

FINAL TRANSCRIPT

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LIME - Q2 2008 Lime Energy Co. Earnings Conference Call

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CORPORATE PARTICIPANTS

Glen Akselrod

Bristol Capital Management - Investor Contact

David Asplund

Lime Energy - CEO

CONFERENCE CALL PARTICIPANTS

Richard West

Jim Dutton Associates - Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Second Quarter 2008 Lime Energy Company Earnings Conference Call. My name is Channel, and I will be your coordinator for today. At this time, all participants are in listen-only mode. We will be facilitating a question and answer session towards the end of this conference.

(OPERATOR INSTRUCTIONS)

As a reminder, this conference is being recorded for replay purposes. I would now like to turn the presentation over to your host for today's conference, Mr. Glen Akselrod. Please proceed, sir.

Glen Akselrod - *Bristol Capital Management - Investor Contact*

Thank you, Channel. Good afternoon, and thank you for taking the time to join us today for 2008 second quarter conference call. I hope all of you have had a chance to review our earnings announcement in the 10-Q which were released Friday of last week and which can be accessed on the Lime company website at www.lime-energy.com, or for the 10-Q on the SEC website.

Before I hand over the call to David Asplund for formal discussion, I want to remind everyone that our 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 refer you to the complete forward-looking statement disclosure in our earnings release which is incorporated by reference for this purpose of this call. I'd also like to refer you to the disclosures made in the Company's quarterly and annual filings with the SEC.

Finally, before we get started, I want to mention that this call is being broadcast live over the internet and can be accessed on our website and also on Thomson CCBN network. There will be a replay available on either website until November 20, 2008.

With that, I'll hand the call over to David Asplund for formal discussion.

David Asplund - *Lime Energy - CEO*

Why thank you, Glen, and good afternoon, everyone. With me today is Jeff Mistarz, our Chief Financial Officer, Dan Parke, our President and Chief Operating Officer and John O'Rourke, who is the President and CEO of our new subsidiary, Applied Energy Management.

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The second quarter of 2008 marked a significant milestone in the short history of Lime Energy with the acquisition of Applied Energy Management, or AEM. This transformational acquisition basically tripled our size, scale and scope, positioning us as a leading, pure play, national energy efficiency solutions provider.

As we discussed on the conference call following the closing in June, AEM has been in business for 24 years, serving primarily the large energy service companies, or ESCOs. As a service provider to the ESCOs, AEM designs, engineers, and constructs energy efficiency projects for government agencies and utilities.

These services include energy engineering and consulting, energy efficient lighting, upgrades, water conservation, mechanical and electrical conservation and renewable project development. AEM has a rather similar history over the last couple of years to Lime, in that John O'Rourke and his senior management team joined AEM in 2004 and grew their revenue 168% from \$15.4 million in 2003 to almost \$41 million in 2007.

John and his team have decades of experience in the energy efficiency market, having each held senior positions at Duke Solutions, where they were responsible for the development of almost \$0.5 billion in energy efficiency projects. With offices primarily on the east coast, AEM is a perfect complement to our existing business, which works primarily with commercial and industrial, or C&I customers, from offices located on the west coast, Texas and Illinois.

Combined, we represent a truly formidable force in the marketplace, providing a diversified array of energy efficiency services and technologies on a truly national platform to both public sector and private industry customers.

Now, it might help to step back for a moment to review our overall strategy relative to what we've accomplished over the last two years, and specifically how that relates to our financials. In 2006 and 2007, we acquired four energy efficiency service providers, three of which provided energy efficient lighting services to mostly regional C&I customers.

The other was primarily an energy engineering company, working mostly with Fortune 500 companies, providing an array of energy efficiency services in addition to energy efficient lighting upgrades. During most of 2007 we spent a considerable amount of time and money integrating these businesses, hiring and training sales people, and expanding the focus from regional C&I customers to include large scalable, national companies, given our expanded service offering and our national platform.

This strategy clearly began taking hold -- as you saw, our quarterly revenue in 2007 increased sequentially to almost \$20 million for the year, resulting in our Energy Efficiency Service division being profitable on an adjusted EBIDA basis, which excludes corporate overhead and non-cash share based compensation in Q3, -- in Q2, Q3 and Q4 of 2007.

As we move through 2007, we saw our business with C&I customers grow, in particular opportunities with the large national scalable customers. Therefore, beginning in late 2007 and continuing into the first half of 2008, we made additional investments to hire the people and purchase the equipment necessary to support this business despite expecting lower revenues in the first half of the year, given the seasonal nature of our business.

During the first six months of this year, we hired an additional 33 people, of which nine were sales people, two marketing, and 22 operations and installations personnel. We further invested in marketing to build our brand and increase our exposure by retaining a very well respected public relations firm with a particular expertise in clean technology. Since the cleanest energy is energy not used, we are very excited about their role in helping to get the Lime story out.

We also invested a considerable amount of money in installation equipment and the expansion of some of our officers. We also continued the investment in our Energy Technology division as we approach the testing phase of our upgraded eMAC line of HVAC controllers. We have spent over \$0.5 million this year alone on this upgrade project, and continue to remain optimistic about the sales opportunities for this business, which we expect to begin seeing by the end of this year and into 2009.

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Confirming our optimistic belief, was a recent announcement by the Bank of America of their investment in a private company with a new product which actually appears somewhat similar to the eMAC. The Bank of America announce they plan to roll this technology out to thousands of their branches as part of their \$20 billion, 10 year environmental commitment to sustainability.

Now, it might sound strange to tout an investment in another company with a potentially competitive product, but the fact is, we are actually excited about this news because it really validates and confirms the need for this type of technology in the marketplace, particularly with banks.

Now, of course, our eMAC is not a new product, we've installed over 3,000 of our controllers throughout the United States, and we have had particular success with banks, given we've installed eMAC in every branch in the northeast of a different major bank and have ongoing pilot programs with two other major banks.

Although the banking sector is under fairly heavy pressure today, we believe this market continues to be an extremely attractive opportunity for us, in addition to small retail stores, like our other customers, which include Duane Reade, Modell's, and PC Richards in New York.

Now, in addition to what we've been doing at Lime, it's important to understand that AEM has also been making substantial investments over the last year to build their own platform to better serve their customer base, expand into new markets and support higher revenue. We will benefit from their investments going forward, and we are working to realize some economies of scale from the acquisition.

So, collectively, these investments show, in our three and six month results, which we just published, through lower margins and higher loses than the same period a year ago. However, we are now seeing the expected pick up in our revenue through year end. For example, we've signed over \$8 million in new contracts with several Fortune 500 companies, which we expect to realize revenue on prior to the end of the year.

In addition, AEM has signed over \$20 million in new contracts during June and July, which we expect to realize revenue on beginning in the third quarter. Therefore, we believe we will generate \$40 million to 45 million in revenue during the second half of this year, which should reduce our adjusted EBITDA loss in the third quarter, and result in positive adjusted EBITDA on a consolidated basis in the fourth quarter, which would be for the first time in the Company's history.

Finally, some other highlights in the second quarter worth noting include an increase of \$8 million in our line of credit with our Chairman, Dick Kiphart, Duke Energy's conversion of an outstanding note into our common stock, and some insider buying on the part of myself, our CFO, Jeff Mistarz, and one of our directors. As the saying goes, actions speak louder than words.

That concludes my prepared remarks, so I'll own it up to questions.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS)

Your first question comes from the line of Richard West of Jim Dutton Associates.

Richard West - *Jim Dutton Associates - Analyst*

Good morning -- I mean, good afternoon.

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David Asplund - Lime Energy - CEO

How are you?

Richard West - Jim Dutton Associates - Analyst

Great presentation, David. The question, again, if you could go back to this -- you're looking at \$40 million to \$45 million revenue in the second half and also the EBITDA is going to be positive in the fourth. How about the third quarter? I missed that, it was so fast.

David Asplund - Lime Energy - CEO

Well, we expect that to be a loss lower than it was this quarter -- second quarter.

Richard West - Jim Dutton Associates - Analyst

Can you project how it's going to be with the positive in the fourth quarter [or if that's it] and be positive going into 2009 and staying?

David Asplund - Lime Energy - CEO

We're a really -- we're not going out that far. As we have been -- I mean, not that far, but we're not going to be giving that guidance at this time. We're -- we've just really put together our acquisitions. We do have two different accounting methods of treating this where the C&I customers, we account for revenue based on a project completed basis, where AEM, they account for their revenue on a percentage completed.

So, we feel comfortable giving the guidance that we have, and as we get more comfortable, we'll roll that out further.

Richard West - Jim Dutton Associates - Analyst

Okay, thank you.

Operator

(OPERATOR INSTRUCTIONS)

No further questions on the line.

David Asplund - Lime Energy - CEO

Okay, well thank you very much. I appreciate your time, and look forward to speaking to you again.

Operator

Ladies and gentlemen, that concludes the presentation. Thank you for your participation. You may now disconnect. Have an excellent day.

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