

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name		2 Issuer's employer identification number (EIN)	
LIME ENERGY, CO		36-4197337	
3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact	
COLLEEN BRENNAN	704-892-4442	INVESTORRELATIONS@LIME-ENERGY.COM	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact		7 City, town, or post office, state, and Zip code of contact	
16810 KENTON DRIVE, SUITE 240		HUNTERSVILLE, NC 28078	
8 Date of action		9 Classification and description	
DECEMBER 23, 2014		SERIES B PREFERRED STOCK, COMMON STOCK	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
N/A	N/A	LIME	N/A

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ DECEMBER 23, 2014, LIME ENERGY DISTRIBUTED 38,343 SHARES OF SERIES B CONVERTIBLE PREFERRED STOCK TO EXISTING SHAREHOLDERS. IN ADDITION, ALL SERIES B PREFERRED STOCK WERE CONVERTED INTO COMMON STOCK AT A CONVERSION RATE OF 3.53 COMMON SHARES PER PREFERRED SHARE.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ LIME ENERGY HAS DETERMINED THAT IT WILL HAVE NO EARNINGS AND PROFITS AS OF DECEMBER 31, 2014. THEREFORE, THE DISTRIBUTION OF CONVERTIBLE PREFERRED STOCK ON PREFERRED STOCK IS CONSIDERED A NON-DIVIDEND DISTRIBUTION OF PROPERTY AND WILL REDUCE THE SHAREHOLDERS TAX BASIS IN THEIR EXISTING PREFERRED STOCK BY THE \$10 PER SHARE FAIR MARKET VALUE OF THE PREFERRED STOCK DISTRIBUTED. ANY EXCESS OVER SHARE TAX BASIS WOULD BE TREATED AS GAIN FROM THE SALE OR EXCHANGE OF PROPERTY. THE SHAREHOLDER WILL HAVE A FAIR MARKET VALUE IN THE NEW PREFERRED STOCK DISTRIBUTED. WHEN THE PREFERRED SHARES ARE CONVERTED INTO COMMON STOCK, THE SHAREHOLDER'S BASIS WILL BE SPREAD EVENLY TO EACH COMMON SHARE.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ SAMPLE CALCULATION: SHAREHOLDER HAS \$1,000 BASIS IN 100 SHARES OF PREFERRED STOCK FOR A BASIS OF \$10 PER SHARE. IF AN ADDITIONAL 5 SHARES WITH FAIR MARKET VALUE OF \$10 WERE DISTRIBUTED TO THE SHAREHOLDER, THE NEW BASIS PER SHARE IS \$950/\$1,000 FOR A BASIS OF \$9.50 PER SHARE. THE SHAREHOLDER WILL ALSO HAVE A \$10 FAIR MARKET VALUE PER SHARE IN THE NEW PREFERRED STOCK DISTRIBUTED. AT THE TIME OF THE CONVERSION, THE SHAREHOLDER'S AGGREGATE BASIS IN ALL PREFERRED STOCK OF \$1,000 WOULD BE SPREAD ACROSS THE COMMON STOCK RECEIVED. FOR EXAMPLE IF 105 SHARES WITH \$1,000 AGGREGATE BASIS WERE CONVERTED INTO 371 SHARES OF COMMON STOCK, THE TAX BASIS PER SHARE WOULD BE \$2.70.

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ IRC SECTION 305(b)(4), 305(b)(5), 301(c), 316, 301(d)

18 Can any resulting loss be recognized? ▶ THIS IS NOT A LOSS TRANSACTION.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ THE REPORTABLE TAX YEAR IS 2014 FOR TAXPAYER REPORTING TAXABLE INCOME ON A CALENDAR YEAR BASIS.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here
Signature ▶ _____ Date ▶ _____

Paid Preparer Use Only	Print your name ▶	Preparer's signature	Title ▶	Check <input type="checkbox"/> if self-employed	PTIN
	Print/Type preparer's name		Date		
	<u>THOMAS D'AMORE</u>				<u>P01428355</u>
	Firm's name ▶ <u>BDO USA, LLP</u>			Firm's EIN ▶ <u>13-5381590</u>	
	Firm's address ▶ <u>330 N WABASH AVE, SUITE 3200 CHICAGO, IL 60611</u>			Phone no. <u>312-856-9100</u>	