

LIME ENERGY CO.  
Form 10-K  
March 16, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Form 10-K**

- x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: December 31, 2011

- o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from            to

Commission file number 001-16265

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**LIME ENERGY CO.**

(Exact name of registrant as specified in its charter)

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**Delaware**

**36-4197337**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**16810 Kenton Drive, Suite 240, Huntersville, NC**

**28078-4845**

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code **(704) 892-4442**

Securities registered pursuant to Section 12(b) of the Exchange Act:

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
<b>Common Stock \$0.0001 par value</b>	<b>NASDAQ</b>

Securities registered pursuant to Section 12(g) of the Exchange Act: **None**

Indicate by checkmark if the registrant is a well-know seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Act).

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Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the registrant's common stock held by non-affiliates was \$66,334,079 based on the reported last sale price of common stock on June 30, 2011, which was the last business day of the registrant's most recently completed second fiscal quarter. For purposes of this computation, all executive officers, directors and 10% stockholders were deemed affiliates. Such a determination should not be construed as an admission that such executive officers, directors or 10% stockholders are affiliates.

As of March 14, 2012, there were 23,975,651 shares of common stock, \$0.0001 par value, of the registrant issued and outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement relating to its 2012 Annual Meeting of Stockholders, to be filed within 120 days after registrant's fiscal year end of December 31, 2011, are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.

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**Cautionary Statement on Forward-Looking Information**

*This annual report contains forward-looking information within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, adopted pursuant to the Private Securities Litigation Reform Act of 1995 which reflect our current views with respect to, among other things, future events. Statements that are not purely historical may be forward-looking. You can identify these forward-looking statements by the use of words such as anticipate, believe, estimate, expect, hope, intend, may, plan, should, outlook, potential, continues, future and similar expressions, including when used in the negative.*

*Forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements, including but not limited to those described under Risk Factors, as well as, among others, the following:*

- *implementation of our operating and growth strategy;*
- *the loss, or renewal on less favorable terms, of management contracts;*
- *development of new, competitive energy efficiency services;*
- *changes in federal and state regulations including those affecting energy efficiency tax credits and the energy efficiency industry;*
- *a significant decrease in the cost of energy leading to a decrease in the demand for energy efficiency services;*
- *our ability to consummate transactions and integrate newly acquired contracts into our operations; and*
- *availability, terms and employment of capital.*

*Although we believe that the expectations reflected in these forward-looking statements are reasonable and achievable, such statements involve risks and uncertainties and no assurance can be given that the actual results will be consistent with these forward-looking statements. Our actual results could differ materially from those anticipated in forward-looking statements as a result of various factors, including matters described in this annual report, including the sections titled Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto.*

*Except as otherwise required by federal securities laws, we do not undertake any obligation to publicly update, review or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.*

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**PART I**

**Item 1. Business.**

**Overview**

We are a leader in planning and delivering clean energy solutions that assist our clients in the achievement of their energy efficiency and renewable energy goals. We operate in three specific markets: the utility market, the public sector and institutional market and the commercial and industrial market. Our clients include utilities, energy service companies ( ESCOs ), government entities, educational institutions, commercial and industrial businesses, and property owners and managers. We focus on deploying solutions to improve building energy efficiency, reduce energy-related expenditures and the impact of energy use on the environment thereby helping our clients save money, improve their facilities and meet their energy efficiency goals and mandates. Our solutions include energy efficient lighting upgrades, energy efficient mechanical and electrical retrofit and upgrade services, water conservation, building weatherization, on-site generation and renewable energy project development and implementation. We provide energy solutions across a range of facilities, from high-rise office buildings, distribution facilities, manufacturing plants, retail sites, multi-tenant residential buildings, mixed use complexes, hospitals, colleges & universities, large government sites to small, single tenant facilities.

We believe the following factors continue to drive demand for energy efficiency in the markets in which we operate:

- the potential for immediate return on investment and demonstrable long-term cost savings resulting from the installation of energy efficient and renewable energy solutions;
- increasing regulatory pressures on utilities to increase the amount of energy efficiency and renewable energy in their resource plans;
- existing and prospective government mandates to improve the efficiency of federal facilities and to utilize energy from renewable sources;
- the availability of rebates and tax incentives both at a federal and state level for organizations that reduce their energy consumption and self-generate on-site power;
- concerns regarding the substantial and volatile cost of energy, the adverse implication of global climate change and the desire for energy independence and security;

- increasing pressure on corporations to establish and attain sustainability goals; and
- the migration towards a low-carbon economy.

We offer our clients a full range of services to address their energy goals based on our ability to identify and deliver significant returns on our clients' investments, improve the quality of their physical workspaces, maximize their operational savings and reduce their maintenance costs. Our turnkey services include:

- *Energy Consulting and Technical Services:* We apply our engineering expertise to analyze each client's energy consumption and operational needs and develop customized energy efficiency and renewable energy solutions. Our energy engineering and consulting services include sustainability consulting, energy auditing, energy master planning, project development services, design engineering and facility retro-commissioning. We also provide design review and analysis of new construction projects to maximize energy efficiency and sustainability, project management of energy-related construction, and processing and procurement of incentive and rebate applications.

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- *Implementation:* We provide complete turnkey implementation services for a range of energy efficiency and renewable energy projects, including energy efficient lighting upgrades, energy efficiency mechanical and electrical retrofit and upgrade services, water conservation, weatherization, combined heat and power or cogeneration and renewable project development and implementation, including solar, biomass and geothermal. We consider factors such as current facility infrastructure, best available technologies, building environmental conditions, hours of operation, energy costs, available utility rebates, tax incentives, and installation, operation and maintenance costs of various efficiency alternatives. Our professionals' extensive knowledge of energy solutions enables us to apply the most appropriate, effective and proven technologies available in the marketplace.

- *Utility Program Management:* We assist our utility and public utility commission clients in the attainment of energy efficiency goals and relief of transmission and distribution constrained load pockets through a single point solution. Our wide range of services include program design, program management, marketing & customer recruitment, auditing and installation of energy conservation measures targeted primarily toward the utility's small business and small municipal clients.

- *Energy Asset Development and Management:* We leverage our engineering, implementation and project finance experience and capabilities to provide energy asset development and management services to our clients who wish to benefit from using or investing in alternative and/or renewable energy sources. In this role we serve two sets of clients: the energy consumer and investors. For the energy consumer, we perform project feasibility assessments, evaluate alternative technologies, estimate economic returns, arrange debt and equity financing, manage the design and construction process, and operate the asset under a long-term power purchase agreement. For our investor clients, we source, qualify and structure projects to maximize risk-adjusted returns, then manage the design and construction process and operate the assets under long-term power purchase agreements.

We serve a wide range of utility, public sector and institutional and commercial and industrial clients. We work for utilities and public utility commissions where we manage or operate their energy demand-side management programs typically targeted at their small business and/or municipal customers. Our public sector clients include federal, state and local government agencies and educational institutions, which we serve through our relationships with ESCOs and directly. ESCOs are awarded project contracts with public sector clients, we assist the ESCOs by providing energy efficiency expertise to develop and implement tailored solutions under these contracts. In addition we also work directly for public sector clients when the services of an ESCO are not required. We also serve larger, typically national commercial and industrial clients, including many Fortune 500 companies for which we provide our energy efficiency solutions directly.

## **History and Business Development**

On December 5, 1997, we were formed as Electric City LLC, a Delaware limited liability company. On June 5, 1998, we changed from a limited liability company into a corporation by merging Electric City LLC into Electric City Corp., a Delaware corporation. Trading in our common stock commenced on August 14, 1998 on the OTC Bulletin Board.

On September 13, 2006 we changed our name to Lime Energy Co. to reflect our new Energy Efficiency Services focus. Lime is an acronym for Less is More Efficient, which reflects our focus on reducing energy consumption.





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On February 25, 2008, our stock began trading on the NASDAQ Capital Market under the trading symbol LIME.

In June 2008, we acquired Applied Energy Management, Inc. ( AEM ). AEM provided energy engineering and consulting services and energy efficiency services similar to our existing energy efficiency lighting solutions. In addition, it provided mechanical and electrical conservation services, water conservation services and renewable energy solutions primarily for government and municipal facilities through its ESCO partners.

During 2009, we began serving utility services clients and in late 2009 we won our first contract to provide utility demand-side management services.

During 2010, we established Lime Energy Asset Development, LLC ( LEAD ), to source, develop and operate renewable and alternative energy assets. In October 2010, LEAD acquired the gas rights to the Zemel Road landfill and began construction of a 2.8 megawatt landfill-gas to electricity generating facility which was completed in October 2011.

During 2011, we implemented a corporate restructuring to better integrate and streamline our operations, which we expect will reduce costs. As part of this restructuring, we merged many of our subsidiaries, changed the name of Applied Energy Management, Inc., to Lime Energy Services Co. and moved our corporate headquarters to Huntersville, North Carolina.

**Products and Services**

*Utility Program Management Services*

As part of our Utility Program Management and Implementation services we provide utilities with a single point solution for delivering energy efficiency resources. Our wide range of services includes program design, program management, marketing & customer recruitment, auditing and installation of energy conservation measures. These services provide our utility clients a reliable and economically attractive means to meet state mandated Energy Efficiency Resource Standards (EERS) and provide targeted relief to overburdened distribution systems, while also stimulating local economies, creating green jobs and making significant reductions to the environmental impacts of their utility operations.

*Energy Efficiency Engineering*

As part of our Energy Efficiency Engineering services, we provide consulting, engineering and program management and implementation services for clients in the areas of energy efficiency, renewable energy and sustainability. We utilize our technical expertise to help Lime's clients meet their goals for energy use reduction, energy cost savings and carbon management. Our clients are in a wide variety of sectors, including institutional, governmental, commercial and industrial. Our services include:

- *Energy Project Development* our team of engineers are often the first to be engaged in the development of turnkey design-build energy efficiency and renewable energy projects. They conduct building energy audits, analyze energy consumption data, and perform financial analyses of various energy conservation alternatives.

- *Energy Engineering* we perform energy audits of clients facilities including building modeling, alternative analysis and preliminary design review. Our deliverables include preliminary assessments, detailed audits and investment grade audits.

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- *Consulting* we provide all of the planning and technical execution for our clients' building portfolio, including solutions for energy procurement, energy usage, on-site generation and accessing incentives and grants for energy projects. Our consulting services also include retro-commissioning and Leadership in Energy and Environmental Design ( LEED ) consulting.

- *Energy Master Planning* we are a single source solution to the myriad issues that our clients face in the areas of energy and sustainability. Among other things, our energy master plans consider energy efficiency, renewable energy, energy procurement, carbon management, incentives, rebates and grants. We help our clients to make sense of these diverse areas and develop a clear path for the low-carbon economy.

**Implementation**

We provide in-house, turnkey implementation services to deliver our energy efficiency solutions to our clients. Historically, most of our engineering and consulting services work has resulted in repeat revenue from the same client in the form of implementation of multiple energy efficiency solutions, additional engineering work or expansion of the work to additional client facilities. Our comprehensive suite of energy efficiency implementation services includes:

- *Lighting Upgrade Services.* Our designs incorporate occupancy sensors, light harvesting, time clock controllers and IP addressable systems that facilitate control of individual fixtures for maximum energy savings. As part of our services, we seek to determine the best lighting solutions for our clients or, in the case where our client is an energy service company, for their client to achieve targeted financial return metrics and technical specifications. These lighting solutions take into consideration factors such as light and heat level requirements, building environmental conditions, hours of operation, energy costs, available utility and tax incentives, as well as installation, operating and maintenance costs of various lighting. Based on these factors, we upgrade the existing lighting system with a new system, custom configured with components from third-party manufacturers.

- *Mechanical and Electrical Conservation Services.* Our mechanical and electrical conservation services include the development, design, analysis, implementation and commissioning of mechanical and electrical efficiency projects at our clients' facilities. Mechanical projects utilize technology to increase the efficiency of HVAC systems. Heating technologies decrease energy consumption through the use of steel and sectional boilers, and more efficient burners with dual fuel technologies to take advantage of fuel switching opportunities and economizers to capture exhaust gas heat. Cooling technologies provide more efficient water or air cooled chillers, air handling equipment, roof top units, split systems and packaged equipment. Other mechanical projects include heat recovery, air compressor staging and upgrades. Electrical projects involve motor replacements, use of variable frequency drives, automated control systems and power factor correction and require regional installation and technical support.

- *Water Conservation Services.* Our water conservation services include the development, analysis, specification and installation of water reduction technologies into a client's facility. Technologies include dual flush toilets, waterless urinals, low flow aerators for sinks and shower heads and system for water reclamation and rain water collection and reuse. In addition to reduced water costs, other benefits include lower sewer costs, domestic hot water expenses and carbon emissions from reduced water heating costs. Additionally, less waste reduces sewage treatment costs and environmental impact.

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- *Weatherization Services.* Our weatherization services optimize energy efficiency and reduce consumption by protecting the exterior and interior of facilities from sunlight, precipitation and wind. Specific services we offer include sealing bypasses (cracks, gaps, holes), installing

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insulation, protecting pipes from corrosion and freezing, installing storm doors and windows and replacing old drafty doors and windows with low-energy, double-glazed windows.

- *Combined Heat and Power (Cogeneration).* Our comprehensive cogeneration solutions are a proven approach to energy management that captures immediate savings while providing reliable onsite power and benefits that can be sustained.
- *Renewable Project Development and Implementation.* We have extensive in-house renewable expertise, including development of a biomass gasification plant. We have also installed solar domestic hot water and photovoltaic systems consisting of parabolic solar dishes, heat exchangers and a computerized solar dish tracking system, and closed loop water/glycol geothermal heat pump systems. In each case we have worked closely with our clients to review the proposed technologies, analyze proposed system performance, design custom solutions and build to budget.

***Asset Development, Operations and Management:***

We leverage our engineering and implementation capabilities and experience to provide energy asset development, operation and management services to our clients who wish to benefit from alternative and/or renewable energy sources. In this role we serve two sets of clients: the energy consumer and investors. Our services in this area include:

- *Project feasibility and technology assessment.* We utilize our extensive engineering, construction and financial experience to review and analyze the feasibility of constructing, financing, structuring and operating prospective energy projects utilizing available alternative technologies in a way that will meet our clients' objectives for the project.
- *Sourcing, qualifying and structuring investment opportunities.* We utilize our internal business development resources as well as extensive network of industry contacts to identify opportunities to invest in energy projects. These opportunities may be with existing customers or prospective customers or may involve responses to requests for proposals. Once we identify an opportunity we evaluate the risks and feasibility of structuring and implementing the project within our investor clients' guidelines. If the project meets all our criteria, we will negotiate and structure all the associated agreements on our clients' behalf.
- *Project financing.* We will arrange long-term financing for the project once all the rights have been secured.
- *Design and construction process management.* We utilize our expertise in energy engineering and project management to oversee the design and construction of the energy asset on our clients' behalf. We attempt to utilize the services of other areas of Lime to self-perform this design and/or construction whenever feasible.

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- *Asset management.* Once a project is complete, we manage and operate the asset for our client under a long-term asset management agreement.

In some limited situations, we may take equity positions in alternative and/or renewable energy assets. In 2010, we acquired the gas rights to the Zemel Road landfill in Punta Gorda, Florida and in October 2011 we completed construction of a 2.8 megawatt landfill-gas to electricity generating facility on the site. We made this investment to establish ourselves in the asset development, operations and management business and because this investment is expected to generate consistent long-term revenue and earnings and deliver a strong return to our stockholders.

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We believe we have a national presence in all the key states which have instituted mandates and initiatives to support facility energy efficiency and renewable energy projects. We have approximately 350 employees in 18 offices across 10 states. Our offices are staffed with professionals who have significant expertise in facility energy efficiency engineering and consulting and the implementation of a wide range of related technologies for both the commercial and industrial and the public sector markets. We are able to maintain a highly scalable and leveragable platform by deploying our professional employees to work on projects in either market based on our work requirements and local end client needs.

**Sales and Marketing**

We market our services through a direct sales force targeted on a regional basis at utilities, Energy Service Companies, and owners and tenants of public sector, institutional, multi-family, commercial and industrial buildings. As of December 31, 2011, we had 55 people dedicated to our sales and marketing activities.

**Clients**

During 2011, four customers accounted for approximately 54% of our consolidated billings. Two of these customers were utility customers, one was the Army Corps. of Engineers and one was an ESCO. During 2010, one utility customer represented approximately 17% of our consolidated billings.

**Competition**

*Utility Program Management*

Utility demand-side management programs have existed for more than 20 years in the U.S., primarily in northeast and west coast states. Companies have been providing various forms of management services to utilities for these programs since their inception. Traditionally these suppliers have been large consulting firms that design the programs for the utility and/or provide program administration. In most cases they set up a network of trade ally contractors that are trained in the incentive program details, and these contractors develop and implement the projects at utility customers facilities. As more states have adopted energy efficiency resource standards (EERS) that include aggressive goals for utilities, along with penalties for failing to meet the goals, utilities are increasingly looking at the direct install implementation method which traditionally has been used to access hard-to-reach markets such as residential and small commercial & industrial.

Utilities that have not historically utilized demand-side management programs have begun to implement them and utilities that have used these programs in the past are looking to expand them. In some states this is driven by the need to achieve these EERS goals, while other states have mechanisms for the utilities to earn a profit by implementing these programs. As the demand for these programs has grown, new players have entered the market to supply various forms of services to support the programs. These new competitors include primarily smaller regional engineering firms and regional electrical and mechanical contractors.



Our focus has been on assisting utilities promote energy efficiency to the small business market through small business direct install programs. We believe that our capabilities in marketing, engineering, energy auditing, project management and installation, in combination with the IT platform we have developed to support these activities, permits us to efficiently and effectively deliver the energy efficiency goals of these utilities. We believe that this has been demonstrated by the success we have achieved on our contracts to date, where our performance exceeded our goals and the performance of any competitor.

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We expect that competition in this market will continue to increase as the number and size of utility programs increases. However, we believe that we are well positioned to compete for and win additional utility contracts in the future because of the combination of our capabilities, track record of success and proprietary IT platform.

*Public Sector*

The market for energy efficiency services for public sector facilities is primarily served by ESCOs, who enter into energy efficiency service contracts with public sector entities. Once ESCOs have secured contracts, they often hire energy efficiency service providers to act as a subcontractor to help them design and/or implement specific services in relation to a given project. We compete with other energy efficiency services providers to be the chosen partner for these ESCOs projects. We believe that while historically ESCOs often considered small, local providers, increasingly ESCOs are looking to consolidate their relationships with a smaller group of preferred providers to act for them on a national scale across the full range of energy efficiency services. We believe the competing energy efficiency partners who target ESCO work are primarily small, private players that lack our reputation, technical capabilities and national scale.

In late 2009 we entered into our first direct contract with a government agency when we assumed the rights under a contract with the U.S. Army Corps of Engineers to act as one of three qualified contractors under its Facilities Repair and Renewal program ( FRR ). Under this program we bid as a design-build general contractor to the Corps of Engineers. We have won four contracts worth approximately \$25 million under the FRR program since becoming a qualified contractor. Subsequent to this, we were awarded several contracts with the U.S. Post Office to perform energy efficiency upgrades on postal facilities on the east coast, and in the southeast, southwest and Great Lakes regions. Within recent years we have also won contracts for work on a hospital and multi-family housing in the northeast to implement comprehensive energy efficiency upgrades. We believe that there will be other opportunities in the future to contract directly with the government and quasi-government agencies where the agency does not require the services of one of our ESCO partners. Our competition in this area is other qualified federal contractors, which are typically larger mechanical and/or electrical contractors, who don't have the energy efficiency experience that we do.

*Commercial and Industrial*

The market for energy efficiency solutions is highly fragmented. We face competition mainly from companies only offering a sub-set of our offerings, such as lighting or mechanical and electrical conservation services. Most of these competitors are local businesses which are only able to offer services in the immediate area or have a limited specific vertical product expertise, such as lighting and lighting fixture manufacturers, lighting fixture distributors and providers of energy efficiency upgrades and maintenance. We believe we are the only national provider of a full range of energy efficiency services consisting of energy engineering, consulting and implementation services. Our extensive experience and track record, national scale, leadership in providing comprehensive best-of-breed technologies and services and our established base of clients creates significant barriers to entry, providing us with a significant advantage when competing for large commercial and industrial clients with offices nationwide.

*Asset Development and Management*

There are many entities in the U.S. that develop and manage energy producing assets, from the largest utilities, municipalities and ESCOs to equipment suppliers and individual entrepreneurs. We have chosen to focus on the development and management of projects that typically fall

below the minimum project size for the larger, more active players in this market. This end of the market has historically been

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serviced by entities that have had difficulty obtaining capital to complete projects and don't have the depth or breadth of skillR> **New Jersey--1.8%** 500,000 New Jersey EDA, Revenue Bonds, (Series 2004), 5.75% (NJ Dedicated Cigarette Excise Tax)/(Original Issue Yield: 5.89%), 6/15/2029

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BBB/Baa2/BBB 540,775 300,000 New Jersey EDA, Revenue Refunding Bonds (Series A), 5.80% (Winchester Gardens at Ward Homestead)/(Original Issue Yield: 5.82%), 11/1/2031

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NR/NR/BBB- 316,935 600,000 New Jersey Health Care Facilities Financing Authority, Revenue Bonds, 6.50% (Pascack Valley Hospital Association)/(Original Issue Yield: 6.72%), 7/1/2023

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B+/NR/BB 600,738 1,000,000 New Jersey State Educational Facilities Authority, Revenue Bonds, Project C, 6.50% (Georgian Court College), 7/1/2033

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BBB+/Baa1/NR

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1,142,600

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*TOTAL*

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2,601,048

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**New Mexico--0.6%** 750,000<sup>2</sup> Jicarilla, NM Apache Nation, Revenue Bonds, 5.50%, 9/1/2023

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NR/NR/AAA

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811,478

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**New York--5.4%** 750,000 Dutchess County, NY IDA, Civic Facility Revenue Bonds (Series 2004B), 7.50% (St. Francis Hospital and Health Centers), 3/1/2029

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NR 786,593 750,000 Dutchess County, NY IDA, Revenue Bonds, 5.00% (Marist College)/(Original Issue Yield: 5.25%), 7/1/2022

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NR/Baa1/NR 788,378 3,000,000 Metropolitan Transportation Authority, NY, Service Contract Revenue Refunding Bonds, (Series A), 5.00% (FGIC INS)/(Original Issue Yield: 5.14%), 7/1/2022

AAA/Aaa/AAA 3,194,790 **Principal Amount**

**Credit Rating**

1

**Value**

MUNICIPAL BONDS--continued **New York--continued** \$ 800,000<sup>2</sup> New York City, NY IDA, Liberty Revenue Bonds (Series A), 6.50% (7 World Trade Center LLC), 3/1/2035

NR \$ 823,496 2,000,000 New York State Dormitory Authority, Revenue Bonds (Series 2003A), 5.50% (Brooklyn Law School)/(Radian Asset Assurance INS), 7/1/2019

AA/NR/NR

2,217,780

*TOTAL*

7,811,037

**North Carolina--3.5%** 1,000,000 Appalachian State University, NC, Revenue Bonds, (Series 2003A), 5.125% (FGIC INS), 5/1/2021

NR/Aaa/AAA 1,093,400 1,000,000 Haywood County, NC Industrial Facilities & Pollution Control Financing Authority, Refunding Revenue Bonds, 6.00% (Champion International Corp.), 3/1/2020

NR/Baa2/NR 1,038,120 1,000,000 North Carolina Eastern Municipal Power Agency, Power System Refunding Revenue Bonds (Series 2003C), 5.375% (Original Issue Yield: 5.57%), 1/1/2017

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BBB/Baa2/BBB+ 1,071,240 800,000 North Carolina Medical Care Commission, Health Care Housing Revenue Bonds (Series 2004A), 5.80%  
(Arc of North Carolina Projects), 10/1/2034

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NR/Baa1/NR 815,376 1,000,000 North Carolina Municipal Power Agency No. 1, Electric Revenue Bonds (Series 2003A), 5.25% (MBIA  
Insurance Corp. INS), 1/1/2019

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AAA/Aaa/AAA

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1,094,040

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*TOTAL*

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5,112,176

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**North Dakota--3.0%** 2,000,000 Fargo, ND, Health System Revenue Bonds (Series 2000A), 5.60% (Meritcare Obligated Group)/(FSA INS)/  
(Original Issue Yield: 5.70%), 6/1/2021

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AAA/Aaa/NR 2,191,160 2,000,000 Ward County, ND Health Care Facility, Revenue Bonds (Series A), 6.25% (Trinity Obligated Group,  
ND)/(Original Issue Yield: 6.375%), 7/1/2026

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BBB+/NR/NR

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2,107,900

---

*TOTAL*

---

4,299,060

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**Ohio--0.7%** 1,000,000 Ohio State Air Quality Development Authority, PCR Refunding Bonds (Series 2002A), 6.00% (Cleveland Electric  
Illuminating Co.), 12/1/2013

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BB+/Baa3/BBB-

1,045,980

**Pennsylvania--3.2%** 1,165,000 Allegheny County, PA HDA, Health System Revenue Bonds (Series 2000B), 9.25% (West Penn Allegheny Health System)/(Original Issue Yield: 9.70%), 11/15/2030

B/B1/B+ 1,406,598 200,000 Allegheny County, PA HDA, Revenue Bonds, (Series A), 8.75% (Covenant at South Hills)/(Original Issue Yield: 8.80%), 2/1/2031

NR 130,612 **Principal Amount**

**Credit Rating**

1

**Value**

MUNICIPAL BONDS--continued **Pennsylvania--continued** \$ 1,295,000 Cumberland County, PA Municipal Authority, Retirement Community Revenue Bonds (Series 2002A), 7.25% (Wesley Affiliated Services, Inc. Obligated Group)/(Original Issue Yield: 7.50%), 1/1/2035

NR \$ 1,406,253 500,000 Pennsylvania State Higher Education Facilities Authority, Revenue Bonds, (Series A), 6.00% (UPMC Health System)/(Original Issue Yield: 6.16%), 1/15/2031

A+/NR/A 555,880 1,000,000 Pennsylvania State Turnpike Commission, Oil Franchise Tax Revenue Bonds (Series 2003A), 5.25% (MBIA Insurance Corp. INS), 12/1/2023

AAA/Aaa/AAA

1,108,320

*TOTAL*

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4,607,663

**South Carolina--5.5%** 1,000,000 Clemson University, SC, University Revenue Bonds, 5.00% (XL Capital Assurance Inc. INS), 5/1/2023

AAA/Aaa/AAA 1,067,000 1,940,000 Myrtle Beach, SC, Hospitality Fee Revenue Bonds (Series2004A), 5.375% (FGIC INS), 6/1/2023

AAA/Aaa/NR 2,150,005 2,500,000 South Carolina Jobs-EDA, Health System Revenue Bonds (Series A), 5.625% (Bon Secours Health System)/(Original Issue Yield: 5.84%), 11/15/2030

A-/A3/A- 2,661,100 2,000,000 South Carolina State Public Service Authority, Refunding Revenue Bonds (Series 2002D), 5.00% (Santee Cooper)/(FSA INS), 1/1/2020

AAA/Aaa/AAA

2,163,620

*TOTAL*

8,041,725

**South Dakota--1.3%** 1,750,000 South Dakota State Health & Educational Authority, Revenue Bonds, 5.65% (Westhills Village Retirement Community)/(Original Issue Yield: 5.75%), 9/1/2023

A-/NR/NR

1,861,125

**Tennessee--3.9%** 2,000,000 Johnson City, TN Health & Education Facilities Board, Hospital Revenue Refunding Bonds (Series A), 7.50% (Mountain States Health Alliance), 7/1/2025



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BBB+/ Baa2/BBB- 2,410,960 1,535,000 Knox County, TN Health Education & Housing Facilities Board, Refunding Improvement Revenue Bonds (Series 2003B), 5.75% (East Tennessee Children's Hospital)/(Original Issue Yield: 5.90%), 7/1/2033

BBB+/Baa1/NR 1,646,027 1,500,000 Knox County, TN Health Education & Housing Facilities Board, Revenue Bonds, 6.375% (Baptist Health System of East Tennessee)/(Original Issue Yield: 6.50%), 4/15/2022

NR/Baa3/NR

1,590,195

*TOTAL*

5,647,182

**Principal Amount**

**Credit Rating**

1

**Value**

MUNICIPAL BONDS--continued **Texas--9.7%** \$ 600,000 Abilene, TX Health Facilities Development Corp., Retirement Facilities Revenue Bonds (Series 2003A), 7.00% (Sears Methodist Retirement)/(Original Issue Yield: 7.25%), 11/15/2033

NR \$ 645,432 700,000 Decatur, TX Hospital Authority, Hospital Revenue Bonds (Series 2004A), 7.125% (Wise Regional Health System), 9/1/2034

NR 760,578 2,500,000 Houston, TX Combined Utility System, First Lien Revenue Refunding Bonds (Series 2004A), 5.25% (FGIC INS), 5/15/2023

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AAA/Aaa/AAA 2,728,325 200,000 Matagorda County, TX Navigation District Number One, Collateralized Refunding Revenue Bonds, 5.60% (Centerpoint Energy Houston Electric), 3/1/2027

BBB/Baa2/BBB 209,658 4,000,000 North Central Texas HFDC, Hospital Revenue Refunding Bonds (Series 2002), 5.25% (Children's Medical Center of Dallas)/(AMBAC INS)/(Original Issue Yield: 5.35%), 8/15/2022

AAA/Aaa/AAA 4,324,480 1,350,000 North Central Texas HFDC, Retirement Facility Revenue Bonds (Series 1999), 7.50% (Northwest Senior Housing Corp. Edgemere Project)/ (Original Issue Yield: 7.75%), 11/15/2029

NR 1,463,738 1,050,000 Sabine River Authority, TX, PCR Refunding Bonds (Series 2003B), 6.15% (TXU Energy), 8/1/2022

BBB/Baa2/BBB 1,158,024 335,000 Sabine River Authority, TX, Refunding PCR Bonds (Series 2003A), 5.80% (TXU Energy), 7/1/2022

BBB/Baa2/NR 361,013 1,300,000 Texas State University System, Refunding Revenue Bonds, 5.00% (FSA INS), 3/15/2020

AAA/Aaa/AAA 1,382,901 1,000,000 Tyler, TX Health Facilities Development Corp., Hospital Revenue Bonds, 5.75% (Mother Frances Hospital)/(Original Issue Yield: 5.84%), 7/1/2027

NR/Baa1/BBB+

1,066,090

TOTAL

14,100,239

Virginia--3.5% 1,000,000 Broad Street Community Development Authority, VA, Revenue Bonds, 7.50% (Original Issue Yield: 7.625%), 6/1/2033

NR 1,052,050 1,280,000 Hampton, VA Convention Center, Revenue Bonds, 5.125% (AMBAC INS), 1/15/2028

AAA/Aaa/AAA 1,359,834 1,400,000 Peninsula Port Authority, VA, Residential Care Facility Revenue Bonds (Series 2003A), 7.375% (Virginia Baptist Homes Obligated Group)/ (Original Issue Yield: 7.625%), 12/1/2032

NR 1,538,838 1,000,000 Virginia Peninsula Port Authority, Coal Terminal Revenue Refunding Bonds (Series 2003), 6.00% (Brinks Co. (The)), 4/1/2033

BBB/Baa3/NR

1,086,250

TOTAL

5,036,972

Principal  
Amount

Credit  
Rating

1

Value

MUNICIPAL BONDS--continued **Washington--5.1%** \$ 1,000,000 Everett, WA, LT GO Refunding Bonds, 5.00% (MBIA Insurance Corp. INS), 12/1/2020

NR/Aaa/AAA \$ 1,069,590 1,910,000 King County, WA Public Hospital District No. 1, Refunding LT GO Bonds, 5.00% (FSA INS)/(Original Issue Yield: 5.17%), 12/1/2021

AAA/Aaa/AAA 2,037,512 2,000,000 Washington State, UT GO Bonds (Series 2002B), 5.00% (FSA INS)/(Original Issue Yield: 5.05%), 1/1/2021

AAA/Aaa/AAA 2,119,440 2,000,000 Washington State, Various Purpose UT GO Bonds (Series 2002A), 5.00% (FSA INS)/(Original Issue Yield: 5.09%), 7/1/2022

AAA/Aaa/AAA

2,125,840

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TOTAL

7,352,382

**Wisconsin--3.8%** 3,000,000 Wisconsin State HEFA, Health Facilities Revenue Bonds (Series A), 5.25% (Ministry Health Care)/(MBIA Insurance Corp. INS)/(Original Issue Yield: 5.38%), 2/15/2032

AAA/Aaa/AAA 3,201,060 160,000 Wisconsin State HEFA, Revenue Bonds (Series 2004), 5.75% (Blood Center of Southeastern Wisconsin, Inc.)/(Original Issue Yield: 5.82%), 6/1/2034

BBB+/NR/NR 171,632 500,000 Wisconsin State HEFA, Revenue Bonds, 6.50% (Tomah Memorial Hospital, Inc.)/(Original Issue Yield: 6.75%), 7/1/2023

NR 521,320 500,000 Wisconsin State HEFA, Revenue Bonds, 6.625% (Tomah Memorial Hospital, Inc.)/(Original Issue Yield: 6.875%), 7/1/2028

NR 518,295 1,000,000 Wisconsin State HEFA, Revenue Bonds, 7.25% (Community Memorial Hospital)/(Original Issue Yield: 7.45%), 1/15/2033

NR

1,054,070

TOTAL

5,466,377

TOTAL MUNICIPAL BONDS  
(IDENTIFIED COST \$134,992,390)

144,998,125

Principal  
Amount

Credit  
Rating

1

Value

SHORT-TERM MUNICIPALS--0.1% Tennessee--0.1% \$ 200,000 Sevier County, TN Public Building Authority, (Series IV-E-3) Daily VRDNs (Union City, TN)/(AMBAC INS)/(J.P. Morgan Chase Bank, N.A. LIQ) (AT AMORTIZED COST)

NR/VMIG1/NR

\$

200,000

TOTAL INVESTMENTS--100%  
(IDENTIFIED COST \$135,192,390)<sup>3</sup>

145,198,125

OTHER ASSETS AND LIABILITIES--NET

1,839,361

*LIQUIDATION VALUE OF AUCTION PREFERRED SHARES*

(53,675,000

)

*TOTAL NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS*

\$

93,362,486

*At May 31, 2005, the Fund holds no securities that are subject to the federal alternative minimum tax (AMT).*

*1 Current credit ratings provided by Standard & Poor's, Moody's Investors Service, and Fitch Ratings, respectively.*

*2 Denotes a restricted security, including securities purchased under Rule 144A of the Securities Act of 1933. These securities, all of which have been deemed liquid by criteria approved by the Fund's Board of Trustees, unless registered under the Act or exempted from registration, may only be sold to qualified institutional investors. At May 31, 2005, these securities amounted to \$3,869,734 which represents 2.7% of total market value.*

*3 The cost of investments for federal tax purposes amounts to \$135,192,079.*

Note: The categories of investments are shown as a percentage of total market value at May 31, 2005.

The following acronyms are used throughout this portfolio:

- AMBAC --American Municipal Bond Assurance Corporation
- EDA --Economic Development Authority
- EDFA --Economic Development Financing Authority
- FGIC --Financial Guaranty Insurance Company
- FSA --Financial Securities Assurance
- GO --General Obligation
- HDA --Hospital Development Authority
- HEFA --Health and Education Facilities Authority
- HFDC --Health Facility Development Corporation
- IDA --Industrial Development Authority
- INS --Insured

LIQ --Liquidity Agreement  
 LT --Limited Tax  
 PCR --Pollution Control Revenue  
 PRF --Prerefunded  
 UT --Unlimited Tax  
 VRDNs --Variable Rate Demand Notes  
 See Notes which are an integral part of the Financial Statements

## Federated Premier Intermediate Municipal Income Fund - Portfolio of Investments Summary Tables

At May 31, 2005, the Fund's credit-quality ratings composition <sup>1</sup> was as follows:

<b>S&amp;P Long-Term Ratings as Percentage of Total Investments <sup>2</sup></b>	<b>Moody's Long-Term Ratings as Percentage of Total Investments <sup>2</sup></b>
AAA 38.1%	Aaa 41.0%
AA 3.1%	Aa 1.4%
A 7.4%	A 8.9%
BBB 16.3%	Baa 18.0%
BB 2.8%	Ba 1.4%
B 1.6%	B 1.1%
Not Rated by S&P 30.7%	Not Rated by Moody's 28.2%
<b>TOTAL 100.0%</b>	<b>TOTAL 100.0%</b>

At May 31, 2005, the Fund's top six sector exposures <sup>3</sup> were as follows:

<b>Sector Composition</b>	<b>Percentage of Total Investments<sup>2</sup></b>
Insured	42.1%
Hospital	14.1%
Special Tax	8.3%
Lifecare	8.0%
Electric and Gas	6.5%

General Obligation	5.1%
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1 These tables depict the long-term, credit-quality ratings assigned to the Fund's portfolio holdings by Standard & Poor's (S&P) and Moody's Investors Service (Moody's), each of which is a nationally recognized statistical rating organization (NRSRO). These credit-quality ratings are shown without regard to gradations within a given rating category. For example, securities rated "A-" have been included in the "A" rated category. Holdings that are rated only by a different NRSRO than the one identified have been included in the "Not rated by..." category. Rated securities that have been prerefunded, but not rated again by the NRSRO, also have been included in the "Not rated by..." category. Rated securities include a security with an obligor and/or credit enhancer that has received a rating from an NRSRO with respect to a class of debt obligations that is comparable in priority and security with the security held by the Fund. Credit-quality ratings are an assessment of the risk that a security will default in payment and do not address other risks presented by the security.

These tables depict the long-term, credit-quality ratings as assigned only by the NRSRO identified in each table. Of the portfolio's total investments, 19.7% do not have long-term ratings by either of these NRSROs.

2 Percentages are based on total investments, which may differ from the Fund's total net assets used in computing the percentages in the Portfolio of Investments which follows.

3 Sector classifications and the assignment of holdings to such sectors, are based upon the economic sector and/or revenue source of the underlying borrower, as determined by the Fund's adviser. For securities that have been enhanced by a third-party, such as a guarantor, sector classifications are based upon the economic sector and/or revenue source of the third party, as determined by the Fund's adviser. Securities that are insured by a bond insurer are assigned to the "Insured" sector.

## Portfolio of Investments - Federated Premier Intermediate Municipal Income Fund

May 31, 2005 (unaudited)

Principal Amount		Credit Rating <sub>1</sub>	Value
	MUNICIPAL BONDS--99.3%		
	<b>Alabama--0.9%</b>		
\$ 1,290,000	Fairfield, AL IDA, Environmental Improvement Revenue Bonds (Series 1995), 5.40% TOBs (Marathon Oil Corp.), Mandatory Tender 11/1/2011, maturity 11/1/2016	BBB+/Baa1/NR	\$ 1,409,351
	<b>Alaska--2.6%</b>		
3,815,000	Alaska State Housing Finance Corp., State Capitalization Project Revenue Bonds, (Series A), 5.00% (MBIA Insurance Corp. INS), 7/1/2011	AAA/Aaa/AAA	4,162,012
	<b>Arizona--1.7%</b>		
1,000,000	Arizona Tourism & Sports Authority, Multipurpose Stadium Facility Tax Revenue Bonds (Series A), 5.00% (MBIA Insurance Corp. INS), 7/1/2010	NR/Aaa/AAA	1,088,450



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1,500,000	Verrado Community Facilities District No. 1, AZ, Revenue Bonds, 6.15%, 7/15/2017	NR	1,657,185
<i>TOTAL</i>			2,745,635
<b>Arkansas--1.3%</b>			
1,000,000	Arkansas Development Finance Authority, Revenue Bonds, 7.25% (Washington Regional Medical Center)/(Original Issue Yield: 7.40%), 2/1/2020		
		BBB/Baa2/BBB	1,125,930
1,000,000	Independence County, AR, PCR Refunding Bonds (Series 2005), 5.00% (Entergy Arkansas, Inc.), 1/1/2021	A-/Baa1/BBB+	1,019,500
<i>TOTAL</i>			2,145,430
<b>California--8.9%</b>			
1,250,000	California Educational Facilities Authority, Revenue Bonds (Series 2000A), 6.75% (Fresno Pacific University), 3/1/2019		
		NR/Baa3/NR	1,382,475
570,000	California Health Facilities Financing Authority, Health Facility Revenue Bonds (Series 2004I), 4.95% TOBs (Catholic Healthcare West), Mandatory Tender 7/1/2014, maturity 7/1/2026		
		A-/Baa1/A-	604,861
4,000,000	California State, Refunding UT GO Bonds, 5.25%, 2/1/2014		
		A/A3/A-	4,436,280
2,000,000	Golden State Tobacco Securitization Corp., CA, Tobacco Settlement Asset-Backed Revenue Bonds (Series 2003A-1), 6.25% (Original Issue Yield: 6.55%), 6/1/2033		
		BBB/Baa3/BBB	2,120,580
2,000,000	Oakland, CA Redevelopment Agency, Tax Allocation Bonds, 5.00% (FGIC INS), 9/1/2010		
		AAA/Aaa/AAA	2,182,820
<b>Principal Amount</b>		<b>Credit Rating<sub>1</sub></b>	<b>Value</b>
MUNICIPAL BONDS--continued			
<b>California--continued</b>			
\$ 1,855,000	San Francisco, CA City & County Airport Commission, Revenue Refunding Bonds (Second Series-Issue 29B), 5.00% (FGIC INS), 5/1/2012		
		AAA/Aaa/AAA	\$ 2,045,175
1,500,000	San Francisco, CA City & County Airport Commission, Revenue Refunding Bonds (Second Series-Issue 29B), 5.25% (FGIC INS), 5/1/2013		
		AAA/Aaa/AAA	1,685,055
<i>TOTAL</i>			14,457,246

<b>Colorado--4.1%</b>		
725,000	Antelope Heights Metropolitan District, CO, LT GO Bonds, 8.00%, 12/1/2023	
		NR 733,395
200,000	Beacon Point, CO Metropolitan District, Revenue Bonds (Series 2005B), 4.375% (Compass Bank, Birmingham LOC)/(Original Issue Yield: 4.50%), 12/1/2015	
		A-/NR/NR 201,088
500,000	Buckhorn Valley Metropolitan District No. 2, CO, LT GO Bonds, 7.00%, 12/1/2023	
		NR 505,575
500,000	Colorado Educational & Cultural Facilities Authority, Revenue Refunding Bonds (Series A), 6.25% (Denver Academy)/(Original Issue Yield: 6.50%), 11/1/2013	
		BB+/NR/ NR 536,625
865,000	Conservatory Metropolitan District, CO, LT GO Bonds, 7.40%, 12/1/2016	
		NR 956,102
1,855,000	Denver, CO City & County Airport Authority, Airport Revenue Bonds, (Series E), 6.00% (MBIA Insurance Corp. INS), 11/15/2011	
		AAA/Aaa/AAA 2,126,980
700,000	High Plains, CO Metropolitan District, Revenue Bonds, (Series 2005A), 6.125% (Original Issue Yield: 6.25%), 12/1/2025	
		NR 706,475
300,000	High Plains, CO Metropolitan District, Revenue Bonds (Series 2005B), 4.375% (Compass Bank, Birmingham LOC)/(Original Issue Yield: 4.50%), 12/1/2015	
		A-/NR/NR 301,632
500,000	Southlands, CO Metropolitan District No. 1, LT GO Bonds (Series 2004), 7.00% (Original Issue Yield: 7.05%), 12/1/2024	
		NR 552,390
	<b>TOTAL</b>	<b>6,620,262</b>
<b>Connecticut--0.5%</b>		
750,000	Connecticut State Development Authority, First Mortgage Gross Revenue Health Care Project Bonds (Series 2003), 5.75% (Elim Park Baptist Home, Inc.)/(Original Issue Yield: 5.90%), 12/1/2023	
		BBB+/NR/NR 802,222
<b>District of Columbia--1.3%</b>		
2,000,000	District of Columbia, Refunding UT GO (Series 2002C), 5.25% (XL Capital Assurance Inc. INS), 6/1/2010	
		AAA/Aaa/AAA 2,182,260
<b>Principal Amount</b>		<b>Credit Rating<sub>1</sub></b>
		<b>Value</b>

MUNICIPAL BONDS--continued

<b>Florida--4.9%</b>		
\$ 1,000,000	<sup>2</sup> Capital Trust Agency, FL, Revenue Bonds (Series 2001), 10.00% (Seminole Tribe of Florida Convention and Resort Hotel Facilities), 10/1/2033	
		NR \$ 1,112,190
600,000	<sup>2</sup> Capital Trust Agency, FL, Revenue Bonds (Series 2003A), 8.95% (Seminole Tribe of Florida Convention and Resort Hotel Facilities), 10/1/2033	
		NR 664,356
800,000	Fishhawk Community Development District II, Special Assessment Revenue Bonds (Series 2004B), 5.125% (Original Issue Yield: 5.20%), 11/1/2009	
		NR 813,672
715,000	Gateway Services, FL Community Development District, Special Assessment Bonds (Series 2003B), 5.50% (Original Issue Yield: 5.65%), 5/1/2010	
		NR 729,629
870,000	Heritage Harbour South Community Development District, FL, Capital Improvement Revenue Bonds (Series 2002B), 5.40% (Original Issue Yield: 5.50%), 11/1/2008	
		NR 882,893
750,000	Miami Beach, FL Health Facilities Authority, Hospital Revenue Bonds (Series 2001A), 6.70% (Mt. Sinai Medical Center, FL)/(Original Issue Yield: 6.80%), 11/15/2019	
		BB+/Ba2/BB+ 823,823
485,000	Orlando, FL Urban Community Development District, Capital Improvement Revenue Bonds, 6.00%, 5/1/2020	
		NR 500,884
1,960,000	Palm Beach County, FL Health Facilities Authority, Revenue Bonds, 5.625% (Adult Communities Total Services, Inc.)/(Original Issue Yield: 5.889%), 11/15/2020	
		BBB+/NR/BBB+ 2,027,287
380,000	Plantation, FL, Refunding & Improvement Projects Revenue Bonds, 5.00% (FSA INS), 8/15/2020	
		NR/Aaa/AAA 413,261
	<b>TOTAL</b>	<b>7,967,995</b>
<b>Georgia--1.9%</b>		
750,000	Fulton County, GA Residential Care Facilities, Revenue Bonds (Series 2004A), 6.00% (Canterbury Court), 2/15/2022	
		NR 760,087
2,115,000	Municipal Electric Authority of Georgia, Revenue Bonds (Series 2002A), 5.25% (MBIA Insurance Corp. INS), 11/1/2015	
		AAA/Aaa/AAA 2,349,765
	<b>TOTAL</b>	<b>3,109,852</b>
<b>Hawaii--1.0%</b>		
1,550,000		NR 1,695,638

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	Hawaii State Department of Budget & Finance, Special Purpose Revenue Bonds (Series A), 7.00% (Kahala Nui)/(Original Issue Yield: 7.00%), 11/15/2012		
	<b>Illinois--3.2%</b>		
1,000,000	Chicago, IL Board of Education, UT GO Bonds (Series 2003A), 5.25% (MBIA Insurance Corp. INS), 12/1/2012	AAA/Aaa/AAA	1,118,200
1,790,000	Chicago, IL O'Hare International Airport, Second Lien Passenger Facilities Revenue Bonds (Series B), 5.50% (AMBAC INS), 1/1/2015	AAA/Aaa/AAA	1,974,764
<b>Principal Amount</b>		<b>Credit Rating<sub>1</sub></b>	<b>Value</b>
	MUNICIPAL BONDS--continued		
	<b>Illinois--continued</b>		
\$ 1,000,000	Chicago, IL Special Assessment, Improvement Bonds (Series 2002), 6.626% (Lakeshore East Project)/(Original Issue Yield: 6.637%), 12/1/2022		
		NR	\$ 1,045,500
1,000,000	Illinois Educational Facilities Authority, Revenue Refunding Bonds (Series A), 5.00% (Augustana College)/(Original Issue Yield: 5.05%), 10/1/2014	NR/Baa1/NR	1,053,540
	<i>TOTAL</i>		5,192,004
	<b>Indiana--0.7%</b>		
1,000,000	Indiana Health Facility Financing Authority, Revenue Bonds (Series 2005), 5.50% (Ascension Health Credit Group), 11/15/2009	AA/Aa2/AA	1,087,640
	<b>Iowa--0.3%</b>		
500,000	Scott County, IA, Revenue Refunding Bonds (Series 2004), 5.625% (Ridgecrest Village), 11/15/2018	NR/NR/BBB	524,690
	<b>Kansas--1.4%</b>		
2,000,000	Wichita, KS Water & Sewer Utility, Revenue Bonds (Series 2003), 5.00% (FGIC INS), 10/1/2011	AAA/Aaa/AAA	2,202,400
	<b>Kentucky--1.4%</b>		
2,000,000	Kentucky EDFFA, Revenue Bonds (Series A), 6.25% (Norton Healthcare, Inc.)/(Original Issue Yield: 6.45%), 10/1/2012	NR/NR/BBB+	2,200,620
	<b>Louisiana--3.1%</b>		
1,535,000	Louisiana Local Government Environmental Facilities Community Development Authority, Revenue Bonds, 5.375% (BRCC Facilities Corp.)/(MBIA Insurance Corp. INS), 12/1/2014	AAA/Aaa/AAA	1,726,645

1,630,000	Louisiana Local Government Environmental Facilities Community Development Authority, Revenue Bonds, 5.375% (BRCC Facilities Corp.)/(MBIA Insurance Corp. INS), 12/1/2015		
		AAA/Aaa/AAA	1,823,807
1,500,000	West Feliciana Parish, LA, PCR Bonds, 7.00% (Entergy Gulf States, Inc.), 11/1/2015		
		BBB-/Ba1/NR	1,528,575
	<i>TOTAL</i>		5,079,027
	<b>Massachusetts--3.1%</b>		
2,500,000	Commonwealth of Massachusetts, LT GO Bonds (Series C), 5.50% (FSA INS), 11/1/2010		
		AAA/Aaa/AAA	2,785,775
2,105,000	Massachusetts Municipal Wholesale Electric Co., Power Supply System Revenue Bonds (Nuclear Project 3-A), 5.00% (MBIA Insurance Corp. INS), 7/1/2011		
		AAA/Aaa/AAA	2,300,112
	<i>TOTAL</i>		5,085,887
<b>Principal Amount</b>		<b>Credit Rating<sub>1</sub></b>	<b>Value</b>
	MUNICIPAL BONDS--continued		
	<b>Michigan--4.6%</b>		
\$ 2,000,000	Cornell Township MI, Economic Development Corp., Refunding Revenue Bonds, 5.875% (MeadWestvaco Corp.)/(United States Treasury PRF 5/1/2012 @ 100), 5/1/2018		
		AAA/Baa2/NR	\$ 2,315,840
500,000	Gaylord, MI Hospital Finance Authority, Hospital Revenue Refunding Bonds (Series 2004), 6.20% (Otsego Memorial Hospital Obligated Group)/ (Original Issue Yield: 6.45%), 1/1/2025		
		NR	507,615
1,000,000	Grand Rapids & Kent County, MI Joint Building Authority, Revenue Bonds, 5.25%, 12/1/2011		
		AAA/Aaa/NR	1,112,810
250,000	Kent Hospital Finance Authority, MI, Revenue Bonds (Series 2005A), 5.50% (Metropolitan Hospital), 7/1/2020		
		BBB/NR/NR	267,667
2,000,000	Michigan Municipal Bond Authority, Revenue Bonds (Series 2005B), 5.00% (Detroit, MI City School District)/(FSA INS), 6/1/2010		
		AAA/NR/AAA	2,169,940
1,000,000	Michigan State Hospital Finance Authority, Hospital Refunding Revenue Bonds (Series 2003A), 5.625% (Henry Ford Health System, MI), 3/1/2017		
		A-/A1/NR	1,090,950

	<i>TOTAL</i>			7,464,822
<b>Mississippi--1.8%</b>				
1,500,000	Lowndes County, MS Solid Waste Disposal, Refunding PCR Bonds (Series 1992B), 6.70% (Weyerhaeuser Co.), 4/1/2022			
		BBB/Baa2/NR		1,830,735
1,000,000	Mississippi Hospital Equipment & Facilities Authority, Refunding & Improvement Revenue Bonds, 5.75% (Southwest Mississippi Regional Medical Center)/(Original Issue Yield: 5.85%), 4/1/2023			
		BBB+/NR/NR		1,067,300
	<i>TOTAL</i>			2,898,035
<b>Missouri--2.3%</b>				
1,450,000	St. Louis, MO, Airport Revenue Bonds (Series A), 5.25% (MBIA Insurance Corp. INS), 7/1/2009			
		AAA/Aaa/AAA		1,560,302
1,060,000	St. Louis, MO, Airport Revenue Bonds (Series A), 5.25% (MBIA Insurance Corp. INS), 7/1/2010			
		AAA/Aaa/AAA		1,154,679
910,000	St. Louis, MO, Airport Revenue Bonds (Series A), 5.25% (MBIA Insurance Corp. INS), 7/1/2011			
		AAA/Aaa/AAA		1,000,472
	<i>TOTAL</i>			3,715,453
<b>Nevada--3.1%</b>				
2,000,000	Clark County, NV, IDRBs (Series 2003C), 5.45% TOBs (Southwest Gas Corp.), Mandatory Tender 3/1/2013, maturity 3/1/2038			
		BBB-/Baa2/NR		2,134,460
800,000	<sup>2</sup> Director of the State of Nevada Department of Business and Industry, Revenue Bonds (Series 2004B), 6.75% (Las Ventanas Retirement Community)/(Original Issue Yield: 6.875%), 11/15/2023			
			NR	841,608
<b>Principal Amount</b>			<b>Credit Rating<sub>1</sub></b>	<b>Value</b>
<b>MUNICIPAL BONDS--continued</b>				
<b>Nevada--continued</b>				
\$ 1,000,000	Las Vegas, NV Special Improvement District No. 607, Local Improvement Special Assessment Bonds (Series 2004), 5.50%, 6/1/2013			
			NR	\$ 1,035,220
990,000	North Las Vegas, NV Special Improvement District No. 60, Local Improvement Special Assessment Bonds (Series 2002), 6.40% (Aliante), 12/1/2022			
			NR	1,021,928
	<i>TOTAL</i>			5,033,216

<b>New Jersey--1.7%</b>			
600,000	New Jersey EDA, Revenue Refunding Bonds (Series A), 5.75% (Winchester Gardens at Ward Homestead)/(Original Issue Yield: 5.75%), 11/1/2024		
		NR/NR/BBB-	640,644
1,000,000	New Jersey Health Care Facilities Financing Authority, Revenue Bonds, 6.00% (Pascack Valley Hospital Association)/(Original Issue Yield: 6.25%), 7/1/2013		
		B+/NR/BB	957,380
1,000,000	Passaic Valley, NJ Sewer Authority, Sewer System Revenue Bonds (Series F), 5.00% (FGIC INS), 12/1/2011		
		NR/Aaa/AAA	1,103,210
<b>TOTAL</b>			<b>2,701,234</b>
<b>New Mexico--0.8%</b>			
1,300,000	Farmington, NM, Refunding Revenue Bonds (Series 2002A), 6.375% TOBs (El Paso Electric Co.), Mandatory Tender 8/1/2005, maturity 6/1/2032		
		BBB/Baa3/NR	1,306,890
<b>New York--10.8%</b>			
380,000	Dutchess County, NY IDA, Civic Facility Revenue Bonds (Series 2004B), 7.25% (St. Francis Hospital and Health Centers), 3/1/2019		
		NR	397,108
2,000,000	Dutchess County, NY IDA, Revenue Bonds, 5.00% (Marist College)/(Original Issue Yield: 5.15%), 7/1/2020		
		NR/Baa1/NR	2,103,740
4,000,000	Metropolitan Transportation Authority, NY, Refunding Transportation Revenue Bonds (Series 2002F), 5.00% (MBIA Insurance Corp. INS), 11/15/2011		
		AAA/Aaa/AAA	4,409,040
800,000	<sup>2</sup> New York City, NY IDA, Liberty Revenue Bonds (Series A), 6.25% (7 World Trade Center LLC), 3/1/2015		
		NR	823,560
500,000	New York City, NY, UT GO Bonds, (Series 2001F), 5.25%, 8/1/2011		
		A+/A1/A+	549,295
2,000,000	New York City, NY, UT GO Bonds, (Series D), 5.00% (Original Issue Yield: 5.21%), 6/1/2017		
		A+/A1/A+	2,121,680
2,360,000	New York State Dormitory Authority, Insured Revenue Bonds (Series 2001A), 5.00% (NYSARC, Inc.)/(FSA INS), 7/1/2010		
		AAA/Aaa/AAA	2,569,898
1,490,000	New York State Dormitory Authority, Revenue Bonds (Series 2003A), 5.25% (Brooklyn Law School)/(Radian Asset Assurance INS), 7/1/2009		
		AA/NR/NR	1,609,275
			<b>Value</b>

Principal Amount		Credit Rating <sup>1</sup>	
	MUNICIPAL BONDS--continued		
	<b>New York--continued</b>		
\$ 1,595,000	New York State Urban Development Corp., Correctional & Youth Facilities Service Contract Bonds (Series 2002C), 4.00% (New York State)/(XL Capital Assurance, Inc. INS), 1/1/2010		
		AAA/Aaa/AAA	\$ 1,650,681
1,225,000	Unadilla, NY Central School District No. 2, UT GO Bonds, 4.50% (FGIC INS), 6/15/2011	AAA/Aaa/AAA	1,309,525
	<i>TOTAL</i>		17,543,802
	<b>North Carolina--3.7%</b>		
1,000,000	North Carolina Eastern Municipal Power Agency, Power System Revenue Refunding Bonds (Series D), 5.50%, 1/1/2014		
		BBB/Baa2/BBB+	1,105,360
500,000	North Carolina Medical Care Commission, Health Care Facilities First Mortgage Revenue Refunding Bonds (Series 2004A), 5.00% (Deerfield Episcopal Retirement Community), 11/1/2023		
		NR/NR/A	518,030
965,000	North Carolina Medical Care Commission, Health Care Housing Revenue Bonds (Series 2004A), 5.50% (Arc of North Carolina Projects), 10/1/2024		
		NR/Baa1/NR	979,359
3,000,000	North Carolina Municipal Power Agency No. 1, Electric Revenue Bonds (Series 2003A), 5.50%, 1/1/2014	BBB+/A3/A	3,327,960
	<i>TOTAL</i>		5,930,709
	<b>Ohio--2.1%</b>		
3,000,000	Ohio State Air Quality Development Authority, PCR Refunding Bonds (Series 2002A), 6.00% (Cleveland Electric Illuminating Co.), 12/1/2013		
		BB+/Baa3/BBB	3,137,940
250,000	<sup>2</sup> Port of Greater Cincinnati, OH Development Authority, Special Assessment Revenue Bonds, 6.30% (Cincinnati Mills), 2/15/2024		
		NR	269,248
	<i>TOTAL</i>		3,407,188
	<b>Oregon--0.6%</b>		
1,000,000	Yamhill County, OR Hospital Authority, Revenue Bonds, 6.50% (Friendsview Retirement Community), 12/1/2018		
		NR	1,031,430



Principal Amount		Credit Rating <sub>1</sub>	Value
<b>Pennsylvania--8.2%</b>			
1,400,000	Allegheny County, PA HDA, Health System Revenue Bonds (Series 2000B), 9.25% (West Penn Allegheny Health System)/(Original Issue Yield: 9.30%), 11/15/2015		
		B/B1/B+	1,699,446
400,000	Crawford County, PA Hospital Authority, Senior Living Facilities Revenue Bonds (Series 1999), 6.125% (Wesbury United Methodist Community Obligated Group)/ (Original Issue Yield: 6.32%), 8/15/2019		
		NR/NR /BB	414,108
281,000	Crawford County, PA Hospital Authority, Senior Living Facilities Revenue Bonds, 5.90% (Wesbury United Methodist Community Obligated Group), 8/15/2009		
		NR/NR/BB	285,277
	<b>MUNICIPAL BONDS--continued</b>		
	<b>Pennsylvania--continued</b>		
\$ 750,000	Cumberland County, PA Municipal Authority, Revenue Bonds (Series 2002A), 6.00% (Wesley Affiliated Services, Inc. Obligated Group), 1/1/2013		
		NR	\$ 767,198
1,500,000	Pennsylvania State Higher Education Facilities Authority, Health System Revenue Bonds (Series A), 6.25% (UPMC Health System), 1/15/2018		
		A+/NR/A	1,696,125
3,975,000	Pennsylvania State IDA, EDRBs, 5.25% (AMBAC INS), 7/1/2011		
		AAA/Aaa/AAA	4,402,432
1,300,000	Pennsylvania State Turnpike Commission, Oil Franchise Tax Revenue Bonds (Series 2003A), 5.00% (MBIA Insurance Corp. INS), 12/1/2010		
		AAA/Aaa/AAA	1,421,953
1,000,000	Philadelphia, PA Water & Wastewater System, Refunding Revenue Bonds, 5.25% (AMBAC INS), 12/15/2011		
		AAA/Aaa/AAA	1,113,770
1,460,000	State Public School Building Authority, PA, Revenue Bonds, 5.25% (MBIA Insurance Corp. INS), 9/1/2008		
		AAA/Aaa/AAA	1,517,261
	<b>TOTAL</b>		13,317,570
<b>South Carolina--0.7%</b>			
1,000,000	Georgetown County, SC Environmental Improvements, Refunding Revenue Bonds (Series 2000A), 5.95% (International Paper Co.), 3/15/2014		
		BBB/Baa2/NR	1,130,960
<b>Texas--5.2%</b>			
1,000,000			
		NR	1,025,050

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Abilene, TX HFDC, Retirement Facilities Revenue Bonds  
(Series 2003A), 6.50% (Sears Methodist Retirement),  
11/15/2020

1,000,000	Brazos River Authority, TX, PCR Refunding Bonds (Series 2003D), 5.40% TOBs (TXU Energy), Mandatory Tender 10/1/2014, maturity 10/1/2029		
		BBB/Baa2/BBB	1,072,640
1,000,000	Decatur, TX Hospital Authority, Hospital Revenue Bonds (Series 2004A), 6.50% (Wise Regional Health System), 9/1/2014		
		NR	1,082,190
1,500,000	Houston, TX Airport System, Subordinated Lien Revenue Bonds, 5.25% (FSA INS), 7/1/2012		
		AAA/Aaa/AAA	1,667,850
500,000	Houston, TX HFDC, Retirement Facilities Revenue Bonds (Series 2004A), 6.25% (Buckingham Senior Living Community), 2/15/2020		
		NR	508,850
1,475,000	Houston, TX Hotel Occupancy Tax, Convention & Entertainment Special Revenue Bonds (Series 2001B), 5.375% (AMBAC INS), 9/1/2013		
		AAA/Aaa/AAA	1,638,755
250,000	Sabine River Authority, TX, Refunding PCR Bonds (Series 2003A), 5.80% (TXU Energy), 7/1/2022		
		BBB/Baa2/NR	269,413
1,000,000	Tyler, TX Health Facilities Development Corp., Hospital Revenue Bonds, 5.25% (Mother Frances Hospital), 7/1/2012		
		NR/Baa1/BBB+	1,080,250
	<b>TOTAL</b>		<b>8,344,998</b>

Principal Amount		Credit Rating <sub>1</sub>	Value
	MUNICIPAL BONDS--continued		
	<b>Virginia--3.6%</b>		
\$ 839,000	Bell Creek CDA, VA, Special Assessment Revenue Bonds (Series 2003), 6.75%, 3/1/2022		
		NR	\$ 861,158
1,000,000	Broad Street Community Development Authority, VA, Revenue Bonds, 7.10% (Original Issue Yield: 7.15%), 6/1/2016		
		NR	1,034,190
2,600,000	Chesapeake, VA Hospital Authority, Refunding Revenue Bonds (Series 2004A), 5.25% (Chesapeake General Hospital), 7/1/2011		
		NR/A3/NR	2,810,288
1,000,000	Peninsula Port Authority, VA, Residential Care Facility Revenue Bonds (Series 2003A), 7.375% (Virginia Baptist		
		NR	1,114,530

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Homes Obligated Group)/(Original Issue Yield: 7.50%),  
12/1/2023

<b>TOTAL</b>			5,820,166
<b>Washington--5.4%</b>			
500,000	Skagit County, WA Public Hospital District No. 1, Refunding Revenue Bonds, 6.00% (Skagit Valley Hospital), 12/1/2018		
		NR/Baa3/NR	547,540
1,005,000	Snohomish County, WA Public Utility District No. 001, Refunding Generation System Revenue Bonds (Series 2002B), 5.25% (FSA INS), 12/1/2012		
		AAA/Aaa/AAA	1,123,791
1,000,000	Spokane, WA, Refunding LT GO Bonds, 5.00% (FGIC INS), 6/1/2011		
		AAA/Aaa/AAA	1,093,160
1,420,000	Tobacco Settlement Authority, WA, Tobacco Settlement Asset Backed Revenue Bonds, 6.50% (Original Issue Yield: 6.65%), 6/1/2026		
		BBB/Baa3/NR	1,508,551
1,000,000	Washington State Public Power Supply System, Nuclear Project No, 2 Revenue Refunding Bonds (Series 1992A), 6.30% (Energy Northwest, WA)/(Original Issue Yield: 6.40%), 7/1/2012		
		AA-/Aaa/AA	1,175,790
1,435,000	Yakima County, WA, LT GO Bonds (2002), 5.00% (AMBAC INS), 12/1/2010		
		NR/Aaa/AAA	1,564,322
1,495,000	Yakima County, WA, LT GO Bonds (2002), 5.25% (AMBAC INS), 12/1/2011		
		NR/Aaa/AAA	1,661,797
<b>TOTAL</b>			8,674,951

<b>Principal Amount</b>		<b>Credit Rating<sub>1</sub></b>	<b>Value</b>
<b>MUNICIPAL BONDS--continued</b>			
<b>Wisconsin--2.4%</b>			
\$ 200,000	Wisconsin State HEFA, Revenue Bonds (Series 2004), 5.50% (Blood Center of Southeastern Wisconsin, Inc.)/(Original Issue Yield: 5.583%), 6/1/2024		
		BBB+/NR/NR	\$ 212,310
500,000	Wisconsin State HEFA, Revenue Bonds (Series 2004A), 6.125% (Southwest Health Center)/(Original Issue Yield: 6.15%), 4/1/2024		
		NR	505,895
2,000,000	Wisconsin State HEFA, Revenue Bonds, 5.75% (SynergyHealth, Inc.), 11/15/2015		
		BBB+/NR/A	2,177,560

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970,000	Wisconsin State HEFA, Revenue Bonds, 7.125% (Community Memorial Hospital)/(Original Issue Yield: 7.25%), 1/15/2022	NR	1,026,085
<i>TOTAL</i>			3,921,850
<i>TOTAL MUNICIPAL BONDS (IDENTIFIED COST \$154,789,431)</i>			160,913,445
<b>SHORT-TERM MUNICIPALS--0.7%</b>			
<b>Alaska--0.7%</b>			
1,100,000	Valdez, AK Marine Terminal, (Series 2003B) Daily VRDNs (BP Pipelines (Alaska) Inc.)/(BP PLC GTD) (AT AMORTIZED COST)	A-1+/VMIG1/NR	1,100,000
<i>TOTAL MUNICIPAL INVESTMENTS--100% (IDENTIFIED COST \$155,889,431)<sup>3</sup></i>			162,013,445
<i>OTHER ASSETS AND LIABILITIES--NET</i>			621,043
<i>LIQUIDATION VALUE OF AUCTION PREFERRED SHARES</i>			(61,025,000 )
<i>TOTAL NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS</i>			\$ 101,609,488

At May 31, 2005, the Fund holds no securities that are subject to the federal alternative minimum tax (AMT).

<sup>1</sup> Current credit ratings provided by Standard & Poor's, Moody's Investors Service, and Fitch Ratings, respectively.

<sup>2</sup> Denotes a restricted security, including securities purchased under Rule 144A of Securities Act of 1933. These securities, all of which have been deemed liquid by criteria approved by the Fund's Board of Trustees, unless registered under the Act or exempted from registration, may only be sold to qualified institutional investors. At May 31, 2005, these securities amounted to \$3,710,962 which represents 2.3% of total market value.

<sup>3</sup> The cost of investments for federal tax purposes amounts to \$155,889,020.

Note: The categories of investments are shown as a percentage of total market value at May 31, 2005.

The following acronyms are used throughout this portfolio:

AMBAC --American Municipal Bond Assurance Corporation  
 CDA --Community Development Administration  
 EDA --Economic Development Authority  
 EDFA --Economic Development Finance Authority  
 EDRBs --Economic Development Revenue Bonds  
 FGIC --Financial Guaranty Insurance Company  
 FSA --Financial Security Assurance  
 GO --General Obligation  
 GTD --Guaranteed

HDA --Hospital Development Authority  
 HEFA --Health and Education Facilities Authority  
 HFDC --Health Facility Development Corporation  
 IDA --Industrial Development Authority  
 IDRBs -- Industrial Development Revenue Bonds  
 INS --Insured  
 LOC --Letter of Credit  
 LT --Limited Tax  
 PCR --Pollution Control Revenue  
 PRF --Prerefunded  
 TOBs --Tender Option Bonds  
 UT --Unlimited Tax  
 VRDNs --Variable Rate Demand Notes

See Notes which are an integral part of the Financial Statements

## Statements of Assets and Liabilities

May 31, 2005 (unaudited)

	<b>Federated Premier Municipal Income Fund</b>	<b>Federated Premier Intermediate Municipal Income Fund</b>
<b>Assets:</b>		
Investments in securities, at value	\$ 145,198,125	\$ 162,013,445
Cash	28,102	20,084
Income receivable	2,386,293	2,554,932
Receivable for investments sold	15,150	40,300
<i>TOTAL ASSETS</i>	147,627,670	164,628,761
<b>Liabilities:</b>		
Income distribution payable--Common Shares	511,949	451,554
Income distribution payable--Preferred Shares	18,387	32,172
Payable for daily variation margin	31,719	63,438
Payable for investments purchased	--	1,419,000
Accrued expenses	28,129	28,109

<b>TOTAL LIABILITIES</b>	590,184	1,994,273
Auction Market Preferred Shares (2,147 and 2,441 shares, respectively, authorized and issued at \$25,000 per share)	\$ 53,675,000	\$ 61,025,000
<b>Net Assets Applicable to Common Shares Consist of:</b>		
Paid-in capital	\$ 86,627,147	\$ 98,478,870
Net unrealized appreciation of investments and futures contracts	9,651,211	5,283,206
Accumulated net realized loss on investments, swap contracts and futures contracts	(3,338,506 )	(2,620,378 )
Undistributed net investment income	422,634	467,790
<b>TOTAL NET ASSETS APPLICABLE TO COMMON SHARES</b>	<b>\$ 93,362,486</b>	<b>\$ 101,609,488</b>
<b>Common Shares Outstanding (\$0.01 par value, unlimited shares authorized):</b>	<b>6,112,815</b>	<b>6,946,981</b>
Net asset value per share	\$ 15.27	\$ 14.63
Investments, at identified cost	\$ 135,192,390	\$ 155,889,431

See Notes which are an integral part of the Financial Statements

## Statements of Operations

Six Months Ended May 31, 2005 (unaudited)

	<b>Federated Premier Municipal Income Fund</b>	<b>Federated Premier Intermediate Municipal Income Fund</b>
<b>Investment Income:</b>		
Interest	\$ 3,894,958	\$ 3,727,986
<b>Expenses:</b>		
Investment adviser fee (Note 5)	398,259	445,321
Administrative personnel and services fee (Note 5)	74,795	74,795

Custodian fees		
	1,493	2,164
Transfer and dividend disbursing agent fees and expenses		
	16,920	16,672
Directors'/Trustees' fees		
	5,530	5,564
Auditing fees		
	18,200	18,200
Legal fees		
	1,807	1,812
Portfolio accounting fees		
	36,370	36,359
Printing and postage		
	8,638	13,556
Insurance premiums		
	7,504	4,427
Auction agent fees		
	3,241	2,965
Trailer commission fees (Note 2)		
	67,839	77,129
Miscellaneous	22,235	23,667
<b><i>TOTAL EXPENSES</i></b>	<b>662,831</b>	<b>722,631</b>
<b>Waivers (Note 5):</b>		
Waiver of investment adviser fee	(144,438 )	(161,551 )
Waiver of administrative personnel and services fee	(60,319 )	(31,681 )
<b><i>TOTAL WAIVERS</i></b>	<b>(204,757 )</b>	<b>(193,232 )</b>
Net expenses	458,074	529,399
Net investment income	3,436,884	3,198,587
<b>Realized and Unrealized Gain (Loss) on Investments, Swap Contracts and Futures Contracts:</b>		
Net realized loss on investments and swap contracts	(944,001 )	(979,796 )
Net realized gain on futures contracts	124,824	10,324
Net change in unrealized appreciation of investments	4,570,913	2,084,443
Net change in unrealized depreciation of futures contracts	(354,524 )	(835,974)

Net change in unrealized depreciation on swap contracts	537,446	555,176
Net realized and unrealized gain on investments, swap contracts and futures contracts	3,934,658	834,173
Income distributions declared to Preferred Shareholders	(527,776 )	(622,186 )
Change in net assets resulting from operations applicable to Common Shares	\$ 6,843,766	\$ 3,410,574

See Notes which are an integral part of the Financial Statements

## Statements of Changes in Net Assets

	Federated Premier Municipal Income Fund		Federated Premier Intermediate Municipal Income Fund	
	Six Months Ended (unaudited) 5/31/2005	Year Ended 11/30/2004	Six Months Ended (unaudited) 5/31/2005	Year Ended 11/30/2004
<b>Increase (Decrease) in Net Assets</b>				
<b>Operations:</b>				
Net investment income	\$ 3,436,884	\$ 6,934,820	\$ 3,198,587	\$ 6,271,800
Net realized loss on investments, swap contracts and futures contracts	(819,177)	(2,312,475)	(969,472)	(1,593,334)
Net change in unrealized appreciation/depreciation of investment, swap contracts and futures contracts	4,753,835	2,715,004	1,803,645	559,419
Distributions from net investment income--Preferred Shares	(527,776)	(601,562)	(622,186)	(693,390)
<i>CHANGE IN NET ASSETS RESULTING FROM OPERATIONS APPLICABLE TO COMMON SHARES</i>	6,843,766	6,735,787	3,410,574	4,544,495
<b>Distributions to Common Shareholders:</b>				
Distributions from net investment income--Common Shares	(3,071,688)	(6,142,154)	(2,709,323)	(5,418,645)



**Share Transactions Applicable to Common Shares:**

Net asset value of shares issued to shareholders in payment of distributions declared	--	46,016	--	--
<i>CHANGE IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS</i>				
	--	46,016	--	--
Change in net assets	3,772,078	639,649	701,251	(874,150)
<b>Net Assets Applicable to Common Shares:</b>				
Beginning of period	89,590,408	88,950,759	100,908,237	101,782,387
End of period	\$ 93,362,486	\$ 89,590,408	101,609,488	100,908,237
Undistributed net investment income included at end of period	\$ 422,634	\$ 585,214	\$ 467,790	\$ 600,713

See Notes which are an integral part of the Financial Statements

## Notes to Financial Statements

May 31, 2005 (unaudited)

### 1. ORGANIZATION

Federated Premier Municipal Income Fund and Federated Premier Intermediate Municipal Income Fund (individually referred to as the "Fund", or collectively as the "Funds") are registered under the Investment Company Act of 1940, as amended (the "Act"), as diversified, closed-end management investment companies.

Prior to commencing operations on December 20, 2002, Federated Premier Municipal Income Fund had no operations other than matters relating to its organization and registration and the sale and issuance of 6,981 common shares of beneficial interest (common shares) to Federated Investment Management Company (the "Investment Adviser"). The Fund issued 5,850,000 shares of common stock in its initial public offering on December 20, 2002. These shares were issued at \$15.00 per share before underwriting discount of \$0.68 per share. Offering costs of \$175,500 (representing \$0.03 per share) were offset against proceeds of the offering and have been charged to paid-in capital. The Investment Adviser paid all offering costs (other than underwriting discount) and organizational expenses regarding the common share offering which exceeded \$0.03 per share of the Fund. An additional 250,000 common shares were issued on February 3, 2003 at \$15.00 per share. On February 13, 2003, the Fund issued 2,147 preferred shares at \$25,000 per share before underwriting discount of \$0.69 per share. Offering costs of \$726,739 (representing \$0.12 per share) were offset against proceeds of the offering and have been charged to paid-in capital.

Prior to commencing operations on December 20, 2002, Federated Premier Intermediate Municipal Income Fund had no operations other than matters relating to its organization and registration and the sale and issuance of 6,981 common shares to the Investment Adviser. The Fund issued 6,400,000 shares of common stock in its initial public offering on December 20, 2002. These shares were issued at \$15.00 per share before underwriting discount of \$0.68 per share. Offering costs of \$192,000 (representing \$0.03 per share) were offset against proceeds of the offering and

have been charged to paid-in capital. The Investment Adviser paid all offering costs (other than underwriting discount) and organizational expenses regarding the common share offering which exceeded \$0.03 per share of the Fund. An additional 540,000 common shares were issued on February 3, 2003 at \$15.00 per share. On February 13, 2003, the Fund issued 2,441 preferred shares at \$25,000 per share before underwriting discount of \$0.70 per share. Offering costs of \$793,521 (representing \$0.12 per share) were offset against proceeds of the offering and have been charged to paid-in capital.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies consistently followed by the Funds in the preparation of their financial statements. These policies are in conformity with generally accepted accounting principles (GAAP) in the United States of America.

### **Investment Valuation**

Municipal bonds are valued by an independent pricing service, taking into consideration yield, liquidity, risk, credit quality, coupon, maturity, type of issue, and any other factors or market data the pricing service deems relevant. Short-term securities are valued at the prices provided by an independent pricing service. However, short-term securities with remaining maturities of 60 days or less at the time of purchase may be valued at amortized cost, which approximates fair market value. Securities for which no quotations are readily available are valued at fair value as determined in accordance with procedures established by and under general supervision of the Board of Trustees (the "Trustees").

### **Investment Income, Expenses, and Distributions**

Interest income and expenses are accrued daily. Non-cash dividends included in dividend income, if any, are recorded at fair value. Distributions to common shareholders are recorded on the ex-dividend date. Distributions to preferred shareholders are recorded daily and paid weekly at a rate set through auction procedures. The dividend rate to preferred shareholders for Federated Premier Municipal Income Fund and Federated Premier Intermediate Municipal Income Fund at May 31, 2005 was 2.50% and 2.67%, respectively.

Each auction requires the participation of one or more Broker-Dealers. The auction agent, currently Deutsche Bank Trust Company Americas, will enter into agreements with one or more Broker-Dealers selected by the Funds, which provide for the participation of those Broker-Dealers in auctions for preferred shares. The auction agent will pay each Broker-Dealer after each auction, from funds provided by the Funds. The trailer commissions for Federated Premier Municipal Income Fund and Federated Premier Intermediate Municipal Income Fund for the six months ended May 31, 2005 were \$67,839 and \$77,129, respectively.

### **Premium and Discount Amortization**

All premiums and discounts on fixed-income securities are amortized/accreted for financial statement purposes.

### **Federal Taxes**

It is the Funds' policy to comply with the Subchapter M provision of the Internal Revenue Code (the "Code"), applicable to regulated investment companies and to distribute to shareholders each year substantially all of their income. Accordingly, no provision for federal income tax is necessary.

## When-Issued and Delayed Delivery Transactions

The Funds may engage in when-issued or delayed delivery transactions. The Funds record when-issued securities on the trade date and maintain security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed delivery basis are marked to market daily and begin earning interest on the settlement date. Losses may occur on these transactions due to changes in market conditions or the failure of counterparties to perform under the contract.

## Restricted Securities

Restricted securities are securities that may only be resold upon registration under federal securities laws or in transactions exempt from such registration. In some cases, the issuer of restricted securities has agreed to register such securities for resale, at the issuer's expense either upon demand by the Fund or in connection with another registered offering of the securities. Many restricted securities may be resold in the secondary market in transactions exempt from registration. Such restricted securities may be determined to be liquid under criteria established by the Trustees. The Funds will not incur any registration costs upon such resales. The Funds' restricted securities are valued at the price provided by dealers in the secondary market or, if no market prices are available, at the fair value as determined in accordance with procedures established by and under general supervision of the Trustees.

Additional information on restricted securities, excluding securities purchased under Rule 144A that have been deemed liquid by the Trustees, held at May 31, 2005, is as follows:

### Federated Premier Municipal Income Fund:

Security	Acquisition Date	Acquisition Cost
Capital Trust Agency, FL, Revenue Bonds (Series 2001), 10.00% (Seminole Tribe of Florida Convention and Resort Hotel Facilities), 10/1/2033	12/23/2002	\$1,027,250
Capital Trust Agency, FL, Revenue Bonds (Series 2003A), 8.95% (Seminole Tribe of Florida Convention and Resort Hotel Facilities), 10/1/2033	5/9/2003	\$400,000
Director of the State of Nevada Department of Business and Industry, Revenue Bonds (Series 2004A), 7.00% (Las Ventanas Retirement Community)/(Original Issue Yield: 7.125%), 11/15/2034	12/20/2002	\$2,475,000
New York City, NY IDA, Liberty Revenue Bonds (Series A), 6.50% (7 World Trade Center LLC), 3/1/2035	3/15/2005	\$800,000

### Federated Premier Intermediate Municipal Income Fund:

Security	Acquisition Date	Acquisition Cost
Capital Trust Agency, FL, Revenue Bonds (Series 2001), 10.00% (Seminole Tribe of Florida Convention and Resort Hotel Facilities), 10/1/2033	12/23/2002	\$1,027,250
	5/9/2003	\$600,000

Capital Trust Agency, FL, Revenue Bonds (Series 2003A), 8.95% (Seminole Tribe of Florida Convention and Resort Hotel Facilities), 10/1/2033		
Director of the State of Nevada Department of Business and Industry, Revenue Bonds (Series 2004B), 6.75% (Las Ventanas Retirement Community)/(Original Issue Yield: 6.875%), 11/15/2023	12/9/2004	\$789,424
New York City, NY IDA, Liberty Revenue Bonds (Series A), 6.25% (7 World Trade Center LLC), 3/1/2015	3/15/2005	\$800,000
Port of Greater Cincinnati, OH Development Authority, Special Assessment Revenue Bonds, 6.30% (Cincinnati Mills), 2/15/2024	2/11/2004	\$250,000

## Futures Contracts

The Funds periodically may sell bond interest rate futures contracts to manage duration and to potentially reduce transaction costs. Upon entering into bond interest rate futures contracts with brokers, the Funds are required to deposit in a segregated account a specified amount of cash or U.S. government securities. Futures contracts are valued daily and unrealized gains or losses are recorded in a "variation margin" account. Daily, the Funds receive from or pay to the broker a specified amount of cash based upon changes in the variation margin account. When a contract is closed, each Fund recognizes a realized gain or loss. Futures contracts have market risks, including the risk that the change in the value of the contract may not correlate with the changes in the value of the underlying securities. For the six months ended May 31, 2005, the Funds had realized gains on futures contracts as follows:

Federated Premier Municipal Income Fund	\$ 124,824
Federated Premier Intermediate Municipal Income Fund	\$ 10,324

At May 31, 2005, the Funds had the following open futures contracts:

Fund	Expiration Date	Contracts to Receive	Position	Unrealized Depreciation
Federated Premier Municipal Income Fund	June 2005	145 U.S. Treasury Note 10-Year Futures	Short	\$(354,524)
Federated Premier Intermediate Municipal Income Fund	June 2005	290 U.S. Treasury Note 10-Year Futures	Short	\$(840,808)

## Swap Contracts

The Funds may enter into swap contracts. A swap is an exchange of cash payments between the Fund and another party, which is based on a specific financial index. The value of the swap is adjusted daily and the change in value is recorded as unrealized appreciation or depreciation. When a swap contract is closed, the Fund recognizes a realized gain or loss. The swap contracts entered into by the Funds are on a forward settling basis. For the six months ended May 31, 2005, the Funds had realized losses on swap contracts as follows:

Federated Premier Municipal Income Fund	\$ (1,074,618)
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Federated Premier Intermediate Municipal Income Fund      \$ (981,882)

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Risks may arise upon entering into these agreements from the potential inability of the counterparties to meet the terms of their contract and from unanticipated changes in the value of the financial index on which the swap agreement is based. The Funds use swaps for hedging purposes to reduce their exposure to interest rate fluctuations.

At May 31, 2005, the Federated Premier Municipal Income Fund and the Federated Premier Intermediate Municipal Income Fund had no open swap contracts.

## Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets, liabilities, expenses and revenues reported in the financial statements. Actual results could differ from those estimated.

## Other

Investment transactions are accounted for on a trade date basis. Realized gains and losses from investment transactions are recorded on an identified cost basis.

## 3. COMMON SHARES

The following tables summarize share activity:

	Six Months Ended 5/31/2005	Year Ended 11/30/2004
<b>Federated Premier Municipal Income Fund</b>		
Shares issued	--	--
Shares issued to shareholders in payment of distributions declared	--	3,144
<i>NET CHANGE RESULTING FROM SHARE TRANSACTIONS</i>	--	3,144

	Six Months Ended 5/31/2005	Year Ended 11/30/2004
<b>Federated Premier Intermediate Municipal Income Fund</b>		
Shares issued	--	--
<i>NET CHANGE RESULTING FROM SHARE TRANSACTIONS</i>	--	--

## 4. FEDERAL TAX INFORMATION

At May 31, 2005, the following amounts apply for federal income tax purposes:

	Cost of Investments	Unrealized Appreciation	Unrealized Depreciation	Net Unrealized <sup>1</sup> Appreciation <sup>2</sup>
Swap Contracts				

Federated Premier Municipal Income Fund	\$135,192,079	\$10,089,415	\$(83,369)	\$10,006,046
Federated Premier Intermediate Municipal Income Fund	\$155,889,020	\$ 6,171,869	\$ (47,444)	\$ 6,124,425

*1 Excluding any unrealized depreciation on futures contracts.*

At November 30, 2004, Federated Premier Municipal Income Fund and Federated Premier Intermediate Municipal Income Fund had capital loss carryforwards of \$2,519,574 and \$1,656,055, respectively, which will reduce the Funds' taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Code and thus will reduce the amount of distributions to shareholders which would otherwise be necessary to relieve the Funds of any liability for federal tax. Pursuant to the Code, such capital loss carryforwards will expire as follows:

Capital loss carryforward to expire in:	2011	2012	Total Capital Loss Carryforward
<b>Fund:</b>			
Federated Premier Municipal Income Fund	\$207,100	\$2,312,474	\$2,519,574
Federated Premier Intermediate Municipal Income Fund	\$ 57,890	\$1,598,165	\$1,656,055

## 5. INVESTMENT ADVISER FEE AND OTHER TRANSACTIONS WITH AFFILIATES

### Investment Adviser Fee

Each Fund has entered into an Investment Management Agreement (the "Agreement") with Federated Investment Management Company (the "Adviser") to serve as investment manager to the Fund. Pursuant to the Agreement, each Fund pays the Adviser an annual management fee, payable daily, at the annual rate of 0.55% of the Fund's managed assets.

In order to reduce fund expenses, the Adviser has contractually agreed to waive a portion of its investment adviser fee at the annual rate of 0.20% of the average daily value of each Fund's managed assets, inclusive of any assets attributable to any preferred shares that may be issued, from the commencement of operations through December 31, 2007, and at a declining rate thereafter through December 31, 2010.

### Administrative Fee

Federated Administrative Services (FAS), under the Administrative Services Agreement, provides each Fund with administrative personnel and services. The fee paid to FAS is based on the average aggregate daily net assets of all Federated funds as specified below:

Maximum Administrative Fee	Average Aggregate Daily Net Assets of the Federated Funds
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0.150%	on the first \$5 billion
0.125%	on the next \$5 billion
0.100%	on the next \$10 billion
0.075%	on assets in excess of \$20 billion

The administrative fee received during any fiscal year shall be at least \$150,000 per portfolio and \$40,000 per each additional class of Shares. FAS may voluntarily choose to waive any portion of its fee. FAS can modify or terminate this voluntary waiver at any time at its sole discretion.

## Organizational Expenses

Each Fund paid its organizational and offering expenses of up to \$0.03 per common share. The Adviser paid organizational expenses and offering costs of each Fund that exceeded \$0.03 per Common Share.

## Interfund Transactions

During the six months ended May 31, 2005, the Funds engaged in purchase and sale transactions with funds that have a common investment adviser (or affiliated investment advisers), common Directors/Trustees, and /or common Officers. These purchase and sale transactions complied with Rule 17a-7 under the Act and were as follows:

	Purchases	Sales
Federated Premier Municipal Income Fund	\$3,525,000	\$4,550,630
Federated Premier Intermediate Municipal Income Fund	\$5,600,000	\$4,700,000

## General

Certain of the Officers and Trustees of the Funds are Officers and Directors or Trustees of the above companies.

## 6. PREFERRED SHARES

On February 13, 2003, Federated Premier Municipal Income Fund and Federated Premier Intermediate Municipal Income Fund offered and currently have outstanding 2,147 and 2,441 Auction Market Preferred Shares (AMPS), respectively. The AMPS are redeemable at the option of the Funds at the redemption price of \$25,000 per share plus an amount equal to accumulated, but unpaid dividends thereon through the redemption date.

Whenever AMPS are outstanding, common shareholders will not be entitled to receive any distributions from the Funds unless all accrued dividends on preferred shares have been paid, the Funds satisfy the 200% asset coverage requirement, and certain other requirements imposed by any Nationally Recognized Statistical Ratings Organizations (NRSROs) rating the preferred shares have been met. Should these requirements not be met, or should dividends accrued on the AMPS not be paid, the Funds may be restricted in their ability to declare dividends to common

shareholders or may be required to redeem certain of the AMPS. At May 31, 2005, there were no such restrictions on the Funds.

## 7. INVESTMENT TRANSACTIONS

Purchases and sales of investments, excluding long-term U.S. government securities and short-term obligations (and in-kind contributions), for the six months ended May 31, 2005, were as follows:

	<b>Purchases</b>	<b>Sales</b>
Federated Premier Municipal Income Fund	\$ 1,689,925	\$ 2,882,193
Federated Premier Intermediate Municipal Income Fund	\$11,999,450	\$13,245,658

## 8. LEGAL PROCEEDINGS

Beginning in October 2003, Federated Investors, Inc. and various subsidiaries thereof (including the advisers and distributor for various investment companies, collectively, "Federated"), along with various investment companies sponsored by Federated (Funds) were named as defendants in several class action lawsuits now pending in the United States District Court for the District of Maryland seeking damages of unspecified amounts. The lawsuits were purportedly filed on behalf of people who purchased, owned and/or redeemed shares of Federated-sponsored mutual funds during specified periods beginning November 1, 1998. The suits are generally similar in alleging that Federated engaged in illegal and improper trading practices including market timing and late trading in concert with certain institutional traders, which allegedly caused financial injury to the mutual fund shareholders. Federated and various Funds have also been named as defendants in several additional lawsuits, the majority of which are now pending in the United States District Court for the Western District of Pennsylvania, alleging, among other things, excessive advisory and Rule 12b-1 fees, and seeking damages of unspecified amounts. The Board of the Funds has retained the law firm of Dickstein Shapiro Morin & Oshinsky LLP to represent the Funds in these lawsuits. Federated and the Funds, and their respective counsel, are reviewing the allegations and will respond appropriately. Additional lawsuits based upon similar allegations may be filed in the future. The potential impact of these recent lawsuits and future potential similar suits is uncertain. Although we do not believe that these lawsuits will have a material adverse effect on the Funds, there can be no assurance that these suits, the ongoing adverse publicity and/or other developments resulting from the regulatory investigations will not result in increased Fund redemptions, reduced sales of Fund shares, or other adverse consequences for the Funds.

## 9. SUBSEQUENT DIVIDEND DECLARATIONS--COMMON SHARES

On June 13, 2005, the Funds declared common share dividend distributions from their respective tax-exempt net investment income which were payable on July 1, 2005, to shareholders of record on June 23, 2005, as follows:

	<b>Federated Premier Municipal Income Fund</b>	<b>Federated Premier Intermediate Municipal Income Fund</b>
Dividend per share	\$0.08375	\$0.06500



## Board Review of Advisory Contract

As required by the 1940 Act, the Funds' Board has reviewed each Fund's investment advisory contract. The Board's decision to approve these contracts reflects the exercise of its business judgment on whether to continue the existing arrangements. During its review of these contracts, the Board considers many factors, among the most material of which are: the Fund's investment objectives; the Adviser's management philosophy, personnel, processes, and investment and operating strategies; long-term performance; the preferences and expectations of Fund shareholders and their relative sophistication; the continuing state of competition in the mutual fund industry; the range of comparable fees for similar funds in the mutual fund industry; the range and quality of services provided to the Fund and its shareholders by the Federated organization in addition to investment advisory services; and the Fund's relationship to the Federated family of funds.

In its decision to appoint or renew an Adviser, the Board is mindful of the potential disruptions of the Fund's operations and various risks, uncertainties and other effects that could occur as a result of a decision to terminate or not renew an advisory contract. In particular, the Board recognizes that most shareholders have invested in the Fund on the strength of the Adviser's industry standing and reputation and in the expectation that the Adviser will have a continuing role in providing advisory services to the Fund. Thus, the Board's "selection" or approval of the Adviser must reflect the fact that it is the shareholders who have effectively selected the Adviser by virtue of having invested in the Fund. The Board also considers the compensation and benefits received by the Adviser. This includes fees received for services provided to the Fund by other entities in the Federated organization and research services received by the Adviser from brokers that execute fund trades, as well as advisory fees. In this regard, the Board is aware that various courts have interpreted provisions of the 1940 Act and have indicated in their decisions that the following factors may be relevant to an Adviser's fiduciary duty with respect to its receipt of compensation from a fund: the nature and quality of the services provided by the Adviser, including the performance of the Fund; the Adviser's cost of providing the services; the extent to which the Adviser may realize "economies of scale" as the Fund grows larger; any indirect benefits that may accrue to the Adviser and its affiliates as a result of the Adviser's relationship with the Fund; performance and expenses of comparable funds; and the extent to which the independent Board members are fully informed about all facts bearing on the Adviser's service and fee. The Funds' Board is aware of these factors and is guided by them in its review of each Fund's advisory contract to the extent they are appropriate and relevant, as discussed further below.

The Board considers and weighs these circumstances in light of its substantial accumulated experience in governing the Fund and working with Federated on matters relating to the Federated funds, and is assisted in its deliberations by the advice of independent legal counsel. In this regard, the Board requests and receives substantial and detailed information about the Fund and the Federated organization. Federated provides much of this information at each regular meeting of the Board, and furnishes additional reports in connection with the particular meeting at which the Board's formal review of the advisory contract occurs. In between regularly scheduled meetings, the Board may receive information on particular matters as the need arises. Thus, the Board's evaluation of an advisory contract is informed by reports covering such matters as: the Adviser's investment philosophy, personnel, and processes; operating strategies; the Fund's short- and long-term performance (in absolute terms, both on a gross basis and net of expenses, as well as in relationship to its particular investment program and certain competitor or "peer group" funds and/or other benchmarks, as appropriate), and comments on the reasons for performance; the Fund's expenses (including the advisory fee itself and the overall expense structure of the Fund, both in absolute terms and relative to similar and/or competing funds, with due regard for contractual or voluntary expense limitations); the use and allocation of brokerage commissions derived from trading the Fund's portfolio securities; the nature and extent of the advisory and other services provided to the Fund by the Adviser and its affiliates; compliance and audit reports concerning the Federated funds and the Federated companies that service them (including communications from regulatory agencies), as well as Federated's responses to any issues raised therein; and relevant developments in the mutual fund industry and how the Federated funds and/or Federated are responding to them. The evaluation process is evolutionary, reflecting continually developing considerations. The criteria considered and the emphasis placed on

relevant criteria change in recognition of changing circumstances in the mutual fund marketplace.

With respect to the Fund's performance and expenses in particular, the Board has found the use of comparisons to other mutual funds with comparable investment programs to be particularly useful, given the high degree of competition in the mutual fund business. The Board focuses on comparisons with other similar mutual funds (rather than non-mutual fund products or services) because, simply put, they are more relevant. For example, other mutual funds are the products most like the Fund, they are readily available to Fund shareholders as alternative investment vehicles, and they are the type of investment vehicle already chosen by the Fund's investors. The range of their fees and expenses therefore appears to be a generally reliable indication of what consumers have found to be reasonable in the precise marketplace in which the Fund competes. The Fund's ability to deliver competitive performance when compared to its peer group may be a useful indicator of how the Adviser is executing on the Fund's investment program, which would in turn assist the Board in reaching a conclusion that the nature, extent, and quality of the Adviser's investment management services are such as to warrant continuation of the advisory contract.

The Board also receives financial information about Federated, including reports on the compensation and benefits Federated derives from its relationships with the Federated funds. These reports cover not only the fees under the advisory contracts, but also fees received by Federated's subsidiaries for providing other services to the Federated funds under separate contracts (e.g., for serving as the Federated funds' administrator). The reports also discuss any indirect benefit Federated may derive from its receipt of research services from brokers who execute Federated fund trades as well as waivers of fees and/or reimbursements of expenses. In order for a fund to be competitive in the marketplace, Federated and its affiliates frequently waive fees and/or reimburse expenses. Although the Board considers the profitability of the Federated organization as a whole, it does not evaluate, on a fund-by-fund basis, Federated's "profitability" and/or "costs" (which would include an assessment as to whether "economies of scale" would be realized if the fund were to grow to some sufficient size). In the Board's view, the cost of performing advisory services on a fund-specific basis is both difficult to estimate satisfactorily and a relatively minor consideration in its overall evaluation. Analyzing isolated funds would require constructed allocations of the costs of shared resources and operations based on artificial assumptions that are inconsistent with the existing relationships within a large and diversified family of funds that receive advisory and other services from the same organization. Although the Board is always eager to discover any genuine "economies of scale," its experience has been that such "economies" are likely to arise only when a fund grows dramatically, and becomes and remains very large in size. Even in these instances, purchase and redemption activity, as well as the presence of expense limitations (if any), may offset any perceived economies. As suggested above, the Board considers the information it receives about the Fund's performance and expenses as compared to an appropriate set of similar competing funds to be more relevant.

The Board bases its decision to approve an advisory contract on the totality of the circumstances and relevant factors and with a view to past and future long-term considerations. Not all of the factors and considerations identified above are relevant to every Federated fund, nor does the Board consider any one of them to be determinative. With respect to the factors that are relevant, the Board's decision to approve the contract reflects its determination that Federated's performance and actions provide a satisfactory basis to support the decision to continue the existing arrangements.

## **VOTING PROXIES ON FUND PORTFOLIO SECURITIES**

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to securities held in the Fund's portfolio is available, without charge and upon request, by calling 1-800-245-0242 x7538. A report on "Form N-PX" of how the Fund voted any such proxies during the most recent 12-month period ended June 30 is available through Federated's website. Go to FederatedInvestors.com, select "Products," select "Closed-End Funds," select the name of the Fund, select "Shareholder and Regulatory Reports," then select "sec.gov" opposite "SEC filings" to access the link to Form N-PX. This information is also available from the EDGAR database on the SEC's website at [www.sec.gov](http://www.sec.gov).

## QUARTERLY PORTFOLIO SCHEDULE

The Fund files with the SEC a complete schedule of its portfolio holdings, as of the close of the first and third quarters of its fiscal year, on "Form N-Q." These filings are available on the SEC's website at [www.sec.gov](http://www.sec.gov) and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. (Call 1-800-SEC-0330 for information on the operation of the Public Reference Room.) You may also access this information from the "Products" section of the Federated Investors website at [FederatedInvestors.com](http://FederatedInvestors.com) by clicking on "Closed-End Funds," selecting the name of the Fund, selecting "Shareholder and Regulatory Reports," and then selecting "sec.gov" opposite "SEC filings" to access the link to Form N-Q.

Mutual funds are not bank deposits or obligations, are not guaranteed by any bank, and are not insured or guaranteed by the U.S. government, the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other government agency. Investment in mutual funds involves investment risk, including the possible loss of principal.

This Overview and Report is for shareholder information. This is not a Prospectus intended for use in the sale of Fund Shares. Statements and other information contained in this Overview and Report are as dated and subject to change.

## IMPORTANT NOTICE ABOUT FUND DOCUMENT DELIVERY

In an effort to reduce costs and avoid duplicate mailings, the Fund(s) intend to deliver a single copy of certain documents to each household in which more than one shareholder of the Fund(s) resides (so-called "householding"), as permitted by applicable rules. The Fund's "householding" program covers its/their Semi-Annual and Annual Shareholder Reports and any Proxies or information statements. Shareholders must give their written consent to participate in the "householding" program. The Fund is also permitted to treat a shareholder as having given consent ("implied consent") if (i) shareholders with the same last name, or believed to be members of the same family, reside at the same street address or receive mail at the same post office box, (ii) the Fund gives notice of its intent to "household" at least sixty (60) days before it begins "householding" and (iii) none of the shareholders in the household have notified the Fund(s) or their agent of the desire to "opt out" of "householding." Shareholders who have granted written consent, or have been deemed to have granted implied consent, can revoke that consent and opt out of "householding" at any time: shareholders who purchased shares through an intermediary should contact their representative; other shareholders may call the Fund at 1-800-245-0242 ext. 7538 or e-mail [CEinfo@federatedinv.com](mailto:CEinfo@federatedinv.com).

## Federated World-Class Investment Manager

Federated Premier Municipal Income Fund  
Federated Investors Funds  
5800 Corporate Drive  
Pittsburgh, PA 15237-7000  
Contact us at **FederatedInvestors.com**  
or call 1-800-341-7400.

Federated Securities Corp., Distributor

*Cusip 31423P108*  
*Cusip 31423P207*  
*Cusip 31423M105*  
*Cusip 31423M204*

28583 (7/05)

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- Item 2. Code of Ethics  
Not Applicable
- Item 3. Audit Committee Financial Expert  
Not Applicable
- Item 4. Principal Accountant Fees and Services  
Not Applicable
- Item 5. Audit Committee of Listed Registrants  
Not Applicable
- Item 6. Schedule of Investments  
Not Applicable
- Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies  
Not Applicable
- Item 8. Portfolio Managers of Closed-End Management Investment Companies  
Not Applicable
- Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers

Period	(a) Total number of common shares (or units) purchased	(b) (c) (d) Average price paid per common share (or unit)	Total number of common shares (or units) purchased as part of publicly announced plans or programs
Month #1 (December 1, 2004 - December 31, 2004)	-0-	NA	-0-
Month #2 (January 1, 2005- January 31, 2005)	-0-	NA	-0-
Month #3 (February 1, 2005-February 28, 2005)	-0-	NA	-0-

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Month #4 (March 1, 2005- March 31, 2005)	-0-	NA	-0-
Month #5 (April 1, 2005- April 30, 2005)	-0-	NA	-0-
Month #6 (May 1, 2005- May 31, 2005)	-0-	NA	-0-
TOTAL	-0-	NA	-0-
Month #1 (December 1, 2004 - December 31, 2004)	-0-	NA	-0-
Month #2 (January 1, 2005- January 31, 2005)	-0-	NA	-0-
Month #3 (February 1, 2005-February 28, 2005)	-0-	NA	-0-
Month #4 (March 1, 2005- March 31, 2005)	-0-	NA	-0-
Month #5 (April 1, 2005- April 30, 2005)	-0-	NA	-0-
Month #6 (May 1, 2005- May 31, 2005)	-0-	NA	-0-
TOTAL	-0-	NA	-0-

Item 10. Submission of Matters to a Vote of Security Holders

No changes to report.

Item 11. Controls and Procedures

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(a) The registrant's President and Treasurer have concluded that the registrant's disclosure controls and procedures (as defined in rule 30a-3(c) under the Act) are effective in design and operation and are sufficient to form the basis of the certifications required by Rule 30a-(2) under the Act, based on their evaluation of these disclosure controls and procedures within 90 days of the filing date of this report on Form N-CSR.

(b) There were no changes in the registrant's internal control over financial reporting (as defined in rule 30a-3(d) under the Act) during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12. Exhibits

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant            Federated Premier Municipal Income Fund  
By                    /S/ Richard J. Thomas  
                         Richard J. Thomas, Principal Financial Officer  
Date                  July 15, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By                    /S/ J. Christopher Donahue  
                         J. Christopher Donahue, Principal Executive Officer  
Date                  July 15, 2005  
By                    /S/ Richard J. Thomas  
                         Richard J. Thomas, Principal Financial Officer  
Date                  July 15, 2005