

**UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

████████████████████, Individually and  
on Behalf of All Others Similarly Situated,

Plaintiff,

v.

LIME ENERGY CO., JOHN  
O'ROURKE, DAVID R. ASPLUND, and  
JEFFREY MISTARZ,

Defendants.

No.

CLASS ACTION COMPLAINT FOR  
VIOLATIONS OF THE FEDERAL  
SECURITIES LAWS

JURY TRIAL DEMANDED

Plaintiff ██████████ (“Plaintiff”), by and through his attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff’s information and belief is based upon, among other things, his counsel’s investigation, which includes without limitation: (a) review and analysis of regulatory filings made by LIME ENERGY CO. (“Lime Energy” or the “Company”), with the United States Securities and Exchange Commission (“SEC”); (b) review and analysis of press releases and media reports issued by and disseminated by Lime Energy; and (c) review of other publicly available information concerning Lime Energy.

**NATURE OF THE ACTION AND OVERVIEW**

1. This is a class action on behalf of purchasers of Lime Energy’s securities between May 13, 2010 and July 17, 2012, inclusive (the “Class Period”), seeking to pursue remedies under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. Lime Energy is a provider of clean energy solutions. The Company’s services include integrated energy engineering, consulting and implementation of solutions which enable its

customers to reduce their facilities' energy consumption, lower their operating and maintenance costs and reduce their carbon footprint.

3. On July 17, 2012, the Company disclosed that the Audit Committee of the Board of Directors of Lime had determined that the Company's consolidated financial statements filed with the SEC on Form 10-K for the periods ended December 31, 2010 and December 31, 2011, and quarterly report on Form 10-Q for the period ended March 31, 2012, may no longer be relied upon. According to the Company, the Audit Committee made that determination based on the results of a partial internal review conducted by the Company's management which was concluded on July 13, 2012. The Company further indicated that, based on the results of that partial internal review, the Company's management and Audit Committee believe that some portion of the Company's revenue was improperly recorded. Specifically, the Company stated that, "[i]n some cases, it appears that non-existent revenue may have been recorded" and that "[i]n other cases, it appears that revenue may have been recorded earlier than it should have been." Additionally, Lime Energy indicated that the misreporting may potentially require restatement of its previously issued financial statements and that the Company, under the supervision of the Audit Committee and with the assistance of outside counsel, is conducting an investigation of the misreporting.

4. On this news, shares of the Company declined \$0.91 per share, or 44.83%, to close on July 17, 2012, at \$1.12 per share, on unusually heavy volume.

5. Throughout the Class Period, Defendants made false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants made false and/or misleading statements and/or failed to disclose: (1) that the Company was improperly recording revenue; (2) that, as a result, the

Company's revenue and financial results were overstated; (3) that, as such, the Company's financial statements were not prepared in accordance with Generally Accepted Accounting Principles ("GAAP"); (4) that the Company lacked adequate internal and financial controls; and (5) that, as a result of the foregoing, the Company's financial statements were materially false and misleading at all relevant times.

6. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

#### **JURISDICTION AND VENUE**

7. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

8. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331 and Section 27 of the Exchange Act (15 U.S.C. §78aa).

9. Venue is proper in this Judicial District pursuant to 28 U.S.C. §1391(b) and Section 27 of the Exchange Act (15 U.S.C. §78aa(c)). Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the preparation and dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District. Additionally, Defendant Lime Energy's principal executive offices were located within this Judicial District during the Class Period.

10. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the

United States mail, interstate telephone communications, and the facilities of a national securities exchange.

**PARTIES**

11. Plaintiff [REDACTED] as set forth in the accompanying certification, incorporated by reference herein, purchased Lime Energy common stock during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

12. Defendant Lime Energy is a Delaware corporation with its principal executive offices located at 16810 Kenton Drive, Suite 240, Huntersville, North Carolina 28078. Prior to August 2011, Lime Energy's principal executive offices were located at 1280 Landmeier Road, Elk Grove Village, Illinois 60007.

13. Defendant John O'Rourke ("O'Rourke") was, at all relevant times, President and Chief Executive Officer ("CEO") of the Company since June 2011. Defendant O'Rourke was, at all relevant times, a director of the Company since July 28, 2011.

14. Defendant David R. Asplund ("Asplund") was, at all relevant times, CEO of Lime Energy until June 2011. Defendant Asplund was, at all relevant times, Executive Chairman of the Board of Directors and a director of the Company.

15. Defendant Jeffrey Mistarz ("Mistarz") was, at all relevant times, Chief Financial Officer ("CFO") of Lime Energy.

16. Defendants O'Rourke, Asplund and Mistarz are collectively referred to hereinafter as the "Individual Defendants." The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of Lime Energy's reports to the

SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. Each defendant was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, each of these defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each "group-published" information, the result of the collective actions of the Individual Defendants.

## **SUBSTANTIVE ALLEGATIONS**

### **Background**

17. Lime Energy is a provider of clean energy solutions. The Company's services include integrated energy engineering, consulting and implementation of solutions which enable its customers to reduce their facilities' energy consumption, lower their operating and maintenance costs and reduce their carbon footprint.

### **Materially False and Misleading Statements Issued During the Class Period**

18. The Class Period begins on May 13, 2010. On this day, the Company issued a press release entitled, "Lime Energy Co. Reports Results for Three-Month Period Ended March 31, 2010."

Therein, the Company, in relevant part, stated:

#### **Results for the three-month period ended March 31, 2010:**

- Revenue of \$11.8 million, a \$1.9 or 13.9% decrease when compared to \$13.7 million for the first quarter of 2009.
- Gross profit of \$1.9 million, a \$900,000 decrease from the \$2.8 million earned during the first quarter of 2009.
- Gross profit margin of 15.7% as compared to 20.4% earned during the first quarter of 2009.
- Loss from continuing operations of \$4.7 million, compared to a loss from continuing operations of \$3.2 million for the three-month period ended March 31, 2009.
- Net loss available to common stockholders of \$4.7 million, an increase of \$500,000 or 12.8% when compared to the \$4.2 million loss for the first quarter of 2009.
- Adjusted EBITDA loss of \$4.1 million, an increase of \$2.4 million compared to the \$1.7 million loss recorded for the first quarter of 2009[.]
- Basic and diluted loss per common share from continuing operations of \$0.20 as compared to \$0.30 per share for the first quarter of 2009.
- Basic and diluted loss per common share of \$0.20 per share versus a loss of \$0.38 per share for the first quarter of 2009.

19. On May 13, 2010, Lime Energy filed its Quarterly Report on Form 10-Q with the SEC for the 2010 fiscal first quarter. The Company's Form 10-Q was signed by Defendants Asplund and Mistarz, and reaffirmed the Company's financial results announced that same day. The Company's Form 10-Q also contained Sarbanes-Oxley required certifications, signed by Defendants Asplund and Mistarz, who certified:

1. I have reviewed this quarterly report on Form 10-Q of Lime Energy Co. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;
4. Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financing reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based

on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

20. On August 10, 2010, the Company issued a press release entitled, "Lime Energy Co. Reports Results for Three-Month and Six-Month Periods Ended June 30, 2010." Therein, the Company, in relevant part, stated:

**Results for the three-month period ended June 30, 2010:**

- Revenue of \$17.5 million, a \$1.7 million or 10.8% increase when compared to \$15.8 million for the second quarter of 2009.
- Gross profit of \$4.2 million, a \$1.3 million increase from the \$2.8 million earned during the second quarter of 2009.
- Gross profit margin of 23.9% as compared to 18.0% earned during the second quarter of 2009.
- Loss from continuing operations of \$2.0 million, compared to a loss from continuing operations of \$3.4 million for the three-month period ended June 30, 2009.
- Net loss available to common stockholders of \$2.0 million, compared to a loss of \$4.7 million for the second quarter of 2009.
- Adjusted EBITDA loss of \$1.4 million, compared to the \$2.1 million loss recorded for the second quarter of 2009[.]
- Basic and diluted loss per common share from continuing operations of \$0.09 as compared to \$0.31 per share for the second quarter of 2009.

- Basic and diluted loss per common share of \$0.09 per share versus a loss of \$0.36 per share for the second quarter of 2009.

**Results for the six-month period ended June 30, 2010:**

- Revenue of \$29.3 million, a \$0.2 million or 0.7%, decrease from the \$29.5 million earned during the first six months of 2009.
- Gross profit of \$6.0 million, a \$0.4 million or 7.1%, increase from \$5.6 million earned during the first six months of 2009.
- Gross profit margin of 20.6% compared to 19.1% for the first half of 2009.
- Loss from continuing operations of \$6.7 million, an increase of \$91 thousand or 1.4% compared to a loss of \$6.6 million for the year earlier period.
- Net loss available to commons stockholders of \$6.7 million, a reduction of \$2.2 million or 24.1%, compared to \$8.9 million for the six-month period ended June 30, 2010.
- Adjusted EBITDA loss of \$5.5 million, compared to the \$3.8 million loss recorded for the six-month period ended June 30, 2009[.]
- Basic and diluted loss per common share from continuing operations of \$0.29 as compared to \$0.71 per share for the six-month period ended June 30, 2009.
- Basic and diluted loss per common share of \$0.29 per share versus a loss of \$0.80 per share for the six-month period ended June 30, 2009.

21. On August 10, 2010, Lime Energy filed its Quarterly Report on Form 10-Q with the SEC for the 2010 fiscal second quarter. The Company's Form 10-Q was signed by Defendants Asplund and Mistarz, and reaffirmed the Company's financial results announced that same day. The Company's Form 10-Q also contained Sarbanes-Oxley required certifications, signed by Defendants Asplund and Mistarz, substantially similar to the certifications contained in ¶19, *supra*.

22. On November 8, 2010, the Company issued a press release entitled, "Lime Energy Lime Energy Co. Reports Results for Three-Month and Nine-Month Periods Ended September 30,

2010.” Therein, the Company, in relevant part, stated:

**Results for the three-month period ended September 30, 2010:**

- Revenue of \$28.1 million, a \$7.1 million or 33.7% increase when compared to \$21.0 million for the third quarter of 2009.
- Gross profit of \$6.0 million, a \$1.5 million or 33.4% increase from the \$4.5 million earned during the third quarter of 2009.
- Gross profit margin of 21.3%, unchanged from the 21.3% earned during the third quarter of 2009.
- Loss from continuing operations of \$382 thousand, compared to a loss from continuing operations of \$3.5 million for the three-month period ended September 30, 2009.
- Net loss available to common stockholders of \$382 thousand, compared to a loss of \$4.2 million for the third quarter of 2009.
- Adjusted EBITDA increased \$892 thousand to \$182 thousand, compared to a loss of \$704 thousand for the third quarter of 2009[.]
- Basic and diluted loss per common share from continuing operations of \$0.02 as compared to \$0.24 per share for the third quarter of 2009.
- Basic and diluted loss per common share of \$0.02 per share versus a loss of \$0.26 per share for the third quarter of 2009.

**Results for the nine-month period ended September 30, 2010:**

- Revenue of \$57.4 million, a \$6.9 million or 13.6%, increase from the \$50.5 million earned during the first nine months of 2009.
- Gross profit of \$12.0 million, a \$1.9 million or 18.8%, increase from \$10.1 million earned during the first nine months of 2009.
- Gross profit margin of 21.0% compared to 20.0% for the first nine months of 2009.
- Loss from continuing operations of \$7.1 million, a decrease of \$3.0 million or 29.8% compared to a loss of \$10.1 million for the year earlier period.

- Net loss available to common stockholders of \$7.1 million, a reduction of \$5.9 million or 45.6%, compared to \$13.1 million for the nine-month period ended September 30, 2010.
- Adjusted EBITDA loss of \$5.3 million, compared to the \$4.5 million loss recorded for the nine-month period ended September 30, 2009[.]
- Basic and diluted loss per common share from continuing operations of \$0.30 as compared to \$0.87 per share for the nine-month period ended September 30, 2009.
- Basic and diluted loss per common share of \$0.30 per share versus a loss of \$0.98 per share for the nine-month period ended September 30, 2009.

23. On November 8, 2010, Lime Energy filed its Quarterly Report on Form 10-Q with the SEC for the 2010 fiscal third quarter. The Company's Form 10-Q was signed by Defendants Asplund and Mistarz, and reaffirmed the Company's financial results announced that same day. The Company's Form 10-Q also contained Sarbanes-Oxley required certifications, signed by Defendants Asplund and Mistarz, substantially similar to the certifications contained in ¶19, *supra*.

24. On March 20, 2011, the Company issued a press release entitled, "Lime Energy Co. Reports Results for Three-Month and Twelve-Month Periods Ended December 31, 2010." Therein, the Company, in relevant part, stated:

**Results for the three-month period ended December 31, 2010**

- Revenue increased \$18.0 million or 89.0%, to \$38.3 million during the three-month period ended December 31, 2010, from \$20.3 million for the same period in 2009.
- Gross profit increased \$5.6 million or 159.3%, to \$9.0 million during the fourth quarter of 2010, when compared to the \$3.5 million earned during the fourth quarter of 2009. The gross margin for the fourth quarter of 2010 was 23.6% compared to 17.2% for the fourth quarter of 2009.
- Selling, general and administrative expense decreased \$0.3 million or 4.5%, to \$7.1 million during the three-month period ended December 31, 2010 from

\$7.4 million for the same period in 2009.

- Income from continuing operations was \$1.9 million for the fourth quarter of 2010, compared to a loss of \$7.1 million for the fourth quarter of 2009.
- Net income was \$1.9 million for the three-month period ended December 31, 2010, compared to a net loss of \$6.5 million for three-month period ended December 31, 2009.
- The basic and diluted net income per share from continuing operations for the fourth quarter of 2010 was \$0.08 per share compared to a net loss per share from continuing operations of \$0.26 per share for the fourth quarter of 2009.
- Adjusted EBITDA[] was \$2.3 million for the three-month period ended December 31, 2010, compared to an adjusted EBITDA loss of \$3.4 million for the year earlier period.

#### **Results for the twelve-month period ended December 31, 2010**

- Revenue increased \$24.9 million or 35.2%, to \$95.7 million for the twelve-month period ended December 31, 2010, when compared to \$70.8 million for the twelve-month period ended December 31, 2009.
- Gross profit increased \$7.5 million or 54.7%, to \$21.1 million for the twelve months ended December 31, 2010, when compared to \$13.6 million for the twelve months ended December 31, 2009. The gross margin was 22.0% for 2010 compared to 19.2% for 2009.
- Selling, General and Administrative expense increased \$1.9 million or 8.1%, to \$25.9 million for the twelve-month period ended December 31, 2010, when compared to \$23.9 million for the same period in 2009.
- The loss from continuing operations declined \$12.0 million or 69.7%, to \$5.2 million in 2010, from \$17.3 million in 2009.
- Net loss decreased \$12.8 million or 70.9%, to \$5.2 million during the twelve-month period ended December 31, 2010, when compared to the \$18.0 million net loss for the same period in 2009.
- The basic and diluted loss per share from continuing operations declined \$0.90 to a loss of \$0.22 per share for 2010, compared to a loss of \$1.12 per share for 2009.

- Adjusted EBITDA[] loss decreased \$4.9 million, or 61.9%, to \$3.0 for 2010, when compared to a loss of \$7.8 million for 2009.

25. On March 10, 2011, Lime Energy filed its Annual Report on Form 10-K with the SEC for the 2010 fiscal year. The Company's Form 10-K was signed by Defendants Asplund and Mistarz, and reaffirmed the Company's financial results announced that same day. The Company's Form 10-K also contained Sarbanes-Oxley required certifications, signed by Defendants Asplund and Mistarz, substantially similar to the certifications contained in ¶19, *supra*.

26. On May 12, 2011, the Company issued a press release entitled, "Lime Energy Co. Reports Results for Three-Month Period Ended March 31, 2011." Therein, the Company, in relevant part, stated:

**Results for the three-month period ended March 31, 2011:**

- Revenue increased \$7.2 million, or 60.7%, to \$19.0 million when compared to \$11.8 million for the first quarter of 2010.
- Gross profit increased \$1.8 million, or 94.3%, to \$3.6 million from \$1.9 million for the first quarter of 2010.
- Gross profit margin of 19.0% compared to 15.7% earned during the first quarter of 2010.
- SG& A expense increased \$740 thousand, or 11.5%, to \$7.2 million from \$6.4 million during the first quarter of 2010.
- Operating loss declined \$1 million, or 21.6% to \$3.7 million from \$4.7 million for the year earlier period.
- Adjusted EBITDA loss declined \$1 million, or 24.6%, to \$3.1 million from \$4.1 million for the first quarter of 2010[.]
- Basic and diluted loss per common share of \$0.15 per share versus a loss of \$0.20 per share for the first quarter of 2010.

27. On May 12, 2011, Lime Energy filed its Quarterly Report on Form 10-Q with the

SEC for the 2011 fiscal first quarter. The Company's Form 10-Q was signed by Defendants Asplund and Mistarz, and reaffirmed the Company's financial results announced that same day. The Company's Form 10-Q also contained Sarbanes-Oxley required certifications, signed by Defendants Asplund and Mistarz, substantially similar to the certifications contained in ¶19, *supra*.

28. On August 8, 2011, the Company issued a press release entitled, "Lime Energy Co. Reports Results for Three-Month and Six-Month Periods Ended Jun 30, 2011." Therein, the Company, in relevant part, stated:

**Results for the three-month period ended June 30, 2011:**

- Revenue increased \$6.8 million, or 38.6%, to \$24.3 million when compared to \$17.5 million for the second quarter of 2010.
- Gross profit increased \$0.3 million, or 7.3%, to \$4.5 million from \$4.2 million for the second quarter of 2010.
- Gross profit margin of 18.5% compared to 23.9% earned during the second quarter of 2010.
- SG&A expense increased \$0.7 million, or 11.5%, to \$6.8 million from \$6.1 million during the second quarter of 2010.
- Operating loss increased \$1.5 million to \$3.6 million from \$2.1 million for the year earlier period. The second quarter of 2011 included a \$1.1 million restructuring charge.
- The net loss increased \$1.5 million to \$3.5 million from \$2.0 million for the three-month period ended June 30, 2010.
- Adjusted EBITDA loss increased \$0.4 million to \$1.8 million from \$1.4 million for the second quarter of 2010[.]
- Basic and diluted loss per common share of \$0.15 per share versus a loss of \$0.09 per share for the second quarter of 2010. The restructuring reserve contributed \$0.05 per share to the loss during the first half of 2011.

**Results for the six-month period ended June 30, 2011:**

- Revenue increased \$13.9 million, or 47.5%, to \$43.2 million when compared to \$29.3 million for the first half of 2010.
- Gross profit increased \$2.1 million, or 34.1%, to \$8.1 million from \$6.0 million for the first half of 2010.
- Gross profit margin of 18.8% compared to 20.6% earned during the first half of 2010.
- SG&A expense increased \$1.4 million, or 11.5%, to \$14.0 million from \$12.5 million during the first half of 2010.
- Operating loss increased \$0.5 million to \$7.3 million from \$6.8 million for the year earlier period. The first half of 2011 included a \$1.1 million restructuring charge.
- The net loss increased \$0.5 million to \$7.2 million from \$6.7 million for the six-month period ended June 30, 2010.
- Adjusted EBITDA loss decreased \$0.6 million to \$4.9 million from \$5.5 million for the first half of 2010[.]
- Basic and diluted loss per common share of \$0.30 per share versus a loss of \$0.28 per share for the first half of 2010. The restructuring reserve contributed \$0.05 per share to the loss during the first half of 2011.

29. On August 8, 2011, Lime Energy filed its Quarterly Report on Form 10-Q with the SEC for the 2011 fiscal second quarter. The Company's Form 10-Q was signed by Defendants O'Rourke and Mistarz, and reaffirmed the Company's financial results announced that same day. The Company's Form 10-Q also contained Sarbanes-Oxley required certifications, signed by Defendants O'Rourke and Mistarz, substantially similar to the certifications contained in ¶19, *supra*.

30. On November 8, 2011, the Company issued a press release entitled, "Lime Energy Co. Reports Results for Three-Month and Nine-Month Periods Ended September 30, 2011."

Therein, the Company, in relevant part, stated:

**Results for the three-month period ended September 30, 2011:**

- Revenue increased \$4.1 million, or 14.7%, to \$32.2 million when compared to \$28.1 million for the third quarter of 2010.
- Gross profit increased \$1.1 million, or 18.0%, to \$7.1 million from \$6.0 million for the third quarter of 2010.
- Gross profit margin of 21.9% compared to 21.3% earned during the third quarter of 2010.
- SG& A expense increased \$122 thousand, or 1.9%, to \$6.4 million from \$6.3 million during the third quarter of 2010.
- Operating income of \$344 thousand as compared to an operating loss of \$431 thousand for the third quarter of 2010. The 2011 third quarter results included a \$172 thousand restructuring charge, \$115 thousand of which was the loss on the sale of real estate.
- The net income of \$359 thousand compared to a net loss of \$382 thousand for the three-month period ended September 30, 2010.
- Adjusted EBITDA increased \$1.1 million to \$1.3 million when compared to \$180 thousand for the third quarter of 2010[.]
- Basic and diluted income per common share of \$0.02 per share versus a loss of \$0.02 per share for the third quarter of 2010.

**Results for the nine-month period ended September 30, 2011:**

- Revenue increased \$18.0 million, or 31.4%%, to \$75.4 million when compared to \$57.4 million for the first nine months of 2010.
- Gross profit increased \$3.1 million, or 26.1%, to \$15.1 million from \$12.0 million for the first nine months of 2010.
- Gross profit margin of 20.1% compared to 21.0% earned during the first nine months of 2010.
- SG& A expense increased \$1.6 million, or 8.3%, to \$20.4 million from \$18.8 million during the first nine months of 2010.

- Operating loss declined by \$303 thousand to \$6.9 million from \$7.2 million for the nine-month period ended September 2010. The first nine months of 2011 included a \$1.3 million restructuring charge.
- The net loss declined by \$234 thousand to \$6.9 million from \$7.1 million for the nine-month period ended September 30, 2010.
- Adjusted EBITDA loss decreased by \$1.7 million to \$3.6 million from \$7.1 million for the first nine months of 2010[.]
- Basic and diluted loss per common share of \$0.29 per share versus a loss of \$0.30 per share for the first nine months of 2010. The restructuring reserve contributed \$0.05 per share to the loss during the first nine months of 2011.

31. On November 8, 2011, Lime Energy filed its Quarterly Report on Form 10-Q with the SEC for the 2011 fiscal third quarter. The Company's Form 10-Q was signed by Defendants O'Rourke and Mistarz, and reaffirmed the Company's financial results announced that same day. The Company's Form 10-Q also contained Sarbanes-Oxley required certifications, signed by Defendants O'Rourke and Mistarz, substantially similar to the certifications contained in ¶19, *supra*.

32. On March 8, 2012, the Company issued a press release entitled, "Lime Energy Co. Reports Results for Three-Month and Twelve-Month Periods Ended December 31, 2011." Therein, the Company, in relevant part, stated:

**Results for the three-month period ended December 31, 2011**

- Revenue increased \$6.3 million, or 16.5%, to \$44.7 million from \$38.3 million for the fourth quarter of 2010.
- Gross profit increased \$232 thousand, or 2.6%, to \$9.3 million from \$9.0 million earned during the fourth quarter of 2010.
- Selling, general & administrative expense increased \$810 thousand, or 11.4%, to \$7.9 million from \$7.1 million in the year-earlier period.

- Operating income declined \$6.5 million to a loss of \$4.7 million from income \$1.8 million in 2010. The 2011 fourth quarter included a \$5.8 million impairment loss related to the write-down of the goodwill resulting from acquisitions associated with the C&I market.
- Net loss increased \$6.6 million, to \$4.7 million from net income of \$1.9 million for the fourth quarter of 2010.
- Basic and diluted loss per common share of \$0.20 per share versus income of \$0.08 per share for the fourth quarter of 2010. The impairment loss contributed \$0.25 per share to the basic and diluted loss per share during the fourth quarter of 2011.
- Adjusted EBITDA[] declined \$156 thousand, or 6.7%, to \$2.2 million from \$2.3 million for the fourth quarter of 2010.

**Results for the twelve-month period ended December 31, 2011**

- Revenue increased \$24.4 million, or 25.5%, to \$120.1 million from \$95.7 million for 2010.
- Gross profit increased \$3.4 million, or 16%, to \$24.4 million, from \$21.1 million in 2010.
- Selling, general & administrative expense increased \$2.4 million, or 9.2%, to \$28.3 million from \$25.9 million in 2010.
- The operating loss increased \$6.2 million to \$11.6 million from \$5.4 million in 2010. The 2011 results include a \$1.3 million restructuring charge and \$5.8 million impairment loss related to the write-down of the goodwill resulting from acquisitions associated with the C&I market.
- The net loss increased \$6.3 million, or 121%, to \$11.6 million from \$5.2 million in 2010.
- Basic and diluted loss per common share of \$0.49 per share versus a loss of \$0.22 per share for 2010. The restructuring charge and impairment loss contributed \$0.30 to the 2011 basic and diluted loss per share.

33. On March 16, 2012, Lime Energy filed its Annual Report on Form 10-K with the SEC for the 2011 fiscal year. The Company's Form 10-K was signed by Defendants O'Rourke and Mistarz, and reaffirmed the Company's financial results announced on March 8, 2012. The Company's Form 10-K also contained Sarbanes-Oxley required certifications, signed by Defendants O'Rourke and Mistarz, substantially similar to the certifications contained in ¶19, *supra*.

34. On May 10, 2012, the Company issued a press release entitled, "Lime Energy Co. Reports Results for Three-Month Period Ended March 31, 2012." Therein, the Company, in relevant part, stated:

**Results for the three-month period ended March 31, 2012**

- Revenue declined 3.5% or \$659 thousand, to \$18.3 million from \$19.0 million for the first quarter of 2011.
- Gross profit declined 8.1% or \$291 thousand to 3.3 million from \$3.6 million for the first quarter of 2011.
- Gross profit margin of 18.1% compared to 19.0% earned during the first quarter of 2011.
- SG&A expense increased 6.8% or \$489 thousand, to \$7.7 million from \$7.2 million during the first quarter of 2011.
- Operating loss of \$4.5 million compared to an operating loss of \$3.7 million for the first quarter of 2011.
- A net loss of \$4.6 million compared to a net loss of \$3.7 million for the three-month period ended March 31, 2011.
- Adjusted EBITDA loss of \$3.5 million compared to a loss of \$3.1 million for the first quarter of 2011[.]
- Basic and diluted loss of \$0.19 per share versus a loss of \$0.15 per share for the first quarter of 2011.

35. On May 10, 2012, Lime Energy filed its Quarterly Report on Form 10-Q with the SEC for the 2012 fiscal third quarter. The Company's Form 10-Q was signed by Defendants O'Rourke and Mistarz, and reaffirmed the Company's financial results announced that same day. The Company's Form 10-Q also contained Sarbanes-Oxley required certifications, signed by Defendants O'Rourke and Mistarz, substantially similar to the certifications contained in ¶19, *supra*.

36. The statements contained in ¶¶18-35, were materially false and/or misleading when made because defendants failed to disclose or indicate the following (1) that the Company was improperly recording revenue; (2) that, as a result, the Company's revenue and financial results were overstated; (3) that, as such, the Company's financial statements were not prepared in accordance with GAAP; (4) that the Company lacked adequate internal and financial controls; and (5) that, as a result of the foregoing, the Company's financial statements were materially false and misleading at all relevant times.

#### **Disclosures at the End of the Class Period**

37. On July 17, 2012, the Company issued a press release entitled, "Lime Energy Announces Results of Preliminary Internal Review." Therein, the Company, in relevant part, stated:

Lime Energy Co. (NASDAQ: LIME) today announced that on Sunday, July 15, 2012, the Audit Committee of the Board of Directors of Lime Energy Co. (the "Company") determined that the Company's consolidated financial statements on Form 10-K for the periods ended December 31, 2010 and December 31, 2011 and quarterly report on Form 10-Q for the period ended March 31, 2012 (the "affected financial statements") may no longer be relied upon. The Audit Committee made that determination based on the results of a partial internal review conducted by the Company's management which was concluded on Friday, July 13, 2012.

Based on the results of that partial internal review, the Company's management and the Audit Committee believe that some portion of the Company's revenue was improperly recorded. In some cases, it appears that non-existent revenue may have been recorded. In other cases, it appears that revenue may have been recorded earlier

than it should have been. The review did not turn up any indication of improper customer billing.

The Company cannot make a reliable estimate of the magnitude of the misreported revenue or the effects on the affected financial statements at this time; the Company does, however, currently believe that the cumulative adjustment to revenue for the affected financial statements will not exceed \$15 million. The Company does expect that the misreporting may potentially require restatement of all of the affected financial statements.

The Company, under the supervision of the Audit Committee and with the assistance of outside counsel, is currently conducting an investigation of the misreporting.

The Audit Committee and Lime's principal financial and accounting officer have discussed the matters disclosed in this report with Lime's independent accountants, BDO USA, LLP.

38. On July 17, 2012, Lime Energy filed a Current Report with the SEC on Form 8-K.

Therein, the Company, in relevant part, stated:

**Item 4.02(a) Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review**

On Sunday, July 15, 2012, the Audit Committee of the Board of Directors of Lime Energy Co. (the "Company") determined that the Company's consolidated financial statements on Form 10-K for the periods ended December 31, 2010 and December 31, 2011 and quarterly report on Form 10-Q for the period ended March 31, 2012 (the "affected financial statements") may no longer be relied upon. The Audit Committee made that determination based on the results of a partial internal review conducted by the Company's management which was concluded on Friday, July 13, 2012.

Based on the results of that partial internal review the Company's management and the Audit Committee believe that some portion of the Company's revenue was improperly recorded. In some cases, it appears that non-existent revenue may have been recorded. In other cases, it appears that revenue may have been recorded earlier than it should have been. The review did not turn up any indication of improper customer billing.

The Company cannot make a reliable estimate of the magnitude of the misreported revenue or the effects on the affected financial statements at this time; the Company does, however, currently believe that the cumulative adjustment to revenue for the affected financial statements will not exceed \$15 million. The Company does expect that the misreporting may potentially require restatement of all of the affected financial statements.

The Company, under the supervision of the Audit Committee and with the assistance of outside counsel, is currently conducting an investigation of the misreporting.

The Audit Committee and Lime's principal financial and accounting officer have discussed the matters disclosed in this report with Lime's independent accountants, BDO USA, LLP.

39. On this news, shares of the Company declined \$0.91 per share, or 44.83%, to close on July 17, 2012, at \$1.12 per share, on unusually heavy volume.

#### **LIME ENERGY'S VIOLATION OF GAAP RULES**

42. The fact that Lime Energy announced that its financial statements may need to be restated, and informed investors that these financial statements should not be relied upon is an admission that they were false and misleading when originally issued (APB No.20, 7-13; SFAS No. 154, 25).

43. Given these accounting irregularities, the Company announced financial results that were in violation of GAAP and the following principles:

(a) The principle that “interim financial reporting should be based upon the same accounting principles and practices used to prepare annual financial statements” was violated (APB No. 28, 10);

(b) The principle that “financial reporting should provide information that is useful to present to potential investors and creditors and other users in making rational investment, credit, and similar decisions” was violated (FASB Statement of Concepts No. 1, 34);

(c) The principle that “financial reporting should provide information about the economic resources of an Lime Energy, the claims to those resources, and effects of transactions, events, and circumstances that change resources and claims to those resources” was violated (FASB Statement of Concepts No. 1, 40);

(d) The principle that “financial reporting should provide information about an Lime Energy’s financial performance during a period” was violated (FASB Statement of Concepts No. 1, 42);

(e) The principle that “financial reporting should provide information about how management of an Lime Energy has discharged its stewardship responsibility to owners (stockholders) for the use of Lime Energy resources entrusted to it” was violated (FASB Statement

of Concepts No. 1, 50);

(f) The principle that “financial reporting should be reliable in that it represents what it purports to represent” was violated (FASB Statement of Concepts No. 2, 58-59);

(g) The principle that “completeness, meaning that nothing is left out of the information that may be necessary to insure that it validly represents underlying events and conditions” was violated (FASB Statement of Concepts No. 2, 79); and

(h) The principle that “conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered” was violated (FASB Statement of Concepts No. 2, 95).

44. The adverse information concealed by Defendants during the Class Period and detailed above was in violation of Item 303 of Regulation S-K under the federal securities law (17 C.F.R. §229.303).

### **CLASS ACTION ALLEGATIONS**

45. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all those who purchased Lime Energy’s securities between May 13, 2010 and July 17, 2012, inclusive (the “Class Period”) and who were damaged thereby (the “Class”). Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

46. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Lime Energy’s securities were actively traded on the

NASDAQ Stock Exchange (the “NASDAQ”). While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Millions of Lime Energy shares were traded publicly during the Class Period on the NASDAQ. As of May 7, 2012, the Company had 23,968,531 shares of common stock outstanding. Record owners and other members of the Class may be identified from records maintained by Lime Energy or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

47. Plaintiff’s claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants’ wrongful conduct in violation of federal law that is complained of herein.

48. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

49. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) Whether the federal securities laws were violated by Defendants’ acts as alleged herein;

(b) Whether statements made by Defendants to the investing public during the Class Period omitted and/or misrepresented material facts about the business, operations, and prospects of Lime Energy; and

(c) To what extent the members of the Class have sustained damages and the

proper measure of damages.

50. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

### **UNDISCLOSED ADVERSE FACTS**

51. The market for Lime Energy's securities was open, well-developed and efficient at all relevant times. As a result of these materially false and/or misleading statements, and/or failures to disclose, Lime Energy's securities traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired Lime Energy's securities relying upon the integrity of the market price of the Company's securities and market information relating to Lime Energy, and have been damaged thereby.

52. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of Lime Energy's securities, by publicly issuing false and/or misleading statements and/or omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and/or misleading. Said statements and omissions were materially false and/or misleading in that they failed to disclose material adverse information and/or misrepresented the truth about Lime Energy's business, operations, and prospects as alleged herein.

53. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and other members of the Class. As described herein, during the

Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about Lime Energy's financial well-being and prospects. These material misstatements and/or omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein.

#### **LOSS CAUSATION**

54. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

55. During the Class Period, Plaintiff and the Class purchased Lime Energy's securities at artificially inflated prices and were damaged thereby. The price of the Company's securities significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

#### **SCIENTER ALLEGATIONS**

56. As alleged herein, Defendants acted with scienter in that Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal

securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their receipt of information reflecting the true facts regarding Lime Energy, his/her control over, and/or receipt and/or modification of Lime Energy's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Lime Energy, participated in the fraudulent scheme alleged herein.

**APPLICABILITY OF PRESUMPTION OF RELIANCE  
(FRAUD-ON-THE-MARKET DOCTRINE)**

57. The market for Lime Energy's securities was open, well-developed and efficient at all relevant times. As a result of the materially false and/or misleading statements and/or failures to disclose, Lime Energy's securities traded at artificially inflated prices during the Class Period. On January 19, 2011, the Company's stock closed at a Class Period high of \$5.50 per share. Plaintiff and other members of the Class purchased or otherwise acquired the Company's securities relying upon the integrity of the market price of Lime Energy's securities and market information relating to Lime Energy, and have been damaged thereby.

58. During the Class Period, the artificial inflation of Lime Energy's stock was caused by the material misrepresentations and/or omissions particularized in this Complaint causing the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about Lime Energy's business, prospects, and operations. These material misstatements and/or omissions created an unrealistically positive assessment of Lime Energy and its business, operations, and prospects, thus causing the price of the Company's securities to be artificially inflated at all relevant times, and when disclosed, negatively affected the value of the Company

stock. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at such artificially inflated prices, and each of them has been damaged as a result.

59. At all relevant times, the market for Lime Energy's securities was an efficient market for the following reasons, among others:

(a) Lime Energy stock met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

(b) As a regulated issuer, Lime Energy filed periodic public reports with the SEC and/or the NASDAQ;

(c) Lime Energy regularly communicated with public investors *via* established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and/or

(d) Lime Energy was followed by securities analysts employed by brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

60. As a result of the foregoing, the market for Lime Energy's securities promptly digested current information regarding Lime Energy from all publicly available sources and reflected such information in Lime Energy's stock price. Under these circumstances, all purchasers of Lime Energy's securities during the Class Period suffered similar injury through their purchase of Lime Energy's securities at artificially inflated prices and a presumption of reliance applies.

**NO SAFE HARBOR**

61. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as “forward-looking statements” when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of Lime Energy who knew that the statement was false when made.

**FIRST CLAIM**

**Violation of Section 10(b) of the Exchange Act and  
Rule 10b-5 Promulgated Thereunder Against All Defendants**

62. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

63. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other

members of the Class to purchase Lime Energy's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

64. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Lime Energy's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

65. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about Lime Energy's financial well-being and prospects, as specified herein.

66. These defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Lime Energy's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and/or omitting to state material facts necessary in order to make the statements made about Lime Energy and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and

deceit upon the purchasers of the Company's securities during the Class Period.

67. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of their responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of, and had access to, other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew and/or recklessly disregarded was materially false and misleading.

68. The defendants had actual knowledge of the misrepresentations and/or omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Lime Energy's financial well-being and prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by Defendants' overstatements and/or misstatements of the Company's business, operations, financial well-being, and prospects throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to obtain such knowledge by

deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

69. As a result of the dissemination of the materially false and/or misleading information and/or failure to disclose material facts, as set forth above, the market price of Lime Energy's securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of the Company's securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trades, and/or in the absence of material adverse information that was known to or recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired Lime Energy's securities during the Class Period at artificially high prices and were damaged thereby.

70. At the time of said misrepresentations and/or omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that Lime Energy was experiencing, which were not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their Lime Energy securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

71. By virtue of the foregoing, Defendants have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

72. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales

of the Company's securities during the Class Period.

**SECOND CLAIM**

**Violation of Section 20(a) of the Exchange Act Against the Individual Defendants**

73. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

74. The Individual Defendants acted as controlling persons of Lime Energy within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

75. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

76. As set forth above, Lime Energy and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and/or omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

- (a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;
- (b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- (c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- (d) Such other and further relief as the Court may deem just and proper.

**JURY TRIAL DEMANDED**

Plaintiff hereby demands a trial by jury.

Dated: July 20, 2012