

LIME ENERGY CO.  
Form DEF 14A  
April 29, 2016  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934

(Amendment No. )

Filed by the Registrant  X

Filed by a Party other than the Registrant  O

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

**LIME ENERGY CO.**

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(Name of Registrant as Specified in Its Charter)

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

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- (1) Amount Previously Paid:
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  - (3) Filing Party:
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4 Gateway Center, 4th Floor

100 Mulberry Street

Newark, NJ 07102

April 29, 2016

Dear Fellow Stockholder:

On behalf of the Board of Directors, I cordially invite you to attend the 2016 Annual Meeting of Stockholders to be held at 9:00 a.m., local time, on Thursday, June 16, 2016. The meeting will be held at our Company headquarters at 4 Gateway Center, 4th Floor, 100 Mulberry Street, Newark, NJ. You can contact us at (201) 416-2575 for directions.

A notice of the Annual Meeting and the proxy statement follow. We have also included our annual report for your information.

Your vote is very important. We urge you to vote as soon as possible using the Internet, telephone, or, if you received a proxy/voting instruction card, by marking, dating, and signing it, and returning it by mail. This will help insure that your shares are represented at the Annual Meeting, whether or not you plan to attend the Annual Meeting. If you attend the meeting, you may revoke your proxy and cast your vote in person.

I look forward to seeing you at the Annual Meeting, and I thank you for being a valued stockholder.

Sincerely,

C. Adam Procell  
President and Chief Executive Officer

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

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**  
**TO BE HELD JUNE 16, 2016**

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The Annual Meeting of Stockholders of Lime Energy Co. will be held at our Company headquarters at 4 Gateway Center, 4th Floor, 100 Mulberry Street, Newark, NJ at 9:00 a.m. local time, on Thursday, June 16, 2016, for the following purposes:

1. To elect seven directors to our Board of Directors to hold office until the 2017 annual meeting of stockholders, including (a) five directors to be elected by the holders of our Common Stock and the holders of our Series C Preferred Stock, voting together as a single class, and (b) two directors to be elected by the holders of our Series C Preferred Stock;
2. To hold an advisory vote to approve executive compensation;
3. To ratify the appointment of CohnReznick LLP as our independent registered public accounting firm for 2016;
4. To approve the 2016 Employee Stock Purchase Plan; and

To transact such other business as may properly come before the Annual Meeting.

You can vote at the Annual Meeting in person or by proxy if you were a stockholder of record at the close of business on April 18, 2016.

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You are cordially invited to attend the Annual Meeting in person. To ensure that your vote is counted at the meeting, however, please vote as promptly as possible. Submitting your proxy now will not prevent you from voting your shares at the meeting if you desire to do so, as your vote by proxy is revocable at your option in the manner described in the proxy statement.

By Order of the Board of Directors,

Mary Colleen Brennan  
*Chief Financial Officer and Corporate Secretary*  
Newark, New Jersey  
April 29, 2016

<b>IMPORTANT NOTICE REGARDING THE AVAILABILITY</b>
<b>OF PROXY MATERIALS FOR THE ANNUAL MEETING</b>
<b>OF STOCKHOLDERS TO BE HELD ON JUNE 16, 2016</b>

<b>This notice of meeting, the proxy statement, the proxy card and our annual report to stockholders for the year ended December 31, 2015 are available electronically at <a href="http://www.proxyvote.com">www.proxyvote.com</a>.</b>
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**LIME ENERGY CO.**

**4 Gateway Center, 4th Floor, 100 Mulberry Street**

**Newark, NJ 07102**

**PROXY STATEMENT**

**FOR**

**2016 ANNUAL MEETING OF STOCKHOLDERS**

**PROXY STATEMENT SUMMARY**

To assist you in reviewing our proxy statement, we have summarized below several key disclosure items. The following description is only a summary and does not contain all of the information that is important for you to consider before voting on the proposals described in the proxy statement and listed on the proxy card. For detailed information, you should carefully review the proxy statement as well as our Annual Report to Stockholders for the fiscal year ended December 31, 2015, which is being made available to our stockholders simultaneously with the proxy materials. These proxy materials are first being sent or given to our stockholders on or about April 29, 2016. We are inviting you to attend the Annual Meeting and are requesting your vote on the proposals described in this proxy statement.

**Annual Meeting of Stockholders Information**

<b>Date and Time</b> June 16, 2016 9:00 a.m., Eastern Time	<b>Place</b> Lime Energy's Corporate Headquarters 4 Gateway Center, 4th Floor, 100 Mulberry Street, Newark, NJ 07102
<b>Record Date</b> April 18, 2016	<b>Voting</b> Your vote is very important and we urge you to vote as soon as possible. See Question and Answer No. 10 on Page 6 for voting instructions.

**Proposals**

Board of Directors Vote		
Proposal	Recommendation	Page References
1. Election of Directors by the holders of our Common Stock and the holders of our Series C Preferred Stock, voting together as a single class: <i>C. Adam Procell</i> <i>Gregory T. Barnum</i> <i>Christopher W. Capps</i> <i>Richard P. Kiphart</i> <i>Tommy Mike Pappas</i>	FOR the Director Nominees	Page 9 (Nominee Information) Page 41 (Proposal No. 1)
2. Advisory Vote to Approve Lime's Executive Compensation	FOR	Page 22 (Executive Compensation)  Page 27 (Summary Compensation Table)  Page 27 (Realized Pay for 2015)  Page 42 (Proposal No. 2) Page 43 (Proposal No. 3)
3. Ratification of CohnReznick LLP as the Independent Registered Public Accounting Firm for 2016	FOR	Page 44 (Audit and Non-Audit Fees Table) Page 46 (Proposal No. 4)
4. Approval of the 2016 Employee Stock Purchase Plan	FOR	

Bison, the holder of the Company's Series C Preferred Stock, has informed the Board that it intends to nominate and elect Andreas Hildebrand and Peter S. Macdonald as Preferred Stock Directors. The holders of Common Stock do not vote on the election of the Preferred Stock Directors, all of whom are elected by the Series C Preferred Stock voting separately.

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**Board Composition**

The following table sets forth the current composition of our Board of Directors (the Board), current committee assignments, and the number of meetings held in 2015.

Director	Primary Occupation	Board of Directors	Audit Committee	Compensation Committee	Governance and Nominating Committee
Andreas Hildebrand*	Partner, Bison Capital	Chair		þ	þ
C. Adam Procell	CEO, Lime Energy Co.	þ			
Richard P. Kiphart*	Head of Corporate Finance and Principal, William Blair	þ		Chair	
Gregory T. Barnum*	VP of Finance and CFO, Datalink Corporation	þ	Chair	þ	
Christopher W. Capps *	CEO, KGC Capital	þ	þ		þ
Peter S. Macdonald*	Partner, Bison Capital	þ			Chair
Tommy Mike Pappas *	Managing Director, The Hurvis Group	þ	þ		
<b>2015 Meetings</b>		7	6	2	1

\*Independent Director

**Corporate Governance**

The Company is committed to sound corporate governance, and we have adopted a number of practices that the Board believes are in the best interest of the Company and our stockholders. Below is a non-exhaustive list of some of these practices.

An independent director serves as Chairman of the Board	Maintain separate roles for the Chairman and the CEO
Majority of independent directors, entirely independent Audit, Compensation, and Governance and Nominating Committees	Majority voting standard for election of directors
Code of Conduct that requires all employees and directors to adhere to high ethical standards	No stockholder rights plan ( poison pill )

**Executive Compensation**

*Philosophy:*

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We operate in a competitive and changing industry. Our compensation program is based on these core principles:

Incent and reward performance

Align our executives' long-term interests with those of our stockholders

Compensate our executives fairly

Retain and attract qualified executives who are able to contribute to our long-term success

### *Performance-Based Compensation:*

Executive incentive award payments are determined by our Compensation Committee based on an evaluation of each executive's individual performance and contribution to our operating results as well as our long-term strategic objectives.

Decisions are subjective and not based on mandated, pre-established formulas. We believe this approach provides necessary flexibility in making compensation decisions that are in line with the objectives of our executive compensation program.

### *Key Compensation Decisions for 2015:*

Our Compensation Committee made the following key compensation decisions:

**Long-Term Incentive Awards** We made long-term incentive compensation grants of stock options to our Chief Executive Officer, Chief Financial Officer, and a number of other key officers of the Company during 2015. These awards vest over a three-year period from the grant date, with one-third vesting each year. These awards significantly increased the weighting

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of long-term compensation as a component of total pay, further aligning the interests of our executives and stockholders.

**Incentive Bonuses** Mr. Procell received a bonus of \$85,011 and Ms. Brennan received a bonus of \$48,997.

**Base Salaries** Base salaries increased by 39.6% for Mr. Procell for calendar year 2015, reflecting an adjustment based on salaries paid to the CEO and President for companies of similar size in our industry. Ms. Brennan's base salary increased 4.5% for calendar year 2015, largely reflecting an adjustment based on cost of living increases.

*Impact of Long-term Incentive Awards on 2015 Compensation:*

In 2015, we made stock option awards that had a significant impact on the reported pay of our named executive officers. We granted stock options to C. Adam Procell, our President and Chief Executive Officer, which increased the amount of his performance-based/at-risk compensation to 45.5% of his reported pay. Similarly, stock option awards to Mary Colleen Brennan, our Chief Financial Officer, increased the amount of her performance-based/at-risk compensation to 35.3% of her reported pay. Mr. Procell and Ms. Brennan will not realize the full value of their stock option awards, if any, until September 25, 2018. Our other executives also received stock option awards during 2015.

Pay realized by Mr. Procell in 2015 was 54.5% of his pay reported for the year. Pay realized by Ms. Brennan in 2015 was 64.7% of her pay reported for the year.

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**LIME ENERGY CO.**

**4 Gateway Center, 4th Floor, 100 Mulberry Street**

**Newark, NJ 07102**

**PROXY STATEMENT**

**FOR**

**2016 ANNUAL GENERAL MEETING OF STOCKHOLDERS**

**QUESTIONS AND ANSWERS**

**1. Why am I receiving these proxy materials?**

We have made these proxy materials available to you on the Internet and, in some cases, have mailed to you printed copies of these proxy materials in connection with the solicitation of proxies by Lime Energy Co. (the Company) in connection with the 2016 Annual Meeting of Stockholders of the Company (the Annual Meeting) to be held on Thursday, June 16, 2016 at 9:00 a.m. Eastern Time at our Company headquarters, 4 Gateway Center, 4th Floor, 100 Mulberry Street, Newark, New Jersey, and at any postponement or adjournment thereof. These proxy materials are first being sent or given to our stockholders on April 29, 2016. We are inviting you to attend the Annual Meeting and are requesting your vote on the proposals described in this proxy statement.

**2. Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?**

Pursuant to rules adopted by the Securities and Exchange Commission (the SEC), we have elected to provide access to our proxy materials via the Internet. Accordingly, a Notice of Internet Availability of Proxy Materials (the Notice) was required to be sent to our stockholders to announce that the proxy materials are available and can be accessed on the Internet. All stockholders can access the proxy materials on the website referred to in the Notice and may request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy are included in the Notice.

We believe that making our proxy materials available via the Internet will expedite stockholders' receipt of materials, while lowering costs and reducing the environmental impact of our Annual Meeting because we will print and mail fewer full sets of materials.

**3. What is included in these proxy materials?**

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These proxy materials include this proxy statement and, for stockholders receiving printed copies of the proxy materials by mail, the proxy card. In addition, our Annual Report to Stockholders for the fiscal year ended December 31, 2015 is being made available to you simultaneously with the proxy statement but only for informational purposes and not as a means of soliciting your proxy.

**4. What proposals are being voted on at the Annual Meeting?**

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Stockholders will vote on the following matters at the Annual Meeting:

1. Election of directors nominated by our Board to hold office until 2017;
2. Advisory vote to approve executive compensation;
3. Ratification of the appointment of CohnReznick LLP ( CohnReznick ) as our independent registered public accounting firm for 2016;
4. Approval of the 2016 Employee Stock Purchase Plan; and

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Such other business as may properly come before the meeting and any postponement or adjournment thereof.

There are no dissenters' rights or rights of appraisal as to any item to be acted upon at the Annual Meeting.

**5. What are the Board's voting recommendations?**

The Board recommends that you vote your shares:

1. **FOR** the nominees to serve on our Board (Proposal No. 1).
  
2. **FOR** advisory approval of the compensation of our named executive officers, as described in this proxy statement (Proposal No. 2).
  
3. **FOR** the ratification of the appointment of CohnReznick as our independent registered public accounting firm for 2016 (Proposal No. 3).
  
4. **FOR** adoption of the 2016 Employee Stock Purchase Plan (Proposal No. 4).

**6. How do I get electronic access to the proxy materials?**

Our proxy materials are available at [www.proxyvote.com](http://www.proxyvote.com). The Notice includes instructions regarding how to:

- Access on the Internet our proxy materials for the Annual Meeting; and
  
- Instruct us to send future proxy materials to you by e-mail.



**7. Who may vote at the Annual Meeting?**

Only holders of record of our common stock, \$0.0001 par value (the Common Stock ) and the holders of our Series C Convertible Preferred Stock ( Series C Preferred Stock ) as of the close of business on April 18, 2016 (the record date ) are entitled to notice of and to vote at the Annual Meeting or any postponement or adjournment thereof. As of the record date, there were 9,630,668 shares of Common Stock issued and outstanding and entitled to vote at the Annual Meeting and 10,000 shares of Series C Preferred Stock outstanding and entitled to vote at the Annual Meeting. Each share of Common Stock entitles the holder thereof to one vote and each share of Series C Preferred Stock entitles the holder thereof to cast approximately 416.66 votes on any matter presented to our stockholders. Except as provided by law, the provisions of our Certificate of Incorporation, or the Certificate of Designation for our Series C Preferred Stock, the holders of our Common Stock and the holders of our Series C Preferred Stock vote together as a single class on any matter presented to our stockholders, with the holders of our Series C Preferred Stock being entitled to cast 4,166,666 votes.

**8. What is the difference between a stockholder of record and a beneficial owner of shares held in street name?**

*Stockholder of Record.* If your shares are represented by certificates or book entries in your name so that you appear as a stockholder on the records of Wells Fargo, our stock transfer agent, you are considered the stockholder of record with respect to those shares, and the Notice or, in some cases, the proxy materials, were sent directly to you. If you request printed copies of the proxy materials, you will also receive a proxy card.

*Beneficial Owner of Shares Held in Street Name.* If your shares are held in an account at a brokerage firm, bank, broker-dealer or other similar institution, then you are the beneficial owner of shares held in street name and the Notice was forwarded to you by that institution. The institution holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to instruct that institution on how to vote the shares held in your account.

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**9. What do I do if I received more than one Notice or proxy card?**

If you receive more than one Notice or proxy card because you have multiple accounts, you should provide voting instructions for all accounts referenced to be sure all of your shares are voted.

**10. How do I vote?**

We hope that you will be able to attend the Annual Meeting in person. Whether or not you expect to attend the Annual Meeting in person, we urge you to vote your shares at your earliest convenience by one of the methods described below, so that your shares will be represented.

Stockholders of record can vote any one of four ways:

<b><i>VIA THE INTERNET</i></b>	You may vote by proxy via the Internet by following the instructions provided in the Notice.
<b><i>BY MAIL</i></b>	If you received printed copies of the proxy materials, you may vote by proxy by filling out the proxy card and sending it back in the envelope provided.
<b><i>BY TELEPHONE</i></b>	You may vote by proxy by calling the telephone number found on the Internet voting site or on the proxy card (if you received a printed copy of the proxy materials).
<b><i>IN PERSON</i></b>	You, or a personal representative with an appropriate proxy, may vote by ballot at the Annual Meeting. We will give you a ballot when you arrive.

If you need directions to the Annual Meeting, please call our offices at (201) 416-2575.

If you own shares in street name, you will receive from the record holder instructions that you must follow in order for your shares to be voted. Stockholders owning shares through most banks and brokers will also be able to vote on the Internet or by telephone. If you own shares in street name and you wish to attend the Annual Meeting to vote in person, you must obtain a legal proxy from the institution that holds your shares and attend the Annual Meeting in person or send a personal representative with the legal proxy to vote by ballot. You should contact your bank or brokerage account representative to learn how to obtain a legal proxy.

**11. What is the voting deadline if voting by Internet or telephone?**

If you vote by Internet or by telephone, you must transmit your vote no later than 11:59 p.m. Eastern Time on June 15, 2016.

**12. How can I attend the Annual Meeting?**

You may attend the Annual Meeting if you were a stockholder of record as of the close of business on April 18, 2016 or you hold a valid proxy for the Annual Meeting. You should be prepared to present a photo I.D. for admittance. If you are a stockholder of record, your name will be verified against the list of stockholders of record on the record date prior to your being admitted to the Annual Meeting. If you are not a stockholder of record but hold shares through a broker, trustee or nominee, you should provide proof of beneficial ownership on the record date, such as a recent account statement showing your ownership, a copy of the voting instruction card provided by your broker, trustee or nominee, or other similar evidence of ownership.

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**13. What is the quorum requirement for the Annual Meeting?**

The required quorum for transaction of business at the Annual Meeting will be a majority of the shares of the capital stock of the Company issued, outstanding and entitled to vote at the Annual Meeting as of the record date. Abstentions and broker non-votes will be included in determining the presence of a quorum at the Annual Meeting. A broker non-vote occurs when a beneficial owner of shares held in street name does not provide voting instructions and, as a result, the institution that holds the shares does not have the discretion to vote those shares on certain proposals. Shares that are properly voted on the Internet or by telephone and shares for which proxy cards are properly executed and returned will be tabulated by the election inspector appointed for the meeting and will count toward the presence of a quorum, whether or not voting instructions are provided on all matters.

**14. How are proxies voted?**

Shares that are properly voted on the Internet or by telephone or for which proxy cards are properly executed and returned will be voted at the Annual Meeting in accordance with the directions given or, where no directions are given, in accordance with the recommendations of the Board that are set forth under the heading "What are the Board's voting recommendations?" above. If any other business is brought before the meeting, proxies will be voted, to the extent permitted by applicable law, in accordance with the judgment of the persons voting the proxies.

The manner in which your shares may be voted depends on how your shares are held. If you own shares of record, you may vote by proxy, meaning you authorize individuals named on the proxy card to vote your shares. If you do not vote by proxy or in person at the Annual Meeting, your shares will not be voted. If you own shares in street name, you may instruct the institution holding your shares on how to vote your shares. If you do not provide voting instructions, the institution may nevertheless vote your shares on your behalf only with respect to the ratification of the appointment of CohnReznick as the Company's independent registered public accounting firm for 2016, but not on any other matters to be considered at the Annual Meeting.

Our Board selected Mr. Procell and Ms. Roberta Rettig, our Associate Vice President of Human Capital, the two individuals named as proxies on the proxy card accompanying this proxy statement, to serve as proxies. The shares represented by each executed and returned proxy will be voted in accordance with the directions indicated thereon, or if no direction is indicated, the proxy will be voted in accordance with the recommendations of the Board contained in this proxy statement.

**15. What are the voting requirements to approve each of the proposals?**

Proposal	Voting Requirements	Effect of Abstentions	Effect of Broker Non-Votes
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1. Election of Directors (other than Preferred Stock Directors)	Affirmative Vote of Majority of Votes Present	Equivalent to a vote against	No effect on outcome
2. Advisory vote to approve executive compensation	Affirmative Vote of Majority of Votes Present (on an advisory basis)	Equivalent to a vote against	No effect on outcome
3. Ratification of the appointment of CohnReznick as our independent registered public accounting firm for 2016	Affirmative Vote of Majority of Votes Present	Equivalent to a vote against	No effect on outcome
4. Adoption of 2016 Employee Stock Purchase Plan	Affirmative Vote of Majority of Votes Present	Equivalent to a vote against	No effect on outcome

The election of Preferred Stock Directors requires the affirmative vote of the holders of a majority of the Series C Preferred Stock.

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**16. Can I change my vote after I have voted?**

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You may revoke your proxy and change your vote at any time before the final vote at the Annual Meeting. You may vote again on a later date via the Internet or by telephone (in which case only your latest Internet or telephone proxy submitted prior to 11:59 p.m. Eastern Time on June 15, 2016 will be counted) or by filling out and returning a new proxy card bearing a later date. Additionally, you may change or revoke a previously executed proxy by voting in person at the Annual Meeting. However, your attendance at the Annual Meeting will not, by itself, revoke your proxy unless you vote again at the Annual Meeting or specifically request that your prior proxy be revoked by delivering to our Corporate Secretary a written notice of revocation prior to the Annual Meeting.

**17. Who is paying for the cost of this proxy solicitation?**

---

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

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**CORPORATE GOVERNANCE**

**Board of Directors**

Our Board is comprised of seven directors. Under our by-laws, the Board may set the size of the Board at a number of directors ranging from three to twelve. The term of office for each director expires at the Annual Meeting. At each annual meeting of stockholders, directors are elected to hold office for a one-year term expiring at the annual meeting to be held in the following year or until their respective successors are duly elected and qualified.

***Attendance at Meetings***

During 2015, the Board met a total of eight times. In addition, the Audit Committee met six times, the Governance and Nominating Committee met once, and the Compensation Committee met twice. In 2015, during the time they were serving, all members of the Board attended at least 75% of the total of all board meetings and applicable committee meetings. We encourage our Board members to attend annual meetings of our stockholders, but we do not have a formal policy requiring attendance. Two of our directors attended the 2015 annual meeting of our stockholders.

The Board believes that all of its members have demonstrated professional integrity, ability and judgment, as well as leadership and strategic management abilities, and have each performed exceptionally well in their respective time served as directors. Several of our current directors have served as Board members for a number of years and, during this time, we have experienced growth and success.

All nominees listed below are currently members of our Board and have consented to being named in this proxy statement and to serve as directors, if elected. If, at the time of the Annual Meeting, any nominee becomes unavailable or declines to serve as a director for any reason, the persons named in the proxy will vote for a substitute nominee as the Board recommends, or vote to allow the resulting vacancy to remain open until filled by the Board, as permitted under our by-laws. The Board has no reason to believe that any nominee will be unable or decline to serve if elected to office. Under our by-laws, the Board may appoint directors to fill any vacancies until the next annual meeting of stockholders.

**Nominee Information**

A discussion of each nominee's biographical information follows: It includes the particular attributes that, in the opinion of the Board, support each individual director's selection to serve on the Board.

**ANDREAS HILDEBRAND**  
**Chairman of the Board**

**Director Since:** 2014

**Age:** 48

**Board Committees:** Compensation Committee, Governance and Nominating Committee

**Biographical Information:** Mr. Hildebrand has been the Company's Chairman of the Board since June 2015. Mr. Hildebrand has been a partner at Bison Capital since 2013. Prior to joining Bison, Mr. Hildebrand was Co-Head of the Private Capital Investing Group at Goldman, Sachs & Co., a platform dedicated to making private equity and debt investments in growth and middle market companies based in North America. Prior to joining Goldman in 2008, Mr. Hildebrand was a Senior Managing Director in the Private Equity Group of GE Asset Management ( GEAM ), the investment management arm of General Electric Company. Mr. Hildebrand joined GEAM in 1994. Mr. Hildebrand was previously a board member of a number of Goldman and GEAM portfolio companies, including Baxa Corp, Renal Ventures Management, Amber Road, Cervalis, Dynamica, Rasa Land Investors, Atkins, Octane Fitness, Miller Heiman, Utex Industries, Focus Vision, Distribution International, Eagle Family Foods and HB&G. Mr. Hildebrand received an A.B. from Princeton University and a MPhil from Cambridge University.

**Skills and Qualifications:** Mr. Hildebrand brings to the Board significant expertise in finance and investment management.



Table of Contents**C. ADAM PROCELL****President and Chief Executive Officer**

Director Since: 2014

Age: 48

Board Committees: **None**

**Biographical Information:** Mr. Procell has been the Company's Chief Executive Officer since November 2013 and President and Chief Operating Officer since September 2013. From April 2009 to September 2013, he served as Divisional President and as Vice President of Sales and Marketing of a wholly-owned subsidiary of the Company. Prior to joining the Company in April 2009, Mr. Procell served as the National Director of Energy Efficiency & Carbon Management for AECOM Technology Corporation (ACM: NYSE).

**Skills and Qualifications:** Mr. Procell's industry experience and responsibility for executing the Company's strategic plan qualify him to serve on the Board.

**GREGORY T. BARNUM**

Director Since: 2006

Age: 61

Board Committees: Audit Committee (Chair), Compensation Committee

**Biographical Information:** Mr. Barnum has been a member of the Company's Board since 2006. He is currently the Vice President of Finance, Chief Financial Officer and Corporate Secretary of Datalink Corporation, a provider of data center infrastructure services. Prior to joining Datalink in March 2006, Mr. Barnum was the Vice President of Finance, Chief Financial Officer and Corporate Secretary of Computer Network Technology Corporation since July 1997. From September 1992 to July 1997, Mr. Barnum served as Senior Vice President of Finance and Administration, Chief Financial Officer and Corporate Secretary at Tricord Systems, Inc., a manufacturer of enterprise servers. From May 1988 to September 1992, Mr. Barnum served as the Executive Vice President of Finance, Chief Financial Officer, Treasurer and Corporate Secretary for Cray Computer Corporation, a development-stage company that 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.

**Skills and Qualifications:** Mr. Barnum's 20+ years of accounting experience and service as a chief financial officer of publicly traded companies qualify him to serve on our Board.

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**CHRISTOPHER W. CAPPS**

Director Since: 2009

Age: 33

Board Committees: Audit Committee, Governance and Nominating Committee

**Biographical Information:** Mr. Capps has been a director of the Company since 2009. He served as President and Chief Executive Officer of Advanced Biotherapy, Inc. from August 2006 until the Company acquired it on March 3, 2010. Since September 2005, Mr. Capps has also served as President and CEO of KGC Capital, a private equity firm.

**Skills and Qualifications:** Mr. Capps' experience working with small and mid-sized companies and his knowledge of current corporate finance techniques and market activities qualify him to serve on the Board.

**RICHARD P. KIPHART**

Director Since: 2006

Age: 74

Board Committees: Compensation Committee (Chair), Governance and Nominating Committee

**Biographical Information:** Richard P. Kiphart has been a member of our Board since January 2006. He served as Chairman of the Board between June 2012 and June 2015 and from 2006 to 2011. Mr. Kiphart is currently the head of the Private Client Advisors group and has been a principal of William Blair & Company for over 49 years. In addition, Mr. Kiphart is currently Chairman of Ranir Corporation and previously served as Chairman of Nature Vision, The Merit Music School, and the Erikson Institute. In addition, he currently serves as the President and Chief Executive Officer of the Lyric Opera of Chicago and is on the board of Lurie Children's Hospital, the Poetry Foundation, the Afrimax Group, Emmi Solutions, Trustwave Corporation, and Wilshire Media Group.

**Skills and Qualifications:** Mr. Kiphart's leadership skills and extensive investment banking experience, as well as his experience serving on numerous boards, makes him qualified to serve on the Board.

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**TOMMY MIKE PAPPAS**

Director Since: 2001

Age: 37

Board Committees: Audit Committee, Governance and Nominating Committee

**Biographical Information:** Mr. Pappas has served as a member of the Board since October 2014. He is currently Managing Director of The Hurvis Group, a privately-held investment group, and has served in that role since 2009. He formerly worked for a national accounting firm assisting corporations and individuals with an array of strategic and taxation issues. Mr. Pappas is a member of the American Institute of Certified Public Accountants.

**Skills and Qualifications:** Mr. Pappas' accounting skills and management experience makes him qualified to serve on our Board.

**PETER S. MACDONALD**

Director Since: 2014

Age: 57

Board Committees: Audit Committee, Governance and Nominating Committee (Chair)

**Biographical Information:** Mr. Macdonald became a director of the Company in 2014. Since 2009, Mr. Macdonald has served as a Partner with Bison Capital Asset Management, LLC. Mr. Macdonald previously served as a director of Center for Wound Healing, Inc., a developer and manager of wound care centers throughout the United States.

**Skills and Qualifications:** Mr. Macdonald's investment skills and his experience serving on numerous boards make him qualified to serve on the Board.

**Directorship Arrangements; Series C Preferred Directors**

We have previously entered into the following arrangements relating to directorships:

- *Arrangements with Bison Capital Partners IV, L.P.* On December 23, 2014, we entered into a Securities Purchase Agreement with Bison Capital Partners IV, L.P. ( "Bison" ), pursuant to which Bison purchased 10,000 shares of the Company's Series C Convertible Preferred Stock, which may be converted, at any time, at the option of the holder thereof, into shares of our Common Stock. Under the Series C Certificate of Designation, Bison has director appointment rights that apply so long as Bison owns at least 16.36% of the currently issued and outstanding shares of Series C Preferred Stock. Should the holders of the Series C Preferred Stock no longer be entitled to elect at least one

director under the Series C Certificate of Designation, they would still have the right to nominate candidates for election to the Board in a number consistent with their voting power. This designation right terminates if Bison ceases to beneficially own at least 5% of the total number of voting shares or upon certain change-of-control events. In connection with the stock issuance, the Company, Richard Kiphart, The John Thomas Hurvis Revocable Trust, and Bison entered into a Shareholder and Investor Rights Agreement (the "Bison Shareholder Agreement") under which the other stockholders party to the agreement agreed to vote in favor of director candidates nominated by Bison. Bison also has the right to nominate one director to the Company's Compensation Committee and any new board committee that is established other than the Audit Committee or the Governance and Nominating Committee. In connection with the stock issuance, Andreas Hildebrand and Peter Macdonald were named directors of the Company. Bison may not, subject to certain exceptions in the Bison Shareholder Agreement, acquire additional shares of our Common Stock or seek to influence the management of the Company without the Company's consent. Such restrictions would cease to have effect upon the occurrence of certain change-of-control events. For additional information on arrangements with Bison, see the discussion under "Certain Relationships and Related Transactions" on page 33.

In accordance with the arrangements discussed above, the Governance and Nominating Committee has nominated, and the Board has accepted the nomination of, Andreas Hildebrand and Peter Macdonald for election as Preferred Stock Directors (as defined in our Certificate of Designation for the Series C Preferred Stock, which was filed with the Secretary of State of the State of Delaware on December 23, 2014). The biographical information of Messrs. Hildebrand and Macdonald are set forth above under "Nominee Information."

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**Independence of Directors**

Our Board currently consists of seven directors, of which six are non-management directors. The Board has determined that each of Messrs. Andreas Hildebrand, Gregory Barnum, Christopher Capps, Richard Kiphart, Peter Macdonald, and Tommy Pappas are independent as defined by Nasdaq Marketplace Rule 5605(a)(2). Mr. Procell is not considered independent because he also serves as one of our executive officers.

The Board made these determinations based primarily on a review of the responses of the directors to questions regarding employment and compensation history, family relationships and affiliations, and based on discussions with the directors. For details about certain relationships and transactions among us and our executive officers and directors, see *Certain Relationships and Related Transactions* beginning on page 33.

**Family Relationships**

The only family relationship between any of our directors and officers is that Mr. Kiphart is the father-in-law of Mr. Capps.

**Board Leadership Structure**

The positions of Board Chairman and Chief Executive Officer are separate and held by different persons. The Board Chairman assists with the execution of strategy and business plans, plays a prominent role in setting the Board's agenda, acts as the liaison between the Board and our senior management, and presides at Board and stockholder meetings. The Board believes that separating the roles of Board Chairman and Chief Executive Officer is the most effective leadership structure for us at this time, allowing our Chief Executive Officer to focus on the business strategy and operations of the Company, while our Board Chairman provides leadership to the Board, which is necessary for the Board to fulfill its responsibilities, and an independent perspective on the Board's activities. In the future, the Board may determine that combining the roles of Board Chairman and Chief Executive Officer may be the best structure for operating the Company. Should the Board Chairman cease to be an independent director, the Board may also elect to designate an independent director to act as lead director to facilitate the functioning of the Board.

Andreas Hildebrand, an independent director, has served as Chairman of our Board since June 2015.

In the Board's opinion, the current leadership structure is appropriate to satisfy the need for objectivity and effective oversight. In addition to the separation of the roles of Board Chairman and Chief Executive Officer, other attributes of our corporate governance structure are as follows:

• the Chairman is an independent director;

• the Board is comprised of a majority of independent directors;

• before or after regularly scheduled Board meetings, the independent directors meet in executive session to review, among other things, the performance of our executive officers; and

• the Audit, Compensation and Governance and Nominating committees of the Board are comprised only of independent directors who perform key oversight functions, such as:

- overseeing the integrity and quality of our financial statements;
- overseeing risk assessment and management;
- establishing senior executive compensation;
- reviewing director candidates and making recommendations for director nominations; and
- overseeing our corporate governance structure and practices.

The Board recognizes, however, that no single leadership model is right for all companies at all times and that, depending on future circumstances, other leadership models might be appropriate for us.

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**Board Committees**

Our Board has an Audit Committee, a Compensation Committee, and a Governance and Nominating Committee. Each of our committees operates under a written charter that has been adopted by the committee and approved by our Board. The charters are reviewed annually by each respective committee and any adopted changes are submitted to our Board for ratification. Current copies of the charters for all of our committees are available on our website at <http://www.lime-energy.com/investors> under Corporate Governance. In addition, any stockholder may receive copies of these documents in print, without charge, by contacting Investor Relations at (201) 416-2575 or [investorrelations@lime-energy.com](mailto:investorrelations@lime-energy.com).

The primary responsibilities of each of our committees, as well as the current composition of our committees and the number of committee meetings held during 2015, are described below.

<b>Audit Committee</b>	
<p>The primary responsibilities of our Audit Committee include:</p> <ul style="list-style-type: none"> <li>• overseeing our accounting and financial reporting processes, including our internal controls over financial reporting;</li> <li>• overseeing the quality and integrity of our financial statements;</li> <li>• reviewing the performance of our internal audit function;</li> <li>• selecting and retaining our independent auditors;</li> <li>• reviewing the performance and independence of our independent auditor;</li> <li>• reviewing related party transactions;</li> <li>• overseeing our compliance with legal and regulatory requirements;</li> </ul>	<p><b>Committee Members:</b></p> <p>Gregory T. Barnum (Chair)</p> <p>Christopher W. Capps</p> <p>Tommy Mike Pappas</p>

<ul style="list-style-type: none"> <li>• setting the compensation of the independent auditors and reviewing the scope and results of their audit; and</li> <li>• overseeing the process by which we undertake risk assessment and risk management, including discussing our financial risk exposures and the steps management has taken and is taking to monitor and control such exposures.</li> </ul>	
<p>Each member of the Audit Committee is a non-management director and is independent as defined in Nasdaq Marketplace Rule 5605(a)(2) and under the Securities Exchange Act of 1934, as amended (the Exchange Act ). Our Board has determined that Mr. Barnum qualifies as an audit committee financial expert pursuant to the definition set forth in Item 407(d)(5)(ii) of Regulation S-K, as adopted by the SEC.</p>	<p><b>Number of Meetings in 2015:</b></p> <p>6</p>



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<b>Compensation Committee</b>	
<p>The primary responsibilities of our Compensation Committee include:</p> <ul style="list-style-type: none"> <li>• reviewing and determining the compensation of our Chief Executive Officer and other executive officers;</li>   <li>• establishing our general compensation philosophy;</li>   <li>• overseeing the development and implementation of our corporate goals and objectives relevant to the compensation of our executives;</li>   <li>• overseeing the administration of equity-based plans and any other compensation plans;</li>   <li>• overseeing the risks associated with the design and operation of our compensation programs, policies and practices; and</li>   <li>• periodically reviewing the compensation of our directors and making recommendations to the Board with respect thereto.</li> </ul>	<p><b>Committee Members:</b></p> <p>Richard P. Kiphart (Chair)</p> <p>Gregory T. Barnum</p> <p>Andreas Hildebrand</p>
<p>Each member of the Compensation Committee is a non-management director, is independent as defined in Nasdaq Marketplace Rule 5605(a)(2), and meets the enhanced independence standards applicable to compensation committee members in Nasdaq Marketplace Rule 5605(d)(2) and the Exchange Act. Additional information on the Compensation Committee and the role of management in setting compensation is provided below under Executive Compensation beginning on page 22.</p>	<p><b>Number of Meetings in</b></p> <p><b>2015:</b></p> <p>2</p>

<b>Governance and Nominating Committee</b>	
<p>The primary responsibilities of our Governance and Nominating Committee include:</p>	<p><b>Committee Members:</b></p> <p>Peter Macdonald (Chair)</p> <p>Christopher W. Capps</p>

<ul style="list-style-type: none"> <li>• establishing director qualification criteria and seeking to identify individuals qualified to become directors and reviewing any candidates proposed by directors, management or stockholders;</li>   <li>• recommending committee appointments to the Board;</li>   <li>• recommending director nominees to the Board and the stockholders;</li>   <li>• reviewing significant stockholder relations issues;</li>   <li>• overseeing annual self-evaluation of the Board; and</li>   <li>• advising the Board with respect to corporate governance matters.</li> </ul>	<p>Andreas Hildebrand</p>
<p>Each member of the Governance and Nominating Committee is a non-management director and is independent as defined in Nasdaq Marketplace Rule 5605(a)(2).</p>	<p><b>Number of Meetings in</b></p> <p><b>2015:</b></p> <p>1</p>

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**Board Oversight of Risk Management**

The Board plays a crucial role in the management of the risks we face as a company. The Board is responsible for oversight of the Company’s risk management practices while management is responsible for the day-to-day risk management processes. In the Board’s opinion, this division of responsibilities is the most effective approach for addressing the risks facing the Company, and the Company’s board leadership structure supports this approach.

Our committees support the Board’s oversight of risk management in the following ways:

Committee	Risk Management Responsibilities
<p><b>Audit Committee</b></p>	<ul style="list-style-type: none"> <li>• Reviews our risk management practices and procedures</li> <li>• Oversees management’s execution of our risk management objectives</li> <li>• Discusses our financial risk exposures and the steps management has taken and is taking to monitor and control such exposures</li> <li>• Receives direct reports from the Company’s internal audit functions regarding the Company’s risk and control environment</li> </ul>
<p><b>Compensation Committee</b></p>	<ul style="list-style-type: none"> <li>• Oversees risks relating to our compensation programs and plans (as more fully described in Executive Compensation Compensation Risk Assessment on page 26)</li> <li>• Conducts risk assessment of our compensation programs to ensure they are properly aligned with Company performance and do not provide incentives for our employees to take inappropriate or excessive risks</li> </ul>
<p><b>Governance and Nominating Committee</b></p>	<ul style="list-style-type: none"> <li>• Oversees risks relating to corporate governance matters, including with respect to reviewing Board and Committee composition and the Company’s relations with our stockholders</li> </ul>

- Supports succession planning for the Company's management

### **Director Nominations, Qualifications and Recommendations**

When identifying and evaluating director nominees, our Governance and Nominating Committee considers the nominees' personal and professional integrity, judgment, ability to represent the interests of the stockholders, and knowledge regarding the Company's business. The Committee seeks candidates whose qualifications, experience and independence complement those of existing Board members. Board candidates are expected to possess high personal and professional ethics, integrity and values, and relevant business experience and to be committed to representing the long-term interests of all stockholders. They are also expected to have an inquisitive and objective perspective, practical wisdom and good judgment.

The Governance and Nominating Committee has primarily identified candidates through informal solicitation of ideas from members of the Board or the Company's executive officers, although in certain private placement or acquisition-related transactions, parties have obtained the right to designate board representatives.

For incumbent directors, the Committee reviews each director's overall service to the Company during the director's term, including the director's level of participation and quality of performance. The Governance and Nominating Committee considered and nominated the candidates proposed for election as director at the Annual Meeting, and the Board voted unanimously to approve the Governance and Nominating Committee's recommendation.

#### ***Director Qualifications; Diversity***

We seek to identify candidates who represent a mix of backgrounds and experiences that will improve the Board's ability, as a whole, to serve the needs of our Company and the interests of our stockholders.

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

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***Stockholder Recommendations***

Stockholders may nominate candidates to serve as directors by submitting a written notice to the Governance and Nominating Committee at Lime Energy Co., 4 Gateway Center, 4th Floor, 100 Mulberry Street, Newark, NJ 07102. Stockholder recommendations must be accompanied by sufficient information to assess the candidate's qualifications along with the candidate's consent to serve as director if elected. Stockholder nominees will be evaluated by the Governance and Nominating Committee in the same manner as other nominees.

Stockholder nominations of directors for election at the 2017 annual general meeting of stockholders must be received no earlier than February 16, 2017 and no later than March 18, 2017. If the date of the 2017 annual general meeting of stockholders is moved to a date that is more than 30 days before or more than 60 days after the anniversary date of this year's annual general meeting, the stockholder nomination must be received no earlier than the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of the meeting is first made. Public announcement or postponement of an annual meeting of stockholders shall not commence a new time period or extend any time period for the timing of the stockholder nomination.

**Compensation Committee Interlocks and Insider Participation**

No member of the Compensation Committee is or was during 2015 an employee, or is or ever has been an officer, of the Company. During 2015, no executive officer served as a member of the Compensation Committee or as a director of another entity having an executive officer serving on our Compensation Committee or as one of our directors.

**Code of Conduct**

We have adopted a Code of Conduct that applies to all of our directors and employees, including all senior executive and financial officers. A copy of our Code of Conduct is available on our website at <https://www.lime-energy.com/investors> under Code of Business Conduct and Ethics.

In addition, any stockholder may receive a copy of the Code of Conduct or any of our committee charters in print, without charge, by contacting Investor Relations at (201) 416-2575 or [investorrelations@lime-energy.com](mailto:investorrelations@lime-energy.com). We intend to post any amendments to our Code of Conduct on our website. In addition, we intend to disclose any waiver of a provision of the Code of Conduct that applies to our senior executives and financial officers, by posting such information on our website or by filing a Form 8-K with the SEC within the prescribed time period.

**Stockholder Communications with the Board**

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Stockholders and other interested parties may send communications to our Board by sending written notice to:

**Lime Energy Co.**  
Attention: Corporate Secretary  
4 Gateway Center, 4th Floor, 100 Mulberry Street  
Newark, NJ 07102

The notice may specify whether the communication is directed to the entire Board, to the independent directors, to a particular Board committee, or to an individual director.

All communications by stockholders or other interested parties addressed to the Board will be sent directly to Board members. While our Corporate Secretary may review, sort, and summarize these communications, all direct communications will be presented to the non-management directors unless there is instruction from them to filter such communications (and in such event, any communication that has been filtered out will be made available to any non-management director who wishes to review it). At each regular meeting of the Board, our Corporate Secretary will present a summary of all communications received since the previous meeting that were not forwarded and will make those communications available to any director on request.

Table of Contents**COMPENSATION OF DIRECTORS****Director Compensation Program**

In June 2010, we adopted the 2010 Non-Employee Directors Stock Plan (the 2010 Directors Plan) to provide non-employee directors with stock-based compensation. The 2010 Directors Plan provides for the granting of restricted stock awards to non-employee directors to compensate them for their services to the Company, provide an inducement for non-employee directors to remain with the Company, and to provide a means through which we may attract qualified persons who are not also employees of the Company to serve on the Board. The use of the shares available under the 2010 Directors Plan is administered by the Compensation Committee. The Compensation Committee has determined under the 2010 Directors Plan to grant non-employee directors restricted shares of Company stock with the following market values on the date of grant:

	<b>Market Value of Grant</b>	
<b>For Board Service:</b>		
Each director upon initial election:	\$	40,000
Annual grant to each director:	\$	20,000
<b>For Committee Service:</b>		
<u>Audit Committee:</u>		
Chairman	\$	15,000
Members	\$	10,000
<u>Compensation Committee:</u>		
Chairman	\$	10,000
Members	\$	5,000
<u>Governance and Nominating Committee:</u>		
Chairman	\$	5,000
Members	\$	2,500

The 2010 Directors Plan provides for stock awards for Board service to be made on the first business day of the year and stock awards for committee service to be made to a director upon the director's appointment to the committee following the annual meeting of stockholders. Newly-elected directors receive their initial grant upon election. Restricted stock granted to date under the Directors Plan for Board service vest 50% upon grant and 50% on the first to occur of the first anniversary of the grant date, if the director is then still serving on the Board, or the director's death, disability, or retirement. Restricted stock granted under the Directors Plan for committee service vest 50% upon grant and 50% on the first to occur of the first anniversary of the grant date, if the director is then still serving on the committee, or the director's death, disability, or retirement.

During 2015, we granted 54,901 shares of restricted stock to directors for their service on the Board and 18,728 shares for committee service. Of these shares, 64,267 shares vested during 2015 and the remaining 9,362 shares are to vest during 2016. In addition, three directors who joined our Board in 2014 received an aggregate of 18,784 shares at \$2.52 per share, which represents the balance of their initial stock awards that they had not received during 2014 following their initial appointment to the Board.





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Directors who are also our employees do not receive additional compensation for their services as directors.

**Director Compensation Table**

The following table provides compensation information for the year ended December 31, 2015 for each of our non-employee directors.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
Gregory T. Barnum (2)		40,000			40,000
Christopher Capps (2)		32,500			32,500
Stephen Glick (2) (3)		40,000			40,000
Andreas Hildebrand (2)		22,005			22,005
Richard P. Kiphart (2)		32,500			32,500
Peter S. Macdonald (2)		20,711			20,711
Tommy Mike Pappas (2)		31,239			31,239

(1) The following table set forth details of the grants in the table above.

	Grant Type	Grant Date	Number of Shares	Per Share Fair Market Value on Grant Date	Aggregate Market Value
Gregory T. Barnum	Board	02/12/15	7,843	\$ 2.55	\$ 20,000
	Committee	06/19/15	5,763	\$ 3.47	\$ 20,000
Christopher Capps	Board	02/12/15	7,843	\$ 2.55	\$ 20,000
	Committee	06/19/15	3,602	\$ 3.47	\$ 20,000
Stephen Glick	Board	02/12/15	7,843	\$ 2.55	\$ 20,000
	Committee	06/19/15		\$	
Andreas Hildebrand	Board	02/12/15	7,843	2.55	\$ 20,000
		03/12/15	7,654	2.52	19,289
	Committee	06/19/15	2,161	\$ 3.47	\$ 7,500
Richard P. Kiphart	Board	02/12/15	7,843	\$ 2.55	\$ 20,000
	Committee	06/19/15	3,602	\$ 3.47	\$ 10,000
Peter S. Macdonald	Board	02/12/15	7,843	2.55	\$ 20,000
		03/12/15	7,654	2.52	19,289
	Committee	06/19/15	1,440	\$ 3.47	5,000
Tommy Mike Pappas	Board	02/12/15	7,843	\$ 2.55	\$ 20,000
		03/12/15	3,476	\$ 2.52	\$ 8,761
	Committee	06/19/15	2,881	\$ 3.47	\$ 10,000

(2) The following table sets forth for each of our non-executive directors the (i) outstanding stock awards held as of December 31, 2015, and (ii) the

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number of options outstanding as of December 31, 2015:

<b>Director Name</b>	<b>Number of Stock Awards</b>	<b>Total Options Outstanding</b>
Andreas Hildebrand	1,080	
Gregory T. Barnum	2,881	19,916
Christopher Capps	1,801	
Stephen Glick		2,041
Richard P. Kiphart	1,440	
Peter S. Macdonald	720	
Tommy Mike Pappas	1,440	

(3) Mr. Glick did not stand for re-election to the Board at the 2015 annual meeting of our stockholders.

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**EXECUTIVE OFFICERS**

Below are the names, positions, and brief description of the business experience of our current executive officers:

**C. ADAM PROCELL**

**Title:** President and Chief Executive Officer

**Since:** 2014 **Age:** 48

Mr. Procell has served as our President and Chief Executive Officer since November 2013. His biography is contained in the section of this proxy statement entitled "Nominee Information" above.

**MARY COLLEEN BRENNAN**

**Title:** Chief Financial Officer (outgoing)

**Since:** 2014 **Age:** 63

**Biographical Information:** Ms. Brennan serves as the Company's Chief Financial Officer and Treasurer, a role she assumed in April 2014. She has also served as the Company's Corporate Secretary since May 2014. Ms. Brennan was an independent finance and business management consultant prior to joining the Company. Previously, Ms. Brennan served for eight years as Chief Financial Officer and Corporate Treasurer for Halcrow, Inc., a privately-held global design engineering firm, where she was responsible for all areas of finance, accounting, treasury and tax. In 2012, Ms. Brennan filed for personal bankruptcy protection under the United States Bankruptcy Code. Ms. Brennan earned her Masters of Business Administration with a concentration in accounting and her Bachelors in Business from Pace University. She is a licensed CPA in the State of New Jersey. Ms. Brennan will be stepping down from her position as Chief Financial Officer of the Company but will remain with the Company in a transitional role until May 31, 2016.

**BRUCE D. TORKELOSON**

**Title:** Chief Financial Officer (incoming)

**Since:** 2016 **Age:** 47

**Biographical Information:** Effective May 13, 2016, Mr. Torkelson will become the Company's Chief Financial Officer. Mr. Torkelson has served as Corporate Vice President - Financial Planning of CalAtlantic Homes (previously Standard Pacific Homes and Ryland Homes), one of the nation's largest and most respected homebuilders, since January 2010. In this role, Mr. Torkelson focused on long-term planning and strategic initiatives. From March 2008 until January 2010, he was Vice President - Corporate Operations of Standard Pacific Homes. Prior to that, he occupied various financial and accounting roles of increasing responsibility from 1999. Mr. Torkelson holds a Bachelor of Science in Business degree from Miami University of Illinois.

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**EXECUTIVE COMPENSATION**

**Overview of Executive Compensation Program**

We compensate our executives, including our named executive officers, using a balanced approach that combines fixed and performance-based compensation, annual and long-term compensation, and cash and equity compensation. We do not have a specific policy for the allocation of compensation among the various elements of our executive compensation.

We manage our business with the long-term goal of creating and maximizing stockholder value and, accordingly, a significant percentage of the 2015 executive compensation is at risk and weighted towards company performance, long-term incentives and stock price appreciation. We think this is a key to our long-term success.

Our executive officers have generally received compensation consisting of three components:

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

The Compensation Committee of the Board makes all compensation decisions for our executive officers. Generally, in making compensation decisions for executive officers other than our chief executive officer, the Compensation Committee takes into account recommendations made by our chief executive officer.

**Objectives of Compensation Program**

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

- Annual salaries for executive officers have been established with the goal of attracting and retaining qualified individuals for the positions. These salaries have been determined on a case-by-case basis.
- Short-term incentive compensation awards are intended to reward our executives for the achievement of annual performance criteria and are flexible and change based on the needs of our business. These awards are generally determined pursuant to our Management Incentive Plan, although the Management Incentive Plan does not prohibit discretionary bonuses in addition to those under the plan. Short-term incentive compensation has historically taken the form of cash bonuses and stock awards.
- Restricted stock grants and stock options awards are intended to motivate and reward achievement leading to increases in our profitability and stockholder value over the longer term. The amounts awarded are determined as prescribed in the Management Incentive Plan.

To motivate executive officers to achieve the longer-term goal of increasing our profitability and stockholder value, and to reward them for achieving such long-term goals, stock awards and stock options have been included as part of the compensation structure for our executive officers. Incentive awards provide an increased opportunity for equity ownership by our executive officers, thereby further aligning their interests with those of our stockholders. These grants are generally made in a manner consistent with the Management Incentive Plan, though the Compensation Committee has latitude to determine the amount of short-term incentive compensation to be paid in the form of cash versus stock grants. All stock grants have been in the form of restricted stock that vests ratably over a three-year period subject to the executive's continued employment by us on each vesting date. A typical stock option grant has a 10-year exercise period, vests over a three-year period subject to the executive remaining employed by us, and has an exercise price equal to the market price on the grant date. We have not granted options with an exercise price that is less than the market price on the grant date.

We do not have a formula for allocating between cash and non-cash compensation. The number of shares of restricted

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stock and stock options awarded to an executive officer has been decided on a case-by-case basis taking into consideration other components of compensation, not pursuant to any specific guidelines or program.

The Compensation Committee considered several factors in assessing our executives' performance on an individual basis.

Mr. Procell, as Chief Executive Officer, has oversight responsibility for all areas of our business. The Compensation Committee considered his leadership in establishing and executing on our growth strategies and evolving our business while continuing to achieve strong financial results. The Committee also recognized his efforts in working to create future opportunities and positioning the organization for long-term success. In addition, the Committee considered the excellent performance of each of the executives reporting to him, as well as his recruitment and hiring of key employees and development of internal talent, which we expect to support and drive our growing company.

Ms. Brennan, our Chief Financial Officer, has responsibility for our corporate finance and accounting, financial planning, tax and investor relations functions, as well as operational oversight of our risk management department. The Committee recognized Ms. Brennan's significant work in integrating EnerPath into our public company reporting framework and overseeing its control environment preparedness, as well as providing continued corporate finance and accounting support across our organization. The Committee also recognized her work supporting the functioning of our Board and managing investor relations.

**Long-Term Incentive Compensation**

*Equity Incentive Compensation.* In 2008, we established the 2008 Long-Term Incentive Plan (the "2008 Plan") to enhance long-term profitability and stockholder value by offering Common Stock and Common Stock-based and other performance incentives to certain of our employees, directors, and consultants. We view the 2008 Plan, which is administered by the Compensation Committee, as a vehicle to attract and retain employees who are key to our growth and success, and to align our employees' economic incentives with those of our stockholders. The 2008 Plan is administered by the Compensation Committee. The 2008 Plan provides the Compensation Committee with the flexibility to make awards at various times and in varying amounts in its discretion and where particular circumstances warrant. In considering whether to make long-term equity-based compensatory awards and how to design them, the Compensation Committee takes into account stockholder dilution issues and related concerns.

The Compensation Committee believes that stock option awards are an important and useful component of our overall compensation program. Stock options generally expire after ten years and vest ratably over three years. If an officer dies, unexercised stock options generally are forfeited within three months. If an officer's employment terminates as a result of a disability, unexercised stock options generally are forfeited within one year. If an officer otherwise leaves our employ for any reason other than for cause, unexercised stock options generally are forfeited three months after termination of employment. If an officer's employment is terminated for cause, unexercised stock options are typically forfeited upon termination of employment.

*Management Incentive Compensation Plan.* In 2009, our Compensation Committee recommended to our Board, and our Board adopted, the 2009 Management Incentive Compensation Plan (the Management Incentive Plan ) pursuant to which certain of our executive officers are eligible for cash awards and, in lieu of cash awards, equity-based awards (subject to the availability of shares of Common Stock and the other terms of the 2008 Plan) based upon criteria set forth in the Management Incentive Plan or established by our Compensation Committee. The Management Incentive Plan is designed to promote the interests of the Company and the stockholders by providing incentives to participating officers and key employees of the Company and its subsidiaries and to reward performance.

Performance goals for the Management Incentive Plan participants include, but need not be limited to, the following goal categories:

(a) Company performance objectives, comprising revenue and earnings before interest, taxes, depreciation, amortization and stock-based compensation targets, and (b) individual performance objectives. The relative weight among the performance goal categories vary based on the participant's position within the Company. The weighting is reviewed annually and may be adjusted by our Compensation Committee.

Each participant is informed at the beginning of, or soon after the beginning of, each fiscal year, of his or her Management Incentive Plan base salary, which will be the basis for determining the award opportunity for that participant, and which amount will be allocated among the participant's performance goal categories. In addition, the Management Incentive Plan provides that the Compensation Committee is responsible for designating three performance levels: a Threshold, a Target and a Maximum level; and setting a percentage incentive opportunity for each performance level.



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*Alignment of Pay and Performance.* Our executive compensation program links compensation to Company and individual performance over both the short- and long-term. We believe the structure of our Management Incentive Plan and the decisions of our Compensation Committee with respect to bonus awards are strongly aligned with our primary corporate objective of revenue growth and EBITDA improvement. The plan also allows the Compensation Committee the flexibility to award bonuses based on its view of performance, including qualitative factors that benefit our long-term objectives, even though they may not always be reflected in our operating results.

In 2015, we granted to a number of our officers options to purchase shares of our Common Stock. See Outstanding Equity Awards at 2015 Fiscal Year-End below for a description of the stock option awards to Mr. Procell and Ms. Brennan. All equity awards were granted at no less than the fair market value of our Common Stock at the time of the grants, as determined by the Compensation Committee and approved by the Board.

Although the full grant date fair value of our executive stock option awards is reported as 2015 compensation, the awards are designed to reward performance across a multi-year period. Executives would realize value from the awards, if any, only following the completion of the vesting period with respect to such award (or the applicable portion thereof). The Compensation Committee believes that tying the value of the awards directly to the Company's stock price provides true alignment with an investor's view of our performance over this time.

**Other Benefits and Perquisites**

Our named executive officers receive the same company-wide benefits as are generally available to all other executive-level employees, such as short- and long-term disability insurance, group health insurance, basic life insurance and eligibility for supplemental health and life insurance, access to flexible health care reimbursement accounts and 401(k) discretionary matching. In addition, we provide Mr. Procell with a monthly vehicle allowance due to the fact that he uses his cars extensively for Company business.

**Executive Employment Agreements**

*Mr. Procell*

Mr. Procell entered into an employment agreement with a subsidiary of the Company in March 2009. The employment agreement currently provides that Mr. Procell's annual base salary shall be determined by the Company in its sole discretion and that he shall be eligible for an annual bonus of up to 50% of his annual base salary. Mr. Procell's current annual base salary is \$335,000. The employment agreement currently does not provide for any fixed period of employment or severance payments. The agreement imposes non-competition, non-solicitation and confidentiality obligations, which are not separately compensated. The non-competition and non-solicitation obligations cover the employment period and extend for one year after termination.

*Ms. Brennan*

Ms. Brennan entered into an employment agreement with a subsidiary of the Company in April 2014 that provides for an initial two-year employment period, renewable automatically for additional successive one-year periods unless the Company provides Ms. Brennan with a notice of non-renewal before November 1st of the then-current term. The agreement provides that Ms. Brennan is eligible for an annual bonus of up to 50% of her annual base salary.

Ms. Brennan's employment agreement imposes non-competition, non-solicitation and confidentiality obligations, which are not separately compensated. The non-competition and non-solicitation obligations cover the employment period and extend for one year after termination for any reason other than due to death, disability or by the Company without due cause.

On April 14, 2016, we announced that Ms. Brennan would be stepping down from her position as Chief Financial Officer, effective May 13, 2016. She will remain with the Company in a transitional role until May 31, 2016. We entered into a separation agreement with Ms. Brennan pursuant to which she will receive the following payments and benefits: (i) severance payments equal to her current base salary for a period of nine months, paid out pursuant to the Company's normal payroll practices; (ii) immediate vesting of her unvested stock option and unvested restricted stock awards; (iii) COBRA premiums for nine months for herself at the active employee rate for participation in the Company's medical expense plan; and (iv) on the separation date, the awards previously granted to Ms. Brennan in the form of options to purchase 10,000 shares of Common Stock, at an exercise price of \$2.89 per share, and 83,881 shares of Common Stock, at an exercise price of \$2.95 per share, will be cancelled in exchange for a cash payment in a per-share amount equal to the excess of the closing price of the Common Stock on NASDAQ on the business day coincident with or first following the separation date over the applicable exercise price. Ms. Brennan's receipt of the payments and benefits described

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above is contingent on her execution and delivery of a waiver and release contained in the separation agreement and her execution of a second release agreement on or after the separation date.

**Potential Payments upon Termination or Change in Control**

The following table shows potential payments to the current named executive officers under existing contracts, agreements, plans or arrangements, whether written or unwritten, for various scenarios involving a change-in-control or termination of employment assuming a December 31, 2015 termination date and, where applicable, using the closing price of our Common Stock of \$2.88 per share on that date.

Name	Voluntary Termination (1)	Involuntary Termination - Not For Cause (2)	Involuntary Termination - For Cause (3)	Change in Control (4)	Death (5)	Disability (5)
C. Adam Procell	\$ 30,240	\$ 54,389	\$ 30,240	\$ 24,149	\$ 30,240	\$ 30,240
Mary Colleen Brennan	\$ 9,182	\$ 124,182	\$ 9,182	\$ 4,798	\$ 13,980	\$ 13,980

- (1) Neither of our named executive officers is entitled to more than accrued but unpaid salary and vacation upon a voluntary termination of their employment. The amounts listed consist solely of accrued vacation pay as of December 31, 2015.
- (2) Upon involuntary termination other than for due cause at December 31, 2015, Mr. Procell's unvested shares of restricted stock would have vested immediately and he would have been entitled to accrued but unpaid salary and vacation. Upon involuntary termination other than for due cause at December 31, 2015, Ms. Brennan would have been entitled to six months of base salary and accrued but unpaid salary and vacation.
- (3) Neither of our named executive officers is entitled to more than accrued but unpaid salary and vacation upon an involuntary termination for cause.
- (4) Neither of our named executive officers would be entitled to any payments upon a change of control unless they were involuntarily terminated without cause, but any unvested restricted stock and unvested options would immediately vest. As of December 31, 2015, the intrinsic values of executives' options were as follows:

Name	Value*
C. Adam Procell	\$ 0
Mary Colleen Brennan	\$ 0

\* Calculated as the excess, if any, of the market value on December 31, 2015 of \$2.88 per share over the option strike price.

As of December 31, 2015, the value of executives' unvested restricted stock was as follows:

Name	Value*
C. Adam Procell	\$ 24,149
Mary Colleen Brennan	\$ 4,798

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\* Calculated as the market value on December 31, 2015 of \$2.88 per share times the number of unvested shares of restricted stock vesting upon a change in control.

(5) Neither of our named executive officers is entitled to more than accrued but unpaid salary and vacation upon their death or permanent disability; except that, assuming a termination due to death or disability at December 31, 2015, all of Ms. Brennan's unvested restricted stock would have vested immediately.

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**Other Matters**

***Clawback Policy***

On August 13, 2015, the Company adopted an incentive compensation clawback policy requiring the recoupment of incentive-based compensation granted on or after the policy's effective date from current and former executive officers, and such other employees of the Company who may from time to time be deemed subject to the policy by the Board. Among other things, the policy provides that in the event the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance with any financial reporting requirement under the securities laws, the Board will require reimbursement or forfeiture of any excess incentive compensation received by any covered employee during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement. For purposes of the policy, excess incentive compensation means incentive-based compensation that was paid to an employee covered by the policy in excess of the amount that would have been paid to such employee based on the accounting restatement.

***Tax and Accounting Treatment of Compensation; Section 162(m) Limits***

Financial Accounting Standards Board Accounting Standards Codification Topic 718 requires a charge to compensation expense for the fair value of equity compensation awards. Grants of options and restricted stock are accounted for under ASC 718. The Compensation Committee considers the accounting implications of significant compensation decisions, particularly in connection with decisions that relate to the Company's long-term incentive awards.

Section 162(m) of the Code places a limit of \$1,000,000 on the amount of compensation that we may deduct in any one year with respect to our Chief Executive Officer and three most highly paid executive officers (other than our Chief Executive Officer and Chief Financial Officer). Certain performance-based compensation approved by stockholders is not subject to the deduction limit. The 2008 Plan is qualified such that stock options and stock appreciation rights under the 2008 Plan may constitute performance-based compensation not subject to Section 162(m) of the Code. One of the requirements for equity compensation plans is that there must be a limit to the number of shares granted to any one individual under the plan. Accordingly, the 2008 Plan provides that no employee may be granted more than 1,000,000 shares in any calendar year.

**Compensation Risk Assessment**

The Compensation Committee has reviewed and considered risk implications and incentives created by our executive compensation program and our compensation policies and practices for the Company as a whole. The Compensation Committee believes that our compensation program does not create risks that are reasonably likely to have a material adverse effect on us.



Table of Contents**EXECUTIVE COMPENSATION TABLES****Summary Compensation Table**

The following table sets forth compensation earned in 2015 and 2014 by our Chief Executive Officer and Chief Financial Officer serving as of December 31, 2015. These individuals are referred to in this proxy statement as the named executive officers.

Name and Principal Position	Year	Salary (\$)		Bonus (\$)		Stock Awards (\$)(1)		Option Awards (\$)(2)		All Other Compensation (\$)		Total (\$)		
<b>C. Adam Procell</b>	2015	\$	335,000	\$	85,011			\$	357,612	\$	7,882	(3)	\$	785,505
<i>President &amp; Chief Executive Officer</i>	2014	\$	240,001	\$	120,000	79,999		\$		\$	6,515	(4)	\$	446,515
<b>Mary Colleen Brennan</b>	2015	\$	230,000	\$	48,997			\$	155,040	\$	4,863	(5)	\$	438,900
<i>Executive Vice President &amp; Chief Financial Officer</i>	2014	\$	153,254	\$	42,068	16,050		\$		\$	2,070	(5)	\$	213,442

(1) Represents the value of restricted shares based on the market price of the shares on the date of grant.

(2) The amount reported reflects the grant date fair value of the stock option awards using an Enhanced Hull-White Trinomial option pricing model. The assumptions used in calculating these amounts are incorporated by reference to Note 21 to our Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. The amounts reported do not reflect our accounting expense for these awards during the fiscal year and may not represent the amounts our executives will actually realize from the awards.

(3) Includes \$6,000 auto allowance and \$1,882 for group life and disability insurance provided to Mr. Procell in 2015.

(4) Includes \$6,000 auto allowance and \$515 for group life and disability insurance provided to Mr. Procell in 2014.

(5) Represents \$1,717 auto allowance, \$862 of 401(k) match, and \$2,284 for life insurance and long-term disability insurance provided to Ms. Brennan.

**Realized Pay for 2015**

A significant portion of the 2015 pay reported in the Summary Compensation Table above relates to the stock option awards made during 2015. We are required to report the grant date fair value of the stock option grants in the Summary Compensation Table, even though the ability of our executives to realize value from these awards is contingent on vesting and our future stock price. These awards are scheduled to vest on a three-year schedule. Our stock price must have appreciated by the exercise date for any value to be realized from these awards.

Reported pay includes actual annual cash compensation, long-term retirement benefits, and long-term equity incentive opportunities. Both the long-term retirement benefits and the long-term equity incentive opportunities are based on accounting and performance assumptions that may or may not be realized.

Realized pay consists of the amounts actually paid to the named executive officer. Realized pay includes taxable pay including base salary, cash incentives, taxable fringe benefits, and taxable payouts under the 2008 Plan. Taxable fringe benefits included in realized pay include auto allowance and health and welfare benefits. Realized pay does not include supplemental long-term disability plan premiums paid by the Company, a 401(k) plan company match, and a 401(k) plan employer contribution.



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**Outstanding Equity Awards at 2015 Fiscal Year-End**

The following table sets forth information regarding all outstanding equity awards held by our named executive officers at December 31, 2015.

	Option Awards					Stock Awards				
						Equity incentive plan awards:				
Grant Date	Number of Securities		Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares of Units That Have Not Vested(5)	Number of Unearned Shares, Units or Other Rights That Have Not Vested		Market of Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested	
	Exercisable	Unexercisable					Shares, Units or Other Rights That Have Not Vested	Shares, Units or Other Rights That Have Not Vested		
Procell, C. Adam										
04/06/09										
	2,859		\$ 25.90	04/06/19						
01/03/12	3,894		\$ 22.82	12/31/21						
01/03/12	3,894		\$ 22.82	12/31/21						