LIME ENERGY COMPANY INSTRUCTIONS FOR FILING FORM 8937

REPORT OF ORGANIZATIONAL ACTIONS AFFECTING BASIS OF SECURITIES

SIGNATURE . . .

THE FORM SHOULD BE SIGNED (USING FULL NAME AND TITLE) AND DATED ON PAGE ONE BY AN AUTHORIZED OFFICER OF THE CORPORATION.

FILING ...

THE SIGNED RETURN SHOULD BE FILED AS SOON AS POSSIBLE WITH:

DEPARTMENT OF TREASURY INTERNAL REVENUE SERVICE OGDEN, UT 84201-9954

PLEASE DISTRIBUTE A COPY OF THE FORM 8937 TO EACH AFFECTED SHAREHOLDER.

YOU MAY POST A COMPLETED FORM 8937 TO YOUR PRIMARY PUBLIC WEBSITE AS AN ALTERNATIVE TO FILING THE FORM WITH THE INTERNAL REVENUE SERVICE. IF YOU CHOOSE TO DO SO, YOU ARE REQUIRED TO KEEP IT ACCESSIBLE TO THE PUBLIC ON THIS WEBSITE OR THE PRIMARY WEBSITE OF ANY SUCCESSOR ORGANIZATION FOR 10 YEARS.

(December 2011) Department of the Treasury

Report of Organizational Actions Affecting Basis of Securities

► See separate instructions.

OMB No. 1545-2224

Internal Revenue Service Reporting Issuer Part I 2 Issuer's employer identification number (EIN) 1 Issuer's name 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 12/30/2013 CHANGE IN CONVERSION PRICE OF SERIES A PREFERRED STOCK 10 CUSIP number 11 Serial number(s) 12 Ticker symbol 13 Account number(s) N/A Organizational Action Attach additional statements if needed. See back of form for additional questions. Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ► SEE ATTACHMENT 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 ► SEE ATTACHMENT 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 ► SEE ATTACHMENT

| Par | t II | Organizational Action (continued) | | | | _ |
|--------------|---------------|---|--|-----------------------|----------------------------------|----|
| 17 | List th | e applicable Internal Revenue Code section | s) and subsection(s) upon which the tax tr | eatment is based ▶ | SEE ATTACHMENT | |
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| 18 | Can a | ny resulting loss be recognized? ► <u>SEE AT</u> | TACHMENT | | | |
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| 19 | Provid | e any other information necessary to implen | nent the adjustment, such as the reportabl | e tax year ► SEE A | ATTACHMENT | |
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| | Und | ler penalties of perjury, I declare that I have examer, it is true, correct, and complete. Declaration of | ined this return, including accompanying sched | ules and statements, | and to the best of my knowledge | an |
| Ciar | | er, it is true, correct, and complete. Declaration of | preparer (other than onicer) is based on all inion | nation of which prepa | ilei ilas aliy kilowledge. | |
| Sigr Here | _ | | | | | |
| 1101 | Sigi | nature ► | | Date ► | | _ |
| | Dein | t vour namo | | Titlo • | | |
| D:: | | t your name ► Print/Type preparer's name | Preparer's signature | Title ► Date | Charle T if PTIN | |
| Paid | | | | | Check if self-employed P01428355 | |
| | parei Only | | 1 | 1 | Firm's EIN ► 13-5381590 | _ |
| Jac | , Oili | Firm's address ► 330 N WABASH, SUITE | 3200 CHICAGO, IL 606011 | | Phone no. 312-856-9100 | |

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

ATTACHMENT TO FORM 8937 REPORT OF ORGANIZATIONAL ACTIONS AFFECTING BASIS OF SECURITIES

| Part I, Items 1-2 | Issuer Name and EIN | Lime Energy, Co ("Lime") |
|----------------------|--------------------------------------|---|
| , , | | Taxpayer Identification #36-4197337 |
| | | |
| Part I, Items 3-7 | Contact Information | Contact Person: Colleen Brennan, Karen Pigg |
| ruit i, items 5 7 | Contact information | Email: InvestorRelations@lime-energy.com |
| | | Tel: (704) 892-4442 |
| | | |
| | | 16810 Kenton Drive, Suite 240 |
| | | Huntersville, NC 28078 |
| | | Transfer Agent |
| | | Wells Fargo Shareowner Services |
| | | P.O. Box 64874 |
| | | St. Paul, MN 55164-0874 |
| | | Tel: (800) 401-1957 |
| Part I, Item 8 | Date of Action | December 30th, 2013 |
| | | |
| Part I, items 9-13 | Security Information | Lime Energy Co. |
| | | Series A Preferred Stock |
| | | |
| Part II, Item 14 | Description of Organizational | On December 30, 2013, the conversion price of Series A Preferred |
| | Action | shares outstanding was reduced to \$3.58 per share from \$3.78 per |
| | | share. (The decrease in the conversion ratio was not made solely to |
| | | take into account a stock dividend or stock split.) |
| | | |
| | | |
| Part II, Item 15 | Desciption of quantitative effect | Because Lime has no earnings and profits, the change in conversion |
| | of the organizational action on the | price of Series A Preferred Stock is considered a non-dividend |
| | basis of the security in the hands | distribution of property and therefore treated as a reduction in |
| | of the U.S. taxpayer as an | shareholder basis. The amount of basis reduction is equal to the fair |
| | adjustment per share or as a | market value of the change in conversion price. See Attachment for |
| | percentage of old basis | basis calculation. |
| Part II, Item 16 | Description of the Calculation of | See Attachment for basis calculation. |
| , | the change in basis and the data | |
| | that supports the calculation | |
| Part II, Items 17-18 | Applicable Internal Revenue Code | IRC section 305(c), IRC Section 301(c), IRC Section 316, IRC |
| 12, 1001110 17 10 | section(s) and subsections(s) upon | |
| | which the tax treatment is based | |
| | and ability of any resulting loss to | |
| | be recognized. | |
| | <i>y</i> | |
| | | |
| | | |

| Part II, Item 19 | Provide any other information | The reportable tax year is 2013 for taxpayer reporting taxable |
|------------------|-------------------------------|--|
| | necessary to implement the | income on a calendar basis. This transaction is reportable on form |
| | adjustment. | 1099-DIV and Form 5452, Corporate Report of Nondividend |
| | | Distributions. |

Series A Preferred Stock

| Shareholder | Number of Shares Purchased | Pric | e Per Share | reholder Basis or to 12/30/13 | Shai | reholder Basis at 12/30/13 |
|-------------------------|-------------------------------|------|-------------|--------------------------------------|------|-------------------------------|
| Richard Kiphart | 479,774 | \$ | 10.00 | \$ 4,797,740 | \$ | 4,598,490 |
| The John Thomas Hurvis | | | | | | |
| Revocable Trust | 329,774 | \$ | 10.00 | \$ 3,297,740 | \$ | 3,160,785 |
| Nettlestone Enterprises | | | | | | |
| Limited | 111,086 | \$ | 10.00 | \$ 1,110,860 | \$ | 1,064,726 |
| | | | | | | |
| Christopher Capps | 5,589 | \$ | 10.00 | \$ 55,890 | \$ | 53,569 |

| Shareholder | FMV of Common Shares w/ \$3.78 Conversion Price* | | FMV of Common Shares w/ \$3.58 Conversion Price* | | Basis Reduction due to deemed distribution | |
|-------------------------|--|----------------|--|--------------------|--|--------------|
| Shur choract | Con | version i liec | | SHIVE STORE THE CO | | uistribution |
| Richard Kiphart | \$ | 3,566,574 | \$ | 3,765,824 | \$ | 199,250 |
| The John Thomas Hurvis | | | | | | |
| Revocable Trust | \$ | 2,451,495 | \$ | 2,588,450 | \$ | 136,955 |
| Nettlestone Enterprises | | | | | | |
| Limited | \$ | 825,798 | \$ | 871,932 | \$ | 46,134 |
| | | | | | | |
| Christopher Capps | \$ | 41,548 | \$ | 43,869 | \$ | 2,321 |

^{*}The closing price of Lime Energy Common stock at 12/30/13 was \$2.81