

FINAL TRANSCRIPT

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LIME - Q2 2011 Lime Energy Co Earnings Conference Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Second Quarter, 2011 Lime Energy Company Earnings Conference Call. My name is Francine, and I am your operator for today. At this time, all participants are in listen-only mode. Later, we will conduct a question and answer session.

(Operator Instructions)

I would now like to turn the presentation over to the spokesperson for Lime Energy Company, Mr. Glen Akselrod. Sir, you may proceed.

Glen Akselrod - *Lime Energy Co. - Spokesperson*

Thank you, Francine, and good afternoon, everybody, and thank you for taking the time to join us for 2011 second-quarter results conference call. With us today is John O'Rourke, CEO; David Asplund, Executive Chair; and Jeff Mistarz, our CFO.

I hope all of you have had a chance to read the earnings announcement released earlier today, and which can be accessed on Lime's website; www.lime-energy.com, or for the 10-Q on the SEC website.

Before I hand the discussion over to John, I want to remind everyone that the call today will include some statements that will be considered forward-looking, regarding the Company's strategy, operations, and financial performance. Those statements are subject to many uncertainties in the Company's operations and business environment.

I will refer you to the complete forward-looking statement disclosure in the earnings release, which is incorporated by reference for the purpose of this call. I would also like to refer you to the disclosures made in the Company's quarterly and annual filings with the SEC.

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Finally, before we get started, I want to mention this call is being broadcast live over the internet and can be accessed on the Lime Energy website, and also on the Thompson CCBN Network. There will be a replay available on either website until November 8, 2011.

With that, I will hand the discussion over to John.

John O'Rourke - Lime Energy Co. - CEO

Thanks, Glen, and good afternoon, everyone, and thank you for taking the time for our second-quarter call. This was a pretty typical second quarter for us. Revenue and gross margins improved over the levels achieved during the first quarter, but as expected, are not to the level necessary to generate positive adjusted EBITDA.

Our consolidated revenue increased 38.6% to \$24.3 million, but as expected, our gross profit margin for the quarter declined from last year's unusually strong margin. The lower gross margin was the primary cause of the decline in our adjusted EBITDA, relative to last year's second quarter, but was over 40% lower than the adjusted EBITDA loss incurred in the first quarter of this year and in line with our expectations.

We expect continued improvements in the third quarter, as our revenue continues to build towards a seasonal peak in the fourth quarter of the year. Jeff will discuss our financials in more detail, so I will first go over some of the highlights of the quarter.

Our public sector group experienced strong growth in the second quarter. Revenue increased roughly 23% as the market recovered from the slowdown experienced during the first half of 2010. Our ESCO customers are reporting higher growth expectations based on strong development and implementation backlog.

In addition to our work for ESCOs, we continue to work directly with public sector customers in custom design programs where applicable. Here, we leverage our engineering expertise in capturing energy efficiency implementation work. For example, last year, Allegheny County in Pennsylvania announced that our engineering group was selected to conduct energy audits of 104 municipal buildings. We inspected lighting systems, heating and air systems, and the overall thermal envelop to identify projects that could reduce energy usage and costs.

After submitting our recommendations, we were selected to implement phase one, which will contribute over \$1.9 million in revenue to our public sector group this year. This example illustrates why we believe we are well positioned in this market to grow our design/build business by leveraging our integrated platform.

Revenue, in our commercial and industrial market, decreased 17% when compared to the year earlier period. As we continue to transition our focus to comprehensive energy efficiency and renewable energy solutions for large national account customers, we implemented a restructuring initiative to reduce costs, increase operating efficiency, and significantly enhance C&I's bank strength by merging the C&I business with our public sector business.

Going forward, the combined business units will form our new energy efficiency business unit, or EE, and will be organized geographically. Combining these two entities expands the public sector market opportunity in the West and Southwest, while significantly improving technical support for our commercial and industrial national account sales force and customer base.

This reorganization resulted in a \$1.1 million restructuring charge for the quarter, but will produce \$1.7 million in SG&A savings through the balance of this year, and \$3 million in projected savings for 2012.

Our energy consulting and technical services group, or ECTS, continues to outperform. One of the most noticeable accomplishments last quarter, was that revenue from our utility DSM programs increased 77% as we continued to execute under our contracts with National Grid and New Jersey Clean Energy Programs.

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This performance does not include any revenue from the Small Business Energy Efficiency Program for the Long Island Power Authority that we recently announced. We expect this contract to generate over \$36 million in revenue over the next five years, with an October 1st planned start for this program. As we continue to add programs with average contract terms of three to five years, we expect robust and predictable revenue streams to materialize accordingly.

This business brings a stabilizing force to our business model and becomes a foundation for our energy efficiency business in the future, through acquisition and implementation of C&I opportunities behind captive utility demand site management programs.

We also believe it solidifies Lime Energy as a national leader in program implementation for utility energy efficiency programs. We have established a strong track record of success in meeting the kilowatt reduction goals of our utility clients across a wide range of direct install programs.

Our vertically integrated service platform provides our utility clients with a single source provider option to manage and implement custom designs efficiency programs, helping them to reduce significant megawatt demands and satisfy the regulatory and environmental compliance requirements set forth by state and federal regulators.

With these regulations putting pressure on utilities to meet increasing goals for energy efficiency resource acquisition, Lime Energy's delivery platform for hard to reach markets is more popular than ever.

Finally, our asset development business LEAD was created to develop, manage, and in some situations, own renewable energy producing assets. These assets may include landfill gas to electricity, combined heat and power, onsite generation, solar photovoltaic, solar thermal, biomass, and geothermal energy projects.

Most experts agree that the United States energy sector faces serious challenges unprecedented in its history. In particular, the electric power market faces any array of challenges and opportunities amid a rapidly changing landscape. New approaches to power production, cleaner energy, smarter technologies, along with a desire for energy independence and energy efficiency, are becoming prevalent in a historically stable electric sector.

This new paradigm in how we think about energy is creating many drivers across our markets for renewable energy and onsite utility generation. C&I customers are looking to reduce operating costs, upgrade infrastructure, control energy prices, and hedge against rising fuel costs.

Utilities are actively looking for ways to comply with energy efficiency resource standards and renewable portfolio standards. Public sector customers, like municipalities, are looking to monetize assets and comply with the Energy Policy Act of 2005. Therefore, we believe there is significant existing demand for LEAD services. This business unit will leverage our existing customer base and our platform of expertise in engineering, implementation, and project finance, resulting in a growing, profitable business with recurring revenue.

So with that, I will hand it over to Jeff to go over the financials. Jeff?

Jeff Mistarz - Lime Energy Co. - CFO

Thanks, John, and good afternoon, everyone. I will provide a brief overview on our financial results for the three-month and six-month periods ended June 30, 2011.

For the second quarter, our revenue increased \$6.8 million, or 38.6%, to \$24.3 million when compared to \$17.5 million for the second quarter of 2011. Revenue from our utility markets increased approximately 77% over the year earlier period, while revenue from our public sector markets increased approximately 23%.

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A year ago, we were only working on one utility contract, that being the contract with National Grid. The second quarter of 2010 was only our second full quarter operating under this contract, so we were still in somewhat of a ramp-up mode at the time. This year we are operating under two mature contracts; National Grid and New Jersey Clean Energy, which is the primary reason for the increase in revenue from this market.

We have two other contracts we will begin to work on during the second half of 2011; the Long Island Power Authority Contract, and another relatively small utility contract that we recently won. Both of these new contracts will take some time to ramp up and stabilize, but should contribute to revenue beginning in the third or early fourth quarter.

Revenue from our public sector market continues to rebound from the softness experienced during the first half of 2010, and has a growing backlog of business that we believe positions it well for the balance of the year.

Revenue from our Army Corps of Engineers', FRR contract, increased approximately 150% over the year earlier period, but still represents a relatively small portion of our total revenue. Revenue from our C&I market declined approximately 17% when compared to the second quarter of 2010, as customers seem to be delaying decisions regarding energy efficiency projects, though some late contract signings have put us slightly ahead of where we were a year ago, in terms of contract signings for the year.

However, this market is so seasonal and backlog turns so quickly, that is difficult to interpret this to mean much about the revenue for the third and fourth quarters other than we enter the third quarter with a larger backlog in this market than we did a year ago.

Strong revenue growth during our first quarter, compared to the year earlier period, contributed to a 47.5% increase in our revenue for the six-month period ended June 30, 2011. Our revenue for the first half of the year increased \$13.9 million to \$43.2 million, from \$29.3 million for the year earlier period. Again, revenue from our utility markets led the way with 114% increase over prior year, while revenue from our public sector market increased more than 30% and FRR revenue was up approximately 135%.

These increases were partially offset by a 7% decline in the year-to-year date revenue from our C&I market. The drivers for the increase in our revenue for the first half of the year are largely the same as just described for the second quarter.

Our gross profit increased 7.3%, or \$304,000, to \$4.5 million for the second quarter of 2011 when compared to the second quarter of 2010, while our gross margin declined from 23.5% to 18.5%. As we explained this time last year, our gross margins during the second quarter of 2010 benefited from an unusually high portion of engineering revenue recognized from our C&I market during the quarter.

The second quarter of 2011 included very little of this high margin business, but did include a higher portion of lower margin, regional construction revenue, and revenue from the FRR contract. We took on this regional construction work during the first half of 2010 when our public sector business slowed due to the stimulus.

We have not taken on any more of these contracts and, therefore, this revenue will become a smaller contributor to our overall revenue in the future quarters as we finish off these projects and other revenue sources continue to fill in for them.

This, in combination with the fact that the second half of the year is expected to be the strongest period for our higher margin utility and C&I markets, should result in improving the gross margins in the third and fourth quarter of 2010.

For the six-month period ended June 30, 2011, our gross profits increased \$2 million, or 34.1%, to \$8.1 million, compared to \$6 million earned during the first half of 2010. Our gross profit margin was 18.8% for the first half of 2011, compared to 20.6% for the first half of 2010. This decline was, again, due to the change in our mix of business.



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Selling, general and administrative expenses increased 11.5%, or \$700,000, to \$6.8 million during the first half of 2011, compared to \$6.1 million for the first half of 2010. Our SG&A, as a percentage of revenue, declined to 28% for the second quarter of 2011, from 34.8% in the second quarter of 2010. All of the increase in our SG&A, for the most recent quarter, was associated with the growth of our utility market and, to a lesser extent, Lime Energy Asset Development, or LEAD.

LEAD is a new business initiative for 2011. The increase in SG&A for these two areas was partially offset by reductions in SG&A from all of our other markets and corporate overhead, resulting from headcount reductions and other cuts implemented over the last year.

The growth of our utility business and the addition of LEAD were also responsible for the 11.5%, or \$1.4 million, increase in our SG&A for the six month period. Again, the increases from these two areas were partially offset by reductions in SG&A from all of our other markets and corporate overhead.

Our SG&A, as a percentage of revenue for the six-month period, declined from 42.7% in 2010 to 32.3% in 2011, as the growth rate for our revenue exceeded the rate for our SG&A. Continuing to hold the rate of growth of our SG&A expense to one-third or less of the growth of our revenue, continues to be one of our key objectives to moving the Company towards sustained profitability.

Consistent with this objective, during the second quarter of 2011 we reorganized our operations to realign our C&I business to reduce costs, increase efficiency, and better align it with the operations of our public sector and utility markets. This permitted us to consolidate marketing and certain accounting and administrative functions, thereby allowing us to also reduce our corporate overhead.

We established a restructuring reserve during the quarter to cover the anticipated cost related to this reorganization, incurring a restructuring charge of \$1.1 million. We believe that this reorganization will reduce our gross operating expenses approximately \$1.7 million, or \$600,000 this year, after taking into account the restructuring charge. More importantly, it will reduce our SG&A by approximately \$3 million on an annual basis beginning in 2012.

Our net interest income declined \$25,000 to \$15,000 during the second quarter of 2011, from \$40,000 during the second quarter of 2010. This decline was the result of higher interest expense due to the inclusion of the unused line fee in our line of credit that was established in March of this year, and lower interest income earned during the period due to lower average balances on long receivables held by Lime Finance and lower average invested cash balances.

These same factors contributed to a \$35,000 decline in our net interest income for the six-month period.

Our net loss for the second quarter increased \$1.5 million to \$3.5 million, from \$2 million for the second quarter of 2010. This increase was a result of the \$1.1 million restructuring charge, and a \$700,000 increase of SG&A, partially offset by the increase in gross profit.

For the six-month period, our net loss increased \$506,000 to \$7.2 million, from \$6.7 million for the year earlier period. Again, the increase in the loss was a result of the restructuring charge and higher SG&A, partially offset by higher gross and profit. Our adjusted EBITDA loss, which excludes the restructuring charge, was \$1.8 million for the second quarter of 2011, compared to \$1.4 million for the second quarter of 2010. For the six-month period, the adjusted EBITDA loss declined \$600,000 to \$4.9 million, from \$5.5 million for the year earlier period.

Adjusted EBITDA is a non-GAAP financial measure we are providing because we believe it provides meaningful comparison of operating results to prior period results. For information on the calculation of adjusted EBITDA, please refer to our earnings announcement, which is available on our Form 8-K filed this afternoon. You can access this on the SEC's Edgar website or through our website.

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We expect our earnings to turn positive during the second half of the year, as our revenue continues to build toward a seasonal peak during the fourth quarter. We ended the quarter with \$7.2 million of cash, including \$724,000 of restricted cash. This represents a \$1.6 million decline from the \$9.8 million we had at the end of the first quarter, and a \$7.7 million decline from the balance as of December 31st, 2010.

For the quarter, approximately \$2.3 million in cash was used to fund our loss, and \$2.1 million was used for capital expenditures, while reductions in working capital generated approximately \$1.8 million. For the six-month period, approximately \$5.3 million was used to fund the loss, and \$3.2 million was used for capital expenditures, which was partially offset by a \$900,000 decline of working capital.

We expect our operations to generate cash during the third and fourth quarters, completely offsetting the uses during the first half of the year. Our working capital is a little higher than it should be due to some billing issues associated with our utility program in New Jersey.

We have made significant progress in getting this problem resolved, and expect to experience close to normal collections under this program by the end of the third quarter. This should offset some of the expected increase in our working capital during the third and fourth quarter as our business peaks.

Of the \$3.2 million in capital expenditures during the first six months of the year, over 80%, or approximately \$2.6 million, was related to the construction of the Zemel Road Landfill Gas-to-Electricity Project in Punta Gorda, Florida.

We currently have an investment bank working to place between \$4.5 million and \$5 million in long term debt for the project, which we expect to close before the end of the third quarter. The facility, which should begin generating revenue in September or early October, is eligible for a US treasury grant, or approximately \$1.8 million, which we expect to receive approximately 60 days after the facility goes online.

Therefore, the debt financing and treasury grant combined are expected to generate \$6.3 million to \$6.8 million before the end of the year. The Zemel Road Project should also be cash-flow positive within a month or two of coming online.

The bulk of the remaining \$600,000 in capital expenditures was related to the build-out of the new office, an infrastructure required to support the new Long Island Power Authority Utility Program and the continued development of our engineering IT platform. This unique platform supports our utility business and engineering activities such as the auditing programs for Allegheny County in Washington DC.

We remain confident that our current cash balances, in combination with the availability under our line of credit, will provide sufficient liquidity to meet our future needs as we continue to build towards sustainable profitability.

With that, I will now turn it back to John.

John O'Rourke - Lime Energy Co. - CEO

Thanks, Jeff. I have been advised there was some confusion around getting our press release out on the wires, and it should be on the wires by the time that we finish this call.

Before opening this up for questions, I would like to quickly review the change in our backlog. Our backlog, which we define as contracted and awarded business, and includes the value of our multi-year utility contracts, has more than doubled from \$90 million, at the end of last year, to almost \$190 million currently.



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We have experienced increase backlog across all our markets with the largest increases coming from our utility market. This increase in contracted utility business has been a key focus of ours because, as mentioned earlier, it provides a long term, stable, relatively predictable source of revenue with favorable margins upon which we can build our energy efficiency commercial and industrial business.

In looking forward, we continue to expect our revenue to be seasonal with third-quarter revenue to be between \$30 million and \$35 million. And we continue to believe our full-year revenue will come in between \$122 million and \$128 million.

In conclusion, Lime's vision is to be a leading participant in the changing energy paradigm for generations to come. We deliver new and alternative energy strategies in energy efficiency to reduce consumption, renewable solutions to find new and cleaner ways of producing energy, and utility partnerships to optimize and prepare customers for a new energy and smart-grid environment.

We believe Lime is well aligned and optimized to deliver on the promises of smart buildings, smart communities, and smart grid. These are huge markets we are addressing, so we have made the investments to position ourselves well. Our people are proven and continue to deliver on the promises to our valued customers while game-changing partnerships are quickly emerging and seeking established players.

The power of Lime's platform allows for speed, scale, and innovation, which we believe will deliver sustainable profitability and a growing value for our shareholders and our customers.

With that, I will open it up for questions.

QUESTIONS AND ANSWERS

Operator

Thank you, sir.

(Operator Instructions)

The first question comes from the line of Craig Irwin from Wedbush.

Craig Irwin - Wedbush - Analyst

Evening, gentlemen.

John O'Rourke - Lime Energy Co. - CEO

Hi, Craig.

Jeff Mistarz - Lime Energy Co. - CFO

Hi, Craig.



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Craig Irwin - *Wedbush - Analyst*

The first question I wanted to ask is about the backlog. You said \$190 million. That is a big step up from \$126 million at the end of 1Q, basically \$88 million-plus in bookings in the second quarter. Can you give us a little bit of color on where that has come from? And the average duration of that \$190 million in backlog -- or another way to answer that, I guess, would be how much of that is 12 months backlog that we can look at a more rapid burn versus longer term backlog?

Jeff Mistarz - *Lime Energy Co. - CFO*

Well, the largest increase to come in the utility market, which we explained, that is related to utility contracts that we have won or have been extended. The public sector has also continued to build its backlog. The public sector's contracts will runoff faster than utility.

Utilities contracts are from one to five years. Probably an average is running between two and three years overall in their contract. The public sector, most of their contracts will runoff within a year, though. We will have some that will run over, but on average, it will be less than a year.

But we have also seen increases in our C&I market as well. Though, as I mentioned, the C&I turns so quickly that it really is not a good indicator of what is to come for the balance of the year for our C&I business.

Craig Irwin - *Wedbush - Analyst*

Great. So then your public customers -- one of the changes that has happened over the last few months is the contract language that was an impediment to the ESPC contracts moving forward, particularly in the federal markets, has been corrected.

And many of the people that I spoke to were optimistic that this would result in improved booking trends, improved business trends. Can you update us on whether or not this has already had an impact on your results, and if this had a beneficial impact on the 2Q bookings?

Jeff Mistarz - *Lime Energy Co. - CFO*

It has definitely added to our backlog, though it has not had a significant impact yet on revenue or earnings. We should start to see some of that this year -- in the second half of the year, but it will be a bigger contributor next year.

Craig Irwin - *Wedbush - Analyst*

Great. The next question I wanted to ask was around gross margins. So, I know that things can be lumpy and that margin can move from quarter to quarter, based on completions and one-time items, but versus my model, it looks like there was roughly \$1 million -- or \$1.1 million, higher cost of sales expense in the second quarter -- the quarter you reported.

Can you give us an approximate breakdown on where those costs came from, and whether or not we should look at those as recurring for the rest of the year, or if you potentially incurred costs early that might improve the profitability of other projects later on in the year?

Jeff Mistarz - *Lime Energy Co. - CFO*

No, the margins we incurred in the second quarter were related to second quarter projects. They are not recurring. You know, as we explained, when comparing it to last year, last year was really inflated by a lot of the engineering revenue that we recognize,

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which is very high margin business. This second quarter had a much higher portion of the regional construction and FRR than we will have in the balance of the year.

We also expect C&I and utility to become a larger portion of our overall revenue, where we have our higher margins. So, that will help to pull up our margins as well. So the margins that we incurred in the second quarter are not -- were not out of line with our expectations, and it really doesn't alter our expectations for the full year margins.

Craig Irwin - *Wedbush - Analyst*

Great. And then just to confirm, were there any overruns or potential pending change orders that impacted this quarter?

Jeff Mistarz - *Lime Energy Co. - CFO*

Nothing. Nothing significant, no. I mean, there is always a little bit here and there, but nothing unusual.

Craig Irwin - *Wedbush - Analyst*

That is excellent. And then last question, if I may, looking at margins toward the end of the year, are we likely to trend similarly to last year? Or giving the increased mix from utility, are we potentially going to be showing a little bit of relative strength?

Jeff Mistarz - *Lime Energy Co. - CFO*

You know, the utility margins are changing a little bit just because of the mix of the programs that are coming in. So, they had some pretty strong margins last year with the contracts they had. Don't expect them to be quite as high, but they are still good margins for us. As that is a larger portion overall, it will help to pull up our overall margins.

So we expect to see the trends obviously to increase, that our margins in third and fourth quarter will be higher than they were in the first and second quarters. Which will probably be a fairly traditional pattern that we will experience in future years as well, as we have in the past.

I would expect to see the margins significantly better in second and third quarter, to bring us up in line with where we ended the year last year.

Craig Irwin - *Wedbush - Analyst*

Great. Thank you for answering my questions.

Operator

Our next question comes the line of Philip Shen from Roth Capital.

Philip Shen - *Roth Capital - Analyst*

Good afternoon, everyone. My first question is related to you restructuring. It sounds like you will have a \$3 million run-rate benefit starting in 2012. But I wanted to explore the rationale for the restructuring a bit more. It seems like on the face of it C&I and public -- or the public segment, are quite different businesses.



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They also have different margin structures, and I believe, if I recall correctly, their offices are located in different locations. So can you kind of walk us through how did you get the savings and the overall rational again? And really just help us understand the cost savings going forward.

Jeff Mistarz - Lime Energy Co. - CFO

Go through the rational, and I can go through the cost savings.

John O'Rourke - Lime Energy Co. - CEO

Sure. Hi, Phil, this is John. The rational around bringing both of these units together is that over the course of the last two years, we have been moving from -- in the commercial industrial markets, moving from regional or local singles and doubles, which are small customers that require a tremendous amount of (inaudible) activity to close relatively small projects to a large national account platform.

When we felt that the public sector group, with a very big bench of technical resource, could much more adequately support the C&I sales force when pursuing large national accounts. Also, we have a very strong presence in the public sector group on the East Coast, and given that we have a fairly solid infrastructure in the western half of the United States, we wanted to be able to leverage that infrastructure and also pursue ESCO and government work on the West Coast.

All in all, what this gives us is, really, regional energy efficiency super centers, where the C&I market, the ESCO market, the government market, and, in some cases, local utility market will be pursued out of one local or regional infrastructure.

Philip Shen - Roth Capital - Analyst

Okay, that is helpful. My next question is related to the ESCO business. You know, I think on JCI's recent quarterly results announcement they suggested that demand in pricing in the company's building efficiency division was weakening. Are you seeing any signs of this in your end market or your ESCO business? Is there any softness to your demand and/or pricing?

John O'Rourke - Lime Energy Co. - CEO

No, we are not seeing any softening in demand and we are not seeing any softening in pricing, but a lot of that is because we self-perform behind our ESCO customers so we are very much in control of our margins.

Philip Shen - Roth Capital - Analyst

Great. And then my final question is related to the overall macroeconomic environment. You know, there is a lot of talk now of a double dip recession. I am sure you guys saw what the market did today and depending who you talk to, the risk of a double dip can range between 30% to 50% likelihood.

How do you guy position the business for this type of macro environment? You know, of course your backlog came in really strong here, but I can imagine there might be just a little bit of lag before the fundamental business experiences anything. Given the recent experience in 2008, just kind of walk us through your thinking and how you are positioning the business for this potential downturn.



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Jeff Mistarz - Lime Energy Co. - CFO

Well, we think that we are well positioned because in the current environment the energy saving performance contract is a very attractive vehicle for federal and state government agencies because it does not require a budget allocation. So it is a very attractive vehicle for getting infrastructure projects completed. So we think that that will result in continued strong demand on the ESCO side of the business.

And we also don't expect that the economy will impact much the utility side of the business, where the high incentives will continue to drive that business. There could be some impact on the commercial industrial side. Customers could become more cautious about making expenditures. That has become a much smaller portion of our overall business.

But so far, as I mentioned, our contract signings year to date are slightly ahead of where they were a year ago. So it has not impacted the business there yet in terms of contract signings. It has, perhaps, caused some delays in getting contract signings. We are hopeful that they will continue -- that we will continue to sign customers up and that the impact will not be all that significant this year.

Philip Shen - Roth Capital - Analyst

Great. Thanks very much.

Operator

(Operator Instructions)

Our next question comes from the line of Eric Glover from Canaccord.

Eric Glover - Canaccord - Analyst

Hi, good afternoon. Just wondering if you could clarify an earlier statement you made regarding gross margins. Do you anticipate that the full-year 2011 gross margin would be simply equal to what you achieved last year, or is there a possibility that it could be somewhat higher?

Jeff Mistarz - Lime Energy Co. - CFO

I would say it is going to be in the ballpark -- could be slightly higher, could be slightly lower, but I think it will be in the ballpark. It will all come down to how C&I closes out the year, how strong it closes out, because it will impact the mix of business.

Eric Glover - Canaccord - Analyst

Okay. And then, one final thing. The \$190 million in backlog, that is a directly comparable number to the \$126 million you had in the first quarter.

Jeff Mistarz - Lime Energy Co. - CFO

Yes it is.

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Eric Glover - *Canaccord - Analyst*

And I think one of the first questions that was asked was just providing some additional color on the components of that new part of the backlog, and I missed part of the answer there.

Jeff Mistarz - *Lime Energy Co. - CFO*

The utility piece is the largest piece of the backlog. Those are multiyear contracts under utility programs that we have. The public sector is the next largest piece of the backlog, but contracts will turn faster. We expect that the majority of that backlog to be realized in a 12 month period.

And then the smallest piece is our C&I backlog. It is -- traditionally the C&I does not have a significant backlog because their projects tend to be smaller and they execute much faster. And they will be -- that backlog, most of it will be -- well, I would say all of it will be executed before the end of this year.

Eric Glover - *Canaccord - Analyst*

Okay. Thank you.

Operator

Thank you, sir. I would now like to turn the call over to Mr. John O'Rourke for closing remarks.

John O'Rourke - *Lime Energy Co. - CEO*

Thank you, everybody, and with that we will sign it off.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This concludes the presentation. You may disconnect. Have a great day.

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