) subcontracting business to PowerSecure, Inc., a subsidiary of PowerSecure International, Inc. (NASDAQ:POWR). We completed this sale to allow us to focus all our resources on utility direct install programs.

In December of 2013, we re-structured our executive management team to focus Lime Energy on serving utilities with innovative program delivery services which include integrated customer engagement, marketing and sales, and implementation of energy efficiency measures for utility end-use customers.

On March 24, 2015, we acquired EnerPath Holdings, a leading provider of software and technology solutions for utilities, which enable the delivery of energy efficiency at scale to hard-to-reach customers including small businesses and residential. EnerPath has a 23-year track record of working with many of the nation s leading utilities. With this addition, Lime has brought together the software and technology platform of EnerPath and the sales and project implementation strengths of Lime creating the first ever company dedicated to bringing energy efficiency at scale to hard-to-reach markets.

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Products and Services

Utility Program Management Services

As part of our Utility Program Management and Implementation services, we provide utilities with a single point solution for acquiring energy efficiency resources in their customers facilities. Our wide range of services includes program design, program administration, marketing and sales, customer recruitment, auditing and implementation of energy efficiency projects. These services provide our utility clients a reliable and economically attractive means to meet state-mandated Energy Efficiency Resource Standards and provide targeted relief to overburdened distribution systems, while also stimulating local economies, creating local jobs and making significant reductions to the environmental impacts of their utility operations.

We typically provide our clients with these services in a bundled offering, although they have historically been provided in the industry as stand-alone services. These include:

Program Design

We design small business energy solutions (SBES) programs that utilize our technology platform and historical energy efficiency program data, to enable utilities to more cost effectively utilize their demand-side management budgets to acquire energy efficiency resources in customer facilities. Our primary focus has been the small business customer segment, where we have a great deal of historical program data. We have invested heavily since 2009 in the tools and processes that make the implementation of these programs cost-effective in a customer segment that has been traditionally ignored due to the high fixed cost of acquiring each small project.

Program Administration

We provide administration of utility small business energy solutions (SBES) programs, managing all aspects of program implementation. In this role we work closely with the utility on areas including customer data management, program data tracking, coordination with utility protocols and standards and program reporting. Our engagements typically include heavy involvement by our technology team with our utility client s IT team for data gathering and reporting, including end-use customer data security.

Customer Recruitment - Marketing and Sales

In support of recruiting customers to participate in our utility small business energy solutions (SBES) programs, we design and implement marketing campaigns including telemarketing, brochures and mailers, traditional media, hosted events, social media and neighborhood canvassing. We have a sales force in each program that is responsible for identifying prospects, managing the audit and proposal process and obtaining signed contracts for energy efficiency project implementation within our contracted territory.

Auditing and Customer Project Implementation

We have a technical team that provides audits of a customer s facilities in support of customer proposals. This technical staff is responsible for calculating projected customer energy savings, constructability review and equipment specification. Our construction management team manages our relationships with equipment vendors and installation subcontractors with the responsibility for turnkey project implementation through closeout and customer satisfaction.

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We have a national presence in key states that have instituted mandates and initiatives to support utility energy efficiency programs. We have approximately 161 employees in six offices across four states. Our offices are staffed with professionals who have significant expertise in utility energy efficiency program implementation, marketing, sales, energy auditing and construction. Each program team is supported by corporate resources from dedicated functional areas. The majority of our professionals are hired locally in the service territory for our applicable utility client. We are able to maintain a highly scalable business model that deploys our professional employees to both work on ongoing programs and quickly launch programs in new markets.

Our program delivery model is comprised of:

• *Program Startup:* We provide program design services that include development of a go-to-market strategy, cost-benefit analysis, energy conservation measure selection and implementation plans. At this time, we also conduct in-depth territory analysis and put in place the resources and infrastructure needed to successfully operate the program. We deploy our technology-enabled programs by working with utilities on data analytics of specific customer information.

• *Customer Engagement:* Our customer engagement services include creation of a comprehensive program marketing plan as well as development of a customer database, efficiency measure database, and customized cloud-based audit, proposal, job tracking and real-time reporting tools utilizing our proprietary technology platform.

• *Implementation Services:* We provide complete turnkey implementation services through a network of trade allies comprised of local contractors who have been thoroughly vetted based on experience, safety record and customer satisfaction. Energy efficiency measures offered under current programs include energy efficient lighting upgrades, mechanical (HVAC) upgrades, water conservation measures, building controls, refrigeration, pool pumps, building shell improvements and appliance recycling.. Our field teams of energy advisors consider factors such as current facility infrastructure, best available technologies, building environmental conditions, hours of operation, energy costs, available incentives and covered measures in selecting the best measure to implement at a customer s facility. Once a customer has signed a contract, we purchase the required equipment and supervise the installation performed by one of our trade allies.

Technology

Our collaborative, secure technology platform combines cloud-based computing technology with data analytics to provide real-time customer relationship management (CRM), field audit data and customer tracking. The platform is integrated throughout our SBES process, from marketing campaigns through purchase orders, material pick lists, waste management and reporting. Our utility clients have access to dashboard views and reporting, which enables them to track program process in real-time. We offer the following solutions as part of our technology suite:

• Territory Analytics: Targeted utility customers are analyzed and scored to create an energy reduction profile. We can then implement targeted marketing plans and identify sales opportunities by selected metrics such as behaviors, business type and available efficiency measures.

- Program Auditing: Mobile technology allows energy auditors to access a utility program s full list of efficiency measures, select the correct measures for the application, produce a customer proposal and obtain a signature for approval, all in one step.

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- Project Delivery: Once a proposal is signed, material and subcontractor purchase orders and scope of work documents are automatically generated. Document management, change order management and vendor management are all built into the project area of the technology platform.

- Real-time Reporting: We track all program activities on a daily basis to quickly identify problems and allocate resources as needed.

Sales and Marketing

Our sales and marketing efforts are focused on three key areas:

- Developing and deploying SBES programs in states that are driving energy efficiency programs and regulations;

- Expanding existing programs into new territories with affiliates of existing utility clients; and

- Expanding product and service sets within existing programs and new program opportunities.

Our key competitive advantage involves a risk-mitigated, performance-based offering to our utility clients whereby we bundle the costs of administering these programs and price the installed measures on a holistic basis. By integrating the costs of program administration, customer sales and marketing, project scoping and implementation and reporting into a single cost, we eliminate upfront costs for our utility clients and only charge for delivered savings. Our utility clients realize lower program costs and achieve a more attractive cost/benefit result with a higher level of outcome predictability.

Our primary core competencies and market differentiation include a deep expertise in customer identification and acquisition and project implementation for the small to medium-sized business segments. This involvement in all aspects of the program gives us a second competitive advantage of providing a uniform experience to the business customer on behalf of the utility. These deep customer touch points allow us to deliver additional services on behalf of our utility clients (e.g., multi-measure energy conservation measures, demand response, telemetry and distributed generation). By reducing the upfront sales acquisition costs for these products and services, we can deliver a lower cost to the utilities, which allows them to realize more favorable cost/benefit tests for bundled programs. Similarly, by delivering these products and services through a consistent and existing sales channel, we can realize higher margins.

We intend to leverage the advantages of our predictable delivery model by marketing these cost/benefit advantages to utilities and their regulatory commissions to drive new program funding and increase our likelihood of securing contracts for these programs. We expect these program funding sources to come from newly formed cost recovery mechanisms as well as the reallocation of funds from existing programs that fail to achieve the cost/benefit advantages of our small to medium sized business program model.

Clients

During 2014 we had eight active direct install programs, six of which are with utilities that are ranked as one of the twenty-five largest electric utilities in the country. We derived approximately 78% of our 2014 consolidated revenue from continuing operations from our four largest utility programs, with the Duke Energy Progress, New Jersey Board of Public Utilities, Niagara Mohawk (National Grid), and Central Hudson Gas & Electric each responsible for 27%, 22%, 17% and 12% of our revenue, respectively. During 2013 our four largest utility clients, New Jersey Board of Public Utilities, Niagara

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Mohawk (National Grid), Long Island Power, and Central Hudson Gas & Electric were responsible for 24%, 22%, 17% and 11% of our consolidated revenue, respectively. During 2012 our three largest utility clients, Niagara Mohawk (National Grid), the New Jersey Board of Public Utilities and Long Island Power, were responsible for 40%, 25% and 21% of our consolidated revenue, respectively. The following is a summary of our current contracts. Substantially all of our business is dependent on these contracts:

Lime Program	Client	Eligible Customers	Contract Term
National Grid SBDI	National Grid	60,000 Small Businesses	2014 - 2015
NJ Direct Install	TRC	50,000 Small Businesses	2011 - 2015
PSE&G Municipal DI	PSE&G	1,000 Municipalities and Non-profits	2012 - 2015
Long Island Power Authority SBDI	Long Island Power Authority	90,000 Small Businesses	2011 - 2015
Central Hudson Gas & Electric SBDI	Central Hudson Gas & Electric	50,000 Small & Medium Businesses	2012 - 2015
NSTAR SBDI - Eversource	NSTAR - Eversource	8,300 Small Businesses	2012 - 2015
Duke Energy Progress SBDI	Duke Energy Progress	180,000 Small Businesses	2014 - 2019
AEP Ohio SBDI	AEP Ohio	88,000 Small Businesses	2012 - 2016

National Grid, Small Business Direct Install Program

We are providing program management and implementation services for National Grid s Small Business Energy Efficiency Program, one of the nation s most successful Demand Side Management (DSM) programs. We are the exclusive provider for the Western New York and Frontier regions of National Grid s New York State service territory. This program is designed for the hard to reach small commercial & industrial market, serving customers with demand of less than 100 kW. The program provides incentives of up to 70% of project costs for upgrades including energy efficient lighting, lighting controls and refrigeration measures, and gives customers the ability to finance the customer share of the cost on-bill for up to 24 months. We have been the top performer under this program every year since its inception in 2009. In late 2013 this contract was renewed and extended for an additional two years through the end of 2015.

Central Hudson Gas & Electric, Commercial Lighting Direct Install Program

As the exclusive provider for this program, Lime Energy provides energy-efficient lighting facility upgrades for business customers throughout Central Hudson s service territory, located in the Mid-Hudson Valley region of New York State. Central Hudson s Direct Install Programs serve small-sized commercial customers, as well as municipalities with peak demand of 100 kW or less, and medium-sized businesses with peak demand of 100kW to 350 kW, providing incentives that cover up to 70 percent of the cost of implementing these energy efficiency projects. We began work under this contract in late spring 2012 and it will be up for renewal in 2015.

American Electric Power Ohio, Express Small Business Direct Install Program

We are the exclusive provider of comprehensive energy efficiency upgrades for the program. The AEP Ohio Express program serves small commercial customers with annual consumption of less than 200,000 kWh. As part of the program, AEP Ohio incentivizes these customers to reduce wasted energy and lower their monthly electric bills by paying up to 80% of the project cost to complete an energy retrofit. Our 3-year performance-based contract with AEP Ohio has the potential to save participating small business customers over 30,000 MWh of annual energy usage. We began operations under this contract in late 2012 and in 2014 we were awarded the re-compete for the program, which will run through the end of 2016.

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Public Service Electric & Gas, Energy Efficiency Direct Install Program

We are providing comprehensive multi-measure efficiency retro-fits for municipalities, with territory exclusivity in forty-two Northern New Jersey towns under a two-year contract with Public Service Electric & Gas. PSE&G is one of the largest combined electric and gas companies in the United States and is also New Jersey s oldest and largest electric and gas utility. The Program serves municipalities and not-for-profits. The projects are funded in whole by PSE&G, with each municipality re-paying 20% of the project cost through on-bill financing. This 80% incentive allows municipalities to capitalize on PSE&G s commitment to satisfy increasing power needs through investments in efficiency in their customers facilities. We began to generate revenue under this contract in late 2012 and it will be up for renewal in 2015, pending approval by the NJ BPU.

NSTAR Electric & Gas, Small Business Direct Install Program

We have territory exclusivity in Newton, Dedham, Needham, and Westwood Massachusetts to provide comprehensive electric and gas energy efficiency upgrades to small and mid-size businesses. NSTAR, the largest Massachusetts-based, investor-owned gas and electric utility, has been a leader in providing customer focused energy efficiency programs for the last two decades in Massachusetts, a state which recently overtook California as the #1 energy efficiency state. We began operating under this contract in the spring of 2012 and it is was originally scheduled to expire at the end of 2014, but has been extended for 2015.

Duke Energy (Progress-Carolinas), Small Business Energy Saver Program

Utilizing our experience with small-business direct install programs, we assisted Duke Energy Progress (formerly Progress Energy) in the design and execution of its first SBDI program. Among other things, we provided assistance with the creation of a cost benefit analysis, public utility commission (PUC) document preparation, selection of energy efficiency measures to be included in the program and design of the overall program delivery process. Once the program was approved by the PUC we began operation as the exclusive authorized contractor under the program, targeting small business customers in the Carolinas with peak demand of 100 kW or less. Under this program, Duke covers up to 80% of the customer s cost to implement an energy efficiency upgrade. We began generating revenue under this program during the first quarter of 2013. The contract was re-competed in early 2014 as part of an expansion to all of Duke Energy s territories in North Carolina and South Carolina. Lime Energy was awarded this expanded program which will run through 2019.

New Jersey s Clean Energy Program, Small & Medium Business Direct Install Program

Under this state run program, we have exclusive rights to offer incentives to offset up to 70% of the cost of upgrading lighting and HVAC equipment to small businesses and municipalities with peak demand of up to 200kW located in Bergen, Essex, Passaic, Hudson and Union counties in New Jersey. Projects we have implemented under this program have resulted in savings of over 29.5 million kilowatt hours of electricity and over 348,000 therms of natural gas for New Jersey businesses and municipalities. We have been the top performer under this program since being awarded our contract in early 2010. This contract was extended through mid-2015, and is expected to be further extended pending a re-compete for the portfolio of programs by the NJ BPU.

Long Island Power Authority, Small Business Energy Efficiency Program

We are the exclusive provider under this program which covers selected portions of Long Island Power s (LIPA) operating territory on Long Island, New York. This program has a particular focus on

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reducing demand in load pockets susceptible to brown-outs and/or black-outs on peak demand days. Under this program we are responsible for the program s implementation and management, including marketing, lead development, customer enrollment, auditing and installation management of energy-efficient lighting. The program offers qualifying small businesses with peak demand of up to 145 kW incentives of up to 70% toward the cost of implementing energy efficiency upgrades. The program is part of LIPA s $900-plus million Efficiency Long Island strategy to defer distribution and generation system upgrade costs by reducing peak energy demand. We began operating under this contract during the fourth quarter of 2009. This program has been discontinued effective March 31, 2015, and LIPA s (PSEG-LI s) plans for small business energy efficiency are currently unclear.

Competition

Utility Program Administrators

Utility demand-side management programs have existed for more than 20 years in the U.S., primarily in northeast and west coast states. Companies have been providing various forms of management services to utilities for these programs since their inception. Traditionally these suppliers have been large consulting firms that design demand-side management programs for the utility and/or provide program administration, with their fees often unrelated to actual performance of the program. In most cases they set up a network of trade ally contractors that are trained in the incentive program details, with these contractors responsible for marketing, developing and implementing the energy efficiency projects at utility customers facilities. Typically there is no territorial exclusivity under these programs for trade allies, and they fail to serve small businesses.

SBDI Firms

As the effectiveness of traditional demand-side management programs has begun to decline or fail to keep up with the increasing requirements of EERS mandates, utilities have begun to focus on and expand funding to the largely underserved small business segment of their market to make up the shortfall. Utilities that have not historically utilized small business direct install (SBDI) programs have begun to implement them and utilities that have used these programs in the past are looking to expand them. As the demand for these programs has grown, new players have entered the market to supply various forms of services to support the programs. These new competitors include vertically integrated providers like Lime as well as a proliferation of smaller regional engineering firms and local contractors. Some of these players have won multiple contracts, sometimes in different regions of the country; however we do not know of any competitor that has won as many contracts as we have.

We believe that our capabilities in marketing, engineering, energy auditing, project management and installation, in combination with the IT platform we have developed to support these activities, permits us to cost effectively deliver the energy efficiency goals of these utilities. We believe that these capabilities have been demonstrated by the success we have achieved on our contracts to date, where our performance in most cases has exceeded the goals given us by our utility customers and the performance of any competitor.

We expect that competition in this market will continue to increase as the number and size of utility programs increases. However, we believe that we are well positioned to compete for and win additional utility contracts in the future as a result of our experience, capabilities, track record of success and proprietary IT platform.

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Compliance with Environmental Laws

The products and services sold by the Company are not governed or regulated under compliance standards with federal, state or local environmental laws. The Company does use licensed waste disposal firms to handle and dispose of any Universal Waste, including old lamps, batteries, lighting ballasts or other products that may contain heavy metals or other potential environmental hazards.

Intellectual Property

As of December 31, 2014, we had three registered trademarks or service marks and one copyright.

Employees

As of March 3, 2015 we had 161 full time employees and 3 part time or temporary employees, of which 20 were management and corporate staff, 6 were in information technology, 23 supported program administration, 84 were engaged in sales, sales support or marketing and 31 were engaged in project management, product installation, customer support and field service. As of March 21, 2014 we had 122 full time employees and 3 part time or temporary employees. As of July 29, 2013 we had 160 full time employees and 7 part time or temporary employees.

Item 1A. Risk Factors.

Risks Related to our Business

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

Our business has evolved substantially over time through organic growth, strategic acquisitions and divestitures. We started operating in the energy efficiency services business in June 2006, when we launched our commercial and industrial energy efficiency services business. In 2008, we made an acquisition that gave us access to the public sector energy efficiency market. In late 2009, we won our first utility energy efficiency contract and began to build this new business. In 2011, we scaled back our original commercial and industrial business and combined it with our public sector business, and in February 2013 we sold the public sector business. Accordingly, we have only a limited history of generating revenues under our current business model, and the future revenue potential of our current business model in the rapidly evolving energy efficiency solutions market is uncertain. As a result of our short operating history under our current business model, we have limited financial data that can be used to evaluate our business, strategies, performance and prospects or an investment in our common stock. Any evaluation of our business and our prospects must be considered in light of our limited operating history under our current business model and the risks and uncertainties encountered by companies with new business models. To address these risks and uncertainties, among other things, we must do the following:

- maintain and expand our current utility relationships and develop new relationships;
- maintain, enhance and add to our existing energy efficiency solutions;
- execute our business and marketing strategies successfully;
- attract, integrate, retain and motivate qualified personnel; and
- respond to competitive developments.

We may be unable to accomplish one or more of these objectives, which could cause our business to suffer and could have a material adverse effect on our business, results of operations and financial condition. In addition, accomplishing many of these goals might be very expensive, which could

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adversely impact our operating results and financial condition. Additionally, any predictions about our future operating results may not be as accurate as they could be if we had a longer operating history under our current business model.

We have incurred significant operating losses since inception and may not achieve or sustain profitability in the future.

We have experienced annual losses and negative cash flow from operations since our inception and we currently have an accumulated deficit. We must continue to increase sales while maintaining or improving our margins to operate profitably and sustain positive operating cash flows. We may be required to reduce the prices of our services in order to win new contracts or retain existing contracts. If we reduce prices, we may not be able to reduce costs sufficiently to achieve acceptable profit margins. As we strive to grow our business, we have spent and expect to continue to spend significant funds for general corporate purposes, including working capital, marketing, recruiting and hiring additional personnel. To the extent that our revenues do not increase as quickly as these costs and expenditures, our results of operations and liquidity will be adversely affected. If we experience slower than anticipated revenue growth or if the margins we earn on our sales are lower than expected or our operating expenses exceed our expectations, we may not achieve profitability in the future or if we achieve profitability in the future, we may not be able to sustain it.

We may not be able to raise additional capital to fund future operating losses.

Because of our negative cash flow, we have funded our operations through the issuance of common and preferred stock and debt. Our ability to continue to operate until our cash flow turns positive on a consistent basis may depend on our ability to continue to raise additional funds through the issuance of equity or debt. We may not be able to raise additional finds on terms that are acceptable to us or at all. If we are not successful in raising any needed additional funds, we might have to significantly scale back or delay our growth plans, seek to sell the Company or cease operations altogether. Any reduction or delay in our growth plans could materially adversely affect our ability to compete in the marketplace, take advantage of business opportunities and develop or enhance our services and technologies, which could have a material adverse effect on our business, results of operations and financial condition.

Any award granted the plaintiffs under the current stockholders lawsuits, in combination with the cost of defending against the lawsuits, could exceed the limits of our director s and officer s insurance.

Several stockholder lawsuits were filed against current and former members of our executive management shortly after we announced that investors should not rely on our historical financial statements. These lawsuits were consolidated into one lawsuit. The parties agreed to settlement terms in January of 2014 and an Order of Final Approval and Final Judgment was entered by the court on June 4, 2014. The settlement amount was covered by insurance proceeds, less any applicable deductibles.

In addition, two derivative lawsuits were filed against current and former members of our Board of Directors, also in connection with the announcement, which were also consolidated. On June 10, 2013, Defendants filed a motion to dismiss the consolidated derivative lawsuit for failure to make a demand on the Board of Directors of the Company or to adequately plead why demand should be excused, as required by Rule 23.1 of the Federal Rules of Civil Procedure and Delaware law. This motion to dismiss was granted on March 25, 2014. Plaintiffs filed a motion for reconsideration, which was denied on June 25, 2014, and the Court entered final judgment in favor of defendants on July 9, 2014. Plaintiffs filed a notice of appeal to the United States Court of Appeals for the Seventh Circuit on July 25, 2014. The Seventh Circuit has directed the parties to participate in settlement conferences, and briefing on the appeal has been suspended.

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Any settlement ultimately awarded in an amount that exceeds the limits of our D&O insurance policy after paying the settlement on the stockholders suits and defense costs or if the insurance carrier successfully asserts any defenses to coverage, we will need to use our available cash to pay any defense costs or awards not covered by our D&O policy. Any such payments, if large enough, could have an adverse impact on our financial condition, possibly to the point that we would be unable to continue as a going concern.

The Securities and Exchange Commission is investigating us and the results of that investigation could have a material adverse effect on our business, results of operations and financial condition.

The Securities and Exchange Commission (SEC) began an investigation of our revenue recognition practices and financial reporting in September 2012. If, as a result of that investigation, the SEC takes action against us or our officers, it could have a material adverse effect on our business, results of operations and financial condition.

It is difficult for us to estimate our future quarterly operating results.

Despite the sale of our public sector business, our revenue remains somewhat seasonal. Historically, this seasonality has caused our revenue, operating income, net income and cash flow from operating activities to be lower in the first two quarters and higher in the last two quarters of each year. In addition, utility contracts can be subject to changes in budget allocations for the programs. In the past we experienced a situation where funds allocated for a program we were operating under were diverted to other uses with no warning, reducing our expected revenue under the program. As a result, we may be unable to forecast our revenue accurately, and a failure to meet our revenue or expense forecasts could have an immediate and negative impact on the market price of our common stock.

We operate in a highly competitive industry and if we are unable to compete successfully our revenue and profitability will be adversely affected.

The energy efficiency solutions market is highly competitive, and we expect competition to increase and intensify as the energy efficiency solutions market continues to evolve. We face strong competition primarily from other providers of energy efficiency solutions, local electrical and mechanical contractors and engineering firms, lighting and lighting fixture manufacturers and lighting fixture distributors. We compete primarily on the basis of client service and support, quality and scope of services and products, including proprietary technology, cost of services and products, name recognition and our performance track record for services provided.

In addition to our existing competitors, new competitors such as large national or multinational engineering and/or construction companies could enter our markets. Many of these current and potential competitors are better capitalized than we are, have longer operating histories and strong existing client relationships, greater name recognition, and more extensive engineering, technology and sales and marketing capabilities. Competitors could focus their substantial resources on developing a competing business model or energy efficiency solutions that may be potentially more attractive to clients than our products or services. In addition, we may face competition from other products or technologies that reduce demand for electricity. Our competitors may also offer energy efficiency solutions at reduced prices in order to improve their competitive positions. Any of these competitive factors could make it more difficult for us to attract and retain clients, require us to lower our prices in order to remain competitive, and reduce our revenue and profitability, any of which could have a material adverse effect on our results of operations and financial condition.

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Our success is largely dependent upon the skills, experience and efforts of our senior management and our ability to attract and retain other skilled personnel, and the loss of their services or our inability to attract and retain such personnel could have a material adverse effect on our ability to expand our business or to maintain profitable operations.

Our future success will depend largely on the skills, efforts, and motivation of our executive officers and other senior managers. The loss of the service of executive officers and other senior managers or our inability to attract or retain other qualified personnel could have a material adverse effect on our ability to expand our business, implement our strategy or maintain profitable operations.

In addition, to execute our growth strategy and maintain our margins, we must attract and retain other skilled personnel with an extensive understanding of the energy efficiency regulatory framework and an effective sales force that can accurately price and manage our clients energy efficiency solution contracts. Competition for hiring these individuals is intense. If we fail to attract and retain highly qualified skilled personnel, our business and growth prospects could be materially adversely affected.

We depend upon a limited number of utility contracts to generate substantially all of our revenue.

With the sale of our public sector business, GES-Port Charlotte, our regional service budget and FRR contract, all of our revenue will be derived from eight utility contracts, with four of these contracts generating 78% of the total revenue. While these contracts are typically multi-year, the utilities are required to re-bid them at the end of their term, therefore our ability to retain these contracts is not assured. It is also possible that utilities could have a change of strategy for achieving their energy efficiency goals, de-emphasizing the small-business direct install programs under which we currently operate. A utility could also decide to reduce the incentives available to small businesses under our program, thereby reducing the effectiveness of our sales efforts. The loss of, or substantial reduction in, sales to any of our utility clients could have a material adverse effect on our business, results of operations and financial condition.

Failure of our subcontractors to properly and effectively perform their services in a timely manner could cause delays in the delivery of our energy efficiency solutions.

Our success depends on our ability to provide quality, reliable energy efficiency solutions in a timely manner, which in part requires the proper removal and installation of lighting, mechanical and electrical systems and other products by the subcontractors upon which we depend. Almost all of our energy efficiency solutions are installed by contractors or subcontractors. Any delays, malfunctions, inefficiencies or interruptions in the installation of our energy efficiency solutions caused by our subcontractors could put us at risk of a utility terminating a contract pre-maturely, jeopardize our ability to retain a contract when it comes up for renewal, and harm our reputation in the marketplace. Such delays could also result in additional costs that could affect the profit margin of our projects.

If our information technology systems fail, or if we experience operation interruptions, then our business, results of operations and financial condition could be materially adversely affected.

The efficient operation of our business is dependent on our information technology systems. We rely on those systems generally to manage the day-to-day operation of our business, manage relationships with our clients and maintain our financial and accounting records. The failure of our information technology systems, our inability to successfully maintain and enhance our information technology systems, or any compromise of the integrity or security of the data we generate from our information technology systems, could have a material adverse effect on our results of operations, disrupt our business and make us unable, or severely limit our ability, to respond to client demands. In addition, our information technology systems are vulnerable to damage or interruption from:

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- earthquake, fire, flood and other natural disasters;
- employee or other theft;
- attacks by computer viruses or hackers;
- power outages; and
- computer systems, Internet, telecommunications or data network failure.

Any interruption of our information technology systems could result in decreased revenue, increased expenses, increased capital expenditures, client dissatisfaction and lawsuits, any of which could have a material adverse effect on our results of operations or financial condition.

Product liability and personal injury claims could have a material adverse effect on our business, results of operations and financial condition.

We face exposure to product liability and personal injury claims in the event that our energy efficiency solutions cause bodily injury or property damage. Since the majority of our products use electricity, it is possible that the products we sell could result in injury, whether due to product malfunctions, defects, improper installation or other causes. Further, we face exposure to personal injury claims in the event that an individual is injured as a result of our negligence or the negligence of one of our subcontractors. Moreover, we may not have adequate resources in the event of a successful claim against us. A successful product liability or personal injury claim against us that is not covered by insurance or is in excess of our available insurance limits could require us to make significant payments of damages which could materially adversely affect our business, results of operations and financial condition.

Our retrofitting process frequently involves responsibility for the removal and disposal of components containing hazardous materials and at times requires that our contractors or subcontractors work in hazardous conditions, either of which could give rise to a claim against us.

When we retrofit a client s facility, we assume responsibility for removing and disposing of its existing lighting fixtures. Certain components of these fixtures contain trace amounts of mercury and other hazardous materials. Older components may also contain trace amounts of polychlorinated biphenyls, or PCBs. We utilize licensed and insured hazardous wastes disposal companies to remove and/or dispose of such components. Failure to properly handle, remove or dispose of the components containing these hazardous materials in a safe, effective and lawful manner could give rise to liability against us, or could expose our workers, our subcontractor s workers or other persons to these hazardous materials, which could result in claims against us. Further, our workers and subcontractor s workers are sometimes required to work in hazardous environments that present a risk of serious personal injury which could result in claims against us. A successful personal injury claim against us that is not covered by insurance or is in excess of our available insurance limits could require us to make significant payments of damages and could materially adversely affect our results of operations and financial condition.

Our ability to use our net operating loss carry forwards will be subject to additional limitation, which could potentially result in increased future tax liability.

Generally, a change of more than 50% in the ownership of a company s stock, by value, over a three-year period constitutes an ownership change for U.S. federal income tax purposes. An ownership change may limit a company s ability to use its net operating loss carry forwards attributable to the period prior to such change. We have sold or otherwise issued shares of our common stock in various transactions sufficient to constitute an ownership change, including our public offering in 2009, the issuance of the Series C Preferred Stock (as defined below), and the conversion of all of our outstanding

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Series A & B preferred stock and the conversion of all of our outstanding convertible notes. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carry forwards, which amounted to $145 million as of December 31, 2014, to offset U.S. federal taxable income will be subject to limitations, which will likely result in increased future tax liability. Future shifts in our ownership, including transactions in which we may engage, may cause additional ownership changes, which could have the effect of imposing additional limitations on our ability to use our pre-change net operating loss carry forwards. In addition, these limitations could cause us not to pursue otherwise favorable acquisitions or other transactions involving our capital stock, or could reduce the net benefits to be realized from any such transactions.

Acquisitions and dispositions may not result in anticipated benefits and may present risks not originally contemplated, which may have an adverse effect on our liquidity, results of operations, and financial condition.

We have made significant acquisitions and dispositions in the past and may in the future make additional acquisitions and dispositions. We may face significant competition for acquisition opportunities and there can be no assurance that anticipated acquisitions will be completed on acceptable terms or at all. In addition, these transactions are intended to, but may not, result in the generation of cash or income, the realization of savings, the creation of efficiencies, or the reduction of risk. These transactions may also affect our liquidity, results of operations, and financial condition.

These transactions also involve risks, including:

- any acquisitions may not result in an increase in income or provide an adequate return of capital or other anticipated benefits;
- any acquisitions may not be successfully integrated into our operations and internal controls;
- the due diligence conducted prior to an acquisition may not uncover situations that could result in financial or legal exposure or we may not appropriately evaluate the likelihood or quantify the exposure from identified risks;
- any disposition may result in decreased earnings, revenue, or cash flow; and
- use of cash for acquisitions may adversely affect cash available for capital expenditures and other uses.

We may need to incur additional debt, which could potentially negatively affect our operating results.

If our sources of available liquidity are insufficient for the Company to fund its obligations, we may be required to seek capital by incurring additional debt, which we may be unable to do on favorable terms, if at all. The need to raise additional capital or the failure to make timely payments on our obligations could have a material adverse effect on our financial condition and operating results.

Risks Related to Ownership of Our Common Stock

The future trading market for our common stock may not be active on a consistent basis and the market price of our common stock could be subject to significant fluctuations.

Trading in our common stock has been limited and, at times, volatile since our shares were listed on The NASDAQ Capital Market in February 2008. The trading volume of our common stock in the future depends in part on our ability to increase our revenue and reduce or eliminate our operating losses. If we are unable to achieve these goals, the trading market for our common stock may be negatively affected, which may make it difficult for you to sell your shares. An active trading market for our

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common stock may not develop or, if developed, be sustained, and the trading price of our common stock may fluctuate substantially.

The price of our common stock may also fluctuate as a result of:

- variations in our operating results;
- announcements by us, our competitors or others of significant business developments, changes in client relationships, acquisitions or expansion plans;
- analysts earnings estimates, ratings and research reports;
- the depth and liquidity of the market for our common stock;
- speculation in the press;
- strategic actions by us or our competitors, such as sales promotions or acquisitions;
- actions by institutional and other stockholders;
- recruitment or departure of key personnel; or
- domestic and international economic factors and trends, some of which may be unrelated to our performance.

The stock markets, in general, periodically experience volatility that is sometimes unrelated to the operating performance of particular companies. These broad market fluctuations may cause the trading price of our common stock to decline.

In the past, following a period of volatility in the market price of a company s securities, securities class action litigation has often been brought against a company. Because of the potential volatility of our common stock price, we may become the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management s attention and resources from our business.

We expect our quarterly revenue and operating results to fluctuate. If we fail to meet the expectations of market analysts or investors, the market price of our common stock could decline substantially, and we could become subject to securities litigation.

Our business is somewhat seasonal and can be affected by cyclical factors outside of our control. Our quarterly revenue and operating results have fluctuated in the past and are likely to continue to vary from quarter to quarter in the future. You should not rely upon the results of one quarter as an indication of our future performance. Our revenue and operating results may fall below the expectations of market analysts or investors in some future quarter or quarters. Our failure to meet these expectations could have an adverse effect on the market price of our common stock. In addition, these fluctuations in our revenue may result in volatility in our results of operations and/or have an adverse effect on the market price of our common stock. If the price of our common stock falls significantly we may be the target of securities litigation. If we become involved in this type of litigation, regardless of the outcome, we could incur substantial legal costs, management s attention could be diverted from the operation of our business, and our reputation could be damaged, which could have a material adverse effect on our business, results of operations and/or financial condition.

If securities analysts do not publish research or reports about our business or if they downgrade their evaluations of our stock, the price of our stock could decline.

The trading market for our common stock depends in part on the research and reports that industry or financial analysts publish about us or our business. Since announcing the need to restate our historical results in December 2012 (as more fully described in 9A of this report), all of the analysts that

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were following us have dropped or suspended coverage. If these analysts don t resume coverage or if we cannot find other analysts willing to pick up coverage of our stock the price of our stock could stagnate or decline. If one or more analysts do pick up coverage on us, but subsequently downgrades their estimates or evaluations of our stock, the price of our stock could decline.

Due to the concentration of holdings of our stock, a limited number of investors may be able to control matters requiring common stockholder approval or could cause our stock price to decline through future sales because they beneficially own a large percentage of our common stock.

As of March 31, 2015, there were 9,526,636 shares of our common stock outstanding and shares of Series C Preferred Stock convertible into an additional 4,166,666 shares of common stock that vote on as converted basis, of which three investors own 60.5%.   As a result of their significant ownership, these investors may have the ability to exercise a controlling influence over our business and corporate actions requiring stockholder approval, including the election of our directors, a sale of substantially all of our assets, a merger between us and another entity or an amendment to our certificate of incorporation. This concentration of ownership could delay, defer or prevent a change of control and could adversely affect the price investors might be willing to pay in the future for shares of our common stock. Also, in the event of a sale of our business, these investors could be able to seek to receive a control premium to the exclusion of other common stockholders.

A significant percentage of the outstanding shares of our common stock, including the shares beneficially owned by these holders, can be sold in the public market from time to time, subject to limitations imposed by federal securities laws. The market price of our common stock could decline as a result of sales of a large number of our presently outstanding shares of common stock by these investors or other stockholders in the public market or due to the perception that these sales could occur. This could also make it more difficult for us to raise funds through future offerings of our equity securities or for you to sell your shares if you choose to do so.

The large concentration of our shares held by these three stockholders could result in increased volatility in our stock price due to the limited number of shares available in the market.

Raising additional capital or consummation of additional acquisitions through the issuance of equity or equity-linked securities could dilute your ownership interest.

It is possible that we may find it necessary to raise capital again sometime in the future or to consummate additional acquisitions through the issuance of equity or equity-linked securities. In the event we propose to issue new securities (subject to certain exceptions), we must allow Bison Capital Partners IV, L.P. (Bison) to purchase a proportion of the new securities equal to the number of shares of common stock beneficially owned by Bison divided by the total number of shares of common stock outstanding on a fully-diluted basis. Our common stockholders do not have a corresponding right. If we raise additional funds in the future through the issuance of equity securities or convertible debt securities, our existing common stockholders will likely experience dilution of their present equity ownership position and voting rights. Depending on the number of shares issued and the terms and conditions of the issuance, new equity securities could have rights, preferences, or privileges senior to those of our common stock. Depending on the terms, common stockholders may not have approval rights with respect to such issuances.

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Provisions of our charter and by-laws, in particular our blank check preferred stock, and in the Delaware General Corporation Law may prevent or discourage an acquisition of our Company that would benefit our stockholders.

Provisions of our charter and by-laws may make it more difficult for a third party to acquire control of our Company, even if a change-in-control would benefit our stockholders. In particular, shares of our preferred stock may be issued in the future without further stockholder approval and upon those terms and conditions, and having those rights, privileges and preferences, as our Board of Directors may determine. In the past, we have issued preferred stock with dividend and liquidation preferences over our common stock, and with certain approval rights not accorded to our common stock, and which was convertible into shares of our common stock at a price lower than the market price of our common stock. The rights of the holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock we may issue in the future. The issuance of our preferred stock, while providing desirable flexibility in pursuing possible additional equity financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire control of us. This could limit the price that certain investors might be willing to pay in the future for shares of our common stock and discourage these investors from acquiring a majority of our common stock. In addition, the price that future investors may be willing to pay for our common stock may be lower due to the conversion price and exercise price granted to investors in any such private financing.

In addition, as a Delaware corporation, we are subject to certain Delaware anti-takeover provisions, including the application of Section 203 of the Delaware General Corporation Law, which generally restricts our ability to engage in a business combination with any holder of 15% or more of our capital stock. Our Board of Directors could rely on Delaware law to prevent or delay an acquisition of us.

Issuance of shares of common stock pursuant to the conversion of certain convertible securities could dilute current stockholders.

We have issued 10,000 shares of Series C Convertible Preferred Stock (the Series C Preferred Stock), which are presently convertible into 4,166,666 shares of common stock. We have also issued convertible notes in an aggregate amount of $11.75 million, which are convertible into shares of common stock upon the occurrence of certain events and/or the passage of time. Our existing common stockholders will likely experience dilution of their present equity ownership position and voting rights upon the conversion of the Series C Preferred Stock or such convertible notes.

The terms of our Series C Preferred Stock include a liquidation preference as well as significant control rights.

The holders of the Series C Preferred Stock are entitled to a liquidation preference equal to $10 million plus any unpaid dividends that have accrued to the Series C Preferred Stock upon liquidation or dissolution of the Company or upon any change of control event. Accordingly, the holders of our common stock may receive significantly less than their pro rata share of the proceeds in the event we are acquired.

In addition, the holders of a majority of the Series C Preferred Stock must provide their consent before we may take certain actions, including incurring certain amounts of indebtedness, entering into transactions with related persons, entering into new lines of business, modifying the provisions of the Series C Preferred Stock, and issuing any securities that are pari passu or senior to the Series C Preferred Stock. As a result of the foregoing, the requisite holders of the Series C Preferred Stock may be able to block the proposed approval of any of the above actions, which blockage may prevent us from achieving strategic or other goals dependent on such actions, including without limitation additional capital raising or pursuing opportunities in new market segments.

All of the foregoing rights may limit our ability to take certain actions we deem to be in the interest of all of our stockholders but as to which the holders of the Series C Preferred Stock have control rights.

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A forced redemption of the Series C Preferred Stock may reduce cash available to fund our operations.

At any time after the fourth anniversary of the date we issued the Series C Preferred Stock, a holder of Series C Preferred Stock has the right to require us to redeem all or a portion of its Series C Preferred Stock for an amount equal to the original issue price of the Series C Preferred Stock plus all unpaid dividends accrued thereon. Any such redemption may significantly reduce the amount of cash we have available to fund operations and invest in our business.

Bison may require a sale of the Company if our common stock is not sufficiently liquid.

If, on the fifth anniversary of the date we issued the Series C Preferred Stock or any succeeding anniversary of such date, ten percent (10%) of the average daily trading volume of our common stock is less than the number of shares of common stock beneficially owned by Bison divided by 240, then Bison may require the Company to initiate a sale process. The holders of a majority of our capital stock have agreed to vote in favor of and otherwise support such a sale. If such a sale is not consummated within nine (9) months, Bison has the right to require the Company to purchase all or any portion of its Series C Preferred Stock or the common stock into which such Series C Preferred Stock has converted.

Any such sale of the Company may not be in the interests of all of our stockholders. Additionally, if such sale is not consummated and Bison requires the Company to purchase its Series C Preferred Stock (or the common stock into which such Series C Preferred Stock has converted) may significantly reduce the amount of cash we have available to fund operations and invest in our business.

The number of shares of our common stock eligible for future sale could adversely affect the market price of our stock.

As of December 31, 2014, we had reserved approximately 102,215 shares of common stock for issuance under outstanding options and approximately 4,166,666 shares issuable upon conversion of the Series C Preferred Stock. The issuance of a significant number of shares of common stock upon the exercise of stock options or the conversion of the Series C Preferred Stock, or the availability for sale, or sale, of a substantial number of the shares of our common stock eligible for future sale under effective registration statements, under Rule 144 or otherwise, could adversely affect the market price of the common stock

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Act, and rules subsequently implemented by the SEC, and The NASDAQ Stock Market, have imposed substantial requirements on public companies, including with respect to public disclosure, internal control, corporate governance practices and other matters. Our management and other personnel are devoting substantial amounts of time and resources to comply with these evolving laws, regulations and standards. Moreover, these laws, regulations and standards have significantly increased our legal and financial compliance costs and have made some activities more time-consuming and costly. In addition, we could incur significant costs to remediate any material weaknesses we identify through these efforts. We currently are evaluating and monitoring development with respect to these evolving laws, regulations and standards, and cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. These new regulatory requirements may result in increased general and administrative expenses and a diversion of

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management s time and attention from revenue generating activities to compliance activities, which could harm our business prospects and could have a negative effect on the trading price of our common stock.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Our headquarters are located at 16810 Kenton Drive, Suite 240, Huntersville, North Carolina. This office is approximately 5,400 square feet and our lease runs through February 2022.

Other properties that are used for sales and administration include:

Location:	**Square Feet**	**Lease Expiration**
Beacon, NY	4,800	December 2015
Farmingdale, NY	11,100	July 2016
Gahanna, OH	2,650	April 2015
Williamsville, NY	5,824	December 2015
Woodbridge, NJ	11,500	February 2017

We believe that the space and location of our current headquarters will be sufficient for the level of sales and production projected for the current year.

Item 3. Legal Proceedings.

Jeffrey Satterfield, individually and on behalf of all others similarly situated, v. Lime Energy Co., John O Rourke and Jeffrey Mistarz, United States District Court for the Northern District of Illinois, Case No. 1:12-cv-05704. This is a securities class action suit. An Order of Preliminary Approval of a settlement was filed on January 28, 2014. The parties agreed to settlement terms and an Order of Final Approval and Final

Judgment was entered by the court on June 4, 2014.

Kuberski v. Lime Energy Co. et al., Case No. 12-cv-7993 (N.D. Ill.): This is a putative shareholder derivative action alleging that the Company officers and directors breached their fiduciary duties to the Company from May 14, 2008 through the present. Two derivative actions were filed, one on October 5, 2012 and one on March 5, 2013. The two cases were consolidated and the Court appointed Lead Counsel for the Plaintiffs on April 9, 2013. On May 9, 2013, the Plaintiffs filed a Verified Consolidated Shareholder Derivative Complaint, purporting to name as Defendants several former officers and directors of the Company. The Company is named as a Nominal Defendant. On June 10, 2013, Defendants filed a motion to dismiss for failure to make a demand on the Board of Directors of the Company or to adequately plead why demand should be excused, as required by Rule 23.1 of the Federal Rules of Civil Procedure and Delaware law. Plaintiffs filed a response on July 8, 2013, and Defendants filed their reply on July 22, 2013. On March 25, 2014, the Court granted Defendants motion to dismiss with prejudice. On April 22, 2014, Plaintiffs filed a Motion for Reconsideration and for Leave to File an Amended Complaint. The Court denied Plaintiffs Motion for Reconsideration on June 25, 2014. The parties are currently in mediation and settlement negotiations, and the court suspended the appeal during

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the mediation process. In February 2015, the parties verbally accepted settlement terms proposed by the mediator and are working on drafting a settlement agreement. The Company expects that the settlement amount will be fully covered by the Company s insurance carrier.

SEC Investigation: The SEC is conducting an investigation of our revenue recognition practices and financial reporting. On September 11, 2012, the Commission issued a subpoena for documents. On July 25, 2014, the Commission asked for some additional documentation and asked to schedule three interviews. All three interviews had been conducted by the end of December 2014. We have not received any further requests from the Commission and we await to hear further from the Commission. We continue to remain ready to cooperate with the investigation.

Dressler v. Lime Energy, United States District Court for the District of New Jersey, Case 3:14-cv-07060-FLW-DEA, filed November 10, 2014. This is a purported whistleblower case alleging illegal retaliation by Lime Energy for the plaintiff s alleged disclosure of activity she believed violated the Securities and Exchange Act of 1934. The plaintiff alleges that she made repeated disclosures to various individuals employed by Lime Energy that certain accounting practices were improper and could lead to a restatement of financial statements. Plaintiff filed her complaint pursuant to the Sarbanes Oxley Act of 2002 (18 U.S.C. §1514A), and the Dodd-Frank Wall Street Reform and Consumer Protection Act (15 U.S.C. §78u-6, et seq.) (together, the Acts). This case has been accepted for coverage under the Lime Executive Protection Portfolio Policy. On January 20, 2015, Lime s counsel filed a motion to dismiss Plaintiff s claim for failure to meet the definition of a whistleblower under the Dodd-Frank Act. Plaintiff opposed the motion, and on February 24, 2015, Lime s counsel filed its reply brief in support of the motion to dismiss. The parties are currently waiting for the court to rule.

Item 4. Mine Safety Disclosures.

Not applicable.

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PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Since February 25, 2008, our stock has traded on the NASDAQ Capital Market under the trading symbol LIME.

The following table sets forth the quarterly high and low selling prices for our common stock as reported on the Bulletin Board and NASDAQ since January 1, 2013.

	Common Stock			
	High		Low	
Fiscal Year Ended December 31, 2013:				
Fiscal Quarter Ended March 31, 2013	$	6.09	$	3.64
Fiscal Quarter Ended June 30, 2013	$	5.60	$	4.62
Fiscal Quarter Ended September 30, 2013	$	6.65	$	3.29
Fiscal Quarter Ended December 31, 2013	$	4.08	$	2.71
Fiscal Year Ended December 31, 2014:				
Fiscal Quarter Ended March 31, 2014	$	3.92	$	2.86
Fiscal Quarter Ended June 30, 2014	$	3.92	$	2.49
Fiscal Quarter Ended September 30, 2014	$	7.29	$	2.04
Fiscal Quarter Ended December 31, 2014	$	3.49	$	2.14

Holders of a majority of the Company s outstanding common stock, acting by written consent, approved an amendment to the Company s certificate of incorporation to effect a one-for-seven reverse split of the Company s stock in order for the Company to continue to meet the NASDAQ Stock Exchange s requirement that it maintain a $1.00 minimum closing bid price for continued listing on the exchange. The reverse stock split was effective October 10, 2013. All share amounts presented in this Item 5 have been adjusted to reflect the reverse stock split.

Holders

As of March 23, 2015 we had approximately 721 holders of record, approximately 3,150 beneficial owners of our common stock and 9,526,636 shares of common stock outstanding.

Dividends

No dividends were declared or paid on our common stock during the fiscal years ended December 31, 2013 and 2014.

We have never declared or paid any cash dividends on our common stock and we do not anticipate paying any cash dividends in the foreseeable future.

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Recent Sales of Unregistered Securities

On December 23, 2014, the Company entered into a Preferred Stock Purchase Agreement (the Series C Purchase Agreement) with Bison Capital Partners IV, L.P., a Delaware limited partnership. Pursuant to the terms of the Series C Purchase Agreement, the Series C Investors purchased 10,000 shares of the Company s Series C Preferred Stock (the Series C Preferred Shares) at a price per Series C Preferred Share of $1,000.00. The exemption from registration was claimed pursuant to Section (4)(a)(2) of the Securities Act of 1933. In conjunction with this sale, Bison provided a representation that it is an accredited investor.

The Series C Preferred Shares are entitled to an accruing dividend of 12.5% per annum of their base amount (subject to adjustments for stock splits, combinations and similar recapitalizations), payable on the semi-annual anniversary. The Series C Preferred Shares may be converted, at any time, at the option of the holder, into shares of the Company s common stock; provided that the Series C Preferred Stock may not convert into in excess of 19.99% of the outstanding common stock prior to the effective date the stockholders of the Company approve the removal of this cap. The conversion price was equal to $2.40 per share as of the date of issuance, and is subject to certain adjustments.

At any time after the fourth anniversary of the Closing Date, the Company has the right to redeem all but not less than all of the Series C Preferred Stock for an amount equal to the original issue price of the shares plus all accrued but unpaid dividends, effective 30 days after giving notice thereof to the holder(s) of the Series C Preferred Stock. During such 30-day period, the holders of the Series C Preferred Stock may convert the Series C Preferred Stock to common stock in lieu of receiving the redemption payment. At any time after the fourth anniversary of the Closing Date, a holder of Series C Preferred Stock has the right to require the Company to redeem all or a portion of its Series C Preferred Stock for an amount equal to the original issue price of the shares plus all accrued but unpaid dividends. In the event the Company fails to make the required redemption payment by the date fixed for such payment, the dividend rate will increase to 15% per annum and increase an additional 1% per annum each quarter until paid.

The Company intends to use the cash proceeds from the sale of the Series C Preferred Shares for general corporate purposes. For additional information on the sale of Series C Preferred Shares, see Note 14 in the notes to the consolidated financial statements.

Purchases of Equity Securities by the Issuer and Affiliated

None.

Item 6. Selected Financial Data.

Not applicable

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Management s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that are based on management s current expectation, estimates, and projections about our business and operations. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of numerous factors, including those we discuss under Risk Factors and elsewhere in this report.

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Overview

General

We are a leader in designing and implementing demand-side energy efficiency programs that enable our utility clients to reach their underserved markets and achieve their energy reduction goals. We provide our energy efficiency program delivery services exclusively within the utility sector, and our clients include two of the five largest investor-owned utilities in the country. We focus on deploying direct install energy efficiency solutions for small and mid-size commercial and industrial business programs that improve energy efficiency, reduce energy-related expenditures and lessen the impact of energy use on the environment. Currently, these solutions include energy efficient lighting upgrades and energy efficient mechanical upgrades. Our small business direct install (SBDI) programs provide a cost-effective avenue for our utility clients to offer products and services to a hard-to-reach customer base while satisfying aggressive state-mandated energy reduction goals. The direct install model is a turnkey solution under which we contract with the utility clients to design and market their small and mid-sized efficiency programs within a defined territory, perform the technical audits, sell the solution to the end-use customer and oversee the implementation of the energy efficiency measures. The model makes it easy and affordable for small businesses to upgrade to energy efficiency equipment and is a dependable and cost effective way for our utility clients to achieve their energy efficiency goals.

Revenue and Expense Components

Revenue

We generate the majority of our revenue from the sale of our services and the products that we purchase and resell to our clients.

We charge our utility clients based on an agreed to rate schedule based on the item installed or the savings generated. A typical project for a small business utility client can take anywhere from a few hours to a few weeks to complete. During 2014, we provided services to over 6,700 small business customers under our eight utility programs.

Revenue Recognition

We recognize our revenue when all four of the following criteria are met: (i) persuasive evidence has been received that an arrangement exists; (ii) delivery of the products and/or services has occurred; (iii) the selling price is fixed or determinable; and (iv) collectability is reasonably assured. In addition, we follow the provisions of the SEC s Staff Accounting Bulletin No. 104, *Revenue Recognition*, which sets forth guidelines for the timing of revenue recognition based upon factors such as passage of title, installation, payments and client acceptance. Any amounts received prior to satisfying our revenue recognition criteria are recorded as billings in excess of costs and estimated earnings on uncompleted contracts.

We recognize the revenue utilizing the percentage of completion method of revenue recognition. Under the percentage of completion method we recognize revenue throughout the term of the project based on the percentage of costs incurred. Any anticipated losses on contracts are charged to operations as soon as they are determinable.

Revenue Concentration

During 2014, we derived approximately 78% of our 2014 consolidated revenue from continuing operations from our four largest utility programs, with Duke Energy Progress, New Jersey Board of Public Utilities, Niagara Mohawk (National Grid), and Central Hudson Gas & Electric responsible for 27%, 22%, 17% and 12% of our revenue, respectively. During 2013 our four largest utility clients, New Jersey Board of Public Utilities, Niagara Mohawk (National Grid), Long Island Power, and Central

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Hudson Gas & Electric were responsible for 24%, 22%, 17% and 11% of our consolidated revenue, respectively.

Gross Profit

Gross profit equals our revenue less cost of sales. Our cost of sales consists primarily of materials, our internal labor and the cost of subcontracted labor.

Gross profit is a key metric that we use to examine our performance. Gross profit depends in part on the volume and mix of products and services that we sell during any given period. We subcontract substantially all of our installation and construction work, therefore our cost of goods sold consists almost exclusively of variable costs. Accordingly, our cost of sales will vary directly with changes in revenue.

Selling, General and Administrative Expense

Selling, general and administrative expense includes the following components:

- direct labor costs of our employees performing sales and marketing;
- expenses related to our management, supervisory and staff salaries and employee benefits, including the costs of stock-based compensation;
- costs related to insurance, travel and entertainment, office supplies and utilities;
- costs related to marketing and advertising our products;
- legal and accounting expenses; and
- costs related to administrative functions that serve to support our existing businesses, as well as to provide the infrastructure for future growth.

Amortization of Intangibles

When we acquire other companies we are required to allocate the purchase price between identifiable tangible and intangible assets, with any remaining value allocated to goodwill. The value allocated to intangible assets is amortized over the estimated life of the related asset. During 2013, our intangible assets became fully amortized, therefore absent any future acquisitions, we will not have any additional amortization expense related to intangible assets.

Interest Expense, Net

Net interest expense consists of interest expense net of interest income. Net interest expense represents the interest costs associated with our 2012 and 2014 subordinated convertible term notes (including amortization of the related debt discount and issuance costs) and our letter of credit. In August 2014, the Company entered into a $1.3 million Letter of Credit agreement with Richard P. Kiphart with a simple interest rate of 6% per year. In September 2014, the Company issued $1.0 million in subordinated convertible notes. These notes were converted to common stock in December 2014. The 2012 subordinated convertible notes were converted to preferred stock in September 2013 and the line of credit expired in March 2013.

Interest income includes the amortization of the discount on our long-term receivables.

General Business Trends and Recent Developments

The trends, events and uncertainties set out in this section have been identified as those we believe are reasonably likely to materially affect the comparison of historical operating results reported in

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this report to either other past period results or to future operating results. These trends, events and uncertainties include:

Business Divestitures

During 2013, we sold or shut down five businesses: the ESCO business; Lime Energy Asset Development; GES-Port Charlotte; our contract with the Army Corps of Engineers; and our regional service business. Our remaining business is exclusively focused on providing energy efficiency to small and mid-sized commercial and industrial businesses under small-business direct install programs offered by utilities. The businesses we sold or shut down have been reported as discontinued operations in the accompanying financials statements. The disposition of these businesses will make it more difficult to compare our current and future operating results to the results from periods prior to the disposition of these businesses.

For additional information regarding discontinued operations please refer to Note 6 in the accompanying financial statements.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions. Critical accounting policies are defined as those that involve significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. We believe that our most critical accounting policies are limited to those described below. For a detailed discussion on the application of these and other accounting policies, see Note 3 in the notes to our consolidated financial statements.

Use of Estimates

Preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses and related contingent liabilities. On an on-going basis, we evaluate our estimates, including those related to revenues, bad debts, goodwill valuation, warranty accrual, stock based compensation, income taxes and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Revenue and Profit Recognition

We recognize our revenue using the percentage of completion method of revenue recognition. Under the percentage of completion method, we recognize revenue based on the percentage of costs incurred. Under this method of revenue recognition, any anticipated losses on contracts are charged to operations as soon as they are determinable.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our clients to make required payments. The allowance is based upon the payment history of specific

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clients and specific knowledge of clients from whom collection is determined to be doubtful. If the financial condition of our clients or the economic environment in which they operate were to deteriorate, resulting in an inability to make payments, or if our estimates of certain clients ability to pay are incorrect, additional allowances may be required. Under certain of our utility contracts, we offer extended payment terms of 12 or 24 months to our small-business customers for the portion of the cost of the work we perform that is not covered by utility incentives. We require that most of these customers provide us with a credit card or e-check authorization that we can charge for their monthly payment. This reduces our administrative cost of invoicing and collecting many small monthly payments and also gives us an earlier indication of a potential collection issue. During 2014 and 2013, we increased our allowance by $761 thousand and $886 thousand, respectively. As of December 31, 2014, our allowance for doubtful accounts was $1.8 million, or approximately 13% of our outstanding accounts receivable. We will continue to monitor our collections experience with these small-business customers and adjust our allowance accordingly.

Long-Lived Assets

We evaluate our long-lived assets periodically for impairment in accordance with ASC 360-10-35, Accounting for the Impairment or Disposal of Long-Lived Assets. We record impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those items. Our cash flow estimates are based on historical results adjusted to reflect our best estimate of future market and operating conditions. The net carrying value of assets not recoverable is reduced to fair value. Our estimates of fair value represent our best estimate based on industry trends and reference to market rates and transactions.

Goodwill

We have made acquisitions in the past that included a significant amount of goodwill and other intangible assets. In accordance with ASC 350, goodwill is subject to an annual (or under certain circumstances more frequent) impairment test based on its estimated fair value. Estimated fair value is less than value based on undiscounted operating earnings because fair value estimates include a discount factor in valuing future cash flows. Many assumptions and estimates underlie the determination of an impairment loss, including economic and competitive conditions, operating costs and efficiencies. Another estimate using different, but still reasonable, assumptions could produce a significantly different result.

During the fourth quarter of 2013 and 2014, we completed an impairment analysis of the goodwill associated with the utility reporting unit and found that based on the discounted current value of the estimated future cash flows, the implied fair value substantially exceeded the carrying value, indicating that goodwill was not impaired.

We considered various factors in determining the fair value of the testing units, including discounted cash flows from projected earnings, values for comparable companies and the market price of our common stock. We will continue to monitor for any impairment indicators such as underperformance of projected earnings, net book value compared to market capitalization, declining stock price and significant adverse economic and industry trends. In the event that the reporting unit does not achieve projected results, or, as the result of changes in facts or circumstances, we could incur an additional goodwill impairment charge in a future period.

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Share-Based Compensation

We have stock incentive plans that provide for stock-based employee and director compensation, including the granting of stock options and shares of restricted stock, to certain key employees and non-employee directors. These plans are more fully described in Notes 22 and 23 to our consolidated financial statements. Consistent with ASC 718, Share-Based Payment, we record stock compensation expense for equity-based awards granted, including stock options and restricted stock unit grants, over the service period of the equity-based award based on the fair value of the award at the date of grant. We recognized $296 thousand and $867 thousand of stock compensation related to employee options expense, employee stock purchase plan and restricted stock grants during 2014 and 2013, respectively.

Results of Operations

Revenue

We generate the majority of our revenue from the sale of our services as well as the sale of the products that we purchase and resell to our clients. All of our revenue is earned in the United States.

We charge our utility customers utilizing an agreed to rate schedule based on the item installed or the savings generated. A typical project for a small business utility customer can take anywhere from a few hours to a few weeks to complete and we began work on over 6,700 new projects during 2014.

Gross Profit

Gross profit equals our revenue less costs of sales. The cost of sales consists primarily of materials, our internal labor and the cost of subcontracted labor.

Gross profit is a key metric that we use to examine our performance. Gross profit depends in part on the volume and mix of products and services that we sell during any given period. Since we subcontract substantially all of our construction work to independent contractors, there is very little fixed cost included in our cost of sales. The gross margin earned from different utility programs varies among programs. The mix of business generated from our various programs will change throughout the year, due in part to varying activity levels under existing programs and the growth of new programs, which will affect our consolidated gross margin.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) include the following components:

- direct labor costs of our employees performing sales and marketing;
- costs of our management, supervisory and staff salaries and employee benefits, including the costs of stock-based compensation;
- costs related to insurance, travel and entertainment, office supplies and utilities;
- costs related to marketing and advertising our products;
- legal and accounting expenses; and
- costs related to administrative functions that serve to support our existing businesses, as well as to provide the infrastructure for future growth.

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Amortization of Intangibles

We incur expenses related to the amortization of identifiable assets that we have capitalized in connection with our acquisitions.

Interest Expense, Net

Net interest expense consists of interest expense net of interest income. Interest expense represents the interest costs and fees associated with our subordinated convertible term notes (including amortization of the related debt discount and issuance costs) and our letter of credit.

Interest income consist of amortization of the discount on our long term receivables. We offer certain customers extended payment terms. When we record receivables with payments terms of more than 12 months we are required to discount them using a market rate of interest and amortize the discount over the term of the receivable. This amortization is recognized as interest income.

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Twelve-Month Period Ended December 31, 2014

Compared With the

Twelve-Month Period Ended December 31, 2013

Consolidated Results ($ in thousands)

	Twelve Months Ended		Change	
	12/31/2014	12/31/2013	$	%
Revenue	$ 58,816	$ 51,565	$ 7,251	14.1%
Cost of sales	41,162	37,758	3,404	9.0%
Gross profit	17,654	13,807	3,847	27.9%
Selling, general and administrative	20,195	22,933	(2,738)	-11.9%
Amortization of intangibles		10	(10)	-100.0%
Operating loss	(2,541)	(9,136)	6,595	-72.2%
Interest expense, net	(89)	(2,001)	1,912	-95.6%
Loss from continuing operations	(2,630)	(11,137)	8,507	-76.4%
Income (Loss) from operation of discontinued business	7	(4,499)	4,506	-100.2%
Net Loss	$ (2,623)	$ (15,636)	$ 13,013	-83.2%
Preferred dividend	(2,979)	(2,875)	(104)	3.6%
Net loss available to common	$ (5,602)	$ (18,511)	$ 12,909	-69.7%

The following table presents the percentage of certain items to revenue:

	Twelve Months Ended	
	12/31/2014	12/31/2013
Revenue	100.0%	100.0%
Cost of sales	70.0%	73.2%
Gross profit	30.0%	26.8%
Selling, general and administrative	34.3%	44.5%
Amortization of intangibles	0.0%	0.0%
Operating loss	-4.3%	-17.7%
Interest expense, net	-0.2%	-3.9%
Loss from continuing operations	-4.5%	-21.6%

Income (Loss) from operation of discontinued business	0.0%	-8.7%
Net Loss	-4.5%	-30.3%
Preferred dividend	-5.1%	-5.6%
Net loss available to common	-9.5%	-35.9%

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Revenue

Our consolidated revenue increased $7.3 million, or 14.1%, to $58.8 million during 2014, from $51.5 million during 2013. Approximately $12 million of this increase was from the Duke Energy program that started generating revenue for the first time during 2013. This was partially offset by the decrease in revenue attributed to the end of a pilot program as of December 31, 2013 and a decrease in revenue from several other programs.

Gross Profit

Our gross profit increased $3.9 million, or 27.9%, to $17.7 million during 2014, from $13.8 million in 2013. This increase was the result of higher revenue and an improvement in our gross profit margin, which increased from 26.8% in 2013, to 30.0% in 2014. The improvement in our gross profit margin is the result of increased contributions from new utility programs, which generally have higher gross profit margins than our older programs, and improvements in efficiency within existing programs. The improvements in operating efficiency are due to a combination of the continued development of our software platform, changes we have made to some of our processes and additional training and experience of the people working in these programs.

We expect to see continued, modest improvements in our gross profit margins during 2015, as our newer programs become a larger portion of our overall revenue and we continue to seek additional operating efficiencies across all of our programs.

Selling General & Administrative Expense

Our selling, general and administrative expense declined $2.7 million during 2014. Our SG&A as a percentage of revenue declined from 44.5% in 2013 to 34.2% in 2014. Costs associated with the restatement of our financial statements and the defense of related stockholder lawsuits declined $1.8 million, to $813 thousand during 2014 from $2.6 million during 2013. The 2014 SG&A expense also included $309 thousand of expenses related to raising capital, pursuing mergers and acquisitions and $113 thousand of severance costs, while the 2013 SG&A expense also included $327 thousand of share based compensation expense related to the accelerated vesting of options and restricted stock of terminated employees. Other SG&A expenses decreased $962 thousand during 2014 as a result of initiatives we undertook to reduce overhead costs. The restatement was completed in July 2013, in late January 2014 we agreed to terms of a settlement on the stockholder lawsuit and the derivative suit was settled in February 2015 with insurance covering the entire settlement. We also believe that the initiatives we took in 2014 to reduce overhead costs in combination with an expected increase in revenue, will contribute to reduce our SG&A as a percentage of revenue during 2015.

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Interest Expense, Net

Interest expense decreased $1.9 million to $189 thousand during 2014, from $2.1 million during 2013. The components of interest expense for 2014 and 2013 are as follows (in thousands):

Year ended December 31,	2014	2013
Letter of credit	$ 41	$ 3
Term loan		168
Subordinated convertible notes	48	575
Other		1
Change in value of interest rate swap		(12)
Amortization of deferred issuance costs and debt discount	100	1,689
Total Interest Expense	$ 189	$ 2,424
Less discontinued operations		372
Continuing operations	$ 189	$ 2,052

Interest expense for 2014 related to outstanding subordinated notes and the letter of credit. Interest expense for 2013 was related to the outstanding subordinated notes, term loan, and the conversion of the notes to preferred stock at which time we expensed the unamortized deferred issuance costs and debt discount. Interest expense for our discontinued operations decreased from $372 thousand in 2013 to $0 in 2014 as a result of the sale of GESPC and the repayment of the term note and the amortization of deferred financing costs.

Our interest income increased $49 thousand to $100 thousand during 2014, from $51 thousand earned during 2013. Substantially all of the interest income during both periods represented amortization of the discount on our long-term receivables. The increase in amortization was due to an increase in our long-term receivable balances. We expect continued increases in our long-term receivable balances in the future due to increased use of extended payment terms by customers under some of our utility programs.

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Dividend Expense

The components of dividend expense are as follows (in thousands):

Year ended December 31,	**2014**	**2013**
Series A dividend	$ **1,209**	$ **314**
Series B dividend	**733**	**12**
Series C dividend	**27**	
Deemed dividend on Series A	**178**	**1,219**
Deemed dividend on Series B	**832**	**1,330**
Total dividend expense	$ **2,979**	$ **2,875**

During 2014, we paid dividends through the issuance of additional preferred shares of $1,209 thousand on our Series A Preferred Stock and $733 thousand on our Series B Preferred Stock and accrued dividends on Series C Preferred Stock of $27 thousand.

We also raised an additional $2 million through the sale of shares of our Series B Preferred Stock during the first quarter of 2014. The price at which the Series B Preferred Stock is convertible into shares of our common stock is lower than the price at which shares of the Series A Preferred Stock are convertible. An anti-dilution provision of the Series A Preferred Stock required us to adjust the conversion price of the Series A Preferred Stock from $3.58 per share to $3.51 per share, resulting in a $178 thousand non-cash deemed dividend. The deemed dividend was calculated as the increase in the value of the shares into which the Series A would be convertible resulting from the adjustment to the conversion price, based on the market price of our common stock on the date of the adjustment. This deemed dividend was recorded to dividend expense, with an offset to the additional paid in capital.

On September 23, 2013, the holder of our convertible subordinated notes converted their notes in shares of Series A Preferred Stock. At the same time we also raised $2.5 million through the sale of additional shares of Series A Preferred Stock. In late December 2013 we raised an additional $4 million through the sale of shares of our Series B Preferred Stock. The price at which the Series B Preferred Stock is convertible into shares of our common stock is lower than the price at which shares of the Series A Preferred Stock are convertible. An anti-dilution provision of the Series A Preferred Stock required us to adjust the conversion price of the Series A Preferred Stock from $3.78 per share to $3.58 per share, resulting in a $389 thousand non-cash deemed dividend. The deemed dividend was calculated as the increase in the value of the shares into which the Series A would be convertible resulting from the adjustment to the conversion price, based on the market price of our common stock on the date of the adjustment. This deemed dividend was recorded to dividend expense, with an offset to the accumulated deficit.

In recording the sale of the Series B Preferred Stock, we allocated the value of the proceeds to the sale of the shares and the warrants based on their relative fair values. In doing so, we determined that the preferred shares contained a beneficial conversion feature valued at $480 thousand as the effective conversion price of the preferred shares was less than the market price of the common stock on the date of issuance. The value of the beneficial conversion feature, along with the value of the warrants, determined to be $352 thousand, were both considered to be non-cash deemed dividends and were recorded to dividend expense, with an offsetting entry to additional-paid-in-capital.

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Liquidity and Capital Resources

Overview

As of December 31, 2014, we had cash and cash equivalents of $6.0 million, including $500 thousand of restricted cash, compared to cash of $7.4 million, including restricted cash of $500 thousand as of December 31, 2013. Our contractual obligations as of December 31, 2014, totaled $1.5 million in future lease obligations. Our contractual commitments for 2015 total approximately $479 thousand, which we believe we will be able to satisfy through operating cash flows and our cash reserve.

Our principal cash requirements are for operating expenses, including employee costs, the cost of outside services including those providing accounting, legal and contracting services, and the funding of accounts receivable, and capital expenditures. We have financed our operations since inception primarily through the sale of our common and preferred stock, as well as through various forms of secured debt.

The following table summarizes, for the periods indicated, selected items in our consolidated statement of cash flows (in thousands):

Year ended December 31		**2014**		**2013**
Net cash used in operating activities	$	**(13,429)**	$	**(3,035)**
Net cash (used in) provided by investing activities		**(638)**		**4,910**
Net cash provided by financing activities		**12,600**		**3,053**
Net (Decrease) Increase in Cash and Cash Equivalents		**(1,467)**		**4,928**
Cash and Cash Equivalents, at beginning of period		**6,940**		**2,012**
Cash and Cash Equivalents, at end of period	$	**5,473**	$	**6,940**

2014 Compared to 2013

Net cash decreased $1.4 million to $5.5 million during 2014, compared to increasing $4.9 million, to $6.9 million during 2013.

Operating Activities

Operating activities used $13.4 million of cash during 2014, compared to using $3.0 million during 2013.

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Whether cash is consumed or generated by operating activities is a function of the profitability of our operations and changes in working capital. To get a better understanding of cash sources and uses, management splits the cash used or provided by operating activities into two pieces: the cash consumed (or generated) by operating activities before changes in assets and liabilities; and the cash consumed (or generated) from changes in assets and liabilities. By splitting the cash used or provided by operating activities this way our management believes it gets a better understanding of how much of our operating cash flow is the result of the Company s current period cash earnings or loss and how much of our operating cash flow is due to changes in working capital. These two measures are calculated as follows (in thousands):

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	Year ended December 31, 2014	Year ended December 31, 2013
Net Loss	$ (2,623)	$ (15,636)
Provision for bad debts	761	886
Share-based compensation	296	867
Depreciation and amortization	731	1,017
Amortization of original issue discount		1,439
Amortization of deferred financing costs	108	250
PIK notes issued for interest	48	575
Preferred stock dividends	(27)	(326)
Asset impairment		27
Loss (Gain) on disposition of fixed assets		59
Cash consumed by operating activities before changes in assets and liabilities	$ (706)	$ (10,842)
Changes in assets and liabilities, net of business acquisitions and dispositions:		
Accounts receivable	$ (3,844)	$ (555)
Inventories	(176)	17
Costs in excess uncompleted contracts	(782)	(3,298)
Prepaid expenses and other current assets	(364)	226
Assets of discontinued operations	2,829	2,236
Accounts payable	(2,494)	10,125
Accrued expenses	(1,662)	331
Billings in excess uncompleted contracts	(1,006)	205
Customer deposits and other current liabilities	(2,785)	(2,003)
Liabilities of discontinued operations	(2,439)	523
Cash (consumed from) generated by changes in assets and liabilities	$ (12,723)	$ 7,807

The reconciliation to net cash used in operating activities as reported on our Consolidated Statement of Cash Flows is as follows (in thousands):

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	Year ended December 31, 2014	Year ended December 31, 2013
Cash consumed by operating activities before changes in assets and liabilities	$ (706)	$ (10,842)
Cash (consumed from) generated by changes in assets and liabilities	(12,723)	7,807
Net cash used in operating activities	$ (13,429)	$ (3,035)

The cash consumed by operating activities before changes in assets and liabilities decreased $10.1 million, or 93.5%, to $706 thousand during 2014, from $10.8 million during 2013. The increase in revenue and improvement in gross profit margins in combination with a reduction in the cash loss from discontinued operations were responsible for the improvement in the cash consumed by operating activities before changes in assets and liabilities. We believe that if our revenue continues to grow and our gross profit margins increase as we expect they will, and we are successful in reducing our overhead costs and the loss from discontinued operations, that we will generate cash from operating activities before changes in assets and liabilities during 2015.

Cash consumed from changes in assets and liabilities increased $20.5 million to consuming cash of $12.7 million during 2014, from generating $7.8 million during 2013. Increased receivables due to increased sales from new programs and a decrease in our accounts payable were the primary contributors to the cash consumed from changes in assets and liabilities during 2014. In connection with the issuance of Series C Preferred Shares discussed in Note 14, we utilized proceeds to pay all vendors whose aged accounts payable balances were 90 days or more past due.

Investing Activities

Investing activities consumed cash of $638 thousand during 2014, compared to generating $4.9 million during 2013. During 2013, we sold the ESCO business for $2.0 million, GES-Port Charlotte for $3.3 million and our regional service business for $195 thousand. These sources of cash were partially offset by capital expenditures of $573 thousand, of which approximately $460 thousand was the cost of continuing to build-out the software platform used by our utility programs. During 2014, capital expenditures totaled $638 thousand, of which $467 thousand was related to the utility software platform. The balance was computers, software and office equipment, primarily for the expansion of our utility business.

We feel the utility software is critical to improving the efficiency of our business and differentiating us in the marketplace with our utility clients, therefore we expect we will continue to invest between $300 thousand and $500 thousand per year in this asset. We expect expenditures for other assets to decline to maintenance levels unless we win additional utility programs.

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Financing Activities

Financing activities generated $12.6 million of cash during 2014, compared to generating $3.0 million during 2013. During 2014, we raised $2.0 million through the sale of Series B Preferred Stock, $10.0 million through the sale of Series C Preferred Stock, and $1.0 million from the issuance of subordinated secured convertible notes. We used the proceeds for general corporate purposes. We incurred costs of $367 thousand in the issuance of the preferred stock. In connection with the sale of the Series C Preferred Stock, all Series A and Series B Preferred Stock was converted to common shares and all outstanding warrants were cancelled.

During 2013, we raised $6.5 million through the sale of shares of our Series A and Series B Preferred Stock and we used the proceeds of $3.3 million from the sale of GES-Port Charlotte to pay-off the term loan used to construct its generating facility. We used an additional $107 thousand for scheduled loan payments. We incurred costs of $40 thousand in the issuance of the preferred stock.

Sources of Liquidity

Our primary sources of liquidity are our available, unrestricted cash reserves, including what remains from the $2 million we raised in February 2014 from the sale of additional shares of our Series B Preferred Stock and $10 million we raised in December 2014 from the sale of Series C Preferred shares.

Our ability to continue to expand the sales of our products and services will require the continued commitment of significant funds. The actual timing and amount of our future funding requirements will depend on many factors, including the amount, timing and profitability of future revenues, working capital requirements, the level and amount of product marketing and sales efforts, among other things.

We have raised a significant amount of capital since our formation through the issuance of shares of our common and preferred stock and notes, which has allowed us to continue to execute our business plan. Most of these funds have been consumed by operating activities, either to fund our losses or for working capital requirements.

We believe that if our revenue grows and our gross profit margin improves, as we believe they will, and we are successful in reducing our overhead costs, that our cash flows will continue to improve to the point that they turn positive during 2015. If we do determine it necessary to raise additional capital because profitability does not improve as we expect it to, there is no assurance we will be able to do so, or it may only be available on terms that are not favorable to the Company or our existing shareholders. In the event that we are required to raise additional capital in the future but are unable to do so, we may be required to scale back operations or cease operations altogether.

Sale of Series C Preferred Stock

On December 23, 2014, the Company entered into a Preferred Stock Purchase Agreement (the Series C Purchase Agreement) with Bison Capital Partners IV, L.P., a Delaware limited partnership. Pursuant to the terms of the Series C Purchase Agreement, the Series C Investors purchased 10,000 shares of the Company s Series C Preferred Stock (the Series C Preferred Shares) at a price per Series C Preferred Share of $1,000.00.

The Series C Preferred Shares are entitled to an accruing dividend of 12.5% per annum of their base amount (subject to adjustments for stock splits, combinations and similar recapitalizations), payable on the semi-annual anniversary. The Series C Preferred Shares may be converted, at any time, at the option of the holder, into shares of the Company s common stock; provided that the Series C Preferred Stock may

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not convert into in excess of 19.99% of the outstanding common stock prior to the effective date the stockholders of the Company approve the removal of this cap. The conversion price was equal to $2.40 per share as of the date of issuance, and is subject to certain adjustments.

At any time after the fourth anniversary of the Closing Date, the Company has the right to redeem all but not less than all of the Series C Preferred Stock for an amount equal to the original issue price of the shares plus all accrued but unpaid dividends, effective 30 days after giving notice thereof to the holder(s) of the Series C Preferred Stock. During such 30-day period, the holders of the Series C Preferred Stock may convert the Series C Preferred Stock to common stock in lieu of receiving the redemption payment. At any time after the fourth anniversary of the Closing Date, a holder of Series C Preferred Stock has the right to require the Company to redeem all or a portion of its Series C Preferred Stock for an amount equal to the original issue price of the shares plus all accrued but unpaid dividends. In the event the Company fails to make the required redemption payment by the date fixed for such payment, the dividend rate will increase to 15% per annum and increase an additional 1% per annum each quarter until paid.

The Company intends to use the cash proceeds from the sale of the Series C Preferred Shares for general corporate purposes. For additional information on the sale of Series C Preferred Shares, see Note 14 in the notes to the consolidated financial statements.

The information set forth above represents certain expectations of our business over time based on our business model. We caution you that these expectations may not materialize and are not indicative of the actual results we will achieve. See Risk Factors and Cautionary Statement On Forward-Looking Information.

Off-Balance Sheet Arrangements

None.

Recent Accounting Pronouncements

In April 2014, the FASB issued Accounting Standards Update (ASU) 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The amendments in ASU 2014-08 change the criteria for reporting a discontinued operation and require new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. Only disposals representing a strategic shift in operations should be presented as discontinued operations. This accounting standard update is effective for annual filings beginning on or after December 15, 2014. Early adoption is permitted. The impact of the adoption of ASU 2014-08 on the Company s results of operations, financial position, cash flows and disclosures will be based on the Company s future disposal activity.

In May 2014, the FASB issued ASU 2014-09, Revenue From Contracts With Customers. ASU 2014-09 supersedes nearly all existing revenue recognition under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration the Company expects to be entitled to for those goods or services using a defined five step process. More judgment and estimates may be required to achieve this principle than under existing U.S. GAAP. ASU 2014-09 is effective for annual periods beginning after December 15, 2016, including interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients or (ii) a retrospective approach with the cumulative effect upon initial adoption recognized at the date of adoption which includes additional footnote disclosures. The Company is currently evaluating the impact of the adoption of ASU 2014-09 on the Company s consolidated financial statements and has not yet determined the method of adoption.

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In August 2014, the FASB amended the FASB Accounting Standards Codification and amended Subtopic 205-40, *Presentation of Financial Statements Going Concern*. This amendment prescribes that an entity s management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity s ability to continue as a going concern within one year after the date that the financial statements are issued. The amendments will become effective for the Company s annual and interim reporting periods beginning January 1, 2017. The Company is evaluating the impact on its consolidated financial statements, however, the Company does not expect that the adoption of this standard will have a material impact on the Company s consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements and the report of BDO USA, LLP, Independent Registered Public Accounting Firm on such financial statements are filed as part of this report beginning on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act are controls and other procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and made known to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In connection with the preparation of this Annual Report on Form 10-K, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2014. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2014.

Management s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed by, or under the supervision of, our CEO and CFO, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with U.S. generally accepted

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accounting principles. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

As of December 31, 2014, our management (with the participation of our CEO and CFO) conducted an evaluation of the effectiveness of our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (COSO). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2014, based on criteria in *Internal Control Integrated Framework* issued by the COSO.

There have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the year ended December 31, 2014 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. During 2013, we determined that we did not have sufficient monitoring controls in place to limit access rights to the database underlying our accounting system. While we had begun work to address this control deficiency the work had not been tested and confirmed to be effective as of the end of the year. As a result, we concluded that we had a material weakness in our controls as of December 31, 2013. In early January 2014, we completed the testing of the changes we made to system access and confirmed that they were effective, thereby eliminating this control deficiency.

Item 9B. Other Information.

Not applicable.

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PART III

Certain information required to be included in Part III is omitted from this report because we intend to file a definitive proxy statement relating to our 2015 Annual Meeting of Stockholders (the Proxy Statement) no later than 120 days after the end of the fiscal year covered by this report, and certain information to be included therein is incorporated herein by reference.

Item 10. Directors, Executive Officers and Corporate Governance.

Information required by this item regarding our directors and executive officers and compliance by our directors, executive officers and certain beneficial owners of our common stock with Section 16(a) of the Exchange Act is incorporated by reference to all information under the captions entitled Election of Directors, Executive Officers, and Section 16(a) Beneficial Ownership Reporting Compliance in the Proxy Statement. Information required by this item regarding our codes of ethics is incorporated by reference to all information under the caption Committees of the Board of Directors Codes of Conduct and Business Ethics in the Proxy Statement. Information required by this item regarding our separately designated standing Audit Committee and our Audit Committee Financial Expert is incorporated by reference to all information under the caption Committees of the Board of Directors Audit Committee in the Proxy Statement.

Item 11. Executive Compensation.

Information required by this item regarding compensation of our named executive officers is incorporated by reference to all information under the caption Executive Compensation in the Proxy Statement. Information required by this item regarding compensation of our directors is incorporated by reference to all information under the caption Compensation of Directors in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information required by this item regarding security ownership of certain beneficial owners, directors and executive officers is incorporated by reference to all information under the caption Security Ownership of Principal Stockholders and Management Beneficial Owners of Greater than 5% of Each Class of Our Common Stock and Directors and Executive Officers in the Proxy Statement.

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Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information required by this item regarding certain relationships and related transactions is incorporated by reference to all information under the caption Transactions with Related Persons in the Proxy Statement. Information required by this item regarding the director independence is incorporated by reference to all information under the caption Election of Directors Independent Directors.

Item 14. Principal Accountant Fees and Services.

Information required by this item regarding principal auditor fees and services is incorporated by reference to all information under the caption Audit Committee Disclosure Independent Auditors Fees in the Proxy Statement. Information required by this item regarding our Audit Committee s pre-approval policies and procedures and the status of our auditors employees is incorporated by reference to all information under the captions Audit Committee Disclosure Procedures for Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditor.

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PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)(1) Financial Statements

The following financial statements are filed as part of this annual report and set forth on the page indicated:

(a)(3) Exhibits

All exhibits incorporated herein by reference are located in SEC File No. 001-16265.

Exhibit Number	Description of Exhibit
2.1	Asset Purchase and Sale Agreement, dated as of February 28, 2013, among Lime Energy Services Co., Lime Energy Co. and PowerSecure, Inc. (Incorporated herein by reference to Exhibit 2.1 of our Current Report on Form 8-K filed March 1, 2013)
2.2	Membership Interest Purchase Agreement, dated as of November 1, 2013, among Lime Energy Asset development, LLC and Green Gas Americas, Inc. (Incorporated herein by reference to Exhibit 2.1 of our Current Report on Form 8-K filed November 6, 2013)
3.1	Amended and Restated Certificate of Incorporation (Incorporated herein by reference to Exhibit 3.1 of our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2013 and filed on November 14, 2013)
3.2	Amended and Restated Bylaws, as amended (Incorporated herein by reference to Exhibit 3.2 of our Current Report on Form 8-K filed December 30, 2014)
4.1	

	Certificate of Designation of Series A Preferred Stock (Incorporated herein by reference to Exhibit 3.1 of our Current Report on Form 8-K filed September 23, 2013)
4.2	Certificate of Designation of Series B Preferred Stock (Incorporated herein by reference to Exhibit 3.1 of our Current Report on Form 8-K filed December 31, 2013)
4.3	Certificate of Designation of Series C Convertible Preferred Stock (Incorporated herein by reference to Exhibit 3.1 of our Current Report on Form 8-K filed December 30, 2014)

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Exhibit Number	Description of Exhibit
4.4	Form of Warrant to Purchase Common Stock dated September 23, 2013(Incorporated herein by reference to Exhibit 3.1 of our Current Report on Form 8-K filed September 23, 2013)
4.5	Form of Warrant to Purchase Common Stock dated December 30, 2013(Incorporated herein by reference to Exhibit 3.1 of our Current Report on Form 8-K filed December 31, 2013)
4.6	Form of Warrant to Purchase Common Stock dated August 11, 2014 (Incorporated herein by reference to Exhibit 4.1 of our Current Report on Form 8-K filed August 4, 2014)
4.7	Shareholder and Investor Rights Agreement dated as of December 23, 2014 between the Company, Bison Capital Partners IV, L.P., Mr. Richard Kiphart and The John Thomas Hurvis Revocable Trust (Incorporated herein by reference to Exhibit 10.2 of our Current Report on Form 8-K filed December 30, 2014)
4.8	Registration Right Agreement dated as of December 23, 2014 between the Company, Bison Capital Partners IV, L.P. and certain other stockholders (Incorporated herein by reference to Exhibit 10.3 of our Current Report on Form 8-K filed December 30, 2014)
10.1.1 +	Employment Agreement, dated as of August 15, 2006, between Electric City Corp. and Jeffrey R. Mistarz (Incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on August 18, 2006)
10.1.2 +	Amendment to Employment Agreement dated October 1, 2007 between the Company and Jeffrey R. Mistarz. (Incorporated herein by reference to Exhibit 10.3 of our Current Report on Form 8-K filed on October 2, 2007)
10.1.3 +	Employee Option Agreement dated August 15, 2006 between the Company and Jeffrey R. Mistarz (Incorporated herein by reference to Exhibit 10.2 of our Current Report on Form 8-K filed on August 18, 2006)
10.1.4 +	Employee Stock Option Agreement dated July 11, 2006 between the Company and Jeffrey R. Mistarz (Incorporated herein by reference to Exhibit 10.3 of our Current Report on Form 8-K filed on July 17, 2006)
10.1.5+	Second Amendment to Employment Agreement dated June 3, 2010 between the Company and Jeffrey R. Mistarz. (Incorporated herein by reference to Exhibit 10.4 of our Current Report on Form 8-K filed on June 7, 2010)
10.2.1+	Employment Agreement, dated as of June 10, 2008, between Applied Energy Management, Inc. and John O Rourke (Incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on March 9, 2009)
10.2.2+	Assignment and First Amendment to Employment Agreement dated June 3, 2010 between John O Rourke, Applied Energy Management, Inc. and the Company. (Incorporated herein by reference to Exhibit 10.3 of our Current Report on Form 8-K filed on June 7, 2010)
10.2.3+	Second Amendment to Employment Agreement dated June 3, 2011 between John O Rourke and the Company (Incorporated herein by reference to Exhibit 10.3 of our Current Report on Form 8-K filed on June 6, 2011)

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Exhibit Number	Description of Exhibit
10.2.4+	Employee Stock Option Agreement dated June 3, 2011 between John O Rourke and the Company (Incorporated herein by reference to Exhibit 10.4 of our Current Report on Form 8-K filed on June 6, 2011)
10.3+	Employment Agreement dated April 7, 2009, between Applied Energy Management Energy Consulting, LLC. and Adam Procell (Incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on September 27, 2013)
10.4 +	Lime Energy 2010 Non-Employee Directors Stock Plan (Incorporated herein by reference to Exhibit 99.1 of our Current Report on Form 8-K filed on June 8, 2010)
10.5 +	2009 Management Incentive Compensation Plan (Incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on August 7, 2009)
10.6	Loan Agreement between GES-Port Charlotte, LLC and RBC Bank (USA) (Incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on November 7, 2011)
10.7	Commercial Promissory Note between GES-Port Charlotte, LLC and RBC Bank (USA) (Incorporated herein by reference to Exhibit 10.2 of our Current Report on Form 8-K filed on November 7, 2011)
10.8	Continuing Guaranty Agreement between Lime Energy Co., Lime Energy Asset Development, LLC and RBC Bank (USA) (Incorporated herein by reference to Exhibit 10.3 of our Current Report on Form 8-K filed on November 7, 2011)
10.9	Security Agreement between GES-Port Charlotte, LLC and RBC Bank (USA) (Incorporated herein by reference to Exhibit 10.4 of our Current Report on Form 8-K filed on November 7, 2011)
10.10	Mortgage by GES-Port Charlotte, LLC (Incorporated herein by reference to Exhibit 10.5 of our Current Report on Form 8-K filed on November 7, 2011)
10.11	Collateral Assignment of Site Lease Agreement between GES-Port Charlotte, LLC and RBC Bank (USA) (Incorporated herein by reference to Exhibit 10.6 of our Current Report on Form 8-K filed on November 7, 2011)
10.12	Form of Collateral Assignment (Incorporated herein by reference to Exhibit 10.7 of our Current Report on Form 8-K filed on November 7, 2011)
10.13	Hazardous Substances Indemnity Agreement between GES-Port Charlotte, LLC and RBC Bank (USA) (Incorporated herein by reference to Exhibit 10.8 of our Current Report on Form 8-K filed on November 7, 2011)
10.14	Pledge, Assignment and Security Agreement between Lime Energy Asset Development, LLC and RBC Bank (USA) (Incorporated herein by reference to Exhibit 10.9 of our Current Report on Form 8-K filed on November 7, 2011)
10.15	Intercreditor Agreement by and among American Chartered Bank, RBC Bank (USA), GES-Port Charlotte, LLC, Lime Energy Co., and Lime Energy Asset Development, LLC (Incorporated herein by reference to Exhibit 10.10 of our Current Report on Form 8-K filed on November 7, 2011)

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Exhibit Number	Description of Exhibit
10.16	Convertible Note and Warrant Purchase Agreement dated October 22, 2012 (Incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on October 22, 2012)
10.17	Form of Subordinated Secured Convertible Pay-In-Kind Note dated October 22, 2012 (Incorporated herein by reference to Exhibit 10.2 of our Current Report on Form 8-K filed on October 22, 2012)
10.18	Security Agreement dated October 22, 2012 (Incorporated herein by reference to Exhibit 10.3 of our Current Report on Form 8-K filed on October 22, 2012)
10.19	Collateral Agency Agreement dated October 22, 2012 (Incorporated herein by reference to Exhibit 10.4 of our Current Report on Form 8-K filed on October 22, 2012)
10.20	Stock Purchase and Warrant Purchase Agreement dated September 23, 2013 (Incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on September 23, 2013)
10.21	Promissory Note, dated November 1, 2013, by and among Lime Energy Asset development, LLC and Green Gas Americas, Inc. (Incorporated herein by reference to Exhibit 2.2 of our Current Report on Form 8-K filed November 6, 2013)
10.22	Preferred Stock Purchase and Warrant Purchase Agreement dated December 30, 2013 (Incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on December 31, 2013)
10.23	Preferred Stock Purchase and Warrant Purchase Agreement dated January 29, 2014 (Incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on February 3, 2014)
10.24	Side Letter Agreement dated January 29, 2014 (Incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on February 3, 2014)
10.25+	Form of Employee Restricted Stock Agreement filed as Exhibit B to Exhibit 10.1 to the Current Report on Form 8-K dated August 4, 2009, filed with the SEC on August 7, 2009 (Incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on January 8, 2014)
10.26+	Employment Agreement dated April 23, 2014 between the Company and Mary Colleen Brennan (Incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on April 24, 2014
10.27	Letter of Credit Agreement dated August 1, 2014 by and between the Company and Mr. Richard Kiphart (Incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on August 4, 2014)
10.28	Subscription Agreement dated August 4, 2014 between the Company and a group of investors including Mr. Richard Kiphart (Incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on August 7, 2014)
10.29	Form of Subordinated Secured Convertible Pay-In-Kind Note dated August 4, 2014 among the Company and a group of investors including Mr. Richard Kiphart (Incorporated herein by reference to Exhibit 10.2 of our Current Report on Form 8-K filed on August 7, 2014)

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Exhibit Number	Description of Exhibit
10.30	Securities Purchase Agreement dated December 23, 2014 between the Company and Bison Capital Partners IV, L.P. (Incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on December 30, 2014)
10.31	Lime Energy Co. 2014 Employee Stock Purchase Plan (Incorporated herein by reference to Exhibit 99.1 of our Form S-8 Registration Statement filed on July 1, 2014)
21*	List of Subsidiaries
23*	Consent of BDO USA LLP
24.1*	Power of Attorney (included on signature page hereto)
31.1*	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
31.2*	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
32.1**	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
32.2**	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

+ Management contract or compensation plan or arrangement

* Filed herewith

** Furnished herewith

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	LIME ENERGY CO.
By:	/s/ C. Adam Procell C. Adam Procell President and Chief Executive Officer March 31, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 31, 2015, by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title
/s/ C. Adam Procell **C. Adam Procell**	President and Chief Executive Officer
/s/ Mary Colleen Brennan **Mary Colleen Brennan**	Chief Financial Officer and Treasurer
/s/ Richard P. Kiphart **Richard P. Kiphart**	Chairman of the Board
/s/ Stephen Glick, Ph.D. **Stephen Glick, Ph.D.**	Director
/s/ Gregory Barnum **Gregory Barnum**	Director
/s/ Christopher W. Capps **Christopher W. Capps**	Director
/s/ Tommy Pappas **Tommy Pappas**	Director
/s/ Peter McDonald **Peter McDonald**	Director
/s/ Andreas Hildebrand **Andreas Hildebrand**	Director

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Lime Energy Co.

Huntersville, North Carolina

We have audited the accompanying consolidated balance sheets of Lime Energy Co. as of December 31, 2014 and 2013, and the related consolidated statements of operations, stockholders equity and cash flows for each of the two years in the period ended December 31, 2014. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lime Energy Co. at December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

Chicago, Illinois /s/ BDO USA, LLP
March 31, 2015

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Lime Energy Co.

Consolidated Balance Sheets

($ in thousands, except par value amounts)

December 31,		**2014**		**2013**
Assets				
Current assets				
Cash and cash equivalents	$	5,473	$	6,940
Restricted cash		500		500
Accounts receivable, less allowance for doubtful accounts of $1,794 and $1,824 at December 31, 2014 and 2013, respectively		11,820		9,151
Inventories		176		
Costs and estimated earnings in excess of billings on uncompleted contracts		7,407		6,625
Prepaid expenses and other		619		255
Current assets of discontinued operations		613		3,442
Total Current Assets		26,608		26,913
Property and Equipment, net of accumulated depreciation of $3,463 and $2,732 at December 31, 2014 and 2013, respectively (Note 7)		1,470		1,562
Long-Term Receivables		710		296
Deferred Financing Costs, net of accumulated amortization of $108 and $0 at December 31, 2014 and 2013, respectively		22		
Goodwill (Note 8)		6,009		6,009
	$	34,819	$	34,780

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Lime Energy Co.

Consolidated Balance Sheets

($ in thousands, except par value amounts)

December 31,	**2014**	**2013**
Liabilities and Stockholders Equity		
Current liabilities		
Accounts payable	$ 13,341	$ 15,835
Accrued expenses (Note 9)	1,245	2,907
Billings in excess of costs and estimated earnings on uncompleted contracts	705	1,711
Customer deposits	512	72
Other current liabilities	11	3,236
Current liabilities of discontinued operations	806	3,245
Total Current Liabilities	16,620	27,006
Total Liabilities	16,620	27,006
Commitments and Contingencies		
Contingently redeemable Series C Preferred stock, $0.01 par value: 10,000 shares authorized; 10,000 and 0 shares issued and outstanding as of December 31, 2014 and 2013, respectively	9,633	
Stockholders Equity		
Series A Preferred stock, $0.01 par value: 2,000,000 shares authorized; 0 and 957,624 shares issued and outstanding as of December 31, 2014 and 2013, respectively		9
Series B Preferred stock, $0.01 par value: 1,000,000 shares authorized; 0 and 401,232 shares issued and outstanding as of December 31, 2014 and 2013, respectively		4
Common stock, $.0001 par value; 50,000,000 shares authorized; 9,460,090 and 3,667,295 issued and outstanding as of December 31, 2014 and 2013, respectively	1	
Additional paid-in capital	208,916	205,489
Accumulated deficit	(200,351)	(197,728)
Total Stockholders Equity	8,566	7,774
	$ 34,819	$ 34,780

See accompanying notes to consolidated financial statements.

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Lime Energy Co.

Consolidated Statement of Operations

($ in thousands, except per share amounts)

	Year ended December 31, 2014	Year ended December 31, 2013
Revenue	$ 58,816	$ 51,565
Cost of sales	41,162	37,758
Gross Profit	17,654	13,807
Selling, general and administrative expense	20,195	22,933
Amortization of intangibles		10
Operating loss	(2,541)	(9,136)
Other Income (Expense)		
Interest income	100	51
Interest expense	(189)	(2,052)
Total other expense	(89)	(2,001)
Loss from continuing operations	(2,630)	(11,137)
Discontinued Operations:		
Income (loss) from operation of discontinued business	7	(4,499)
Net loss	$ (2,623)	$ (15,636)
Preferred dividend	(2,979)	(2,875)
Net loss available to common stockholders	(5,602)	(18,511)
Basic and diluted loss per common share from		
Continuing operations	$ (1.44)	$ (3.90)
Discontinued operations		(1.25)
Basic and Diluted Loss Per Common Share	$ (1.44)	$ (5.15)
Weighted Average Common Shares Outstanding (Note 3)	3,884,826	3,595,379

See accompanying notes to consolidated financial statements.

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Lime Energy Co.

Consolidated Statements of Stockholders Equity

(in thousands)

	Common Shares	Common Stock	Series A Shares	Series A Preferred Stock	Series B Shares	Series B Preferred Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders Equity
Balance, December 31, 2012	**3,577**						**191,413**	**(182,092)**	**9,321**
Conversion of subordinated notes			677	7			6,755		6,762
Issuance of preferred stock			250	2	400	4	6,494		6,500
Issuance costs							(40)		(40)
Preferred stock dividends							(326)		(326)
Satisfaction of accrued dividends through the issuance of preferred stock			31		1		326		326
Shares issued for benefit plans	90								
Share-based compensation							867		867
Net loss								(15,636)	(15,636)
Balance, December 31, 2013	**3,667**	**$**	**958**	**$ 9**	**401**	**$ 4**	**$ 205,489**	**$ (197,728)**	**$ 7,774**
Conversion of subordinated notes	214						1,048		1,048
Issuance of preferred stock					200	2	1,998		2,000
Issuance costs							(11)		(11)
Warrants Issued							101		101
Preferred stock dividends							(1,969)		(1,969)
Satisfaction of accrued dividends through the issuance of preferred stock			121	1	73	1	1,940		1,942
Conversion of Series A & B shares	5,467	1	(1,079)	(10)	(674)	(7)	16		
Shares issued for benefit plans	112						8		8
Share-based compensation							296		296
Net loss								(2,623)	(2,623)
Balance, December 31, 2014	**9,460**	**$ 1**		**$**		**$**	**$ 208,916**	**$ (200,351)**	**$ 8,566**

See accompanying notes to consolidated financial statements.

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Lime Energy Co.

Statements of Cash Flows

($ in thousands)

	Year ended December 31, 2014	Year ended December 31, 2013
Cash Flows From Operating Activities		
Net Loss	$ (2,623)	$ (15,636)
Adjustments to reconcile net loss to net cash used in operating activities, net of assets acquired and disposed of:		
Provision for bad debts	761	886
Share-based compensation	296	867
Depreciation and amortization	731	1,017
Amortization of original issue discount		1,439
Amortization of deferred financing costs	108	