LIME ENERGY CO.
Form S-1/A
February 09, 2007

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As filed with the Securities and Exchange Commission on February 8, 2007
Registration No. 333-136992

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Amendment No. 3
to
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933
LIME ENERGY CO.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**3699**	**36-4197337**
(State or other jurisdiction of incorporation or organization	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

1280 Landmeier Road, Elk Grove Village, Illinois, 60007, (847) 437-1666
(Address, and Telephone Number of Principal Executive Offices)
JEFFREY R. MISTARZ
Chief Financial Officer and Treasurer
Lime Energy Co., 1280 Landmeier Road, Elk Grove Village, Illinois, 60007, (847) 437-1666
(Name, Address, and Telephone Number of Agent for Service)
Copies to:
Andrew H. Connor
Schwartz Cooper Chartered
180 N. LaSalle Street, Suite 2700
Chicago, Illinois 60601
(312) 346-1300
Approximate Date of Commencement of Proposed sale to the Public:
From time to time after the effective date of this registration statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. þ

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of	Amount To	Proposed Maximum	Proposed Maximum Aggregate	Amount of

Securities to be Registered	Be Registered (1)	Offering Price Per Share (2)	Offering Price (2)	Registration Fee (3)
Common stock, par value $0.0001	40,753,588	$ 1.05	$42,791,267	$4,578.67

(1) In the event of a stock split, stock dividend or similar transaction involving the common stock of the registrant, in order to prevent dilution, the number of shares of common stock registered hereby shall be automatically adjusted to cover the additional shares of common stock in accordance with Rule 416 under the Securities Act of 1933, as amended.

(2) Estimated in accordance with Rule 457(c) under the Securities Act of 1933, as amended, solely for the purpose of calculating the registration fee based on the average of the high and low sale prices of the common stock of Lime

Energy Co. reported on the OTC Bulletin Board on February 6, 2006.

(3) Partially offset by $4,280.41 previously paid with the S-1 filed on August 30, 2006.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS
LIME ENERGY CO.
40,753,588 Shares of Common Stock

This prospectus relates to up to 40,753,588 shares of our common stock, par value $0.0001 per share, which may be offered for sale by selling stockholders named in this prospectus. The selling stockholders can sell these shares on any exchange on which the shares are listed, in privately negotiated transactions or by any other legally available means, whenever they decide and at the prices they set. We may issue up to 484,667 of these shares upon exercise of common stock warrants issued by the Company held by the selling stockholders. We will not receive any of the proceeds from the sale of these shares of our common stock, but may receive proceeds from the exercise of any of such warrants.

Our common stock is quoted on the OTC Bulletin Board under the symbol LMEC. On February 6, 2007, the closing sale price for shares of our common stock was $1.05 per share.

Our principal executive office is located at 1280 Landmeier Road, Elk Grove Village, Illinois, 60007. Our telephone number at that address is (847) 437-1666. Our web site is located at http://www.lime-energy.com. The information contained on our web site is not part of this prospectus.

Investing in our common stock involves risks described beginning on page 8.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is February 8, 2007.

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ABOUT THIS PROSPECTUS

This prospectus is a part of a registration statement that we have filed with the Securities and Exchange Commission (SEC or Commission) using a shelf registration process. You should rely only on the information provided in this prospectus or any supplement or amendment. We have not authorized anyone else to provide you with additional or different information. You should not assume that the information in this prospectus or any supplement or amendment is accurate as of any date other than the date on the front of this prospectus or any supplement or amendment.

Unless the context otherwise requires, Lime Energy, the Company, we, our, us and similar expressions refers Lime Energy Co. and its subsidiaries, and the term common stock means Lime Energy Co. s common stock, par value $0.0001 per share.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements that reflect our current expectations and projections about our future results, performance, prospects and opportunities. We have tried to identify these forward-looking statements by using words such as may, should, expect, hope, anticipate, believe, intend, plan, estimate and sim These forward-looking statements are based on information currently available to us and are subject to a number of risks, uncertainties and other factors, including the factors set forth under Risk Factors, that could cause our actual results, performance, prospects or opportunities in 2007 and beyond to differ materially from those expressed in, or implied by, these forward-looking statements. These factors include, without limitation, our limited operating history, our history of operating losses, fluctuations in retail electricity rates, our reliance on licensed technologies, customers acceptance of our new and existing products, the risk of increased competition, our ability to successfully integrate acquired businesses, products and technologies, the recent changes in our management, our ability to manage our growth, our possible need for additional financing in the future and the terms and conditions of any financing that might be consummated, the possible volatility of our stock price, the concentration of ownership of our stock and the potential fluctuation in our operating results. 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. Except as otherwise required by Federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason, after the date of this prospectus.

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus.

Our Company

We were organized as Electric City LLC, a Delaware limited liability company, on December 5, 1997. On June 5, 1998 we merged Electric City LLC with and into Electric City Corp., a Delaware corporation. On June 10, 1998, we issued approximately six (6%) percent of our then issued and outstanding common stock to the approximately 330 stockholders of Pice Products Corporation (Pice), an inactive, unaffiliated company with minimal assets, pursuant to the merger of Pice with and into Electric City. This merger facilitated the establishment of a public trading market for our common stock. Trading in our common stock commenced on August 14, 1998 through the OTC Bulletin Board under the trading symbol ECCC . From December 12, 2000 through June 9, 2006, our common stock traded on the American Stock Exchange under the trading symbol ELC . Beginning on June 12, 2006, our common stock began trading once again on the OTC Bulletin Board under the trading symbol ELCY. On September 13, 2006 we changed our name to Lime Energy Co. after merging with a wholly owned subsidiary which was set up solely for the purpose of effecting a name change. On September 22, 2006 our stock began trading on the OTC Bulletin Board under the trading symbol LMEC.

Our Products

We are a developer, manufacturer and integrator of energy saving technologies. Our energy saving products are the eMAC line of HVAC controllers and the EnergySaver system. The EnergySaver reduces energy consumed by lighting, typically by 20% to 30%, with minimal lighting level reduction. This technology has been installed in applications in commercial buildings, factories and office structures, as well as street lighting and parking lot lighting.

On May 3, 2005 we acquired Maximum Performance Group, Inc. (MPG), a technology-based provider of energy and asset management products and services. MPG currently manufactures and markets its eMAC line of controllers for commercial and industrial HVAC and lighting applications. The eMAC line of microprocessor based controllers are used to optimize the performance of HVAC systems and provide continuous monitoring, control and reporting. The eMAC system generally reduces energy consumption by 15% to 20% through the use of intelligent operating algorithms which learn the rate of cooling or heating required to achieve the desired space temperature while optimizing compressor run time within these limits. The eMAC also monitors up to 126 points of system operation. This system information is captured on a real time basis and transmitted via wireless two-way communication to MPG s central eMAC servers where it is analyzed to ensure maximum system reliability. If the system detects a problem in an HVAC unit, the problem can be diagnosed and the appropriate action can be taken to minimize or avoid system downtime. MPG s customers can also remotely control their HVAC equipment and view historical operating information via the Internet using a standard Internet browser.

Effective June 30, 2006 we acquired Parke P.A.N.D.A. Corporation (Parke), an energy services provider specializing in the design, engineering and installation of energy efficient lighting upgrades for commercial and industrial users. We believe that the addition of Parke will broaden the product offering to our existing customers and allow us to sell our technology products to its current and former customers.

Effective September 27, 2006, we acquired Kapadia Consulting, Inc. (Kapadia), an energy engineering firm that specializes in energy conservation and energy management. We believe that the acquisition of Kapadia will further expand our product offering, increase our customer base and brings valuable energy engineering experience to the Company.

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Our EnergySaver product line is manufactured at our facilities in Elk Grove Village, Illinois, with manufacturing and assembly scaled to order demand. Maximum Performance Group has offices in New York City and San Diego, California, but contracts for the manufacturing of its hardware products with third party contract manufacturers. Parke is headquartered in Glendora, California and has offices in Danville and Carmel, California. Kapadia is headquartered in Peekskill, New York and has an office in Ventura, California.

Giorgio Reverberi has patented in the United States and Italy certain technologies underlying the EnergySaver products. We have entered into a license agreement and series of agreements with Mr. Reverberi and our founder, Mr. Joseph Marino, relating to the license of the EnergySaver technology in the United States and certain other markets. We own all the patents and trademarks related to MPG s products.

Due to changes in lighting technology we expect revenue from the EnergySaver system to decline in future periods and the eMAC line of HVAC controllers to become our leading line of technology products.

We are pursuing a multi-channel marketing and sales distribution strategy to bring our energy saving products to market. Our multi-channel approach includes the use of a direct sales force and independent manufacturers representatives and dealers.

Recent Events

AMEX Delisting

On April 21, 2006, we received a notice from the American Stock Exchange informing us that after a review of our most recent Annual Report on Form 10-K it determined that we were not in compliance with Section 1003(a)(iii) of its Company Guide. Section 1003(a)(iii) requires a listed company to maintain shareholder equity of at least $6 million if it has sustained losses from continuing operations and/or new losses in its most recent five fiscal years. On May 22, 2006, we notified the American Stock Exchange of our decision to delist our common stock from the Exchange. On June 12, 2006, our common stock began trading on the OTC Bulletin Board under the ticker symbol ELCC .

Reverse Stock Split

In June, 2006, our board of directors approved and we announced a 1 for 15 reverse split of our common stock, effective on June 15, 2006. Our common stock has been trading on this basis since that date. We took such action in order to permit us to raise additional capital, which we did on June 29, 2006. We did not ask our stockholders to approve the Reverse Split in June because we did not believe it was necessary based on the advice of our counsel. Thereafter, on June 29, 2006, we closed four transactions (the June 29 Transactions) and acquired Kapadia Consulting, Inc., which transactions are described under The PIPE Transaction , Acquisition of Parke P.A.N.D.A Corporation , and Acquisition of Kapadia Consulting, Inc. in the paragraphs below. All of the June 29 Transactions, and the acquisition of Kapadia Consulting, Inc., were premised on the belief of the parties thereto that the 1 for 15 reverse split was completed on June 15, 2006, and all of these transactions valued our common stock at a price of $1 per share. Subsequently, the staff of the Securities and Exchange Commission requested advice as to whether our Certificate of Incorporation should have been amended (which requires stockholder approval) under Delaware law to effect the reverse split. We then engaged Delaware counsel to assist us. We were advised by Delaware counsel that, although our board had approved the reverse split, in the view of Delaware counsel the reverse split would not be effective until it had been set forth in an amendment to our Certificate of Incorporation approved by our stockholders and filed with the Delaware Secretary of State. We completed such actions on January 23, 2007 and the reverse split became effective on that date. As a result of the reverse split, the number of outstanding shares of our common stock was reduced from 97,663,927 shares outstanding immediately prior to filing of the amendment to 6,510,925 shares of common stock immediately after filing the amendment.

However, because the reverse split became effective January 23, 2007 and not on June 15, 2006, the shares of common stock that were issued in the June 29 Transactions and the acquisition of Kapadia Consulting, Inc. were reduced on a 1 for 15 basis when the amendment was filed. Since both we and the other parties to

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those transactions intended that the shares we issued were post-reverse split shares, following the filing of the amendment and the reverse split becoming effective, we offered to each of the recipients of shares in the June 29 Transactions and the Kapadia acquisition additional shares of common stock so that each would have the specific number of post-reverse split shares of which were intended in those transactions, in satisfaction of any claims such recipients might have in respect of such matter. All of them accepted such offer and we thereupon issued a total of 43,275,686 shares of common stock to such parties, bringing our total outstanding shares of common stock to 50,316,902. The table below shows, for each such party, the number of shares acquired in the June 29 Transactions and the Kapadia acquisition, the effect of the reverse split on those shares, and the number of catch up shares which we have issued to each such party in satisfaction of any claims they might otherwise have:

Stockholder	No. Of Shares Actually Acquired	Number Of Shares Held After Amendment and Reverse-Split	Number Of "Catch Up" Shares Issued
David R. Asplund	1,854,200	123,613	1,730,587
Augustine Fund LP	2,628,000	175,200	2,452,800
Chris Capps	25,000	1,667	23,333
Cinergy Ventures II, LLC	3,002,293	200,153	2,802,140
John Donohue	294,000	19,600	274,400
Gregory Ekizian	400,000	26,667	373,333
Robert L. Gipson	2,363,600	157,573	2,206,027
Thomas Gipson	1,500,000	100,000	1,400,000
Julia Gluck	100,000	6,667	93,333
John Thomas Hurvis Revocable Trust	540,053	36,004	504,049
Rebecca Kiphart	200,000	13,333	186,667
Richard P. Kiphart	14,603,400	973,560	13,629,840
Laurus Master Fund Ltd	1,343,461	89,564	1,253,897
Leaf Mountain	3,315,900	221,060	3,094,840
Martin Mellish	250,000	16,667	233,333
Nikolaos D. Monoyios	2,363,600	157,573	2,206,027
Nettlestone Enterprise Ltd.	1,500,000	100,000	1,400,000
SF Capital Partners	4,237,600	282,507	3,955,093
David W. Valentine	345,700	23,047	322,653
The Parke Family Trust	5,000,000	333,333	4,666,667
Pradeep Kapadia	500,000	33,333	466,667
Total	46,366,807	3,091,121	43,275,686

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The PIPE Transaction, Series E Preferred Conversion and Laurus Repayment

On June 29, 2006, we entered into a securities purchase agreement with a group of 17 investors (the PIPE Investors) pursuant to which we issued to such purchasers an aggregate of 17,875,000 shares of our common stock at a price of $1.00 per share for total gross proceeds of $17,875,000 (the PIPE Transaction). Ten of the PIPE Investors, who purchased an aggregate of 13,900,000 shares of common stock in the PIPE Transaction, were holders of Series E Convertible Preferred stock (Series E Preferred), including three members of our board of directors (who, together with members of their families, purchased 7,700,000 shares of common stock in the PIPE Transaction).

Prior to the PIPE Transaction, the Series E Preferred stock was convertible into our common stock at $6.67 per share, after adjustment for the reverse split. However, the Series E Preferred contained anti-dilution provisions which required automatic reduction of the conversion price of the Series E Preferred if we issued stock or securities convertible into common stock at a price below the Series E Preferred conversion price then in effect to the price of the new issuance. Because we issued common stock in the PIPE Transaction at $1.00 per share, the Series E Preferred conversion price was automatically reduced to $1.00 per share.

In connection with the PIPE Transaction, the holders of the Series E Preferred agreed to convert all outstanding shares of Series E Preferred into common stock at the new conversion price on the closing of the PIPE Transaction (the Series E Conversion). As a result, we issued 21,648,346 shares of our common stock upon the conversion of the Series E Preferred on June 29, 2006.

Prior to closing the PIPE Transaction, we owed Laurus Master Fund, Ltd. (Laurus), $943,455 under a revolving convertible loan, $5,038,030 under two convertible term loans, $54,726 in accrued interest and fees and $161,096 in liquidated damages for failing to register common stock with the SEC for resale by Laurus as required in connection with the $5 million term loan which we borrowed from Laurus in November 2005. In connection with the PIPE Transaction Laurus agreed to convert the outstanding balance on the revolving convertible loan and related accrued interest into common stock at $1.00 per share and accept payment of the liquidated damages in shares of our common stock, again valued at $1.00 per share. We used $5,601,418 of the proceeds from the PIPE Transaction to repay the convertible term loans and pay related accrued interest and fees and prepayment penalties thereon, and, we issued 1,111,961 shares of common stock to Laurus upon conversion of the revolving convertible loan and to pay the accrued interest and the liquidated damages. Laurus also agreed, in exchange for 231,500 shares of our common stock, to terminate the requirement that we pay it a portion of the cash flows generated by own two Virtual Negawatt Power Plan (or VNPP) projects as required by the $5 million term loan of November 2005.

We also used $2,720,000 of the proceeds of the PIPE Transaction to fund the cash portion of the purchase price of the Parke acquisition (described below) and $400,000 of such proceeds to repay Parke s revolving line of credit. The remaining proceeds will be used for general corporate purposes. We may also use a portion of the proceeds to selectively acquire businesses, products and/or technologies that are complementary to our own.

A provision of the PIPE Transaction required us to file and have declared effective by November 3, 2006, a registration statement registering the shares issued as part of the PIPE Transaction. To the extent that we failed to have the registration statement declared effective by this date, we are required to pay penalties to the PIPE investors at the rate of 1% per month of the purchase price paid by the investors. Largely as a result of the questions regarding the need to amend our Certificate of Incorporation to effect the June 15, 2006 reverse split of our stock, we were not able to have the registration statement declared effective before the November 3, 2006 deadline. All of the investors in the PIPE Transaction agreed to accept shares of our common stock, valued at $1.00 per share, as payment of this registration penalty. As a result, on January 24, 2007 and February 2, 2007 we issued a total of 530,291 shares of common stock to these PIPE investors in satisfaction of the penalties owed through January 31, 2007. We hope that this registration statement will be declared effective some time during February. In the meantime we continue to accrue penalties at the rate of approximately

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$178,750 per month, which we expect will be satisfied through the issuance of additional shares of common stock.

Acquisition of Parke P.A.N.D.A. Corporation

On June 29, 2006, we completed the previously announced acquisition of Parke for consideration consisting of $2.72 million in cash and $5 million of our common stock (5,000,000 shares valued at $1.00 per share). The acquisition was effective as of June 30, 2006. As part of the acquisition, we assumed debt of approximately $446,000, $400,000 of which we repaid upon closing. Parke was owned by The Parke Family Trust, whose trustees are Daniel Parke, one of our directors, and his wife Michelle Parke.

Parke (now named Parke Industries, LLC) is an energy services provider specializing in the design, engineering and installation of energy efficient lighting upgrades for commercial and industrial users. Parke has 30 employees and is headquartered in Glendora, California, with offices in Danville and Carmel, California.

Dan Parke, the president and founder of Parke, continues to serve as the President of Parke and, as of June 30, 2006, also assumed the position of President and Chief Operating Officer of Lime Energy.

Name Change to Lime Energy

On September 13, 2006, we changed our name to Lime Energy Co. by merging with a wholly owned subsidiary set up solely for the purpose of effecting the name change. We changed our name because we felt the Lime Energy brand reflects the image that we wish to convey to our customers, shareholders and the broader electricity and energy efficiency industry. Lime is an acronym for Less Is More Efficient, which we feel more accurately describes the green energy efficiency technologies offered by Lime Energy and further positions us as a unique player in the energy market. Because of the change of our name, on September 22, 2006 our ticker symbol changed to LMEC.

Special Committee of the Board of Directors

Due to potential conflicts of interest resulting from (i) certain members of our board of directors beneficially owning Series E shares and being asked to purchase shares of common stock in the PIPE Transaction and concurrently convert their Series E shares into our common stock, and (ii) Dan Parke s ownership interest in Parke P.A.N.D.A. Corporation, our board of directors established a special committee comprised of disinterested, independent directors to review, negotiate and approve the acquisition of Parke and the PIPE Transaction. The special committee retained Rittenhouse Capital Partners, LLC (Rittenhouse) to act as its financial advisor, and legal counsel to assist it in its review of these transactions. Rittenhouse reviewed the Parke acquisition and delivered to the special committee an opinion to the effect that the purchase price paid for Parke was fair to us from a financial point of view. It also provided information, advice and analysis to assist the committee in its review of the structure and pricing of the PIPE Transaction. Legal counsel assisted the special committee in its review of these transactions and advised the committee on its duties and responsibilities. After considering all of the information it had gathered, the committee concluded that these transactions were in the best interests of the Company and its stockholders, and approved the Parke acquisition and the PIPE Transaction.

Acquisition of Kapadia Consulting, Inc.

On September 26, 2006, we acquired Kapadia Consulting, Inc., effective September 27, 2006, for consideration consisting of $1.25 million in cash and 500,000 shares of Lime Energy common stock. Kapadia, which we have renamed Kapadia Energy Services, Inc., is an engineering firm that specializes in energy management consulting and energy efficient lighting upgrades for commercial and industrial users. Kapadia has seven employees, is headquartered in Peekskill, New York and has an office in Ventura, California.

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Amendment to Certificate of Incorporation

As described under Reverse Stock Split above, on January 23, 2007 we filed an amendment to our Certificate of Incorporation to make effective a 1 for 15 reverse split of our common stock on that date. The amendment made no other changes to our capital stock or to any other provisions of our Certificate of Incorporation.

New Director

Effective January 26, 2007, Joseph F. Desmond joined our Board of Directors. See Directors, Executive Officers, Promoters and Control Persons for additional information regarding Mr. Desmond.

The Restructured Company

After effecting the PIPE Transaction and the Parke and Kapadia acquisitions we have the following:

Cash of approximately $7 million (as of September 30, 2006);

No debt, except for the mortgage on our headquarters in the amount of $529,000, a $150,000 demand note owed to one of our stockholders, and various auto loans and capitalized leases totaling approximately $53,000 (all balances as of September 30, 2006);

One class of outstanding equity (common stock), with no outstanding preferred stock or convertible debt;

Approximately 78 employees;

Eight sales offices located in New York, Chicago, Salt Lake City, San Diego, Glendora, California, Danville, California, Carmel, California and Ventura, California;

Proprietary technology that controls and reduces energy consumed in commercial lighting and HVAC applications;

A business that designs, engineers and installs energy efficient lighting upgrades for commercial and industrial users; and

A largely revamped board of directors (5 of the 8 directors have joined the Board since October 2005) and senior management team (our CEO and our President are both new to the Company in 2006).

We believe that as a result of these recently implemented changes we will be better positioned to take advantage of the growth in demand for energy efficiency products and services, hopefully leading to improved profitability and cash flow. We also believe that there are opportunities for future acquisitions that could broaden our product line, increase our geographic reach and lead us to new markets for our products, all of which we hope would also contribute to increased sales and to profitability.

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The Offering

Securities Offered.	The selling stockholders are offering from time to time up to 40,753,588 shares of our common stock.
Terms of the Offering.	We have agreed to use our best efforts to keep the registration statement of which this prospectus is a part effective until all the shares of the selling stockholders registered under the registration statement have been sold or may be sold without volume restrictions pursuant to Rule 144(k) under the Securities Act.
Use of Proceeds.	We will not receive any of the proceeds from any sale of the shares offered by this prospectus by the selling stockholders. To the extent a selling stockholder exercises its warrant for cash, we intend to use the proceeds we receive from such exercise(s) for general corporate purposes.
OTC Bulletin Board Symbol	LMEC

RISK FACTORS

The following disclosure of risk factors includes all material risks known to us at this time. Additional risks we are not presently aware of or that we currently believe are immaterial may prove to impair our business and financial performance. Our business could be harmed by any of these risks, whether stated or unstated. We operate in a continually changing business environment and may as a result enter into new businesses and product lines. We cannot predict new risk factors that may arise in the future, and we cannot assess the impact, if any, of these new risk factors on our businesses or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements. Accordingly, you should not rely on forward-looking statements as a prediction of actual results. In addition, our estimates of future operating results are based on our current complement of businesses, which is subject to change as we continue to assess and refine our business strategy. If any of the following risks actually occur, our business, results of operations, and financial condition could be adversely affected in a material manner and could negatively affect the value of your investment.

Risks Related to Our Business

We have a limited operating history upon which to evaluate our potential for future success.

We were formed in December 1997. To date, we have generated limited revenues from the sale of our products and do not expect to generate significant revenues until we sell a significantly greater amount of our products and services. Accordingly, we have only a limited operating history upon which you can base an evaluation of our business and prospects. Moreover, we have acquired five businesses over the past six years and subsequently sold two of them because of changes in our overall strategy. The likelihood of our success must be considered in light of the risks and uncertainties frequently encountered by early stage companies like ours in an evolving market. If we are unsuccessful in addressing these risks and uncertainties, our business will be materially harmed or in the worst case, could fail.

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

We have experienced operating losses and negative cash flow from operations since our inception and we currently have an accumulated deficit. These factors raise substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is ultimately dependent on our ability to increase sales to a level that will allow us to operate profitably and sustain positive operating cash flows. Although we are continuing our efforts to improve profitability through expansion of our business in both current and new markets, we must overcome significant manufacturing hurdles, including gearing up to produce large quantities of product or arranging to outsource the production of our products, and marketing hurdles, including gaining market acceptance, in order to sell large quantities of our products and services. In addition, we may be required to reduce the prices of our products in order to increase sales. 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 (1) for general corporate purposes, including working capital, marketing, recruiting and hiring additional personnel; and (2) for research and development. To the extent that our revenues do not increase as quickly as these costs and expenditures, our results of operations and liquidity will be materially adversely affected. If we experience slower than anticipated revenue growth or if our operating expenses exceed our expectations, we may not achieve profitability. Even if we achieve profitability in the future, we may not be able to sustain it.

Our auditors have modified their opinion to our audited financial statements for the year ended December 31, 2005 to include an emphasis paragraph, stating that our continuing losses and negative cash flow from operations raise substantial doubt about our ability to continue as a going concern. We have recently raised gross proceeds of $17,875,000 through the issuance of shares of our common stock, which has improved our current liquidity. We have also recently sold a subsidiary and acquired Parke P.A.N.D.A. Corporation (now named Parke Industries, LLC) and Kapadia Consulting, Inc. (now named Kapadia Energy Services, Inc.) and we are in the process of making other changes to our business which we hope will lead to an improvement in our cash flow in future periods. Whether these changes will lead to us becoming cash flow positive remains to be seen.

Our independent registered public accountants have issued a going concern opinion raising doubt about our financial viability.

As a result of our continuing losses and negative cash flows, our independent registered public accounting firm, BDO Seidman, LLP, issued a going concern opinion in connection with their audit of our financial statements for the year ended December 31, 2005. This opinion expressed substantial doubt as to our ability to continue as a going concern. The going concern opinion could have an adverse impact on our ability to execute our business plan, result in the reluctance on the part of certain suppliers to do business with us, result in the inability to obtain new business due to potential customers concern about our ability to deliver products or services, or adversely affect our ability to raise additional debt or equity capital.

Failure to replace a significant customer could materially and adversely affect our results of operations and financial condition.

We have historically derived a significant portion of our annual revenue from a limited number of customers. Seldom has any one customer represented 10% or more of our revenues for more than one year in a row. This requires that we continually replace major customers, whose needs we have satisfied, with one or more new customers. The failure to replace a major customer could have a significant negative effect on our results of operations and financial condition.

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A decrease in electric retail rates could lessen demand for our products.

Our principal products, our EnergySaver and eMAC products and our lighting retro-fit services and energy engineering services, have the greatest profit potential in areas where commercial electric rates are relatively high. However, retail electric rates for commercial establishments in the United States may not remain at their current levels. Due to a potential overbuilding of power generating stations in certain regions of the United States, wholesale power prices may decrease in the future. Because the price of commercial retail electric power is largely attributed to the wholesale cost of power, it is reasonable to expect that commercial retail rates may decrease as well. In addition, much of the wholesale cost of power is directly related to the price of certain fuels, such as natural gas, oil and coal. If the prices of those fuels decrease, the prices of the wholesale cost of power may also decrease. This could result in lower electric retail rates and reduced demand for our energy saving products and services.

We have a license to use certain patents and our ability to sell our products may be adversely impacted if the license expires or is terminated.

We have entered into a license agreement with Messrs. Giorgio Reverberi and Joseph Marino with regard to the core technology used in our EnergySaver product. Mr. Reverberi holds a U.S. patent and has applied for several patents in other countries. Pursuant to the terms of the license, we have been granted the exclusive right to manufacture and sell products containing the load reduction technology claimed under Mr. Reverberi s U.S. patent or any other related patent held by him in the U.S., the remainder of North America, parts of South America and parts of Africa. However, the exclusive rights that we received may not have any value in territories where Mr. Reverberi does not have or does not obtain protectable rights. The term of the license expires when the last of these patents expires. We expect that these patents will expire around November 2017. The license agreement may be terminated if we materially breach its terms and fail to cure the breach within 180 days after we are notified of the breach. If our license is terminated it could impact our ability to manufacture, sell or otherwise commercialize EnergySaver products in those countries where Mr. Reverberi holds valid patents relating to our products, including the United States.

If we are not able to protect our intellectual property rights against infringement, or if others obtain intellectual property rights relating to energy management technology, we could lose our competitive advantage in the energy management market.

We regard our intellectual property rights, such as patents, licenses of patents, trademarks, copyrights and trade secrets, as important to our success. Although we have entered into confidentiality and rights to inventions agreements with our employees and consultants, the steps we have taken to protect our intellectual property rights may not be adequate. Third parties may infringe or misappropriate our intellectual property rights or we may not be able to detect unauthorized use and take appropriate steps to enforce our rights. Failure to take appropriate protective steps could materially adversely affect any competitive advantage we may have in the energy management market. Furthermore, our patents and our license to use Mr. Reverberi s patents may have little or no value to us if our patents or Mr. Reverberi s patents are not valid. In addition, patents held by third parties may limit our ability to manufacture, sell or otherwise commercialize products and could result in the assertion of claims of patent infringement against us. If that were to happen, we could try to modify our products to be non-infringing, but we might not be successful or such modifications might not avoid infringing on the intellectual property rights of third parties.

Claims of patent infringement against us, regardless of merit, could result in the expenditure of significant financial and managerial resources by us. We could be forced to seek to enter into license agreements with third parties (other than Mr. Reverberi) to resolve claims of infringement by our products of the intellectual property rights of third parties. Such licenses may not be available on acceptable terms or at all. The failure to obtain such licenses on acceptable terms could have a negative effect on our business.

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David Asplund, our new Chief Executive Officer has limited experience operating a Company such as ours and no direct industry experience.

Mr. Asplund, who has been on our Board since June 2002, has a degree in mechanical engineering and has had a successful career in the financial industry. Mr. Asplund founded an investment banking firm in 1999 and operated the firm as its president for six years, but Mr. Asplund has not operated a manufacturing company and he has limited industry experience. His past experience does not assure that he will be successful in his new role as CEO of Lime Energy.

If we are unable to achieve or manage our growth, it will adversely affect our business, the quality of our products and services, and our ability to attract and retain key personnel.

If we succeed in growing our sales as we need to do, we will be subject to the risks inherent in the expansion and growth of a business enterprise. Growth in our business will place a strain on our operational and administrative resources and increase the level of responsibility for our existing and new management personnel. To manage our growth effectively, we will need to:

- further develop and improve our operating, information, accounting, financial and other internal systems and controls on a timely basis;
- improve our business development, marketing and sales capabilities; and
- expand, train, motivate and manage our employee base.

Our systems currently in place may not be adequate if we grow and may need to be modified and enhanced. The skills of management currently in place may not be adequate if we experience significant growth.

If our management fails to properly identify companies to acquire and to effectively negotiate the terms of these acquisition transactions, our growth may be impaired.

As part of our growth strategy, we intend to seek to acquire companies with complementary technologies, products and/or services. Our management, including our board of directors, will have discretion in identifying and selecting companies to be acquired by us and in structuring and negotiating these acquisitions. In general, our common stockholders may not have the opportunity to approve these acquisitions. In addition, in making acquisition decisions, we will rely, in part, on financial projections developed by our management and the management of potential target companies. These projections will be based on assumptions and subjective judgments. The actual operating results of any acquired company or the combination of us and an acquired company may fall significantly short of projections.

We may be unable to acquire companies that we identify as targets for various reasons, including:

- our inability to interest such companies in a proposed transaction;
- our inability to agree on the terms of an acquisition;
- incompatibility between our management and management of a target company; and
- our inability to obtain the approval of the holders of our common stock, if required.

If we cannot consummate acquisitions on a timely basis or agree on terms at all, or if we cannot acquire companies with complementary technologies, products and/or services on terms acceptable to us, our future growth may be impaired.

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Our growth may be impaired and our current business may suffer if we do not successfully address risks associated with acquisitions.

Since January 1, 2000, we have acquired five companies; Switchboard Apparatus Inc., Great Lakes Controlled Energy Corporation, Maximum Performance Group, Inc., Parke P.A.N.D.A. Corporation and Kapadia Consulting, Inc., two of which (Switchboard Apparatus and Great Lakes Controlled Energy) we subsequently sold at a loss. Our future growth may depend, in part, upon our ability to successfully identify, acquire and operate other complementary businesses. We may encounter problems associated with such acquisitions, including the following:

- difficulties in integrating acquired operations and products with our existing operations and products;
- difficulties in meeting operating expectations for acquired businesses;
- diversion of management s attention from other business concerns;
- adverse impact on earnings of amortization or write-offs of goodwill and other intangible assets relating to acquisitions; and
- issuances of equity securities that may be dilutive to existing stockholders to pay for acquisitions.

In addition, often an acquired company s performance is largely dependent on a few key people, particularly in smaller companies. If these key people leave the company, become less focused on the business or less motivated to make the business successful after the acquisition, the performance of the acquired company may suffer.

If our products and services do not achieve or sustain market acceptance, our ability to compete will be adversely affected.

To date, we have not sold our eMAC or EnergySaver product lines in very large quantities and a sufficient market may not develop for them. Significant marketing will be required in order to establish a sufficient market for these products. The technology underlying our products may not become a preferred technology to address the energy management needs of our customers and potential customers. Failure to successfully develop, manufacture and commercialize products on a timely and cost-effective basis will have a material adverse effect on our ability to compete in the energy management market or survive as a business.

Failure to meet customers expectations or deliver expected technical performance could result in losses and negative publicity.

Customer engagements involve the installation of energy management equipment to help our clients reduce energy/power consumption. We often rely on outside contractors to install our EnergySaver and eMAC products. Any defects in this equipment and/or its installation or any other failure to meet our customers expectations could result in:

- delayed or lost revenues due to adverse customer reaction;
- requirements to provide additional products, replacement parts and/or services to a customer at no charge;
- negative publicity regarding us and our products, which could adversely affect our ability to attract or retain customers; and
- claims for substantial damages against us, regardless of whether we have any responsibility for such failure.

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If sufficient additional funding is not available to us, the commercialization of our products and services and our ability to grow is likely to be hindered.

Our operations have not generated positive cash flow since the inception of the Company in 1997. We have funded our operations through the issuance of common and preferred stock and secured debt. Our ability to continue to operate until our cash flow turns positive may depend on our ability to continue to raise funds through the issuance of equity or debt. If we are not successful in raising additional funds, we might have to significantly scale back or delay our growth plans, or possibly 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 products. If we should have to cease operations altogether, your investment is likely to be lost.

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

We have recently raised additional capital through the issuance of common stock to repay debt, fund an acquisition, grow our product development, manufacturing, marketing and sales activities at the pace that we intend, and to continue to fund operating losses until our cash flow turns positive. We may find it necessary to raise capital again some time in the future. If we determine that we do need to raise additional capital in the future and we are not successful in doing so, we might have to significantly scale back or delay our growth plans, reduce staff and delay planned expenditures on research and development and capital expenditures in order to continue as a going concern. 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 products.

If we raise additional funds in the future through the issuance of equity securities or convertible debt securities, our existing 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 stock holders may not have approval rights with respect to such issuances.

Failure to effectively market our energy management products and services could impair our ability to sell significant quantities of these products and services.

One of the challenges we face in commercializing our energy management products and services is demonstrating the advantages of our products and services over competitive products and services. To do this, we will need to further develop our marketing and sales force. If we do not successfully develop and expand our internal sales force, our ability to generate significant revenues may be harmed.

If we do not successfully compete with others in the very competitive energy management market, we may not achieve profitability.

In the energy management market, we compete with other manufacturers of energy management products that are currently used by our potential customers. Many of these companies have substantially greater financial resources, larger research and development staffs and greater manufacturing and marketing capabilities than we do. Our competitors may provide energy management products at lower prices and/or with superior performance. If we are unable to successfully compete with conventional and new technologies, our business may be materially harmed.

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Product liability claims could result in losses and could divert our management s time and resources.

The manufacture and sale of our products creates a risk of product liability claims. Any product liability claims, with or without merit, could result in costly litigation and reduced sales, cause us to incur significant expenses and divert our management s time, attention and resources. We do have product liability insurance coverage; however, there is no assurance that such insurance is adequate to cover all potential claims. The successful assertion of any such claim against us could materially harm our liquidity and operating results.

Risks Related to this Offering

Due to the current market price of our common stock, in conjunction with the fact that we are a relatively small company with a history of operating losses, the future trading market for our stock may not be active on a consistent basis, which may make it difficult for you to sell your shares.

The trading volume of our stock in the future depends in part on our ability to increase our revenue and reduce or eliminate our operating losses, which should increase the attractiveness of our stock as an investment, thereby leading to a more liquid market for our stock on a consistent basis. If we are unable to achieve these goals, the trading market for our stock may be negatively affected, which may make it difficult for you to sell your shares. In addition, we have recently moved from The American Stock Exchange to the OTC Bulletin Board because we no longer meet AMEX listing criteria. Our move to the OTC Bulletin Board may result in reduced liquidity and increased volatility for our stock. If an active and liquid trading market does not exist for our common stock, you may have difficulty selling your shares.

Due to the move from The American Stock Exchange to the OTC Bulletin Board, holders of our common stock will no longer have certain approval rights available under the AMEX Rules.

The American Stock Exchange has rules which listed companies must comply with. Among other things, the AMEX Rules require shareholder approval as a prerequisite to approving applications to list additional shares to be issued in connection with certain transactions. For example, AMEX Rule 713 requires shareholder approval if a company issues shares equal to or greater than 20% of its currently outstanding shares, if such issuance is at a price below the greater of book or market value of the shares. Although we are subject to the Delaware General Corporation Law, it is less restrictive and does not require stockholder approval of such a transaction. Accordingly, now that our stock is no longer listed on the AMEX, we may issue shares for less than the greater of book or market value and take certain other actions without stockholder approval which we could not have taken without shareholder approval when our common stock was listed on AMEX.

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.

There were 50,316,902 shares of our common stock outstanding as of February 7, 2007, of which the PIPE Investors (a total of 17 investors) and The Parke Family Trust beneficially own in the aggregate approximately 90%. 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

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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 this small group of shareholders could result in increased volatility in our stock price due to the limited number of shares available in the market.

Provisions of our charter and by-laws, in particular our blank check preferred stock, could 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.

We do not intend to pay dividends on shares of our common stock in the foreseeable future.

We currently expect to retain our future earnings, if any, for use in the operation and expansion of our business. We do not anticipate paying any cash dividends on shares of our common stock in the foreseeable future.

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, are creating uncertainty for companies such as ours. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, we intend to invest reasonably necessary resources to comply with evolving standards, and this investment may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities, which could harm our business prospects.

USE OF PROCEEDS

We will not receive any of the proceeds from any sale of the shares offered by this prospectus by the selling stockholders. If and when a selling stockholder exercises its common stock warrants, we may receive up to $3,818,463 from the issuance of shares of common stock to such selling stockholder. The warrants have exercise prices ranging from $1.00 to $47.70 per common share. Some of the warrants contain a cashless exercise option, which permits the holder to surrender a portion of the shares issuable upon exercise of the warrant as payment of the exercise price. To the extent the holder of a warrant elects the cashless exercise option, the cash received by us and the number of shares issued upon exercise of such warrant will be reduced. Any cash received as a result of the exercise of any of the warrants will be used by the Company for general corporate purposes.

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PLAN OF DISTRIBUTION

We have agreed to register for public resale shares of our common stock which have been issued to the selling stockholders or may be issued in the future to the selling stockholders upon exercise of the warrants. We have agreed to use our best efforts to keep the registration statement, of which this prospectus is a part, effective until all the shares of the selling stockholders registered hereunder have been sold or may be sold without volume restrictions pursuant to Rule 144(k) under the Securities Act. The aggregate proceeds to the selling stockholders from the sale of shares offered pursuant to this prospectus will be the prices at which such securities are sold, less any commissions. The selling stockholders may choose not to sell any or all of the shares of our common stock offered pursuant to this prospectus.

The selling stockholders may, from time to time, sell all or a portion of the shares of our common stock at fixed prices, at market prices prevailing at the time of sale, at prices related to such market prices or at negotiated prices. The selling stockholders may offer their shares of our common stock at various times in one or more of the following transactions:

on any securities exchange, market or trading facility on which our common stock may be listed at the time of sale;

in an over-the-counter market in which the shares are traded;

through block trades in which the broker or dealer so engaged will attempt to sell the shares as agent, but may purchase and resell a portion of the block as principal to facilitate the transaction;

through purchases by a broker or dealer as principal and resale by such broker or dealer for its account pursuant to this prospectus;

in ordinary brokerage transactions and transactions in which the broker solicits purchasers;

through options, swaps or derivatives;

in privately negotiated transactions;

in transactions to cover short sales;

through a combination of any such methods of sale; and .

through any other method permitted by law.

The selling stockholders may also sell their shares of our common stock in accordance with Rule 144 under the Securities Act, rather than pursuant to this prospectus. The selling stockholders shall have the sole and absolute discretion not to accept any purchase offer or make any sale of shares if they deem the purchase price to be unsatisfactory at any particular time.

The selling stockholders may sell their shares of our common stock directly to purchasers or may use brokers, dealers, underwriters or agents to sell such shares. In effecting sales, brokers and dealers engaged by the selling stockholders may arrange for other brokers or dealers to participate. Brokers or dealers may receive commissions, discounts or concessions from a selling stockholder or, if any such broker-dealer acts as agent for the purchaser of such shares, from a purchaser, in amounts to be negotiated. Such compensation may, but is not expected to, exceed that which is customary for the types of transactions involved. Broker-dealers may agree with a selling stockholder to sell a specified number of such shares at a stipulated price per share, and, to the extent a broker-dealer is unable to do so acting as agent for a selling stockholder, to purchase as principal any unsold shares at the price required to fulfill the broker-dealer commitment to the selling stockholder. Broker-dealers who acquire shares as principal may thereafter resell such shares from time to time in transactions which may involve block transactions and sales to and

through other broker-dealers, including transactions of the nature described above, in the over-the-counter market or otherwise, at prices and on terms

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then prevailing at the time of sale, at prices then related to the then-current market price or in negotiated transactions. In connection with such resales, broker-dealers may pay to or receive from the purchasers of such shares commissions as described above.

From time to time the selling stockholders may engage in short sales (i.e. the sale of our stock when the seller does not own our stock by borrowing shares from someone who does), short sales against the box (i.e. the sale of shares borrowed from another shareholder while continuing to hold an equivalent number of shares), puts, calls and other hedging transactions in our securities, and may sell and deliver their shares of our common stock in connection with such transactions or in settlement of securities loans. These transactions may be entered into with broker-dealers or other financial institutions. In addition, from time to time a selling stockholder may pledge its shares pursuant to the margin provisions of its customer agreement with its broker-dealer or secure loans from financial institutions. Upon default by a selling stockholder, the broker-dealer or financial institution may offer and sell such pledged shares from time to time.

The selling stockholders and any broker-dealer participating in the distribution of the shares of common stock may be deemed to be underwriters within the meaning of the Securities Act, and any commissions paid, or any discounts or concessions allowed to any such broker-dealer may be deemed to be underwriting commissions or discounts under the Securities Act. At the time a particular offering of the shares of common stock is made, a prospectus supplement, if required, will be distributed which will set forth the aggregate amount of shares of common stock being offered and the terms of the offering, including the name or names of any broker-dealers or agents, any discounts, commissions and other terms constituting compensation from the selling stockholders and any discounts, commissions or concessions allowed or reallowed or paid to broker-dealers.

Under the securities laws of some states, the shares of common stock may be sold in such states only through registered or licensed brokers or dealers. In addition, in most states the shares of common stock may not be sold unless such shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and is complied with.

There can be no assurance that any selling stockholders will sell any or all of the shares of common stock registered pursuant to the registration statement of which this prospectus forms a part.

The selling stockholders and any other person participating in such distribution will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including, without limitation, Regulation M of the Exchange Act, which may limit the timing of purchases and sales of any of the shares of common stock by the selling stockholders and any other participating person.

Regulation M may also restrict the ability of any person engaged in the distribution of the shares of common stock to engage in market-making activities with respect to the shares of common stock. All of the foregoing may affect the marketability of the shares of common stock and the ability of any person or entity to engage in market-making activities with respect to the shares of common stock.

A portion of the shares of common stock which are being registered hereunder may be issued upon exercise of warrants which we have issued to certain of the selling stockholders. This prospectus does not cover the sale or transfer of any such warrants. If a selling stockholder transfers its warrant prior to exercise thereof, the transferee(s) may not sell the shares of common stock issuable upon exercise of such warrant under the terms of this prospectus unless we first amend or supplement this prospectus to cover such shares and such seller.

We are required to pay all fees and expenses incident to the registration of the shares of our common stock offered hereby (other than broker-dealer discounts and commissions) which we estimate to be $104,679 in total, including, without limitation, Securities and Exchange Commission filing fees, expenses of compliance with state securities or blue sky laws, legal and accounting fees and transfer agent fees relating to sales pursuant to this prospectus; provided, however, that the selling stockholders will pay all underwriting discounts

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and selling commissions, if any. We have agreed to indemnify the selling stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act of 1933, as amended.

Once sold under the registration statement of which this prospectus forms a part, the shares of common stock will be freely tradable in the hands of persons other than our affiliates.

LEGAL PROCEEDINGS

From time to time, the Company has been a party to pending or threatened legal proceedings and arbitrations that are routine and incidental to its business. Based upon information presently available, and in light of legal and other defenses available to the Company, management does not consider the liability from any threatened or pending litigation to be material to the Company.

DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

The table below shows certain information about our directors, executive officers and significant employees:

Name	Age	Principal Positions
David R. Asplund	48	Chief Executive Officer and Director
Gregory T. Barnum	51	Director (1)
William R. Carey, Jr.	59	Director (1)(3)
Joseph F. Desmond	42	Director
Richard P. Kiphart	65	Director (2)(3)
Jeffrey R. Mistarz	48	Executive Vice President, Chief Financial Officer, Treasurer and Secretary
Daniel W. Parke	51	President, Chief Operating Officer, President Parke Industries and Director
Gerald A. Pientka	51	Director (2)(3)
Leonard Pisano	44	Executive Vice President, President of Maximum Performance Group
David W. Valentine	37	Director (1)(2)

(1) Member of our Audit Committee.

(2) Member of our Compensation Committee.

(3) Member of our Governance and Nominating Committee.

Our Board of Directors is currently authorized for a membership of twelve directors. As of February 7, 2007, our Board of Directors had four vacancies.

David R. Asplund has been one of our directors since June 2002 and has been our chief executive officer since January 2006. Mr. Asplund has a degree in mechanical engineering from the University of Minnesota. Prior to becoming CEO of Lime Energy, Mr. Asplund was president of Delano Group Securities, LLC, an investment banking firm in Chicago, Illinois, which he founded in 1999. Mr. Asplund is also serves on the board of Agenet, Inc.

Gregory T. Barnum has been one of our directors since March 2006. Mr. Barnum is currently the vice president of finance and chief financial officer of Datalink Corporation, an information storage architect. Prior to joining Datalink in March 2006, Mr. Barnum was the vice president of finance, chief financial officer and corporate secretary of Computer Network Technology Corporation. From September 1992 to July 1997, Mr. Barnum served as senior vice president of finance and administration, chief financial officer and corporate

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secretary at Tricord Systems, Inc., a manufacturer of enterprise servers. From May 1988 to September 1992, Mr. Barnum served as the executive vice president, finance, chief financial officer, treasurer and corporate secretary for Cray Computer Corporation, a development stage company engaged in the design of supercomputers. Prior to that time, Mr. Barnum served in various accounting and financial management capacities for Cray Research, Inc., a manufacturer of supercomputers. Mr. Barnum is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants.

William R. (Max) Carey has been one of our directors since March 2006. Mr. Carey is the chairman and founder of Corporate Resource Development, a sales and marketing consulting firm he founded in 1981. He is also a managing director of Entrepreneur Equity Corporation, an insurance broker that creates specialty products for middle market companies. Mr. Carey also serves on the boards of Outback Steakhouse Inc., Kforce, Inc., Crosswalk.com and J.B. Hanauer & Co.

Joseph F. Desmond has been one of our directors since January 2007. Mr. Desmond is the Senior Vice President, External Affairs for NorthernStar Natural Gas, a developer of liquefied natural gas import terminals. From May 2005 until November 2006, Mr. Desmond served as the Chairman of the California Energy Commission. From May 2006 to November 2006 Mr. Desmond also served as the Under Secretary for Energy Affairs in the California Resources Agency. Prior to his public service for the State of California, Mr. Desmond served as President and Chief Executive Officer of Infotility, Inc., an energy consulting and software development firm based in Boulder, Colorado. From 1997 to 2000, Mr. Desmond was President and Chief Executive Officer of Electronic Lighting, Inc., a manufacturer of controllable lighting systems, and from 1991 to 1997 he was with Parke Industries, where he served as vice president.

Richard P. Kiphart has been one of our directors since January 2006, when he also became chairman of our board of directors. Mr. Kiphart is the head of the Corporate Finance Department and a Principal of William Blair & Company Investment firm. In addition, Mr. Kiphart currently serves as a member of the board of directors of First Data Corp., and previously served on the Concord EFS board of directors from 1997 until 2004 and was chairman of the Concord board of directors from February 2003 until March 2004. Mr. Kiphart is also currently a director of SAFLINK Corporation, Advanced Biotherapy, Inc. and Nature Vision, Inc. In addition he is the former chairman of the Merit Music School, is the president and chief executive officer of the Lyric Opera of Chicago, and the vice chairman of the Erikson Institute. He also serves on the board of DATA (Debt AIDS Trade Africa). Mr. Kiphart is the father in-law of David Valentine, one of our directors.

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

Daniel W. Parke has been our president and chief operating officer since we acquired Parke P.A.N.D.A. Corporation, which he owned and served as its president from its founding in 2001. In addition to serving as our president and chief operating officer, Mr. Parke continues to serve as the president of Parke, which is now named Parke Industries LLC. Mr. Parke was previously a founder of Parke Industries, Inc., an energy solutions provider which was acquired in February 1998 by Strategic Resource Solutions, an unregulated subsidiary of Carolina Power & Light.

Independent Directors

Of the eight directors currently serving on the Board, the Board has determined that each of Messrs. Barnum, Carey, Desmond, Kiphart, Pientka and Valentine are independent directors as defined in Section 121A of The American Stock Exchange Listing Standards.

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Gerald A. Pientka has been one of our directors since May 2000. Mr. Pientka is currently, and has been since February 2006 the executive vice president of development for First Industrial Realty Trust, Inc. From September 2003 to February 2006 he was the founder and principal of Verus Partners, a real estate development company located in Chicago, Illinois. Prior to this, from May 1999 through March 2003, Mr. Pientka was president of Higgins Development Partners, LLC (the successor to Walsh, Higgins & Company), a national real estate development company controlled by the Pritzker family interests. From May 1992 until May 1999, Mr. Pientka served as president of Walsh, Higgins & Company. Mr. Pientka is also a member of Leaf Mountain Company, LLC. Mr. Pientka is also board president of Christopher House, a Chicago-based social services agency.

Leonard Pisano has been our executive vice president of sales since June 7, 2006, prior to this, from May 3, 2005, the date we acquired Maximum Performance Group, Inc., he served as our chief operating officer. He is also Maximum Performance Group s president and has been from its founding in February 2003. Prior to that, Mr. Pisano founded Maximum Energy Services in early 2001 and served as it President until it merged with Pentech Solutions to form Maximum Performance Group in February 2003. During his career, Mr. Pisano has held various senior management positions at companies within the energy services sector, including Parke Industries Inc. and SRS, a division of Carolina Power and Light. Prior to entering the energy services sector, Mr. Pisano spent ten years in facilities management at New York University, leaving NYU in 1996 when he was Director of Facilities.

David W. Valentine has been one of our directors since May 2004. Mr. Valentine is currently a senior investment professional of a private investment firm. Prior to taking his current position, Mr. Valentine was the Global Head of Debt Private Placements at UBS Investment Bank where he had been a Director of Leveraged Finance. Before joining UBS, Mr. Valentine held various investment banking positions at Nesbitt Burns Securities Inc. and ABN Amro Chicago Corporation. Mr. Valentine is the son in-law of Richard Kiphart, our chairman.

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SELLING STOCKHOLDERS

The 40,753,588 shares of common stock being offered by the selling stockholders consist of 40,268,921 shares that have been issued, and 484,667 shares issuable upon exercise of warrants owned by the selling stockholders. We are registering the shares of common stock so that the selling stockholders may offer the shares for resale from time to time.

Securities which have been acquired directly from the Company in a transaction not involving any public offering are usually considered restricted securities. The sale of restricted securities is generally restricted by the Securities Act of 1933, as amended. Rule 144 under the Securities Act of 1933 provides certain conditions under which restricted securities may be sold, and provisions under which any sales of restricted or unrestricted securities by our affiliates may be made. During any 90 day period the sale of restricted securities, or the sale of any securities by those shareholders who are deemed to be affiliates of the Company, is limited by Rule 144 to the greater of one percent (1%) of the outstanding shares of the Company s common stock, or the average weekly trading volume of the Company s common stock during the preceding four week period. The term affiliate is defined in Rule 144 as a person that directly or indirectly controls, is controlled by, or is under common control with, the issuer. In addition, for any sale of restricted securities, the securities must have been held by the selling stockholder for at least one year and they must be sold in brokers transactions (as defined in Rule 144). The trading restrictions of Rule 144 continue to apply to affiliates for a period of three months following the date on which the shareholder no longer is considered an affiliate of the Company. All of the shares of common stock being offered under this prospectus are restricted securities, but Rule 144 permits sales after the restricted securities have been held for one year, subject to certain restrictions. Rule 144(k) permits sales without such restrictions if the securities have been held two years or more and the seller is not and has not been an affiliate for at least three months. Once the registration statement of which this prospectus forms a part is declared effective, the selling stockholders will be able to sell the shares covered hereby without complying with Rule 144, provided that the current prospectus is delivered as required by SEC rules and the Securities Act of 1933, except that if any selling stockholder is an affiliate of the Company at the time of any sale, the restrictions under Rule 144 relating to sales by affiliates will continue to apply and except that a selling stockholder which is a broker-dealer is an underwriter and is not eligible to rely on Rule 144. Any buyer which is an affiliate of the Company at the time it later sells any of our securities will be subject to the restrictions under Rule 144 relating to sales by affiliates. Otherwise, such buyer will be able to sell free of such restrictions.

The table below lists the selling stockholders and other information regarding the beneficial ownership of the common stock by each of the selling stockholders. The first column lists, for each selling stockholder, the number of shares of common stock held by such stockholder including shares issuable pursuant to exercise of warrants and options exercisable within 60 days to such stockholder. The second column lists the shares of common stock (including shares issued or issuable upon exercise of warrants) being offered by this prospectus by each selling stockholder. The column titled Ownership After Offering assumes the sale of all of the shares offered by each selling stockholder, although each selling stockholder may sell all, some or none of its shares in this offering. Except as otherwise noted in the notes to the table below, the business address of each selling stockholder is c/o the Company, 1280 Landmeier Road, Elk Grove Village, IL 60007-2410.

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	Ownership Prior to Offering		Securities Being	Ownership After Offering	
Selling Stockholder	**Shares**	**%**	**Offered**	**Shares**	**%**
David R. Asplund *(1)(48)*	3,630,662*(2)*	6.956%	1,874,408*(3)*	1,756,254	3.365%
Augustine Fund LP*(4)*	2,675,791*(5)*	5.298%	2,555,926*(6)*	119,865	*
Bristol Capital Ltd.*(7)*	190,000*(8)*	*	180,000*(9)*	10,000	*
Christopher Capps	25,741	*	25,741*(10)*	0	0.000%
Cinergy Ventures II, LLC*(11)*	3,141,471*(12)*	6.217%	2,823,847*(13)*	317,624	*
John Donohue	307,459*(14)*	*	286,613*(15)*	20,846	*
Gregory H. Ekizian Revocable Trust	411,866	*	411,866*(16)*	0	0.000%
Julia Gluck	102,966	*	102,966*(17)*	0	0.000%
John Thomas Hurvis Revocable Trust	565,108*(18)*	1.119%	505,934*(19)*	59,174	*
Ingalls & Snyder, LLC *(20)*	6,303,748	12.487%	6,058,000*(20)*	245,748	*
Rebecca Kiphart	205,934	*	205,934*(21)*	0	0.000%
Richard P. Kiphart*(22)(4)*	15,013,601*(23)*	29.620%	14,213,260*(24)*	800,341	1.579%
Laurus Master Fund, Ltd*(25)*	1,531,461*(26)*	3.022%	1,404,477*(27)*	126,984	*
Leaf Mountain Company *(28)*	3,365,267	6.666%	3,275,300*(29)*	89,967	*
Martin Melish	257,416	*	257,416*(30)*	0	0.000%
Nettlestone Enterprises Ltd.*(31)*	1,544,500	3.059%	1,544,500*(32)*	0	0.000%
Security Equity Fund, Mid Cap Value Series *(33)(48)*	130,717*(34)*	*	130,717*(35)*	0	0.000%
SBL Fund Series V *(33)(48)*	103,333*(36)*	*	103,333*(37)*	0	0.000%
Security Mid Cap Growth Fund *(33)(48)*	91,967*(38)*	*	91,967*(39)*	0	0.000%
SBL Fund Series J*(33)(48)*	190,650*(40)*	*	190,650*(41)*	0	0.000%
SF Capital Partners Ltd. *(42)*	4,296,934*(43)*	8.512%	4,168,252*(44)*	128,682	*
David W. Valentine *(45)*	486,634*(46)*	*	342,481*(47)*	144,153	*

* *Less than 1%*

(1) David Asplund is a Director and has been our CEO since January 2006.

(2) Includes warrants to purchase 2,852 shares of common stock at $1.00 per share anytime prior to September 7,

2008, which Mr. Asplund acquired in the ordinary course of business. At the time when Mr. Asplund acquired the warrant he had no agreements or understanding, directly or indirectly, with anyone to distribute the shares issuable under such warrant. Also includes 6,766 shares at common stock and a warrant held by Delano Group Securities, LLC, a broker-dealer of which Mr. Asplund is the principal owner (and therefore an affiliate of Mr. Asplund), to purchase 2,000 shares of common stock at $15.45 per share anytime prior to February 10, 2010. Delano acquired the shares and

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warrant in the ordinary course of business and at the time when Delano acquired the securities it had no agreements or understanding, directly or indirectly, with anyone to distribute the share or the shares issuable under such warrant. The common stock and shares issuable pursuant to the warrant are not included as a securities being offered as part of this prospectus. Also includes the following employee and director options exercisable within 60 days:

Quantity	Exercise Price	Expiration Date
1,667	$15.00	6/10/2013
1,112	$15.00	6/10/2015
5,000	$17.55	6/10/2012
1,666	$27.75	6/10/2014
100,000	$ 9.30	1/22/2016
100,000	$ 0.96	1/22/2016
1,500,000	$ 1.02	7/11/2016
1,709,445		

(3) Mr. Asplund acquired 1,854,200

shares on June 29, 2006, consisting of 1,500,000 purchased in the PIPE Transaction, and 354,200 acquired pursuant to the Series E Conversion. Following the filing of the amendment which made a 1 for 15 reverse split of our common stock effective on January 23, 2007 (the Reverse Split), the shares acquired on June 29, 2006 were combined into 123,613 shares of common stock. On or about February 1, 2007, we issued 1,730,587 catch-up shares to him in consideration of his relinquishing any claims relating to the timing of the Reverse Split. See Recent Events *Reverse Stock Split*. The 1,874,408 shares being offered by Mr. Asplund consist of 1,652,200 catch-up shares,

100,000 shares deriving from the shares issued pursuant to the Series E Conversion, 77,708 shares deriving from the shares acquired in the PIPE Transaction and 44,500 shares issued on January 24, 2007 and February 2, 2007 in satisfaction of penalties owed to Mr. Asplund due to the Company s inability to register the shares he purchased in the PIPE Transaction on or before November 3, 2006.

(4) The controlling members, directors and officers, all of whom are Thomas Duszynski, Brian Porter and John Porter, may be deemed to share power to vote or dispose of the shares held by Augustine Fund LP. The business address of Augustine

Fund LP is 141 West Jackson Blvd., Suite 2182, Chicago, Illinois 60604.

(5) Includes warrants to purchase 18,125 shares of common stock at $1.00 per share anytime prior to their expiration on September 7, 2008.

(6) Augustine Fund LP acquired 2,628,000 shares on June 29, 2006, consisting of 1,628,000 shares acquired pursuant to the Series E Conversion and 1,000,000 shares purchased in the PIPE Transaction. Following the filing of the amendment which made the Reverse Split effective on January 23, 2007, the shares acquired on June 29, 2006 were combined into 175,200 shares of common stock. On or about February 1,

2007, we issued 2,452,800 catch-up shares to Augustine Fund in consideration of its relinquishing any claims relating to the timing of the Reverse Split. See Recent Events *Reverse Stock Split*. The 2,555,926 shares being offered by Augustine Fund consist of 2,386,133 catch-up shares, 66,667 shares derived from the shares acquired in the PIPE Transaction, 73,460 shares deriving from the shares issued pursuant to the Series E Conversion, and 29,666 shares issued on January 24, 2007 and February 2, 2007 in satisfaction of penalties owed to Augustine due to the Company s inability to register the shares it purchased in the PIPE Transaction on or before November 3,

2006.

(7) Bristol Capital Ltd. is beneficially owned by Yelena Akselrod. Bristol Capital Ltd. is currently acting as an Investor Relations consultant to the Company.

(8) Includes a warrant to purchase 10,000 shares of common stock at $15.45 per share anytime prior to its expiration on 1/25/08, a warrant to purchase 60,000 shares of common stock at $1.00 per share anytime prior to its expiration on July 25, 2009 and a warrant to purchase

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120,000 shares of common stock at $1.00 per share anytime prior to its expiration on December 31, 2009.

(9) Represents a warrant to purchase 60,000 shares of common stock at $1.00 per share anytime prior to its expiration on July 25, 2009 and a warrant to purchase 120,000 shares of common stock at $1.00 per share anytime prior to its expiration on December 31, 2009. All of the shares being offered by Bristol Capital Ltd. are shares which would be acquired by exercising these warrants.

(10) Mr. Capps purchased 25,000 shares in the PIPE Transaction on June 29, 2006. Following the filing of the amendment which made the Reverse Split

effective on January 23, 2007, the shares acquired on June 29, 2006 were combined into 1,667 shares of common stock. On or about February 1, 2007, we issued 23,333 catch-up shares to Mr. Capps in consideration of his relinquishing any claims relating to the timing of the Reverse Split. See Recent Events *Reverse Stock Split*. The 25,741 shares being offered by Mr. Capps consist of 23,333 catch-up shares, 1,667 shares deriving from the shares acquired in the PIPE Transaction and 741 shares issued on January 24, 2007 and February 2, 2007 in satisfaction of penalties owed to Mr. Capps due to the Company s inability to register the shares he purchased in the PIPE

Transaction on or before November 3, 2006.

(11) Cinergy Technologies, Inc. is a wholly-owned subsidiary of Cinergy Corp. a publicly traded company, and is also the sole member of Cinergy Ventures II, LLC. Greg Wolf, a vice president of Cinergy Ventures, has the authority to vote and dispose of the shares held by Cinergy Ventures II, LLC. The business address of Cinergy Ventures II, LLC is 139 East Fourth Street, Cincinnati, Ohio 45202.

(12) Includes 3,092,513 shares of common stock, 45,625 shares of common stock issuable upon exercise of warrants and 3,333 shares of common stock issuable upon exercise of options. The warrants carry

an exercise price of $1.00 per share. Warrants to purchase 5,625 shares expire on June 27, 2007 and warrants to purchase 40,000 shares expire on September 7, 2008. The options carry an exercise price of $16.05 per share and expire on July 23, 2013.

(13) Cinergy Ventures II, LLC acquired 3,002,293 shares on June 29, 2006, consisting of 1,902,293 shares acquired pursuant to the Series E Conversion and 1,100,000 shares purchased in the PIPE Transaction. Following the filing of the amendment which made the Reverse Split effective on January 23, 2007, the shares acquired on June 29, 2006 were combined into 200,153 shares of common stock. On or about February 1,

2007, we issued 2,802,140 catch-up shares to Cinergy Ventures II in consideration of its relinquishing any claims relating to the timing of the Reverse Split. See Recent Events *Reverse Stock Split*. The 2,823,847 shares being offered by Cinergy Ventures II consist of 2,591,060 catch-up shares, 73,333 shares deriving from the shares acquired in the PIPE Transaction, 126,820 shares deriving from the shares issued pursuant to the Series E Conversion and 32,634 shares issued on January 24, 2007 and February 2, 2007 in satisfaction of penalties owed to Cinergy Ventures II due to the Company s inability to register the shares it purchased in the PIPE

Transaction on or before November 3, 2006.

(14) Includes warrants to purchase 3,125 shares of common stock at $1.00 per share anytime prior to their expiration on September 7, 2008.

(15) Mr. Donohue acquired 294,000 shares on June 29, 2006 pursuant to the Series E Conversion. Following the filing of the amendment which made the Reverse Split effective on January 23, 2007, the shares acquired on June 29, 2006 were combined into 19,600 shares of common stock. On or about February 1, 2007, we issued 274,400 catch-up shares to Mr. Donohue in consideration of his relinquishing any claims relating to the timing of the Reverse Split.

See Recent Events *Reverse Stock Split*. The 286,613 shares being offered by Mr. Donohue consist of 267,013 catch-up shares and 19,600 shares deriving from the shares issued pursuant to the Series E Conversion.

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(16) The Gregeroy H. Ekezian Revocable Trust purchased 400,000 shares in the PIPE Transaction on June 29, 2006. Following the filing of the amendment which made the Reverse Split effective on January 23, 2007, the shares acquired on June 29, 2006 were combined into 26,667 shares of common stock. On or about February 1, 2007, we issued 373,333 catch-up shares to the Ekezian Revocable Trust in consideration of its relinquishing any claims relating to the timing of the Reverse Split. See Recent Events *Reverse Stock Split*. The 411,866 shares being offered by the Ekezian Revocable Trust consist of 373,333 catch-up shares, 26,667 shares deriving from the shares

acquired in the PIPE Transaction and 11,866 shares issued on January 24, 2007 and February 2, 2007, in satisfaction of penalties owed to the Ekezian Revocable Trust due to the Company s inability to register the shares it purchased in the PIPE Transaction on or before November 3, 2006.

(17) Ms. Julia Gluck purchased 100,000 shares in the PIPE Transaction on June 29, 2006. Following the filing of the amendment which made the Reverse Split effective on January 23, 2007, the shares acquired on June 29, 2006 were combined into 6,667 shares of common stock. On or about February 1, 2007, we issued 93,333 catch-up shares to Ms. Gluck in

consideration of her relinquishing any claims relating to the timing of the Reverse Split. See Recent Events *Reverse Stock Split*. The 102,966 shares being offered by Ms. Gluck consist of 93,333 catch-up shares, 6,667 shares deriving from the shares acquired in the PIPE Transaction and 2,966 shares issued on January 24, 2007 and February 2, 2006 in satisfaction of penalties owed to Ms. Gluck due to the Company s inability to register the shares she purchased in the PIPE Transaction on or before November 3, 2006.

(18) Includes the following warrants:

Quantity	Exercise Price	Expiration Date
4,630	$15.75	4/28/2008
4,375	$ 1.00	9/07/2008
352	$ 1.00	6/27/2007

9,357

(19) John Thomas Hurvis Revocable Trust acquired 540,053 shares on June 29, 2006, consisting of 340,053 shares acquired pursuant to the Series E Conversion and 200,000 shares purchased in the PIPE Transaction. Following the filing of the amendment which made the Reverse Split effective on January 23, 2007, the shares acquired on June 29, 2006 were combined into 36,004 shares of common stock. On or about February 1, 2007, we issued 504,049 catch-up shares to Hurvis Revocable Trust in consideration of its relinquishing any claims relating to the timing of the Reverse Split. See Recent Events *Reverse Stock Split*. The 505,934 shares

being offered by Hurvis Revocable Trust consist of 463,997 catch-up shares, 13,333 shares deriving from the shares acquired in the PIPE Transaction, 22,670 shares deriving from the shares issued pursuant to the Series E Conversion and 5,934 shares issued on January 24, 2007 and February 2, 2007 in satisfaction of penalties owed to the Hurvis Revocable Trust due to the Company s inability to register the shares it purchased in the PIPE Transaction on or before November 3, 2006.

(20) Ingalls & Snyder, LLC is the nominee holder of shares beneficial owned by Mr. Robert Gibson, Mr. Thomas Gipson and Mr. Nikolaos Monoyios. The

business address for Ingalls & Synder, LLC is 61 Broadway, New York, NY 10006.

Mr. Robert Gipson acquired 2,363,600 shares on June 29, 2006, consisting of 450,000 shares purchased in the PIPE Transaction and 1,913,600 acquired pursuant to the Series E Conversion. Following the filing of the amendment which made the Reverse Split effective on January 23, 2007, the shares acquired on June 29, 2006 were combined into 157,573 shares of common stock. On or about February 1, 2007, we issued 2,206,027 catch-up shares to Mr. Gipson in consideration of his relinquishing any claims relating to the timing of the Reverse Split. See Recent Events *Reverse Stock Split*. The

2,256,750 shares being offered by Mr. Gipson	

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consist of 2,093,840 catch-up shares, 30,000 shares deriving from the shares acquired in the PIPE Transaction, 119,560 shares deriving from the shares issued pursuant to the Series E Conversion, and 13,350 shares issued on January 24, 2007 and February 2, 2007 in satisfaction of penalties owed to Mr. Gipson due to the Company s inability to register the shares he purchased in the PIPE Transaction on or before November 3, 2006.

Mr. Thomas Gipson purchased 1,500,000 shares in the PIPE Transaction on June 29, 2006. Following the filing of the amendment which made the Reverse Split

effective on January 23, 2007, the shares acquired on June 29, 2006 were combined into 100,000 shares of common stock. On or about February 1, 2007, we issued 1,400,000 catch-up shares to Mr. Gipson in consideration of his relinquishing any claims relating to the timing of the Reverse Split. See Recent Events *Reverse Stock Split*. The 1,544,500 shares being offered by Mr. Gipson consist of 1,400,000 catch-up shares, 100,000 shares deriving from the shares acquired in the PIPE Transaction and 44,500 shares issued on January 24, 2007 and February 2, 2007 in satisfaction of penalties owed to Mr. Gipson due to the Company s inability to register the shares he

purchased in the PIPE Transaction on or before November 3, 2006.

Mr. Monoyios acquired 2,363,600 shares on June 29, 2006, consisting of 1,913,600 shares acquired pursuant to the Series E Conversion and 450,000 shares purchased in the PIPE Transaction. Following the filing of the amendment which made the Reverse Split effective on January 23, 2007, the shares acquired on June 29, 2006 were combined into 157,573 shares of common stock. On or about February 1, 2007, we issued 2,206,027 catch-up shares to Mr. Monoyios in consideration of his relinquishing any claims relating to the timing of the Reverse Split. See Recent

Events *Reverse Stock Split*. The 2,256,750 shares being offered by Mr. Monoyios consist of 2,085,840 catch-up shares, 30,000 shares deriving from the shares acquired in the PIPE Transaction, 127,560 shares deriving from the shares issued pursuant to the Series E Conversion and 13,350 shares issued on January 24, 2007 and February 2, 2007 in satisfaction of penalties owed to Mr. Monoyios due to the Company s inability to register the shares he purchased in the PIPE Transaction on or before November 3, 2006.

(21) Ms. Rebecca Kiphart purchased 200,000 shares in the PIPE Transaction on June 29, 2006. Following the

filing of the amendment which made the Reverse Split effective on January 23, 2007, the shares acquired on June 29, 2006 were combined into 13,333 shares of common stock. On or about February 1, 2007, we issued 186,667 catch-up shares to Ms. Kiphart in consideration of her relinquishing any claims relating to the timing of the Reverse Split. See Recent Events *Reverse Stock Split*. The 205,934 shares being offered by Ms. Kiphart consist of 186,667 catch-up shares, 13,333 shares deriving from the shares acquired in the PIPE Transaction and 5,934 shares issued on January 24, 2007 and February 2, 2007 in satisfaction of penalties owed to Ms. Kiphart due to the

Company s inability to register the shares she purchased in the PIPE Transaction on or before November 3, 2006.

(22) Richard Kiphart has been a director and the Chairman of our Board of Directors since January 2006.

(23) Includes 14,810,072 shares of common stock and the following options and warrants exercisable within 60 days:

Instrument	Quantity	Exercise Price	Expiration Date
Warrant	18,750	$ 1.00	12/4/2006
Warrant	8,398	$ 1.00	4/23/2008
Warrant	43,125	$ 1.00	9/7/2008
Warrant	4,922	$ 1.00	6/27/2007
Option	3,334	$15.00	1/24/2016
Option	100,000	$ 1.02	7/11/2016
Option	25,000	$ 0.90	1/2/2017
	203,529		

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(24) Mr. Kiphart acquired 14,603,400 shares on June 29, 2006, consisting of 8,903,400 shares acquired pursuant to the Series E Conversion and 5,700,000 shares purchased in the PIPE Transaction. Following the filing of the amendment which made the Reverse Split effective on January 23, 2007, the shares acquired on June 29, 2006 were combined into 973,560 shares of common stock. On or about February 1, 2007, we issued 13,629,840 catch-up shares to Mr. Kiphart in consideration of his relinquishing any claims relating to the timing of the Reverse Split. See Recent Events *Reverse Stock Split*. The 14,213,260 shares being offered by Mr. Kiphart

consist of 13,070,600 catch-up shares, 380,000 shares deriving from the shares acquired in the PIPE Transaction, 593,560 shares deriving from the shares issued pursuant to the Series E Conversion and 169,100 shares issued on January 24, 2007 and February 2, 2006 in satisfaction of penalties owed to Mr. Kiphart due to the Company s inability to register the shares he purchased in the PIPE Transaction on or before November 3, 2006.

(25) Laurus Master Fund, Ltd. exercises dispositive and voting control with respect to the securities to be offered for resale. Laurus Capital Management, LLC controls Laurus Master Fund, Ltd. Eugene Grin and David Grin are

the sole members of Laurus Capital Management, LLC. From September 2003 through June 2006, Laurus was a lender to the Company. On June 29, 2006, all obligations owing to Laurus were repaid in full and the only continuing relationship between the Company and Laurus is that of an issuer and a holder of its common stock and warrants.

(26) Includes the following warrants:

Quantity	Exercise Price	Expiration Date
26,667	$15.00	4/26/2010
133,333	$17.40	11/22/2012
2,667	$36.60	9/11/2008
5,333	$38.10	9/11/2008
3,333	$39.75	9/11/2008
6,667	$44.55	9/11/2008
3,333	$46.05	9/11/2008
6,667	$47.70	9/11/2008
188,000		

(27) Laurus Master Fund, Ltd. acquired 1,343,461 shares on June 29, 2006 in satisfaction of obligations of the Company to

Laurus. (See Recent Events *The PIPE Transaction, Series E Preferred Conversion and Laurus Repayment*.) Following the filing of the amendment which made the Reverse Split effective on January 23, 2007, the shares acquired on June 29, 2006 were combined into 89,564 shares of common stock. On or about February 1, 2007, we issued 1,253,897 catch-up shares to Laurus in consideration of its relinquishing any claims relating to the timing of the Reverse Split. See Recent Events *Reverse Stock Split*. The 1,404,477 shares being offered by Laurus consist of 1,253,897 catch-up shares, 89,564 shares deriving from the shares acquired on June 29, 2006, and 188,000 shares which would be acquired by

exercising warrants issued by the Company to Laurus as described in Note (26) above.

(28) John J. Jiganti is the Manager of Leaf Mountain Company and has the sole decision-making power with respect to Leaf Mountain Company s investment in Lime Energy. Mr. Gerald Pientka, who is one of our directors, is also a member of Leaf Mountain Company, LLC. The business address for Leaf Mountain is 190 South LaSalle Street, Suite 1700, Chicago, IL 60603.

(29) Leaf Mountain Company acquired 3,315,900 shares on June 29, 2006, consisting of 2,015,900 shares acquired pursuant to the Series E Conversion and 1,300,000 shares purchased in the PIPE Transaction. Following the

filing of the amendment which made the Reverse Split effective on January 23, 2007, the shares acquired on June 29, 2006 were combined into 221,060 shares of common stock. On or about February 1, 2007, we issued 3,094,840 catch-up shares to Leaf Mountain in consideration of its relinquishing any claims relating to the

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timing of the Reverse Split. See Recent Events *Reverse Stock Split*. The 3,275,300 shares being offered by Leaf Mountain consist of 3,015,674 catch-up shares, 86,667 shares deriving from the shares acquired in the PIPE Transaction, 134,393 shares deriving from the shares issued pursuant to the Series E Conversion and 38,566 shares issued on January 24, 2007 and February 2, 2007 in satisfaction of penalties owed to Leaf Mountain due to the Company s inability to register the shares it purchased in the PIPE Transaction on or before November 3, 2006.

(30) Mr. Mellish purchased 250,000 shares in the PIPE

Transaction on June 29, 2006. Following the filing of the amendment which made the Reverse Split effective on January 23, 2007, the shares acquired on June 29, 2006 were combined into 16,667 shares of common stock. On or about February 1, 2007, we issued 233,333 catch-up shares to Mr. Mellish in consideration of his relinquishing any claims relating to the timing of the Reverse Split. See Recent Events *Reverse Stock Split*. The 257,416 shares being offered by Mr. Mellish consist of 233,333 catch-up shares, 16,667 shares deriving from the shares acquired in the PIPE Transaction. and 7,416 shares issued on January 24, 2007 and February 2, 2007 in satisfaction of

penalties owed to Mr. Mellish due to the Company s inability to register the shares he purchased in the PIPE Transaction on or before November 3, 2006.

(31) Nettlestone Enterprises Ltd. is beneficially owned by Mr. Khalid Ali Alturki. The business address for Nettlestone is c/o Aspen Advisory Services Ltd., 44 Lowndes Street, London SW1X 9HX.

(32) Nettlestone Enterprises Ltd. purchased 1,500,000 shares in the PIPE Transaction on June 29, 2006. Following the filing of the amendment which made the Reverse Split effective on January 23, 2007, the shares acquired on June 29, 2006 were combined into 100,000 shares of common stock.

On or about February 1, 2007, we issued 1,400,000 catch-up shares to Nettlestone Enterprises in consideration of its relinquishing any claims relating to the timing of the Reverse Split. See Recent Events *Reverse Stock Split*. The 1,544,500 shares being offered by Nettlestone Enterprises consist of 1,400,000 catch-up shares, 100,000 shares deriving from the shares acquired in the PIPE Transaction and 44,500 shares issued on January 24, 2007 and February 2, 2007 in satisfaction of penalties owed to Nettlestone due to the Company s inability to register the shares it purchased in the PIPE Transaction on or before November 3, 2006.

(33) Security Management Company, LLC (SMC), an investment advisor registered under Section 203 of the Investment Advisers Act of 1940, is the investment advisor to; (a) Security Mid Cap Growth Fund, (b) Security Equity Fund, Mid Cap Value Series, (c) SBL Fund, Series J and (d) SBL Fund, Series V (collectively, the Funds). The securities listed in the above table are owned by the Funds, as investment companies registered under the Investment Company Act of 1940, as amended. Pursuant to investment management agreements entered into between SMC and each of the Funds, SMC holds investment discretion to purchase and sell the shares on behalf of the Funds. SMC

generally appoints individual portfolio managers to make investment decisions on its behalf, although in certain instances a portfolio manager may delegate authority to another SMC employee to execute isolated transactions. Additionally, SMC holds the power to vote the securities and exercises this power through formal proxy voting procedures (the Procedures) it has adopted. With respect to matters to be voted on that are not addressed in the Procedures or where the Procedures indicate that voting decisions are to be made on a case-by-case basis, the Procedures state that the portfolio manager on the account shall direct the vote, provided that SMC s chief

compliance officer has determined that SMC has no conflict of interest in the matter. James P. Schier is currently the portfolio manager with respect to the Funds. SMC has the sole discretion to change portfolio managers at any time. The shares of Lime Energy stock held by these selling shareholders were obtained through a private placement of our common stock and warrants to purchase shares of our common stock on March 19, 2004. The business address for Security Management Company, LLC is One Security Benefit Place, Topeka, KS 66636-0001.

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(34) Includes warrants to purchase 29,517 shares of common stock at $1.00 per shares anytime prior to their expiration on March 19, 2009.

(35) Of the 130,717 shares being offered by Security Equity Fund, Mid Cap Value Series, 29,517 are shares which would be acquired pursuant to exercise of the warrants described in Note (34), 84,333 are shares purchased from the Company on March 19, 2004 and 16,867 were purchased in a private transaction on March 19, 2004 from a former holder of the Company s Series A Convertible Preferred Stock.

(36) Includes warrants to purchase 23,333 shares of common stock at $1.00 per shares

anytime prior to their expiration on March 19, 2009.

(37) Of the 103,333 shares being offered by SBL Fund Series V, 23,333 are shares which would be acquired pursuant to exercise of the warrants described in Note (36), 66,667 are shares purchased from the Company on March 19, 2004 and 13,333 were purchased in a private transaction on March 19, 2004 from a former holder of the Company s Series A Convertible Preferred Stock.

(38) Includes warrants to purchase 20,767 shares of common stock at $1.00 per shares anytime prior to their expiration on March 19, 2009.

(39) Of the 91,967 shares being offered by Security Mid Cap Growth

Fund, 20,767 are shares which would be acquired pursuant to exercise of the warrants described in Note (38), 59,333 are shares purchased from the Company on March 19, 2004 and 11,867 were purchased in a private transaction on March 19, 2004 from a former holder of the Company s Series A Convertible Preferred Stock.

(40) Includes warrants to purchase 43,050 shares of common stock at $1.00 per shares anytime prior to their expiration on March 19, 2009.

(41) Of the 190,650 shares being offered by SBL Fund Series J, 43,050 are shares which would be acquired pursuant to exercise of the warrants described in Note (40), 123,000 are

shares purchased from the Company on March 19, 2004 and 24,600 were purchased in a private transaction on March 19, 2004 from a former holder of the Company s Series A Convertible Preferred Stock.

(42) SF Capital Partners Ltd. is a British Virgin Island company. Staro Asset Management, L.L.C., a Wisconsin limited liability company, acts as investment manager and has sole power to direct the management of SF Capital Partners. Through Staro Asset Management, Messrs. Michael A. Roth and Brian J. Stark possess sole voting and dispositive power over all shares owned by SF Capital Partners, but disclaim beneficial ownership of such shares. The mailing address

for SF Capital Partners is c/o Stark Offshore Management, LLC, 3600 South Lake Drive, St. Francis, WI 53235.

(43) Excludes warrants to purchase 42,813 shares of common stock which contain provisions known as exercise caps which prohibit the holder of the warrants (and its affiliates) from exercising such warrants to the extent that giving effect to such exercise, such holder would beneficially own in excess of 4.999% and 9.999% of the Company s outstanding common stock, as the case may be. The holder can waive the 4.999% limit, but such waiver will not become effective until the 61st day after such notice is delivered to the Company, and these limits will not restrict the number of shares

of common stock which a holder may receive or beneficially own in order to determine the amount of securities or other consideration that such holder may receive in the event of a merger or other business combination or reclassification involving the Company. The table set forth above reflects the operation of such exercise caps in that we have not included 42,813 shares of common stock issuable pursuant to such warrants as SF Capital Partners has advised us that it does not beneficially own such shares due to the fact that it cannot exercise its right to purchase these shares at this time. In the absence of such caps, SF Capital would be able to purchase all the shares issuable upon exercise of these warrants and

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would have a beneficial ownership percentage of 8.589%. Information on these warrants is as follows:

Quantity	Exercise Price	Expiration Date
20,000	$1.00	2/27/2008
20,000	$1.00	9/7/2008
2,813	$1.00	6/27/2007
42,813		

(44) SF Capital Partners acquired 4,237,600 shares on June 29, 2006, consisting of 2,237,600 shares acquired pursuant to the Series E Conversion and 2,000,000 shares purchased in the PIPE Transaction. Following the filing of the amendment which made the Reverse Split effective on January 23, 2007, the shares acquired on June 29, 2006 were combined into 282,507 shares of common stock. On or about

February 1, 2007, we issued 3,955,093 catch-up shares to SF Capital in consideration of its relinquishing any claims relating to the timing of the Reverse Split. See Recent Events *Reverse Stock Split*. The 4,168,252 shares being offered by SF Capital consist of 3,825,872 catch-up shares, 133,333 shares deriving from the shares acquired in the PIPE Transaction, 149,713 shares deriving from the shares issued pursuant to the Series E Conversion and 59,344 shares issued on January 24, 2007 and February 2, 2007 in satisfaction of penalties owed to SF Capital due to the Company s inability to register the shares he purchased in the PIPE Transaction on or before November 3,

2006.

(45) David Valentine has been one of our Directors since May 2004.

(46) Includes the following options issued pursuant to the Directors Option Plan which are exercisable within the next 60 days:

Quantity	Exercise Price	Expiration Date
1,112	$15.00	5/26/2015
556	$15.00	5/26/2016
4,999	$26.10	5/26/2014
100,000	$ 1.02	7/11/2016
25,000	$ 0.90	1/2/2017
131,667		

(47) Mr. Valentine acquired 345,700 shares on June 29, 2006, consisting of 145,700 shares acquired pursuant to the Series E Conversion and 200,000 shares purchased in the PIPE Transaction. Following the filing of the amendment which made the Reverse Split effective on January 23, 2007, the shares acquired on

June 29, 2006 were combined into 23,047 shares of common stock. On or about February 1, 2007, we issued 322,653 catch-up shares to Mr. Valentine in consideration of his relinquishing any claims relating to the timing of the Reverse Split. See Recent Events *Reverse Stock Split*. The 342,481 shares being offered by Mr. Valentine consist of 313,501 catch-up shares, 13,333 shares deriving from the shares acquired in the PIPE Transaction, 9,713 shares deriving from the shares issued pursuant to the Series E Conversion and 5,934 shares issued on January 24, 2007 and February 2, 2007 in satisfaction of penalties owed to Mr. Valentine due to the Company s inability to

register the shares he purchased in the PIPE Transaction on or before November 3, 2006.

(48) The selling stockholder is an affiliate of a broker-dealer, acquired the common stock in the ordinary course of business and, at the time of acquisition, did not have any arrangements or understandings, directly or indirectly, with any person to distribute the common stock.

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DESCRIPTION OF SECURITIES

In the following summary, we describe the material terms of our capital stock by summarizing material provisions of our charter and by-laws. We have incorporated by reference these organizational documents as exhibits to the registration statement of which this prospectus is a part.

General

As of February 2, 2007, we had 200,000,000 authorized shares of common stock and 5,000,000 shares of authorized preferred stock, of which:

50,316,902 shares are issued and outstanding;

166,149 shares of common stock were being held in escrow for the benefit of the selling shareholders of Maximum Performance Group (MPG) to be released over the two year period following the purchase of MPG (May 3, 2005) if it achieves certain revenue targets during the period. Any shares not issued to the selling shareholders will be returned to the Company at the end of the two year period. To date, no shares have been released from such Escrow.

1,245,869 shares of common stock are issuable upon exercise of outstanding common stock warrants;

11,059,604 shares of common stock are issuable upon exercise of outstanding stock options; and

No shares of preferred stock or other rights or options, warrants to acquire preferred stock are outstanding.

Common Stock

Holders of our common stock are entitled to one vote per share on all matters submitted to a vote of our stockholders and will share ratably on a per share basis in any dividends declared on our common stock. Holders of our common stock have no preemptive, subscription, redemption or conversion rights. Upon our liquidation, dissolution or winding up and after payment of all prior claims, the holders of shares of common stock would share ratably on a per share basis in all of our assets. All shares of common stock currently outstanding are fully paid and nonassessable. Any shares of common stock which the selling stockholders acquire through exercise of their warrants will also be fully paid and nonassessable.

Preferred Stock

Our board of directors, without further stockholder approval, may authorize the issuance of preferred stock in one or more series from time to time and fix or alter the designations, relative rights, priorities, preferences, qualifications, limitations and restrictions of the shares of each series. The rights, preferences, limitations and restrictions of different series of preferred stock may differ with respect to dividend rates, amounts payable on liquidation, voting rights, conversion rights, redemption provisions, sinking fund provisions and other matters. Our board of directors (1) may authorize the issuance of preferred stock that ranks senior to our common stock for the payment of dividends and the distribution of assets on liquidation, (2) can fix limitations and restrictions upon the payment of dividends on our common stock to be effective while any shares of preferred stock are outstanding, and (3) can also issue preferred stock with voting and conversion rights that could adversely affect the voting power of the holders of common stock.

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Warrants

Included in the shares of common stock being registered pursuant to this prospectus are 484,667 shares issuable upon the exercise of warrants. These warrants include:

A three year warrant held by Bristol Capital, Ltd. to purchase 60,000 shares of common stock at $1.00 per share on, or anytime before, July 25, 2009;

A three year warrant held by Bristol Capital, Ltd. to purchase 120,000 shares of common stock at $1.00 per share on, or anytime before, December 31, 2009;

A five year warrant held by Laurus Master Fund, Ltd. to purchase 26,667 shares of common stock at $15.00 per share on, or anytime before, April 26, 2010;

The following five year warrants held by Laurus Master Fund, Ltd. which all expire on November 8, 2008 and contain cashless exercise options, which permits the holder to surrender a portion of the shares issuable upon exercise of the warrant as payment of the exercise price (valuing the surrendered shares at the then current market price):

Quantity	Exercise Price
2,667	$36.60
5,333	$38.10