

OWENS ILLINOIS INC /DE/  
Form SC 13D/A  
September 07, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

(Amendment No. 2)\*

OWENS-ILLINOIS, INC.

(Name of Issuer)

Common Stock, par value \$0.01 per share  
(Title of Class of Securities)

690768403  
(CUSIP Number)

Alexander J. Roepers  
Atlantic Investment Management,  
Inc.  
666 Fifth Avenue  
New York, New York 10103  
(212) 484-5050

with a copy to:  
Allen B. Levithan, Esq.  
Lowenstein Sandler PC  
  
65 Livingston Avenue  
Roseland, New Jersey 07068  
(973) 597-2500

(Name, Address and Telephone Number of Person  
Authorized to Receive Notices and Communications)

August 30, 2012  
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. o

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See § 240.13d-7 for other parties to whom copies are to be sent.

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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Cusip No. 690768403

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only):

Atlantic Investment Management, Inc.

2. Check the Appropriate Box if a Member of a Group (See Instructions):

(a)

(b)

3. SEC Use Only

4. Source of Funds (See Instructions): AF, OO

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e): Not Applicable

6. Citizenship or Place of Organization: Delaware

Number of	7.	Sole Voting Power:	10,412,761*
Shares Beneficially	8.	Shared Voting Power:	0
Owned by			
Each Reporting	9.	Sole Dispositive Power:	10,412,761*
Person With	10.	Shared Dispositive Power:	0

11. Aggregate Amount Beneficially Owned by Each Reporting Person: 10,412,761\*

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions): Not Applicable

13. Percent of Class Represented by Amount in Row (11): 6.3%\*

14. Type of Reporting Person (See Instructions): IA

\* As of September 6, 2012, this percentage includes: (i) 2,573,003 shares (1.56%) of the Issuer's Common Stock, par value \$0.01 per share ("Shares"), beneficially owned by AJR International Master Fund, Ltd., a British Virgin Islands company, (ii) 6,472,777 Shares (3.92%) beneficially owned by Cambrian Master Fund, Ltd., a British Virgin Islands company, (iii) 455,000 Shares (0.28%) beneficially owned by Cambrian Global Master Fund, Ltd. and (iv) 911,981 Shares (0.55%) held in several Managed Accounts (the "Managed Accounts"). Atlantic Investment Management, Inc., serving as the investment advisor of the foregoing parties and the Managed Accounts, has sole voting and sole dispositive power over all Shares beneficially owned by such parties or held in the Managed Accounts. See Items 2 and 5 for additional details.



Item 1. Security and Issuer.

This statement relates to the common stock, par value \$0.01 per share (the “Shares”), of Owens-Illinois, Inc. (the “Issuer”). The Issuer has principal executive offices located at One Michael Owens Way, Perrysburg, Ohio 43551-2999.

Item 2. Identity and Background.

(a) This statement is filed by Atlantic Investment Management, Inc., a Delaware corporation (the “Reporting Person”), with respect to 10,412,761 Shares over which the Reporting Person has sole dispositive and voting power by reason of serving as the investment advisor to: (i) AJR International Master Fund, Ltd., a British Virgin Islands company (“AJR”); (ii) Cambrian Master Fund, Ltd., a British Virgin Islands company (“Cambrian Fund”); (iii) Cambrian Global Master Fund, Ltd., a British Virgin Islands company (“Cambrian Global Fund”) and (iv) several managed accounts (the “Managed Accounts”).

(b) The business address of the Reporting Person and Mr. Alexander Roepers, the president, sole director and sole shareholder of the Reporting Person, is 666 Fifth Avenue, New York, New York 10103.

(c) The principal business of the Reporting Person is that of an investment advisor engaging in the purchase and sale of securities for investment with the objective of capital appreciation on behalf of AJR, Cambrian Fund, Cambrian Global Fund and the Managed Accounts. The principal occupation of Mr. Roepers is serving as the president and managing officer of the Reporting Person.

(d) Neither the Reporting Person nor Mr. Roepers has, during the past five (5) years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

(e) Neither the Reporting Person nor Mr. Roepers has, during the past five (5) years, been a party to any civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is now subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

(f) Mr. Roepers is a citizen of the United States.

Item 3. Source and Amount of Funds or Other Consideration.

The Shares purchased by the Reporting Person on behalf of AJR, Cambrian Fund, Cambrian Global Fund and the Managed Accounts were purchased with the investment capital of such entities and accounts. The aggregate amount of funds used in making the purchases reported on this Schedule 13D was approximately \$250,228,370.

Item 4. Purpose of Transaction.

The Reporting Person acquired, on behalf of AJR, Cambrian Fund, Cambrian Global Fund and the Managed Accounts, and continues to hold, the Shares reported in this Schedule 13D for investment purposes. The Reporting Person intends to evaluate the performance of the Shares as an investment in the ordinary course of business. The Reporting Person pursues an investment objective that seeks capital appreciation. In pursuing this investment objective, the Reporting Person analyzes the operations, capital structure and markets of companies in which the Reporting Person's clients invest, including the Issuer, on a continuous basis through analysis of documentation and discussions with knowledgeable industry and market observers and with representatives of such companies.

The Reporting Person will continuously assess the Issuer's business, financial condition, results of operations and prospects, general economic conditions, the securities markets in general and those for the Shares in particular, other developments and other investment opportunities. Depending on such assessments, the Reporting Person may acquire additional Shares or may determine to sell or otherwise dispose of all or some of the Shares presently held by AJR, Cambrian Fund, Cambrian Global Fund and the Managed Accounts in the open market or in private transactions. Such actions will depend upon a variety of factors, including, without limitation, current and anticipated future trading prices for the Shares, the financial condition, results of operations and prospects of the Issuer, alternative investment opportunities, general economic, financial market and industry conditions and other factors that the Reporting Person may deem material to its investment decision.

The Reporting Person will continue its active discussions with the Issuer's management with respect to actions which might be taken by the management of the Issuer to maximize shareholder value of the Issuer. In addition, the Reporting Person may hold discussions with other parties who might engage in shareholder value enhancing activities for the benefit of all of the Issuer's shareholders. There can be no assurance that the Reporting Person will take any of the actions described in the previous sentence.

Except as set forth above, the Reporting Person has no present plans or proposals which relate to or would result in any of the transactions required to be described in Item 4 of Schedule 13D.

Item 5. Interest in Securities of the Issuer.

(a) Based upon the information contained in the Issuer's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on July 25, 2012, there were issued and outstanding 165,069,439 Shares as of June 30, 2012.

(b) The Reporting Person does not directly own any Shares. The Reporting Person has entered into an investment advisory agreement with each of AJR, Cambrian Fund, Cambrian Global Fund and the Managed Accounts pursuant to which the Reporting Person has investment authority with respect to the securities held by such entities or in such accounts. Such power includes the power to dispose of and the power to vote the Shares. By reason of the provisions of Rule 13d-3 of the Securities Exchange Act of 1934, as amended, the Reporting Person is deemed to be the beneficial owner of the Shares held by such entities and accounts. Accordingly, the Reporting Person is deemed the beneficial owner of 10,412,761 Shares, or 6.3% of the outstanding Shares.

(c) The following table details the transactions by the Reporting Person, on behalf of AJR, Cambrian Fund, Cambrian Global Fund and the Managed Accounts, with respect to the purchases of the Shares during the past sixty (60) days:

Date	Quantity	Price	Type of Transaction
07/09/2012	150,000	\$18.9272	Open Market Purchase
07/10/2012	150,000	\$19.0763	Open Market Purchase
07/12/2012	75,000	\$18.4689	Open Market Purchase
07/13/2012	74,419	\$19.0311	Open Market Purchase
07/19/2012	69,000	\$19.5485	Open Market Purchase
07/19/2012	131,000	\$19.7491	Open Market Purchase
08/01/2012	50,000	\$18.3656	Open Market Purchase
08/29/2012	146,000	\$17.6225	Open Market Purchase
08/30/2012	13,700	\$17.4000	Open Market Purchase
08/31/2012	100,000	\$17.4926	Open Market Purchase
09/04/2012	(13,666)	\$17.3577	Open Market Sale
09/05/2012	100,000	\$17.2124	Open Market Purchase
09/06/2012	16,727	\$17.8988	Open Market Purchase

Except for the transactions listed above, neither the Reporting Person, any entity for which the Reporting Person serves as investment advisor, nor any person or entity controlled by the Reporting Person, nor Mr. Roepers (including Mr. Roepers' immediate family members) has traded Shares during the past sixty (60) days.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.

Not Applicable.

Item 7. Material to be filed as exhibits.

Not Applicable.

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Signature

After reasonable inquiry and to the best of the undersigned's knowledge and belief, the undersigned hereby certifies that the information set forth in this statement is true, complete and correct

Dated: September 6, 2012

ATLANTIC INVESTMENT  
MANAGEMENT, INC.

By: /s/ Alexander J. Roepers  
Alexander J. Roepers, President

ATTENTION: INTENTIONAL MISSTATEMENTS OR OMISSIONS OF FACT  
CONSTITUTE FEDERAL CRIMINAL VIOLATIONS (SEE 18 U.S.C. 1001).

ber 31, 2015

\$  
—

\$  
—

Class A common stock, \$0.0001 par value, 500,000,000 shares authorized, 28,783,142 shares issued and outstanding at March 31, 2016, 28,684,392 shares issued and outstanding at December 31, 2015

3

3

Class B common stock, \$0.0001 par value, 144,000,000 shares authorized, 18,000,000 shares issued and outstanding at March 31, 2016 and December 31, 2015

2

2

Additional paid-in capital  
111,004

110,311

Retained earnings  
185,508

184,454

Accumulated other comprehensive loss, net  
(7,622  
)

(5,228  
)

Total equity  
288,895

289,542

Total liabilities, redeemable non-controlling interest and equity  
\$  
670,178

\$  
723,440

The accompanying notes are an integral part of these condensed consolidated financial statements.

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## AMERESCO, INC.

## CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(in thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended	
	March 31,	
	2016	2015
Revenues	\$133,776	\$115,433
Cost of revenues	106,100	95,790
Gross profit	27,676	19,643
Selling, general and administrative expenses	25,888	24,071
Operating income (loss)	1,788	(4,428 )
Other expenses, net	843	2,662
Income (loss) before provision (benefit) for income taxes	945	(7,090 )
Income tax provision (benefit)	241	(2,902 )
Net income (loss)	704	(4,188 )
Net loss attributable to redeemable non-controlling interest	350	—
Net income (loss) attributable to Ameresco, Inc.	\$1,054	\$(4,188 )
Net income (loss) per share attributable to common shareholders:		
Basic	\$0.02	\$(0.09 )
Diluted	\$0.02	\$(0.09 )
Weighted average common shares outstanding:		
Basic	46,742,488	46,408,123
Diluted	46,860,344	46,408,123

The accompanying notes are an integral part of these condensed consolidated financial statements.

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AMERESCO, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Net income (loss)	\$704	\$(4,188)
Other comprehensive loss:		
Unrealized loss from interest rate hedge, net of tax of \$923 and \$274, respectively	(1,877 )	(611 )
Foreign currency translation adjustments	(517 )	(1,797 )
Total other comprehensive loss	(2,394 )	(2,408 )
Comprehensive loss	\$(1,690)	\$(6,596)

The accompanying notes are an integral part of these condensed consolidated financial statements.

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AMERESCO, INC.

## CONSOLIDATED STATEMENT OF CHANGES IN REDEEMABLE NON-CONTROLLING INTEREST AND STOCKHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2016

(in thousands, except share amounts)

(Unaudited)

	Redeemable Non-Controlling Interest	Class A Common Stock Shares	Class B Common Stock Amount	Class B Common Stock Shares	Class B Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance, December 31, 2015	\$ 490	28,684,392	\$ 3	18,000,000	\$ 2	\$ 110,311	\$ 184,454	\$ (5,228 )	\$ 289,542
Exercise of stock options	—	98,750	—	—	—	326	—	—	326
Stock-based compensation expense	—	—	—	—	—	367	—	—	367
Unrealized loss from interest rate hedge, net	—	—	—	—	—	—	—	(1,877 )	(1,877 )
Foreign currency translation adjustment	—	—	—	—	—	—	—	(517 )	(517 )
Contributions from redeemable non-controlling interest	6,582	—	—	—	—	—	—	—	—
Net (loss) income	(350 )	—	—	—	—	—	1,054	—	1,054
Balance, March 31, 2016	\$ 6,722	28,783,142	\$ 3	18,000,000	\$ 2	\$ 111,004	\$ 185,508	\$ (7,622 )	\$ 288,895

The accompanying notes are an integral part of these condensed consolidated financial statements.

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AMERESCO, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)  
(Unaudited)

	Three Months Ended March 31, 2016	2015
Cash flows from operating activities:		
Net income (loss)	\$ 704	\$ (4,188 )
Adjustments to reconcile net income (loss) to cash flows from operating activities:		
Depreciation of project assets	4,543	3,983
Depreciation of property and equipment	772	748
Amortization of deferred financing fees	290	282
Amortization of intangible assets	604	1,009
Provision for bad debts	1,154	33
Unrealized gain on interest rate swaps	(70 )	(83 )
Stock-based compensation expense	367	518
Deferred income taxes	(1,160 )	(1,353 )
Unrealized foreign exchange (gain) loss	(806 )	843
Changes in operating assets and liabilities:		
Restricted cash	(1,455 )	(277 )
Accounts receivable	5,096	5,102
Accounts receivable retainage	(1,710 )	2,554
Federal ESPC receivable	(22,879 )	(13,133 )
Inventory	(325 )	(66 )
Costs and estimated earnings in excess of billings	33,816	2,880
Prepaid expenses and other current assets	(2,946 )	1,374
Project development costs	(2,093 )	(1,438 )
Other assets	55	(2,274 )

Accounts payable, accrued expenses and other current liabilities	(25,260	)	(21,423	)
Billings in excess of cost and estimated earnings	(3,042	)	4,522	
Other liabilities	(1,277	)	49	
Income taxes payable	553		(1,745	)
Cash flows from operating activities	(15,069	)	(22,083	)
Cash flows from investing activities:				
Purchases of property and equipment	(497	)	(285	)
Purchases of project assets	(8,598	)	(5,871	)
Cash flows from investing activities	\$ (9,095	)	\$ (6,156	)

The accompanying notes are an integral part of these condensed consolidated financial statements.



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AMERESCO, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)

(in thousands)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Cash flows from financing activities:		
Payments of financing fees	\$(397 )	\$(857 )
Proceeds from exercises of options	326	430
Repayments of senior secured credit facility, net	(11,300 )	(2,000 )
Proceeds from long-term debt financing	3,049	—
Proceeds from Federal ESPC projects	16,385	18,015
Proceeds from sale-leaseback financing	3,541	7,581
Proceeds from investment by redeemable non-controlling interest	6,582	—
Restricted cash	3,892	13
Payments on long-term debt	(2,584 )	(2,525 )
Cash flows from financing activities	19,494	20,657
Effect of exchange rate changes on cash	127	1,482
Net decrease in cash and cash equivalents	(4,543 )	(6,100 )
Cash and cash equivalents, beginning of period	21,645	23,762
Cash and cash equivalents, end of period	\$17,102	\$17,662
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$1,285	\$1,463
Cash paid for income taxes	\$942	\$106
Non-cash Federal ESPC settlement	\$44,234	\$8,121
Accrued purchases of project assets	\$5,141	\$2,200

The accompanying notes are an integral part of these condensed consolidated financial statements.

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AMERESCO, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share and per share amounts)

1. DESCRIPTION OF BUSINESS

Ameresco, Inc. (including its subsidiaries, the “Company”) was organized as a Delaware corporation on April 25, 2000. The Company is a provider of energy efficiency solutions for facilities throughout North America. The Company provides solutions, both products and services, that enable customers to reduce their energy consumption, lower their operating and maintenance costs and realize environmental benefits. The Company’s comprehensive set of services includes upgrades to a facility’s energy infrastructure and the construction and operation of small-scale renewable energy plants. It also sells certain photovoltaic (“PV”) equipment worldwide. The Company operates in the United States, Canada and Europe.

The Company is compensated through a variety of methods, including: 1) direct payments based on fee-for-services contracts (utilizing lump-sum or cost-plus pricing methodologies); 2) the sale of energy from the Company’s operating assets; and 3) direct payment for PV equipment and systems.

The condensed consolidated financial statements as of March 31, 2016, and for the three months ended March 31, 2016 and 2015, are unaudited. In addition, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) have been condensed or omitted. The interim condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair presentation in conformity with GAAP. The interim condensed consolidated financial statements, and notes thereto, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2015, and notes thereto, included in the Company’s annual report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission on March 4, 2016. The results of operations for the interim periods should not be considered indicative of results to be expected for the full year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Certain amounts have been reclassified in the prior year financial statements to conform to the current year presentation.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Ameresco, Inc. and its subsidiaries. All significant intercompany accounts and transactions have been eliminated. The Company prepares its financial statements in conformity with GAAP.

Use of Estimates

GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimates and assumptions used in these condensed consolidated financial statements relate to management’s estimates of final construction contract profit in accordance with accounting for long-term contracts, allowance for doubtful accounts, inventory reserves, project development costs, fair value of derivative financial instruments and stock-based awards, impairment of long-lived assets, income taxes, self insurance reserves and any potential liability in conjunction with certain commitments and contingencies. Actual results could differ from those estimates.

The Company is self-insured for employee health insurance. The maximum exposure in fiscal year 2016 under the plan is \$100 per covered participant, after which reinsurance takes effect. The liability for unpaid claims and associated expenses, including incurred but not reported claims, is determined by management and reflected in the Company’s consolidated balance sheets in accrued expenses and other current liabilities. The liability is calculated based on historical data, which considers both the frequency and settlement amount of claims. The Company’s estimated accrual for this liability could be different than its ultimate obligation if variables such as the frequency or amount of future claims differ significantly from management’s assumptions.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on deposit, overnight repurchase agreements and amounts invested in highly liquid money market funds. Cash equivalents consist of short term investments with original maturities of three months or less. The Company maintains accounts with financial institutions and the balances in such accounts, at times, exceed federally insured limits. This credit risk is divided among a number of financial institutions that management believes to be of high quality. The carrying amount of cash and cash equivalents approximates their fair value measured using level one inputs per the fair value hierarchy as defined in Note 6.

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AMERESCO, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

(in thousands, except share and per share amounts)

**Restricted Cash**

Restricted cash consists of cash and cash equivalents held in an escrow account in association with construction draws for energy savings performance contracts (“ESPCs”), construction of project assets, operations and maintenance (“O&M”) reserve accounts and cash collateralized letters of credit as well as cash required under term loans to be maintained in debt service reserve accounts until all obligations have been indefeasibly paid in full. These accounts are primarily invested in highly liquid money market funds. The carrying amount of the cash and cash equivalents in these accounts approximates their fair value measured using level one inputs per the fair value hierarchy as defined in Note 6.

Restricted cash also includes funds held for clients, which represent assets that, based upon the Company’s intent, are restricted for use solely for the purposes of satisfying the obligations to remit funds to third parties, primarily utility service providers, relating to the Company’s enterprise energy management services. As of March 31, 2016 and December 31, 2015, the Company classified the non-current portion of restricted cash of \$16,672 and \$13,515, respectively, in other assets on its consolidated balance sheets.

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is provided for those accounts receivable considered to be uncollectible based upon historical experience and management’s evaluation of outstanding accounts receivable. Bad debts are written off against the allowance when identified.

Changes in the allowance for doubtful accounts are as follows:

	Three Months Ended March 31,	
	2016	2015
Allowance for doubtful accounts, beginning of period	\$3,729	\$2,851
Charges to costs and expenses	204	33
Account write-offs and other	432	(91 )
Allowance for doubtful accounts, end of period	\$4,365	\$2,793

During the three months ended March 31, 2016, the Company reserved for certain assets related to a customer who declared bankruptcy. A portion of this amount, \$200, was recorded as an allowance for accounts receivable, net. In addition, the Company recorded a \$476 allowance for costs and estimated earnings in excess of billings, as well as a \$325 allowance for project costs incurred during the quarter. The Company has an additional exposure of \$2,952 for the remaining receivables.

**Accounts Receivable Retainage**

Accounts receivable retainage represents amounts due from customers, but where payments are withheld contractually until certain construction milestones are met. Amounts retained typically range from 5% to 10% of the total invoice. The Company classifies as a current asset those retainages that are expected to be billed in the next twelve months. During the year ended December 31, 2015, based upon an evaluation by management, the Company recorded a reserve totaling \$1,282 against the accounts receivable retainage balance for amounts determined to be potentially uncollectible. For the quarter ending March 31, 2016, the Company recorded a reduction in reserve totaling \$248.

**Inventory**

Inventories, which consist primarily of PV solar panels, batteries and related accessories, are stated at the lower of cost (“first-in, first-out” method) or net realizable value (determined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation). Provisions have been made to reduce the carrying value of inventory to the net realizable value.

**Prepaid Expenses**

Prepaid expenses consist primarily of short-term prepaid expenditures that will amortize within one year.

**Federal ESPC Receivable**

Federal ESPC receivable represents the amount to be paid by various federal government agencies for work performed and earned by the Company under specific ESPCs. The Company assigns certain of its rights to receive those payments to third-party investors that provide construction and permanent financing for such contracts. The receivable is recognized as revenue as each project is constructed. Upon completion and acceptance of the project by the government, typically within 24 months of

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AMERESCO, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

(in thousands, except share and per share amounts)

construction commencement, the assigned ESPC receivable from the government and corresponding ESPC liability are eliminated from the Company's condensed consolidated financial statements.

**Project Development Costs**

The Company capitalizes as project development costs only those costs incurred in connection with the development of energy projects, primarily direct labor, interest costs, outside contractor services, consulting fees, legal fees and travel, if incurred after a point in time where the realization of related revenue becomes probable. Project development costs incurred prior to the probable realization of revenue are expensed as incurred. The Company classifies as a current asset those project development efforts that are expected to proceed to construction activity in the twelve months that follow. The Company periodically reviews these balances and writes off any amounts where the realization of the related revenue is no longer probable.

**Property and Equipment**

Property and equipment consists primarily of office and computer equipment, and is recorded at cost. Major additions and improvements are capitalized as additions to the property and equipment accounts, while replacements, maintenance and repairs that do not improve or extend the life of the respective assets are expensed as incurred. Depreciation and amortization of property and equipment are computed on a straight-line basis over the following estimated useful lives:

Asset Classification	Estimated Useful Life
Furniture and office equipment	Five years
Computer equipment and software costs	Three to five years
Leasehold improvements	Lesser of term of lease or five years
Automobiles	Five years
Land	Unlimited

**Project Assets**

Project assets consist of costs of materials, direct labor, interest costs, outside contract services and project development costs incurred in connection with the construction of small-scale renewable energy plants that the Company owns and the implementation of energy savings contracts. These amounts are capitalized and amortized to cost of revenues in the Company's consolidated statements of income (loss) on a straight line basis over the lives of the related assets or the terms of the related contracts.

The Company capitalizes interest costs relating to construction financing during the period of construction.

Capitalized interest is included in project assets, net in the Company's consolidated balance sheets. Capitalized interest is amortized to cost of revenues in the Company's consolidated statements of income (loss) on a straight line basis over the useful life of the associated project asset. There was \$164 in interest capitalized for the three months ended March 31, 2016. There was \$114 interest capitalized for the three months ended March 31, 2015.

Routine maintenance costs are expensed in the current year's consolidated statements of income (loss) to the extent that they do not extend the life of the asset. Major maintenance, upgrades and overhauls are required for certain components of the Company's assets. In these instances, the costs associated with these upgrades are capitalized and are depreciated over the shorter of the remaining life of the asset or the period until the next required major maintenance or overhaul. Gains or losses on disposal of property and equipment are reflected in selling, general and administrative expenses in the consolidated statements of income (loss).

The Company evaluates its long-lived assets for impairment as events or changes in circumstances indicate the carrying value of these assets may not be fully recoverable. Examples of such triggering events applicable to the Company's assets include a significant decrease in the market price of a long-lived asset or asset group or a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group.

The Company evaluates recoverability of long-lived assets to be held and used by estimating the undiscounted future cash flows before interest associated with the expected uses and eventual disposition of those assets. When these

comparisons indicate that the carrying value of those assets is greater than the undiscounted cash flows, the Company recognizes an impairment loss for the amount that the carrying value exceeds the fair value.

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AMERESCO, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

(in thousands, except share and per share amounts)

From time to time, the Company applies for and receives cash grant awards from the U.S. Treasury Department (the “Treasury”) under Section 1603 of the American Recovery and Reinvestment Act of 2009 (the “Act”). The Act authorized the Treasury to make payments to eligible persons who place in service qualifying renewable energy projects. The grants are paid in lieu of investment tax credits. All of the cash proceeds from the grants were used and recorded as a reduction in the cost basis of the applicable project assets. If the Company disposes of the property, or the property ceases to qualify as specified energy property, within five years from the date the property is placed in service, then a prorated portion of the Section 1603 payment must be repaid.

The Company did not receive any Section 1603 grants during the three months ended March 31, 2016 and March 31, 2015.

For tax purposes, the Section 1603 payments are not included in federal and certain state taxable income and the basis of the property is reduced by 50% of the payment received. Deferred grant income of \$8,153 and \$8,291 recorded in the accompanying consolidated balance sheets as of March 31, 2016 and December 31, 2015, respectively, represents the benefit of the basis difference to be amortized to income tax expense over the life of the related property.

**Deferred Financing Fees**

Deferred financing fees relate to the external costs incurred to obtain financing for the Company. Deferred financing fees are amortized over the respective term of the financing using the effective interest method, with the exception of the Company’s revolving credit facility, as discussed in Note 11, for which deferred financing fees are amortized on a straight-line basis over the term of the agreement. Deferred financing fees are presented on the Consolidated Balance Sheets as a reduction to long-term debt and capital lease liabilities .

**Goodwill and Intangible Assets**

The Company has classified as goodwill the amounts paid in excess of fair value of the net assets (including tax attributes) of companies acquired in purchase transactions. The Company has recorded intangible assets related to customer contracts, customer relationships, non-compete agreements, trade names and technology, each with defined useful lives. The Company assesses the impairment of goodwill and intangible assets that have indefinite lives on an annual basis (December 31<sup>st</sup>) and whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Company would record an impairment charge if such an assessment were to indicate that the fair value of such assets was less than their carrying values. Judgment is required in determining whether an event has occurred that may impair the value of goodwill or identifiable intangible assets.

Factors that could indicate that an impairment may exist include significant under-performance relative to plan or long-term projections, significant changes in business strategy, significant negative industry or economic trends or a significant decline in the base price of the Company’s publicly traded stock for a sustained period of time. Although the Company believes goodwill and intangible assets are appropriately stated in the accompanying condensed consolidated financial statements, changes in strategy or market conditions could significantly impact these judgments and require an adjustment to the recorded balance.

See Note 3 for additional disclosures.

**Other Assets**

Other assets consist primarily of notes and contracts receivable due to the Company from various customers and non-current restricted cash. Other assets also include the non-current portion of project development costs, accounts receivable retainages, sale-leaseback deferred loss and deferred contract costs.

**Asset Retirement Obligations**

The Company recognizes a liability for the fair value of required asset retirement obligations (“AROs”) when such obligations are incurred. The liability is estimated on a number of assumptions requiring management’s judgment, including equipment removal costs, site restoration costs, salvage costs, cost inflation rates and discount rates and is credited to its projected future value over time. The capitalized asset is depreciated using the convention of depreciation of plant assets. Upon satisfaction of the ARO conditions, any difference between the recorded ARO liability and the actual retirement cost incurred is recognized as an operating gain or loss in the consolidated



statements of income (loss). As of March 31, 2016 and December 31, 2015, the Company had no ARO liabilities recorded.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

(in thousands, except share and per share amounts)

## Federal ESPC Liabilities

Federal ESPC liabilities represent the advances received from third-party investors under agreements to finance certain energy savings performance contract (“ESPC”) projects with various federal government agencies. Upon completion and acceptance of the project by the government, typically within 24 months of construction commencement, the ESPC receivable from the government and corresponding ESPC liability is eliminated from the Company’s consolidated balance sheet. Until recourse to the Company ceases for the ESPC receivables transferred to the investor, upon final acceptance of the work by the government customer, the Company remains the primary obligor for financing received.

## Sale-Leaseback

During the first quarter of 2015, the Company entered into an agreement with an investor which gives the Company the option to sell and contemporaneously lease back solar photovoltaic (“solar-PV”) projects. The lender has committed to provide up to a maximum combined funding amount of \$50,000 through December 31, 2016 on certain projects. During the quarter ended March 31, 2016, the Company sold two solar-PV projects and in return received \$3,541 under the agreement. During the quarter ended March 31, 2015, the Company sold two solar-PV projects and in return received \$7,581 under the agreement. During the quarter ended December 31, 2015, the Company sold an additional project and in return received \$4,925 under the agreement.

As part of the agreement, the Company is a party to a master lease agreement that provides for the sale of solar-PV projects to a third-party investor and the simultaneous leaseback of the projects, which the Company then operates and maintains, recognizing revenue through the sale of the electricity and solar renewable energy credits generated by these projects. In sale-leaseback arrangements, the Company first determines whether the solar-PV project under the sale-leaseback arrangement is “integral equipment.” A solar-PV project is determined to be integral equipment when the cost to remove the project from its existing location, including the shipping and reinstallation costs of the solar-PV project at the new site, including any diminution in fair value, exceeds 10% of the fair value of the solar-PV project at the time of its original installation. When the leaseback arrangement expires, the Company has the option to purchase the solar-PV project for the then fair market value or, in certain circumstances, renew the lease for an extended term. All solar-PV projects sold to date under the sale-leaseback program have been determined by the Company not to be integral equipment as the cost to remove the project from its existing location would not exceed 10% of its original fair value.

For solar-PV projects that the Company has determined not to be integral equipment, the Company then determines if the leaseback should be classified as a capital lease or an operating lease. All solar-PV projects sold to date under the sale-leaseback program have been determined by the Company to be capital leases. For leasebacks classified as capital leases, the Company initially records a capital lease asset and capital lease obligation in its consolidated balance sheet equal to the lower of the present value of the Company’s future minimum leaseback payments or the fair value of the solar-PV project. For capital leasebacks, the Company defers any gain or loss, representing the excess or shortfall of cash received from the investor compared to the net book value of the asset in the Company’s consolidated balance sheet at the time of the sale. The Company records the long term portion of deferred income and loss in other liabilities and other assets, respectively, and the current portion of deferred income and loss in accrued expenses and other current liabilities and prepaid expenses and other current assets, respectively, in its consolidated balance sheet and amortizes the deferred amounts over the lease term in cost of revenues in its consolidated statements of income (loss). During the three months ended March 31, 2016 and March 31, 2015 the Company recorded \$708 and \$1,029 of deferred income, respectively, which will be recognized straight-line over the 20 year lease terms, and during the quarter ended December 31, 2015, the Company recorded \$1,421 of deferred loss related to sale-leasebacks which will be recognized straight-line over the 20 year lease terms. The Company records the capital leaseback assets in project assets, net in its consolidated balance sheets. The Company records the capital lease liabilities in long-term debt and capital lease liabilities, less current portions and deferred financing fees, net in its consolidated balance sheets. During the quarters ended March 31, 2016 and March 31, 2015, the Company recorded \$1,406 and \$3,511

respectively, in capital lease assets and corresponding capital lease liabilities, and during the quarter ended December 31, 2015 the Company recorded \$3,299 in capital lease assets and corresponding capital lease liabilities. The capital lease assets will be amortized straight-line over the 20 year lease terms. Leaseback payments made to the lessor, related to the capital lease liabilities, are allocated between interest expense and a reduction to the sale-leaseback financing obligation. The initial lease terms for the solar-PV projects sold during the quarter ended March 31, 2016 are 20 years with semi-annual leaseback payments due to the investor ranging from \$8 to \$139 over the lease term. The initial lease terms for the solar-PV projects sold during the year ended December 31, 2015 are 20 years with semi-annual leaseback payments due to the investor ranging from \$7 to \$348 over the lease term.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

(in thousands, except share and per share amounts)

Other Liabilities

Other liabilities consist primarily of deferred revenue related to multi-year operation and maintenance contracts which expire as late as 2031. Other liabilities also include the fair value of derivatives and the long term portion of sale-leaseback deferred gains (see Note 7 for additional disclosures).

Revenue Recognition

The Company derives revenues from energy efficiency and renewable energy products and services. Energy efficiency products and services include the design, engineering, and installation of equipment and other measures to improve the efficiency, and control the operation, of a facility's energy infrastructure. Renewable energy products and services include the construction of small-scale plants that produce electricity, gas, heat or cooling from renewable sources of energy, the sale of such electricity, gas, heat or cooling from plants that the Company owns, and the sale and installation of solar energy products and systems.

Revenue from the installation or construction of projects is recognized on a percentage-of-completion basis. The percentage-of-completion for each project is determined on an actual cost-to-estimated final cost basis. Maintenance revenue is recognized as related services are performed. In accordance with industry practice, the Company includes in current assets and liabilities the amounts of receivables related to construction projects realizable and payable over a period in excess of one year. The revenue associated with contract change orders is recognized only when the authorization for the change order has been properly executed and the work has been performed.

When the estimate on a contract indicates a loss, or claims against costs incurred reduce the likelihood of recoverability of such costs, the Company records the entire expected loss immediately, regardless of the percentage of completion.

Billings in excess of cost and estimated earnings represents advanced billings on certain construction contracts. Costs and estimated earnings in excess of billings represent certain amounts under customer contracts that were earned and billable but not invoiced.

The Company sells certain products and services in bundled arrangements, where multiple products and/or services are involved. The Company divides bundled arrangements into separate deliverables and revenue is allocated to each deliverable based on the relative selling price. The relative selling price is determined using third-party evidence or management's best estimate of selling price.

The Company recognizes revenue from the sale and delivery of products, including the output from renewable energy plants, when produced and delivered to the customer, in accordance with specific contract terms, provided that persuasive evidence of an arrangement exists, the Company's price to the customer is fixed or determinable and collectability is reasonably assured.

The Company recognizes revenues from O&M contracts, consulting services and enterprise energy management services as the related services are performed.

For a limited number of contracts under which the Company receives additional revenue based on a share of energy savings, such additional revenue is recognized as energy savings are generated.

Cost of Revenues

Cost of revenues include the cost of labor, materials, equipment, subcontracting and outside engineering that are required for the development and installation of projects, as well as preconstruction costs, sales incentives, associated travel, inventory obsolescence charges, amortization of intangible assets related to customer contracts and, if applicable, costs of procuring financing. A majority of the Company's contracts have fixed price terms; however, in some cases the Company negotiates protections, such as a cost-plus structure, to mitigate the risk of rising prices for materials, services and equipment.

Cost of revenues also include the costs of maintaining and operating the small-scale renewable energy plants that the Company owns, including the cost of fuel (if any) and depreciation charges.

Income Taxes

The Company provides for income taxes based on the liability method. The Company provides for deferred income taxes based on the expected future tax consequences of differences between the financial statement basis and the tax basis of assets

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and liabilities calculated using the enacted tax rates in effect for the year in which the differences are expected to be reflected in the tax return.

The Company accounts for uncertain tax positions using a “more-likely-than-not” threshold for recognizing and resolving uncertain tax positions. The evaluation of uncertain tax positions is based on factors that include, but are not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, new audit activity and changes in facts or circumstances related to a tax position. The Company evaluates uncertain tax positions on a quarterly basis and adjusts the level of the liability to reflect any subsequent changes in the relevant facts surrounding the uncertain positions.

The Company’s liabilities for uncertain tax positions can be relieved only if the contingency becomes legally extinguished through either payment to the taxing authority or the expiration of the statute of limitations, the recognition of the benefits associated with the position meet the “more-likely-than-not” threshold or the liability becomes effectively settled through the examination process.

The Company considers matters to be effectively settled once the taxing authority has completed all of its required or expected examination procedures, including all appeals and administrative reviews; the Company has no plans to appeal or litigate any aspect of the tax position; and the Company believes that it is highly unlikely that the taxing authority would examine or re-examine the related tax position. The Company also accrues for potential interest and penalties, related to unrecognized tax benefits in income tax expense.

In November 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-17, which simplifies the presentation of deferred income taxes. The Company elected to early adopt ASU 2015-17 retrospectively in the fourth quarter of 2015. As a result, it has presented all deferred tax assets and liabilities as noncurrent on its consolidated balance sheet as of March 31, 2016 and December 31, 2015, respectively.

See Note 4 for additional information on the Company’s income taxes.

Foreign Currency

The local currency of the Company’s foreign operations is considered the functional currency of such operations. All assets and liabilities of the Company’s foreign operations are translated into U.S. dollars at period-end exchange rates. Income and expense items are translated at average exchange rates prevailing during the period. Translation adjustments are accumulated as a separate component of stockholders’ equity. Foreign currency translation gains and losses are reported in the consolidated statements of comprehensive loss. Foreign currency transaction gains and losses are reported in the consolidated statements of income (loss).

Fair Value Measurements

The Company follows the guidance related to fair value measurements for all of its non-financial assets and non-financial liabilities, except for those recognized at fair value in the financial statements at least annually. These assets include goodwill and long-lived assets measured at fair value for impairment assessments, and non-financial assets and liabilities initially measured at fair value in a business combination.

The Company’s financial instruments include cash and cash equivalents, restricted cash, accounts and notes receivable, long-term contract receivables, interest rate swaps, accounts payable, accrued expenses and short- and long-term borrowings. Because of their short maturity, the carrying amounts of cash and cash equivalents, restricted cash, accounts and notes receivable, accounts payable, accrued expenses and short-term borrowings approximate fair value. The carrying value of long-term variable-rate debt approximates fair value. As of March 31, 2016, the fair value of the Company’s long-term debt exceeds its carrying value by approximately \$926. Fair value of the Company’s debt is based on quoted market prices or on rates available to the Company for debt with similar terms and maturities, which are level two inputs of the fair value hierarchy, as defined in Note 6.

The Company accounts for its interest rate swaps as derivative financial instruments in accordance with the related guidance. Under this guidance, derivatives are carried on the Company’s consolidated balance sheets at fair value. The fair value of the Company’s interest rate swaps are determined based on observable market data in combination with expected cash flows for each instrument.

See Note 6 for additional information related to fair value measurements.

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Stock-Based Compensation Expense

Stock-based compensation expense results from the issuance of shares of restricted common stock and grants of stock options to employees, directors, outside consultants and others. The Company recognizes the costs associated with restricted stock and option grants using the fair value recognition provisions of ASC 718, Compensation - Stock Compensation on a straight-line basis over the vesting period of the awards.

Stock-based compensation expense is recognized based on the grant-date fair value. The Company estimates the fair value of the stock-based awards, including stock options, using the Black-Scholes option-pricing model. Determining the fair value of stock-based awards requires the use of highly subjective assumptions, including the fair value of the common stock underlying the award, the expected term of the award and expected stock price volatility.

The assumptions used in determining the fair value of stock-based awards represent management's estimates, which involve inherent uncertainties and the application of management judgment. As a result, if factors change, and different assumptions are employed, the stock-based compensation could be materially different in the future. The risk-free interest rates are based on the U.S. Treasury yield curve in effect at the time of grant, with maturities approximating the expected life of the stock options.

The Company has no history of paying dividends. Additionally, as of each of the grant dates, there was no expectation that the Company would pay dividends over the expected life of the options. The expected life of the awards is estimated using historical data and management's expectations. Because there was no public market for the Company's common stock prior to the Company's initial public offering, management lacked company-specific historical and implied volatility information. Therefore, estimates of expected stock volatility were based on that of publicly traded peer companies, and it is expected that the Company will continue to use this methodology until such time as there is adequate historical data regarding the volatility of the Company's publicly traded stock price.

The Company is required to recognize compensation expense for only the portion of options that are expected to vest. Actual historical forfeiture rate of options is based on employee terminations and the number of shares forfeited. This data and other qualitative factors are considered by the Company in determining the forfeiture rate used in recognizing stock compensation expense. If the actual forfeiture rate varies from historical rates and estimates, additional adjustments to compensation expense may be required in future periods. If there are any modifications or cancellations of the underlying unvested securities or the terms of the stock option, it may be necessary to accelerate, increase or cancel any remaining unamortized stock-based compensation expense.

For the three months ended March 31, 2016 and 2015, the Company recorded stock-based compensation expense of \$367 and \$518, respectively, in connection with stock-based payment awards. The compensation expense is allocated between cost of revenues and selling, general and administrative expenses in the accompanying consolidated statements of income (loss) based on the salaries and work assignments of the employees holding the options. As of March 31, 2016, there was \$3,167 of unrecognized compensation expense related to non-vested stock option awards that is expected to be recognized over a weighted-average period of 2.8 years.

The Company also accounts for equity instruments issued to non-employee directors and consultants at fair value. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the date on which the counterparty's performance is complete. No awards to individuals who were not either an employee or director of the Company occurred during the three months ended March 31, 2016 or during the year ended December 31, 2015.

Derivative Financial Instruments

In the normal course of business, the Company utilizes derivatives contracts as part of its risk management strategy to manage exposure to market fluctuations in interest rates. These instruments are subject to various credit and market risks. Controls and monitoring procedures for these instruments have been established and are routinely reevaluated. Credit risk represents the potential loss that may occur because a party to a transaction fails to perform according to



the terms of the contract. The measure of credit exposure is the replacement cost of contracts with a positive fair value. The Company seeks to manage credit risk by entering into financial instrument transactions only through counterparties that the Company believes to be creditworthy.

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Market risk represents the potential loss due to the decrease in the value of a financial instrument caused primarily by changes in interest rates. The Company seeks to manage market risk by establishing and monitoring limits on the types and degree of risk that may be undertaken. As a matter of policy, the Company does not use derivatives for speculative purposes. The Company considers the use of derivatives with all financing transactions to mitigate risk. The Company recognizes cash flows from derivative instruments as operating activities in the consolidated statements of cash flows. The effective portion of changes in fair value on interest rate swaps designated as cash flow hedges are recognized in the Company's consolidated statements of comprehensive loss. The ineffective portion of changes in fair value on interest rate swaps designated as hedges and changes in fair value on interest rate swaps not designated as hedges are recognized in the Company's consolidated statements of income (loss).

During 2007, the Company entered into two interest rate swap contracts under which the Company agreed to pay an amount equal to a specified fixed rate of interest times a notional principal amount, and to in turn receive an amount equal to a specified variable rate of interest times the same notional principal amount. The swaps cover initial notional amounts of \$13,081 and \$3,256, each a variable rate note at fixed interest rates of 5.4% and 5.3%, respectively, and expire in March 2024 and February 2021, respectively. These interest rate swaps qualified, but were not designated, as cash flow hedges until April 1, 2010. Since April 2010, they have been designated as hedges.

In March 2010, the Company entered into a fourteen-year interest rate swap contract under which the Company agreed to pay an amount equal to a specified fixed rate of interest times a notional amount, and to in turn receive an amount equal to a specified variable rate of interest times the same notional principal amount. The swap covers an initial notional amount of approximately \$27,900 variable rate note at a fixed interest rate of 6.99% and expires in December 2024. This swap was designated as a hedge in March 2013. During the second quarter of 2014 this swap was de-designated and re-designated as a hedge as a result of a partial pay down of the associated hedged debt principal. As a result \$566 was reclassified from accumulated other comprehensive income and recorded as a reduction to other expenses, net in the Company's consolidated statements of income (loss) during the second quarter of 2014.

In July 2011, the Company entered into a five-year interest rate swap contract under which the Company agreed to pay an amount equal to a specified fixed rate of interest times a notional amount, and to in turn receive an amount equal to a specified variable rate of interest times the same notional principal amount. The swap covers an initial notional amount of \$38,571 variable rate note at a fixed interest rate of 1.965% and expires in June 2016. This interest rate swap has been designated as a hedge since inception.

In October 2012, the Company entered into two eight-year interest rate swap contracts under which the Company agreed to pay an amount equal to a specified fixed rate of interest times a notional amount, and to in turn receive an amount equal to a specified variable rate of interest times the same notional principal amount. The swaps cover an initial notional amount of \$16,750 variable rate note at a fixed interest rate of 1.71%. This notional amount increased to \$42,247 on September 30, 2013 and expires in March 2020. These interest rate swaps have been designated as hedges since inception.

In October 2012, the Company also entered into two eight-year forward starting interest rate swap contracts under which the Company agreed to pay an amount equal to a specified fixed rate of interest times a notional amount, and to in turn receive an amount equal to a specified variable rate of interest times the same notional principal amount. The swaps cover an initial notional amount of \$25,377 variable rate note at a fixed interest rate of 3.70%, with an effective date of March 31, 2020, and expires in June 2028. These interest rate swaps have been designated as hedges since inception.

In September 2015, the Company entered into a seven-year forward starting interest rate swap contract under which the Company agreed to pay an amount equal to a specified fixed rate of interest times a notional amount, and to in turn receive an amount equal to a specified variable rate of interest times the same notional principal amount. The swap covers an initial notional amount of \$20,746 variable rate note at a fixed interest rate of 2.19%, and expires in February 2023. This interest rate swap has been designated as a hedge since inception.

In September 2015, the Company also entered into a fifteen-year forward starting interest rate swap contract under which the Company agreed to pay an amount equal to a specified fixed rate of interest times a notional amount, and to in turn receive an amount equal to a specified variable rate of interest times the same notional principal amount. The swap covers an initial notional amount of \$14,084 variable rate note at a fixed interest rate of 3.26%, with an effective date of February 28, 2023, and expires in December 2038. This interest rate swap has been designated as a hedge since inception.

See Notes 6 and 7 for additional information on the Company's derivative instruments.

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## Earnings Per Share

Basic earnings per share is calculated using the Company's weighted-average outstanding common shares, including vested restricted shares. When the effects are not anti-dilutive, diluted earnings per share is calculated using the weighted-average outstanding common shares; the dilutive effect of convertible preferred stock, under the "if converted" method; and the treasury stock method with regard to warrants and stock options; all as determined under the treasury stock method.

	Three Months Ended March 31,	
	2016	2015
Net income (loss)	\$1,054	\$(4,188)
Basic weighted-average shares outstanding	46,742,486	46,408,123
Effect of dilutive securities:		
Stock options	117,856	—
Diluted weighted-average shares outstanding	46,860,342	46,408,123

For the three months ended March 31, 2016 the total number of shares of common stock related to stock options excluded from the calculation of dilutive shares, as the effect would be anti-dilutive, were 3,297,938. For the three months ended March 31, 2015 the Company excluded all potentially dilutive shares from the calculation of diluted earnings per share as the effect would be anti-dilutive due to the Company's net loss position.

## Variable Interest Entities

Certain contracts are executed jointly through partnership and joint venture arrangements with unrelated third parties. Generally, these arrangements are characterized by a 50 percent or less ownership interest that requires only a small initial investment. The arrangements are often formed for the single business purpose of executing a specific project and allow the Company to share risks and/or secure specialty skills required for project execution.

The Company evaluates each partnership and joint venture at inception to determine if it qualifies as a variable interest entity ("VIE") under ASC 810, Consolidation. A VIE is an entity used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors who are not required to provide sufficient financial resources for the entity to support its activities without additional subordinated financial support. Upon the occurrence of certain events outlined in ASC 810, the Company reassesses its initial determination of whether the partnership or joint venture is a VIE.

The Company also evaluates whether it is the primary beneficiary of each VIE and consolidates the VIE if the Company has both (a) the power to direct the economically significant activities of the entity and (b) the obligation to absorb losses of, or the right to receive benefits from, the entity that could potentially be significant to the VIE. The Company considers the contractual agreements that define the ownership structure, distribution of profits and losses, risks, responsibilities, indebtedness, voting rights and board representation of the respective parties in determining whether it qualifies as the primary beneficiary. The Company also considers all parties that have direct or implicit variable interests when determining whether it is the primary beneficiary. When the Company is determined to be the primary beneficiary, the VIE is consolidated. As required by ASC 810, management's assessment of whether the Company is the primary beneficiary of a VIE is continuously performed.

## Redeemable Non-Controlling Interest

In September 2015, the Company formed an investment fund with a third party investor which granted the investor ownership interests in the net assets of certain of the Company's renewable energy project subsidiaries. The Company entered into this agreement in order to finance the costs of constructing the project assets which are under long-term customer contracts. The Company has determined that it is the primary beneficiary in the operational partnership for accounting purposes. Accordingly, the Company will consolidate the assets and liabilities and operating results of the entities in its consolidated financial statements. The Company will recognize the investors' share of the net assets of the subsidiary as a redeemable non-controlling interest in its condensed consolidated balance sheets.

The Company has determined that the provisions in the contractual arrangement represent a substantive profit-sharing arrangement. The Company has further determined that the appropriate methodology for attributing income and loss to the redeemable non-controlling interest each period is a balance sheet approach referred to as the hypothetical liquidation at book value (“HLBV”) method. Under the HLBV method, the amounts of income and loss attributed to the redeemable non-controlling interest in the consolidated statements of income (loss) reflect changes in the amounts the investor would hypothetically receive at each balance sheet date under the liquidation provisions of the contractual agreement, assuming the

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net assets of this funding structure were liquidated at recorded amounts. The investors' non-controlling interest in the results of operations of this funding structure is determined as the difference in the non-controlling interest's claim under the HLBV method at the start and end of each reporting period, after taking into account any capital transactions, such as contributions or distributions, between the Company's subsidiary and the investor. The use of the HLBV methodology to allocate income to the redeemable non-controlling interest holder may create volatility in the Company's consolidated statements of income (loss) as the application of HLBV can drive changes in net income available and loss attributable to the redeemable non-controlling interest from quarter to quarter.

The Company classified the non-controlling interest with redemption features that are not solely within the control of the Company outside of permanent equity on its consolidated balance sheets. The redeemable non-controlling interest will be reported using the greater of its carrying value at each reporting date as determined by the HLBV method or the estimated redemption value in each reporting period.

See Note 9 for additional disclosures.

Recent Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The guidance in this ASU supersedes the revenue recognition requirements in ASC 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. This ASU also supersedes some cost guidance included in ASC 605-35, Revenue Recognition-Construction-Type and Production-Type Contracts. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer are amended to be consistent with the guidance on recognition and measurement in this ASU. The FASB has approved a one year deferral of this standard, and this pronouncement is now effective for annual reporting periods beginning after December 15, 2017. Entities would be permitted to adopt the standard as early as the original public entity effective date (i.e., annual reporting periods beginning after December 15, 2016 and interim periods therein). Early adoption prior to that date is not permitted. Retrospective application of the amendments in this ASU is required. The new guidance must be adopted using either a full retrospective approach for all periods presented in the period of adoption (with some limited relief provided) or a modified retrospective approach. Early application is not permitted under GAAP. The Company is currently assessing the impact of this ASU on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements — Going Concern (Subtopic 205-40) ("ASU 2014-15"). ASU 2014-15 requires management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles of current U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term "substantial doubt", (2) require an evaluation every reporting period, including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is still present, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). ASU 2014-15 is effective for annual reporting periods ending after December 15, 2016 and interim periods thereafter. Early adoption is permitted. The Company does not believe that this pronouncement will have an impact on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis ("ASU 2015-02"). ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. ASU 2015-02 is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those annual reporting periods. The Company adopted this guidance in the first quarter of fiscal 2016. This pronouncement did not change the Company's previous consolidation conclusions.

In April 2015, the FASB issued ASU 2015-03, Interest — Imputation of Interest (Subtopic 835-03): Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”). ASU 2015-03 requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015, and interim periods within those annual reporting periods. The Company adopted this guidance in the first quarter of fiscal 2016. As such, deferred financing fees are presented on the Consolidated Balance Sheets as a reduction to long-term debt and capital lease liabilities .

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AMERESCO, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

(in thousands, except share and per share amounts)

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the impact of our pending adoption of the new standard on its consolidated financial statements.

**3. GOODWILL AND INTANGIBLE ASSETS**

The changes in the carrying value of goodwill attributable to each reportable segment are as follows:

	U.S. Regions	U.S. Federal	Canada	Small-Scale Infrastructure	Other	Total
Balance, December 31, 2015	\$24,759	\$3,375	\$3,162	\$	—\$27,789	\$59,085
Goodwill acquired during the year	—	—	—	—	—	—
Fair value adjustment	—	—	—	—	—	—
Currency effects	—	—	220	—	(213 )	7
Balance, March 31, 2016	\$24,759	\$3,375	\$3,382	\$	—\$27,576	\$59,092
Accumulated Goodwill Impairment Balance, December 31, 2015	\$—	\$—	\$(1,016)	\$	—\$—	\$(1,016 )
Accumulated Goodwill Impairment Balance, March 31, 2016	\$—	\$—	\$(1,016)	\$	—\$—	\$(1,016 )

Separable intangible assets that are not deemed to have indefinite lives are amortized over their useful lives. The Company annually assesses whether a change in the life over which the Company's assets are amortized is necessary, or more frequently if events or circumstances warrant. No changes to useful lives were made during the three months ended March 31, 2016 or for the year ended December 31, 2015.

Acquired intangible assets other than goodwill that are subject to amortization include customer contracts, customer relationships, non-compete agreements, technology and trade names. Customer contracts are amortized ratably over the period of the acquired customer contracts ranging in periods from approximately one to five years. All other acquired intangible assets are amortized over periods ranging from approximately four to fifteen years, as defined by the nature of the respective intangible asset.

The gross carrying amount and accumulated amortization of intangible assets are as follows:

	As of March 31, 2016	As of December 31, 2015
Gross Carrying Amount		
Customer contracts	\$7,880	\$ 7,898
Customer relationships	12,361	12,496
Non-compete agreements	3,316	3,324
Technology	2,734	2,701
Trade names	544	540
	26,835	26,959
Accumulated Amortization		
Customer contracts	7,709	7,683
Customer relationships	7,044	6,621
Non-compete agreements	3,175	3,149
Technology	2,322	2,241



Trade names	500	495
	20,750	20,189
Intangible assets, net	\$6,085	\$ 6,770

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AMERESCO, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

(in thousands, except share and per share amounts)

Amortization expense related to customer contracts is included in cost of revenues in the consolidated statements of income (loss). Amortization expense related to all other acquired intangible assets is included in selling, general and administrative expenses in the consolidated statements of income (loss). Amortization expense for the three months ended March 31, 2016 and 2015 related to customer contracts was \$46 and \$228, respectively. Amortization expense for the three months ended March 31, 2016 and 2015 related to all other acquired intangible assets was \$558 and \$781, respectively.

**4. INCOME TAXES**

The provision (benefit) for income taxes was \$241 and \$(2,902) for the three months ended March 31, 2016 and 2015, respectively. The estimated 2016 effective tax rate was 25.5% for the three months ended March 31, 2016 compared to a 40.9% estimated annual effective tax rate for the three months ended March 31, 2015.

The principal reason for the difference between the statutory rate and the estimated annual effective rate for 2016 were the effects of the tax deduction under Internal Revenue Code Section 179D and investment tax credits and production tax credits to which the Company is entitled from owned plants. The principal reason for the difference between the statutory rate and the estimated annual effective rate for 2015 were the effects of the valuation allowance required for the expected Canada losses as well as the investment tax credits and production tax credits to which the Company is entitled to from owned plants.

The investment tax credits to which the Company is entitled to fluctuate from year to year based on the cost of the renewable energy plants the Company places or expects to place in service in that year. In addition, the tax deduction under Internal Revenue Code Section 179D expired as of December 31, 2014 and was retroactively reinstated in December of 2015. The current expiration date for the 179D deduction is December 31, 2016.

A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits is as follows:

	Gross Unrecognized Tax Benefits
Balance, December 31, 2015	\$ 2,200
Additions for prior year tax positions	—
Settlements with tax authorities	—
Reductions of prior year tax positions	—
Balance, March 31, 2016	\$ 2,200

At both March 31, 2016 and December 31, 2015, the Company had approximately \$2,200 of total gross unrecognized tax benefits. Of the total gross unrecognized tax benefits as of March 31, 2016 and December 31, 2015, approximately \$800 and \$800, respectively, (net of the federal benefit on state amounts) represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in any future periods.

**5. COMMITMENTS AND CONTINGENCIES****Legal Proceedings**

The Company is involved in a variety of claims and other legal proceedings generally incidental to its normal business activities. While the outcome of any of these proceedings cannot be accurately predicted, the Company does not believe the ultimate resolution of any of these existing matters would have a material adverse effect on its financial condition or results of operations.

**Solar Tariff Contingency**

In October 2012, the U.S. Department of Commerce (“Commerce”) announced its final determination in the anti-dumping (“AD”) and countervailing duty (“CVD”) investigations of imports of solar cells manufactured in the People’s Republic of China (“PRC”), including solar modules containing such cells. Commerce’s final determination confirmed its previously published AD duty of 249.96%, for manufacturers without a separate rate, and increased its CVD from 3.61% to 15.24%; both duties are applied to the value of imports of solar modules containing PRC cells.

On November 7, 2012, the International Trade Commission announced its final determination upholding the duties. All shipments from May 25, 2012 until the Company suspended importing solar modules containing PRC cells in July 2012 (“covered shipments”) were subject to the CVD and were covered by a single continuous entry bond. Covered shipments also were subject to AD duty, for each of which the Company was required to post a single entry bond. In August, 2014, U.S. Customs lifted suspension of liquidation of covered

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

(in thousands, except share and per share amounts)

shipments. As a result of liquidation, during the third and fourth quarters of 2014, the Company paid CVD on covered shipments at the 3.61% rate. During the fourth quarter of 2014 through the first quarter of 2015, the Company paid AD duties on covered shipments at a 31.18% rate. During the fourth quarter of 2015, the Company received the final bill from U.S. Customs for liquidation of one remaining covered shipment containing PRC cells and the matter was resolved in the first quarter of 2016.

## Commitments as a Result of Acquisitions

Related to the Company's acquisition of EEX in the second quarter of 2014, the former owners of EEX, who are now employees of the Company, may be entitled to receive up to 4,500 British pounds sterling (\$6,466 converted as of March 31, 2016) in additional consideration, accounted for as compensation for post-combination services, if the acquired business meets certain financial performance milestones through December 31, 2018. No amounts were accrued as of March 31, 2016 and December 31, 2015, respectively.

## 6. FAIR VALUE MEASUREMENT

The Company recognizes its financial assets and liabilities at fair value on a recurring basis (at least annually). Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Three levels of inputs that may be used to measure fair value are as follows:

Level 1: Inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2: Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following table presents the input level used to determine the fair values of the Company's financial instruments measured at fair value on a recurring basis:

	Fair Value as of	
	March	December
	31,	31,
	Level 2016	2015

## Liabilities:

Interest rate swap instruments 2	\$7,411	\$ 4,681
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The fair value of the Company's interest rate swaps was determined using a cash flow analysis on the expected cash flow of the contract in combination with observable market-based inputs, including interest rate curves and implied volatilities. As part of this valuation, the Company considered the credit ratings of the counterparties to the interest rate swaps to determine if a credit risk adjustment was required.

The fair value of financial instruments is determined by reference to observable market data and other valuation techniques, as appropriate. The only category of financial instruments where the difference between fair value and recorded book value is notable is long-term debt. At March 31, 2016, the fair value of the Company's long-term debt was estimated using discounted cash flows analysis, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements which are considered to be level two inputs. There were no transfers in or out of level two for the three months ended March 31, 2016. Based on the analysis performed, the fair value and the carrying value of the Company's long-term debt, excluding capital lease liabilities, are as follows:

	As of March 31,	As of December 31,
	2016	2015

	Fair Value	Carrying Value	Fair Value	Carrying Value
Long-term debt	\$97,497	\$96,571	\$108,323	\$107,148

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

(in thousands, except share and per share amounts)

The Company is also required periodically to measure certain other assets at fair value on a nonrecurring basis, including long-lived assets, goodwill and other intangible assets. There were no assets recorded at fair value on a non-recurring basis at March 31, 2016.

**7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

Information about the fair value amounts of the Company's derivative instruments is as follows:

	Derivatives as of		December 31, 2015	
	March 31, 2016		Balance Sheet Location	Fair Value
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives Designated as Hedging Instruments:				
Interest rate swap contracts	Other liabilities	\$7,411	Other liabilities	\$4,681

The following table presents information about the effects of the Company's derivative instruments on the consolidated statements of income (loss) and consolidated statements of comprehensive loss:

	Location of Gain Recognized in Net Income	Amount of Gain Recognized in Net Income Three Months Ended March 31, 2016	2015
Derivatives Designated as Hedging Instruments:			
Interest rate swap contracts	Other expenses, net	\$(70)	\$(83)

Derivatives Designated as Hedging Instruments:

Interest rate swap contracts Other expenses, net \$(70) \$(83)

The following table summarizes the pre-tax amount of unrealized gain or loss recognized in accumulated other comprehensive loss, net ("AOCI") in the Company's consolidated balance sheets:

	Three Months Ended March 31, 2016
Derivatives Designated as Hedging Instruments:	
Accumulated loss in AOCI at the beginning of the period	\$(2,548)
Unrealized loss recognized in AOCI	(1,595 )
Loss reclassified from AOCI to other expenses, net	(282 )
Net loss reclassified from AOCI to other expenses, net	(1,877 )
Accumulated loss in AOCI at the end of the period	\$(4,425)

**8. INVESTMENT FUND**

During the third quarter of 2015, the Company formed an investment fund for the purpose of funding the purchase of a solar energy system. The Company consolidates the investment fund, and all inter-company balances and transactions between the Company and the investment fund are eliminated in its consolidated financial statements. The Company determined that the investment fund meets the definition of a VIE. The Company uses a qualitative approach in assessing the consolidation requirement for VIEs that focuses on determining whether the Company has the power to direct the activities of the VIE that most significantly affect the VIE's economic performance and whether the Company has the obligation to absorb losses or the right to receive benefits that could potentially be significant to

the VIE.

The Company has considered the provisions within the contractual arrangements that grant it power to manage and make decisions that affect the operation of this VIE, including determining the solar energy systems and associated long term customer contracts to be sold or contributed to the VIE, and installation, operation and maintenance of the solar energy systems. The Company considers that the rights granted to the other investors under the contractual arrangements are more protective in nature rather than participating rights. As such, the Company has determined it is the primary beneficiary of the VIE for all periods presented. The Company evaluates its relationships with VIEs on an ongoing basis to ensure that it continues to be the primary beneficiary.

Under the related agreements, cash distributions of income and other receipts by the fund, net of agreed-upon expenses and estimated expenses, tax benefits and detriments of income and loss, and tax benefits of tax credits, are assigned to the fund investor and Company's subsidiary as specified in contractual arrangements. Certain of these arrangements have call and put

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AMERESCO, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

(in thousands, except share and per share amounts)

options to acquire the investor's equity interest as specified in the contractual agreement. See Note 9 for additional information on the call and put options.

At March 31, 2016 the Company included \$1,556 in restricted cash and \$33,096 of project assets, net related to the investment fund in the Company's consolidated balance sheet. At December 31, 2015, the Company included \$5,419 in restricted cash and \$32,657 of project assets, net related to the investment fund in the Company's consolidated balance sheet.

**9. NON-CONTROLLING INTERESTS**

**Redeemable Non-controlling Interest**

The Company's wholly owned subsidiary with a membership interest in the investment fund has the right, beginning on the fifth anniversary of the final funding of the variable rate construction and term loans due 2023 and extending for six months, to elect to require the non-controlling interest holder to sell all of its membership units to the Company's wholly owned subsidiary (the "Call Option"). The Company's investment fund also includes a right, beginning on the sixth anniversary of the final funding and extending for one year, for the non-controlling interest holder to elect to require the Company's wholly owned subsidiary to purchase all of its membership interests in the fund (the "Put Option").

Because the Put Option represents a redemption feature that is not solely within the control of the Company, the non-controlling interest in these funds is presented outside of permanent equity. Redeemable non-controlling interests are reported using the greater of their carrying value at each reporting date (which is impacted by attribution under the HLBV method) or their estimated redemption value in each reporting period.

The purchase price for the fund investor's membership interest under the Call Option is equal to the fair market value as of the exercise date.

**10. BUSINESS SEGMENT INFORMATION**

The Company reports results under ASC 280, Segment Reporting. The Company's reportable segments are U.S. Regions, U.S. Federal, Canada and Small-Scale Infrastructure. The Company's U.S. Regions, U.S. Federal and Canada segments offer energy efficiency products and services, which include the design, engineering and installation of equipment and other measures to improve the efficiency and control the operation of a facility's energy infrastructure; renewable energy solutions and services, which include the construction of small-scale plants for customers that produce electricity, gas, heat or cooling from renewable sources of energy; and O&M services. The Company's Small-Scale Infrastructure segment sells electricity, processed landfill gas, heat or cooling produced from renewable sources of energy from small-scale plants that the Company owns. The "All Other" category offers enterprise energy management services, consulting services and the sale and installation of solar-PV energy products and systems. These segments do not include results of other activities, such as corporate operating expenses not specifically allocated to the segments.

The reports of the Company's chief operating decision maker do not include assets at the operating segment level.



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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

(in thousands, except share and per share amounts)

An analysis of the Company's business segment information and reconciliation to the condensed consolidated financial statements is as follows:

	U.S. Regions	U.S. Federal	Canada	Small-Scale Infrastructure	All Other	Total Consolidated
Three Months Ended March 31, 2016						
Revenues	\$41,621	\$38,669	\$14,807	\$ 20,693	\$17,986	\$ 133,776
Interest income	—	2	—	9	1	12
Interest expense	—	99	347	1,028	—	1,474
Depreciation and amortization of intangible assets	137	523	239	3,849	673	5,421
Unallocated corporate activity	—	—	—	—	—	(7,727 )
Income (loss) before taxes, excluding unallocated corporate activity	191	6,400	541	2,321	(781 )	8,672
Three Months Ended March 31, 2015						
Revenues	46,434	24,143	10,895	13,603	20,358	115,433
Interest income	—	—	1	150	—	151
Interest expense	—	—	329	948	—	1,277
Depreciation and amortization of intangible assets	205	306	243	3,466	1,007	5,227
Unallocated corporate activity	—	—	—	—	—	(6,508 )
Income (loss) before taxes, excluding unallocated corporate activity	1,917	3,258	(5,008 )	237	(986 )	(582 )

## 11. LONG-TERM DEBT

## Variable-Rate Construction and Term Loans

In October 2012, the Company entered into a credit and guaranty agreement with two banks for use in providing limited recourse financing for certain of its landfill gas to energy and solar PV projects. The credit and guaranty agreement provides for a \$47,234 construction-to-term loan credit facility and bears interest at a variable rate. The loans were fully converted to a term loan during the year ended December 31, 2014. At March 31, 2016, \$37,814 was outstanding under the term loan. The variable rate for this loan at March 31, 2016 was 3.63%.

In September 2015, the Company entered into a credit and guaranty agreement for use in providing non-recourse financing for certain of its solar-PV projects currently under construction. The credit and guaranty agreement provides for a \$20,746 construction-to-term loan credit facility and bears interest at a variable rate. The term loan matures on March 30, 2023. On March 30, 2016, the construction loan was converted to a term loan. At December 31, 2015, \$17,663 was outstanding under the construction loan. At March 31, 2016, \$20,746 was outstanding under the term loan. The variable rate for this loan at March 31, 2016 was 3.140%.

## Senior Secured Credit Facility - Revolver and Term Loan

On June 30, 2015, the Company entered into a third amended and restated bank credit facility with two banks. The new credit facility replaces and extended the Company's existing credit facility, which was scheduled to expire in accordance with its terms on June 30, 2016. The revolving credit facility matures on June 30, 2020 and the term loan facility matures on June 30, 2018, when all amounts will be due and payable in full. The Company expects to use the new credit facility for general corporate purposes of the Company and its subsidiaries, including permitted acquisitions, refinancing of existing indebtedness and working capital.

The credit facility consists of a \$60,000 revolving credit facility and a \$17,143 term loan. The amount of the term loan represents the amount outstanding under the Company's existing term loan at closing. The revolving credit facility may be increased by up to an additional \$25,000 at the Company's option if lenders are willing to provide such increased commitments, subject to certain conditions. Up to \$20,000 of the revolving credit facility may be borrowed in Canadian dollars, Euros and Pounds Sterling. The Company is the sole borrower under the credit facility. The obligations under the credit facility are guaranteed by certain of the Company's direct and indirect wholly owned

domestic subsidiaries and are secured by a pledge of

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AMERESCO, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

(in thousands, except share and per share amounts)

all of the Company's and such subsidiary guarantors' assets, other than the equity interests of certain subsidiaries and assets held in non-core subsidiaries (as defined in the agreement). At March 31, 2016, there were no amounts outstanding under the revolving credit facility and \$12,857 outstanding under the term loan. At December 31, 2015, there was \$11,300 outstanding under the revolving credit facility and \$14,285 outstanding under the term loan. The interest rate for borrowings under the credit facility is based on, at the Company's option, either (1) a base rate equal to a margin of 0.50% or 0.25%, depending on the Company's ratio of Total Funded Debt to EBITDA (each as defined in the agreement), over the highest of (a) the federal funds effective rate, plus 0.50%, (b) Bank of America's prime rate and (c) a rate based on the London interbank deposit rate ("LIBOR") plus 1.50%, or (2) the one-, two- three- or six-month LIBOR plus a margin of 2.00% or 1.75%, depending on the Company's ratio of Total Funded Debt to EBITDA. A commitment fee of 0.375% is payable quarterly on the undrawn portion of the revolving credit facility. At March 31, 2016, the interest rate for borrowings under the revolving credit facility was 4.00% and interest rate for borrowings under the term loan was 2.63%. Interest on the term loan has been swapped into a fixed rate of 3.72%. The revolving credit facility does not require amortization of principal. The term loan requires quarterly principal payments of \$1,429, with the balance due at maturity. All borrowings may be paid before maturity in whole or in part at the Company's option without penalty or premium, other than reimbursement of any breakage and deployment costs in the case of LIBOR borrowings.

The credit facility limits the Company's and its subsidiaries' ability to, among other things: incur additional indebtedness; incur liens or guarantee obligations; merge, liquidate or dispose of assets; make acquisitions or other investments; enter into hedging agreements; pay dividends and make other distributions and engage in transactions with affiliates, except in the ordinary course of business on an arms' length basis.

Under the credit facility, the Company and its subsidiaries may not invest cash or property in, or loan to, the Company's non-core subsidiaries in aggregate amounts exceeding 49% of the Company's consolidated stockholders' equity. In addition, under the credit facility, the Company and its core subsidiaries must maintain the following financial covenants:

- a ratio of total funded debt to EBITDA of less than 2.0 to 1.0; and
- a debt service coverage ratio (as defined in the agreement) of at least 1.5 to 1.0.

Any failure to comply with the financial or other covenants of the credit facility would not only prevent the Company from being able to borrow additional funds, but would constitute a default, permitting the lenders to, among other things, accelerate the amounts outstanding, including all accrued interest and unpaid fees, under the credit facility, to terminate the credit facility, and enforce liens against the collateral.

The credit facility also includes several other customary events of default, including a change in control of the Company, permitting the lenders to accelerate the indebtedness, terminate the credit facility, and enforce liens against the collateral.

For purposes of the Company's senior secured facility: EBITDA excludes the results of certain renewable energy projects that the Company owns and for which financing from others remains outstanding; total funded debt includes amounts outstanding under both the term loan and revolver portions of the senior secured credit facility plus other indebtedness, but excludes non-recourse indebtedness of project company subsidiaries; and debt service includes principal and interest payments on the indebtedness included in total funded debt other than principal payments on the revolver portion of the facility.

At March 31, 2016, the Company was in compliance with all financial and operational covenants.

## 12. Subsequent Events

In April 2016, the Company's Board of Directors authorized the repurchase of up to \$10 million of the Company's Class A common stock from time to time on the open market or in privately negotiated transactions.

The timing and amount of any shares repurchased will be determined by the Company's management based on its evaluation of market conditions and other factors. Any repurchased shares will be available for use in connection with its stock plans and for other corporate purposes. The repurchase program will be funded using the Company's working

capital and borrowings under its revolving line of credit.

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## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and the related notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2015 included in our Annual Report on Form 10-K for the year ended December 31, 2015 filed on March 6, 2016 with the U.S. Securities and Exchange Commission ("SEC"). This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements, other than statements of historical fact, including statements that refer to our expectations as to the future growth of our business and associated expenses; our expectations as to revenue generation; the future availability of borrowings under our revolving credit facility; the expected future growth of the market for energy efficiency and renewable energy solutions; our backlog, awarded projects and recurring revenue and the timing of such matters; our expectations as to acquisition activity; the impact of any restructuring; the uses of future earnings; our intention to repurchase shares of our Class A common stock; the expected energy and cost savings of our projects; and the expected energy production capacity of our renewable energy plants; and other characterizations of future events or circumstances are forward-looking statements. These statements are often, but not exclusively, identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," "target," "project," "pr", "continue," and similar expressions or variations. These forward-looking statements are based on current expectations and assumptions that are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially and adversely from future results expressed or implied by such forward-looking statements. Risks, uncertainties and factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section titled "Risk Factors," set forth in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2015 and elsewhere in this Report. The forward-looking statements in this Quarterly Report on Form 10-Q represent our views as of the date of this Quarterly Report on Form 10-Q. Subsequent events and developments may cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we undertake no obligation to do so except to the extent required by applicable law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Quarterly Report on Form 10-Q.

## Overview

Ameresco is a leading provider of energy efficiency solutions for facilities throughout North America and Europe. We provide solutions that enable customers to reduce their energy consumption, lower their operating and maintenance costs and realize environmental benefits. Our comprehensive set of services includes upgrades to a facility's energy infrastructure and the construction and operation of small-scale renewable energy plants.

In September 2015, we entered into an agreement with a third party investor which granted the investor ownership interests in the net assets of certain of our renewable energy project subsidiaries. We entered into this agreement in order to finance the costs of constructing certain project assets which are under long-term customer contracts. We have determined that we are the primary beneficiary in the operational partnership for accounting purposes.

Accordingly, we will consolidate the assets and liabilities and operating results of the entities in our consolidated financial statements. We recognize the investor's share of the net assets of the investor's funds as redeemable non-controlling interests in our consolidated balance sheets. These income or loss allocations, which will be reflected on our consolidated statements of income (loss), may create significant volatility in our reported results of operations, including potentially changing net income available (loss attributable) to common stockholders from income to loss, or vice versa, from quarter to quarter.

In addition to organic growth, strategic acquisitions of complementary businesses and assets have been an important part of our historical development. Since inception, we have completed numerous acquisitions, which have enabled us to broaden our service offerings and expand our geographical reach.

Our acquisition of the energy consultancy and energy project management business of Energyexcel LLP in the third quarter of 2014 added to our local presence in the United Kingdom (“UK”) and to our commercial and industrial customer base.

Our acquisition of the business of Ennovate Corporation in the first quarter of 2013 increased our footprint and penetration in the Rocky Mountain area. Our acquisition of energy management consulting companies The Energy Services Partnership Limited (now known as Ameresco Limited) and ESP Response Limited in the second quarter of 2013 added a local presence in

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the UK, expertise and seasoned energy industry professionals to support multi-national customers of our enterprise energy management service offerings.

### Effects of Seasonality

We are subject to seasonal fluctuations and construction cycles, particularly in climates that experience colder weather during the winter months, such as the northern United States and Canada, or at educational institutions, where large projects are typically carried out during summer months when their facilities are unoccupied. In addition, Government customers, many of which have fiscal years that do not coincide with ours, typically follow annual procurement cycles and appropriate funds on a fiscal-year basis even though contract performance may take more than one year. Further, Government contracting cycles can be affected by the timing of, and delays in, the legislative process related to Government programs and incentives that help drive demand for energy efficiency and renewable energy projects. As a result, our revenues and operating income in the third and fourth quarter are typically higher, and our revenues and operating income in the first quarter are typically lower, than in other quarters of the year. As a result of such fluctuations, we may occasionally experience declines in revenue or earnings as compared to the immediately preceding quarter, and comparisons of our operating results on a period-to-period basis may not be meaningful.

Our annual and quarterly financial results are also subject to significant fluctuations as a result of other factors, many of which are outside our control. See “Our operating results may fluctuate significantly from quarter to quarter and may fall below expectations in any particular fiscal quarter” in Item 1A, Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2015 (“Annual Report”).

### Backlog and Awarded Projects

Total construction backlog represents projects that are active within our ESPC sales cycle. Our sales cycle begins with the initial contact with the customer and ends, when successful, with a signed contract, also referred to as fully-contracted backlog. Our sales cycle recently has been averaging 18 to 42 months. Awarded backlog is created when a potential customer awards a project to Ameresco following a request for proposal. Once a project is awarded but not yet contracted, we typically conduct a detailed energy audit to determine the scope of the project as well as identify the savings that may be expected to be generated from upgrading the customer’s energy infrastructure. At this point, we also determine the sub-contractor, what equipment will be used, and assist in arranging for third party financing, as applicable. Recently, awarded projects have been taking 12 to 18 months to result in a signed contract and thus convert to fully-contracted backlog. It may take longer, however, depending upon the size and complexity of the project. Historically, approximately 90% of our awarded projects ultimately have resulted in a signed contract. After the customer and Ameresco agree to the terms of the contract and the contract becomes executed, the project moves to fully-contracted backlog. The contracts reflected in our fully-contracted backlog typically have a construction period of 12 to 24 months and we typically expect to recognize revenues for such contracts over the same period. Fully-contracted backlog begins converting into revenues generated from backlog on a percentage-of-completion basis once construction has commenced. See “We may not recognize all revenues from our backlog or receive all payments anticipated under awarded projects and customer contracts” and “In order to secure contracts for new projects, we typically face a long and variable selling cycle that requires significant resource commitments and requires a long lead time before we realize revenues” in Item 1A, Risk Factors in our Annual Report. As of March 31, 2016, we had backlog of approximately \$360.5 million in expected future revenues under signed customer contracts for the installation or construction of projects, which we sometimes refer to as fully-contracted backlog; and we also had been awarded projects for which we do not yet have signed customer contracts with estimated total future revenues of an additional \$1,033.7 million. As of March 31, 2015, we had fully-contracted backlog of approximately \$387.4 million in expected future revenues under signed customer contracts for the installation or construction of projects; and we also had been awarded projects for which we had not yet signed customer contracts with estimated total future revenues of an additional \$868.0 million.

We define our 12-month backlog as the estimated amount of revenues that we expect to recognize in the next twelve months from our fully-contracted backlog. As of March 31, 2016 and 2015, our 12-month backlog was \$279.0 million and \$317.5 million, respectively.

Assets in development, which represents the potential design/build project value of small-scale renewable energy plants that have been awarded or for which we have secured development rights, was \$174.0 million and \$148.4 million as of March 31, 2016 and 2015, respectively.



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### Critical Accounting Policies and Estimates

This discussion and analysis of our financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). The preparation of these condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expense and related disclosures. The most significant estimates with regard to these condensed consolidated financial statements relate to estimates of final contract profit in accordance with long-term contracts, project development costs, project assets, impairment of goodwill, impairment of long-lived assets, fair value of derivative financial instruments, income taxes and stock-based compensation expense.

Such estimates and assumptions are based on historical experience and on various other factors that management believes to be reasonable under the circumstances. Estimates and assumptions are made on an ongoing basis, and accordingly, the actual results may differ from these estimates.

The following, in no particular order, are certain critical accounting policies that among others, affect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements:

• Revenue Recognition;

• Project Assets;

• Derivative Financial Instruments; and

• Variable Interest Entities.

Further details regarding our critical accounting policies and estimates can be found in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K. In addition, please refer to Note 2, “Summary of Significant Accounting Policies,” of our Notes to Condensed Consolidated Financial Statements included under Part I, Item 1 of this Quarterly Report on Form 10-Q. Management has determined that no material changes concerning our critical accounting policies have occurred since December 31, 2015.

### Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606). The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The guidance in this ASU supersedes the revenue recognition requirements in ASC 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. This ASU also supersedes some cost guidance included in ASC 605-35, Revenue Recognition-Construction-Type and Production-Type Contracts. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer are amended to be consistent with the guidance on recognition and measurement in this ASU. The FASB has approved a one year deferral of this standard, and this pronouncement is now effective for annual reporting periods beginning after December 15, 2017. Entities would be permitted to adopt the standard as early as the original public entity effective date (i.e., annual reporting periods beginning after December 15, 2016 and interim periods therein). Early adoption prior to that date would not be permitted. Retrospective application of the amendments in this ASU is required. The new guidance must be adopted using either a full retrospective approach for all periods presented in the period of adoption (with some limited relief provided) or a modified retrospective approach. We are currently assessing the impact of this ASU on our consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements — Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (“ASU 2014-15”). ASU 2014-15 requires management to assess an entity’s ability to continue as a going concern by incorporating and expanding upon certain principles of current U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term “substantial doubt”, (2) require an evaluation every reporting period, including interim periods, (3) provide principles for considering the mitigating effect of management’s plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management’s plans, (5) require an express statement and

other disclosures when substantial doubt is still present, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). ASU 2014-15 is effective for annual reporting periods ending after December 15, 2016 and interim

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periods thereafter. Early adoption is permitted. We do not believe that this pronouncement will have an impact on our consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis (“ASU 2015-02”). ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. ASU 2015-02 is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those annual reporting periods. We adopted this guidance in the first quarter of fiscal 2016. This pronouncement did not change our previous consolidation conclusions.

In April 2015, the FASB issued ASU 2015-03, Interest — Imputation of Interest (Subtopic 835-03): Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”). ASU 2015-03 requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015, and interim periods within those annual reporting periods. We adopted this accounting standard effective in the first quarter of fiscal 2016. As such, prior periods in our financial statements were retrospectively adjusted.

**Results of Operations**

The following tables set forth certain financial data from the consolidated statements of income (loss) expressed as a percentage of revenues for the periods presented (in thousands):

	Three Months Ended March 31,			
	2016		2015	
	Dollar	% of	Dollar	% of
	Amount	Revenues	Amount	Revenues
Revenues	\$133,776	100.0 %	\$115,433	100.0 %
Cost of revenues	106,100	79.3 %	95,790	83.0 %
Gross profit	27,676	20.7 %	19,643	17.0 %
Selling, general and administrative expenses	25,888	19.4 %	24,071	20.9 %
Operating income (loss)	1,788	1.3 %	(4,428 )	(3.8 )%
Other expenses, net	843	0.6 %	2,662	2.3 %
Income before provision (benefit) from income taxes	945	0.7 %	(7,090 )	(6.1 )%
Income tax provision (benefit)	241	0.2 %	(2,902 )	(2.5 )%
Net income (loss)	704	0.5 %	(4,188 )	(3.6 )%
Net loss attributable to redeemable non-controlling interest	350	0.3 %	—	— %
Net income (loss) attributable to Ameresco, Inc.	\$1,054	0.8 %	\$(4,188 )	(3.6 )%

**Revenues**

The following tables set forth a comparison of our revenues for the periods presented (in thousands):

	Three Months		Dollar	Percentage
	Ended March 31,			
	2016	2015	Change	Change
Revenues	\$133,776	\$115,433	\$18,343	15.9 %

Revenues increased \$18.3 million, or 15.9%, for the three months ended March 31, 2016 compared to the same period of 2015 due to a \$14.5 million increase in revenues from our U.S. Federal segment and a \$3.9 million increase in revenues from our Canada segment, partially offset by a \$4.8 million decrease in revenues from our U.S. Regions segment and a \$2.4 million decrease in revenues from All Other. This mainly reflects an acceleration of project work due to mild weather during the period.

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## Cost of Revenues and Gross Profit

The following tables set forth a comparison of our cost of revenues and gross profit for the periods presented (in thousands):

	Three Months Ended		Dollar	Percentage
	March 31,			
	2016	2015	Change	Change
Cost of revenues	\$106,100	\$95,790	\$10,310	10.8 %
Gross margin %	20.7 %	17.0 %		

Cost of revenues increased \$10.3 million, or 10.8%, and gross margin percentage increased to 20.7% from 17.0% for the three months ended March 31, 2016 compared to the same period of 2015, respectively, primarily due to the increase in revenues described above as well as cost budget revisions on a significant project in our Canada segment, which resulted in a reduction in project to date revenues recognized and a reserve for potential future losses on the project recorded during the three months ended March 31, 2015.

As a result of certain acquisitions, we have intangible assets related to customer contracts; these are amortized over a period of approximately one to five years from the respective date of acquisition. This amortization is recorded as a cost of revenues in the consolidated statements of income (loss). For the three months ended March 31, 2016 we recorded no amortization expense related to customer contracts. For the three months ended March 31, 2015 we recorded amortization expense of \$0.2 million related to customer contracts.

## Selling, General and Administrative Expenses

The following tables set forth a comparison of our selling, general and administrative expenses for the periods presented (in thousands):

	Three Months		Dollar	Percentage
	Ended March 31,			
	2016	2015	Change	Change
Selling, general and administrative expenses	\$25,888	\$24,071	\$1,817	7.5 %

Selling, general and administrative expenses increased \$1.8 million, or 7.5%, for the three months ended March 31, 2016 primarily due to an increase in project development costs in our U.S. Regions segment related to an increase in new project proposals.

Amortization expense of intangible assets related to customer relationships, non-compete agreements, technology and trade names is included in selling, general and administrative expenses in the consolidated statements of income (loss). For the three months ended March 31, 2016 and 2015, we recorded amortization expense, related to these intangible assets, of \$0.6 million and \$0.8 million, respectively.

## Other Expenses, Net

Other expenses, net includes gains and losses from derivatives and foreign currency transactions, interest income and expenses and amortization of deferred financing costs, net. Other expenses, net, decreased \$1.8 million for the three months ended March 31, 2016 compared to the same period of 2015 primarily due to favorable foreign currency rate fluctuations.

## Income (Loss) Before Taxes

Income before taxes increased \$8.0 million, or 113.3%, to \$0.9 million for the three months ended March 31, 2016 from a loss of \$7.1 million for the same period of 2015 due to the reasons described above.

## Provision (Benefit) from Income Taxes

The provision for income taxes was \$0.2 million for the three months ended March 31, 2016, compared to a benefit of \$2.9 million for the three months ended March 31, 2015. The increase in the rate compared to the same period in the prior year was due to an increase in profit before tax in 2016 as compared to 2015 and the retroactive reinstatement of the tax deduction under Internal Revenue Code Section 179D in December 2015. The principal reason for the difference between the statutory rate and the estimated annual effective rate for 2016 were the effects of the tax deduction under Internal Revenue Code Section 179D and investment tax credits and production tax credits to which we are entitled from plants we own. The principal reason for the difference between the statutory rate and the

estimated annual effective rate for 2015 were the effects of the valuation

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allowance required for the expected Canada losses as well as the investment tax credits and production tax credits to which we are entitled from plants we own.

The investment tax credits to which we are entitled fluctuate from year to year based on the cost of the renewable energy plants that we place or expect to place in service in that year. In addition, the tax deduction under Internal Revenue Code Section 179D expired as of December 31, 2014 and was retroactively reinstated in December of 2015. The current expiration date for the 179D deduction is December 31, 2016.

Net Income (Loss) and Earnings (Loss) Per Share

Net income increased \$4.9 million, or 116.8%, to \$0.7 million for the three months ended March 31, 2016 from a loss of \$4.2 million for the same period of 2015.

Basic and diluted earnings per share for the three months ended March 31, 2016 were \$0.02, an increase of \$0.11, or 122.2%, compared to the same period of 2015.

Business Segment Analysis (in thousands)

We report results under ASC 280, Segment Reporting. Our reportable segments are U.S. Regions, U.S. Federal, Canada and Small-Scale Infrastructure. Our U.S. Regions, U.S. Federal and Canada segments offer energy efficiency products and services, which include: the design, engineering and installation of equipment and other measures to improve the efficiency and control the operation of a facility's energy infrastructure; renewable energy solutions and services, which include the construction of small-scale plants that we own or develop for customers that produce electricity, gas, heat or cooling from renewable sources of energy; and O&M services. Our Small-Scale Infrastructure segment sells electricity, processed LFG, heat or cooling, produced from renewable sources of energy and generated by small-scale plants that we own. Our Small-Scale Infrastructure segment also now includes certain small-scale plants developed for customers previously included in our U.S. Regions segment. Previously reported amounts have been restated for comparative purposes. The "All Other" category offers enterprise energy management services, consulting services and integrated-PV. These segments do not include results of other activities, such as corporate operating expenses not specifically allocated to the segments.

U.S. Regions

	Three Months		Dollar	Percentage
	Ended March 31,			
	2016	2015	Change	Change
Revenues	\$41,621	\$46,434	\$(4,813)	(10.4)%
Income before taxes	\$191	\$1,917	\$(1,726)	(90.0)%

Revenues for our U.S. Regions segment decreased \$4.8 million, or 10.4%, to \$41.6 million for the three months ended March 31, 2016, compared to the same period of 2015, respectively, primarily due to active projects being smaller. Income before taxes for our U.S. Regions segment decreased \$1.7 million, or (90.0)%, to \$0.2 million for the three months ended March 31, 2016, compared to the same period of 2015, respectively, primarily due to the decrease in revenues described above, which resulted in decreased operating leverage, and an increase in project development costs.

U.S. Federal

	Three Months		Dollar	Percentage
	Ended March 31,			
	2016	2015	Change	Change
Revenues	\$38,669	\$24,143	\$14,526	60.2%
Income before taxes	\$6,400	\$3,258	\$3,142	96.4%

Revenues for our U.S. Federal segment increased \$14.5 million, or 60.2%, to \$38.7 million for the three months ended March 31, 2016, compared to the same period of 2015, respectively, primarily due to the timing of revenue recognized as a result of the phase of active projects.

Income before taxes for our U.S. Federal segment increased \$3.1 million, or 96.4%, to \$6.4 million for the three months ended March 31, 2016 compared to the same period of 2015 primarily due to the increase in revenue described above.



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## Canada

	Three Months Ended March 31,		Dollar	Percentage
	2016	2015	Change	Change
Revenues	\$14,807	\$10,895	\$3,912	35.9 %
Income (loss) before taxes	\$541	\$(5,008)	\$5,549	(110.8)%

Revenues for our Canada segment increased \$3.9 million, or 35.9%, to \$14.8 million for the three months ended March 31, 2016 compared to the same period of 2015, primarily due to cost budget revisions, during the first quarter of 2015, on a significant project which resulted in a reduction in project to date revenues recognized in 2015.

Income before taxes for our Canada segment increased \$5.5 million to \$0.5 million for the three months ended March 31, 2016 compared to the same period of 2015 primarily due to a reserve in 2015 for potential future losses on the significant project described above.

## Small-Scale Infrastructure

	Three Months Ended March 31,		Dollar	Percentage
	2016	2015	Change	Change
Revenues	\$20,693	\$13,603	\$7,090	52.1 %
Income before taxes	\$2,321	\$237	\$2,084	879.3 %

Revenues for our Small-Scale Infrastructure segment increased \$7.1 million, or 52.1%, to \$20.7 million for the three months ended March 31, 2016 compared to the same period of 2015, primarily due to the active development of a small-scale plant we are constructing for a customer during the three months ended March 31, 2016, as compared to the same period of 2015 where no similar projects were in development.

Income before taxes for our Small-Scale Infrastructure segment increased \$2.1 million to \$2.3 million for the three months ended March 31, 2016 primarily due to the increase in revenues described above.

## All Other &amp; Unallocated Corporate Activity

	Three Months Ended March 31,		Dollar	Percentage
	2016	2015	Change	Change
Revenues	\$17,986	\$20,358	\$(2,372)	(11.7)%
Loss before taxes	\$(781)	\$(986)	\$205	(20.8)%
Unallocated corporate activity	\$(7,727)	\$(6,508)	\$(1,219)	18.7 %

Revenues not allocated to segments and presented as all other decreased \$2.4 million, or 11.7%, to \$18.0 million for the three months ended March 31, 2016 compared to the same period of 2015 primarily due to decreases in integrated-PV sales.

Loss before taxes not allocated to segments and presented as all other decreased \$0.2 million to a loss of \$0.8 million for the three months ended March 31, 2016 compared to the same period of 2015.

Unallocated corporate activity includes all corporate level selling, general and administrative expenses and other expenses not allocated to the segments. We do not allocate any indirect expenses to the segments.

## Liquidity and Capital Resources

Sources of liquidity. Since inception, we have funded operations primarily through cash flow from operations, advances from Federal ESPC projects and various forms of debt. We believe that available cash and cash equivalents and availability under our revolving senior secured credit facility, combined with our access to credit markets, will be sufficient to fund our operations through 2016 and thereafter.

Proceeds from our Federal ESPC projects are generally received through agreements to sell the ESPC receivables related to certain ESPC contracts to third-party investors. We use the advances from the investors under these agreements to finance the projects. Until recourse to us ceases for the ESPC receivables transferred to the investor, upon final acceptance of the work by the Government customer, we are the primary obligor for financing received.

The transfers of receivables under these agreements do not qualify for sales accounting until final customer acceptance



of the work, so the advances from the investors are not classified as operating cash flows. Cash draws that we receive under these ESPC agreements are recorded as financing cash inflows. The use of the cash received under these arrangements to pay project costs is classified as operating cash flows.

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Due to the manner in which the ESPC contracts with the third-party investors are structured, our reported operating cash flows are materially impacted by the fact that operating cash flows only reflect the ESPC contract expenditure outflows and do not reflect any inflows from the corresponding contract revenues. Upon acceptance of the project by the federal customer the ESPC receivable and corresponding ESPC liability are removed from our consolidated balance sheet as a non-cash settlement. See Note 2, "Summary of Significant Accounting Policies", to our Notes to Condensed Consolidated Financial Statements appearing in Part I, Item 1 of this Quarterly Report on Form 10-Q. As a result of the structure of the Federal ESPC project arrangements management uses adjusted cash from operations, as previously defined, as a measure of liquidity because it captures all sources of cash associated with our revenues generated by operations.

Our service offering also includes the development, construction and operation of small-scale renewable energy plants. Small-scale renewable energy projects, or project assets, can either be developed for the portfolio of assets that we own and operate or designed and built for customers. Expenditures related to projects that we own are recorded as cash outflows from investing activities. Expenditures related to projects that we build for customers are recorded as cash outflows from operating activities as cost of revenues.

The amount of interest capitalized relating to construction financing during the period of construction for the three months ended March 31, 2016 and 2015 was \$0.2 million and \$0.1 million, respectively.

Cash flows from operating activities. Operating activities used \$15.1 million of net cash during the three months ended March 31, 2016. During that period, we had net income of \$0.7 million, which is net of non-cash compensation, depreciation, amortization, deferred income taxes and other non-cash items totaling \$6.5 million. Decreases in accounts receivable, including retainage, costs and estimated earnings in excess of billings and billings in excess of costs and estimated earnings, net and other assets and an increase in income taxes payable provided \$34.8 million. These were offset by increases in restricted cash, inventory, prepaid expenses and other current assets, and project development costs and decreases in accounts payable and accrued expenses and other current liabilities and other liabilities, which used \$33.4 million in cash. An increase in Federal ESPC receivables used an additional \$22.9 million. As described above, Federal ESPC operating cash flows only reflect the ESPC expenditure outflows and do not reflect any inflows from the corresponding contract revenues, which are recorded as cash inflows from financing activities due to the timing of the receipt of cash related to the assignment of the ESPC receivables to the third-party investors.

Operating activities used \$22.1 million of net cash during the three months ended March 31, 2015. During that period, we had a net loss of \$4.2 million, which is net of non-cash compensation, depreciation, amortization, deferred income taxes and other non-cash items totaling \$5.1 million. Decreases in accounts receivable, including retainage, costs and estimated earnings in excess of billings and billings in excess of costs and estimated earnings, net and prepaid expenses and other current assets and increases in other liabilities provided \$16.5 million in cash. These were offset by increases in restricted cash, inventory, project development costs and other assets and decreases in accounts payable and accrued expenses and income taxes payable, which used \$27.2 million. An increase in Federal ESPC receivables used an additional \$13.1 million.

Cash flows from investing activities. Cash flows from investing activities during the three months ended March 31, 2016 used \$9.1 million. We invested \$8.6 million on purchases of project assets during the three months ended March 31, 2016. We plan to invest an additional \$60 million to \$70 million on capital expenditures, principally for renewable energy plants, for the remainder of 2016. In addition, we invested \$0.5 million in purchases of other property and equipment.

Cash flows from investing activities during the three months ended March 31, 2015 used \$6.2 million. Development of our renewable energy plants used \$5.9 million. In addition, we invested \$0.3 million in purchases of other property and equipment.

Cash flows from financing activities. Cash flows from financing activities during the three months ended March 31, 2016 provided \$19.5 million. This was primarily due to proceeds from redeemable non-controlling interest of \$6.6 million, \$3.9 million of restricted cash released into operating cash, \$3.5 million received under our sale-leaseback financing arrangement, proceeds from project financings of \$3.0 million and proceeds from exercises of options of

\$0.3 million. This was partially offset by payments on long-term debt of \$2.6 million, \$11.3 million in net payments on our revolving credit facility and payments of financing fees of \$0.4 million. Proceeds from Federal ESPC projects provided \$16.4 million.

Cash flows from financing activities during the three months ended March 31, 2015 provided \$20.7 million. This was primarily due to \$7.6 million received under our sale-leaseback financing arrangement and proceeds from exercises of options

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of \$0.4 million. These was partially offset by \$2.0 million in net payments on our revolving credit facility, payments on long-term debt of \$2.5 million and payments of financing fees of \$0.9 million. Proceeds from Federal ESPC projects provided \$18.0 million.

#### Senior Secured Credit Facility — Revolver and Term Loan

On June 30, 2015, we entered into a third amended and restated bank credit facility with two banks. The new credit facility replaces and extends our existing credit facility, which was scheduled to expire in accordance with its terms on June 30, 2016. The revolving credit facility matures on June 30, 2020 and the term loan facility matures on June 30, 2018, when all amounts will be due and payable in full. We expect to use the new credit facility for our general corporate purposes, including permitted acquisitions, refinancing of existing indebtedness and working capital. The credit facility consists of a \$60.0 million revolving credit facility and a \$17.1 million term loan. The amount of the term loan represents the amount outstanding under our existing term loan at closing. The revolving credit facility may be increased by up to an additional \$25.0 million at our option if lenders are willing to provide such increased commitments, subject to certain conditions. Up to \$20.0 million of the revolving credit facility may be borrowed in Canadian dollars, Euros and Pounds Sterling. We are the sole borrower under the credit facility. The obligations under the credit facility are guaranteed by certain of our direct and indirect wholly owned domestic subsidiaries and are secured by a pledge of all of our and such of our subsidiary guarantors' assets, other than the equity interests of certain subsidiaries and assets held in non-core subsidiaries (as defined in the agreement). At March 31, 2016, there were no borrowings outstanding and \$43.9 million available under the revolving credit facility and \$12.9 million outstanding under the term loan.

The interest rate for borrowings under the credit facility is based on, at our option, either (1) a base rate equal to a margin of 0.50% or 0.25%, depending on our ratio of Total Funded Debt to EBITDA (each as defined in the agreement), over the highest of (a) the federal funds effective rate, plus 0.50%, (b) Bank of America's prime rate and (c) a rate based on the London interbank deposit rate ("LIBOR") plus 1.50%, or (2) the one-, two- three- or six-month LIBOR plus a margin of 2.00% or 1.75%, depending on our ratio of Total Funded Debt to EBITDA. A commitment fee of 0.375% is payable quarterly on the undrawn portion of the revolving credit facility. At March 31, 2016, the interest rate for borrowings under the revolving credit facility was 4.00% and interest rate for borrowings under the term loan was 2.63%. Interest on the term loan has been swapped into a fixed rate of 3.72%.

The revolving credit facility does not require amortization of principal. The term loan requires quarterly principal payments of \$1.4 million, with the balance due at maturity. All borrowings may be paid before maturity in whole or in part at our option without penalty or premium, other than reimbursement of any breakage and deployment costs in the case of LIBOR borrowings.

The credit facility limits our ability to, among other things: incur additional indebtedness; incur liens or guarantee obligations; merge, liquidate or dispose of assets; make acquisitions or other investments; enter into hedging agreements; pay dividends and make other distributions and engage in transactions with affiliates, except in the ordinary course of business on an arms' length basis.

Under the credit facility, we may not invest cash or property in, or loan to, our non-core subsidiaries in aggregate amounts exceeding 49% of our consolidated stockholders' equity. In addition, under the credit facility, we and our core subsidiaries must maintain the following financial covenants:

- a ratio of total funded debt to EBITDA of less than 2.0 to 1.0; and
- a debt service coverage ratio (as defined in the agreement) of at least 1.5 to 1.0.

Any failure to comply with the financial or other covenants of the credit facility would not only prevent us from being able to borrow additional funds, but would constitute a default, permitting the lenders to, among other things, accelerate the amounts outstanding, including all accrued interest and unpaid fees, under the credit facility, to terminate the credit facility, and enforce liens against the collateral.

The credit facility also includes several other customary events of default, including a change in control, permitting the lenders to accelerate the indebtedness, terminate the credit facility, and enforce liens against the collateral.

As of March 31, 2016, we were in compliance with all of the financial and operational covenants in the senior credit facility. In addition, we do not consider it likely that we will fail to comply with these covenants for the next twelve

months.

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Project Financing

Construction and Term Loans. We have entered into a number of construction and term loan agreements for the purpose of constructing and owning certain renewable energy plants. The physical assets and the operating agreements related to the renewable energy plants are owned by wholly owned, single member special purpose subsidiaries. These construction and term loans are structured as project financings made directly to a subsidiary, and upon acceptance of a project, the related construction loan converts into a term loan. While we are required under GAAP to reflect these loans as liabilities on our consolidated balance sheet, they are generally nonrecourse and not direct obligations of Ameresco, Inc. As of March 31, 2016, we had outstanding \$89.7 million in aggregate principal amount under these loans with maturities at various dates from 2017 to 2028. Effective interest rates, after consideration for our interest rate swap contracts, ranged from 2.8% to 7.3%.

In September 2015, the Company entered into a credit and guaranty agreement for use in providing non-recourse financing for certain of its solar-PV projects currently under construction. The credit and guaranty agreement provides for a \$20.7 million construction-to-term loan credit facility and bears interest at a variable rate. On March 30, 2016, the construction loan was converted to a term loan. At March 31, 2016, \$20.7 million was outstanding under the term loan. The variable rate for this loan at March 31, 2016 was 3.1%.

One loan with an outstanding balance as of March 31, 2016 totaling \$3.1 million, requires Ameresco, Inc. to provide assurance to the lender of the project performance. A second loan, entered into during 2012, with an outstanding balance as of March 31, 2016 of \$37.8 million requires Ameresco, Inc. to provide assurance to the lender of reimbursement upon any recapture of certain renewable energy Government cash grants upon the occurrence of events that cause the recapture of such grants. As of December 31, 2015, we had outstanding \$87.5 million in aggregate principal amount under these loans. Effective interest rates, after consideration for our interest rate swap contracts, ranged from 2.8% to 7.3%. These loans mature at various dates from 2017 to 2028.

These construction and term loan agreements require us to comply with a variety of financial and operational covenants. As of March 31, 2016 we were in compliance with all of these financial and operational covenants. In addition, we do not consider it likely that we will fail to comply with these covenants during the term of these agreements.

Federal ESPC Liabilities. We have arrangements with certain lenders to provide advances to us during the construction or installation of projects for certain customers, typically federal governmental entities, in exchange for our assignment to the lenders of our rights to the long-term receivables arising from the ESPCs related to such projects. These financings totaled \$99.3 million and \$122.0 million in principal amounts at March 31, 2016 and December 31, 2015, respectively. Under the terms of these financing arrangements, we are required to complete the construction or installation of the project in accordance with the contract with our customer, and the debt remains on our consolidated balance sheets until the completed project is accepted by the customer.

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Sale-Leaseback. During the first quarter of 2015, we entered into an agreement with an investor which gives us the option to sell and contemporaneously lease back solar photovoltaic (“solar-PV”) projects. The lender has committed to provide up to a maximum combined funding amount of \$50.0 million through December 31, 2016, on certain projects. During the quarter ended March 31, 2016, we sold two solar-PV projects and in return received \$3.5 million as part of this arrangement. During the quarter ended March 31, 2015, we sold two solar-PV projects and in return received \$7.6 million as part of this arrangement. While we are required under GAAP to reflect these lease payments as liabilities on our consolidated balance sheet, they are generally nonrecourse and not direct obligations of Ameresco, Inc., except that Ameresco, Inc. has guaranteed certain obligations relating to taxes and project warranties, operation and maintenance.

**Contractual Obligations**

The following table summarizes our significant contractual obligations and commitments as of March 31, 2016 (in thousands):

	Payments due by Period				
	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
Senior Secured Credit Facility:					
Revolver	\$—	\$—	\$—	\$—	\$—
Term Loan	12,857	5,714	7,143	—	—
Project Financing:					
Construction and term loans	89,729	7,142	14,724	40,048	27,815
Federal ESPC liabilities(1)	99,259	—	99,259	—	—
Interest obligations(2)	39,304	5,551	9,066	7,141	17,546
Capital lease liabilities	8,179	715	2,224	2,197	3,043
Operating leases	10,243	3,843	4,681	1,698	21
Total	\$259,571	\$22,965	\$137,097	\$51,084	\$48,425

Federal ESPC arrangements relate to the installation and construction of projects for certain customers, typically federal governmental entities, where we assign to the third-party lenders our right to customer receivables. We are relieved of the liability when the project is completed and accepted by the customer. We typically expect to be

(1) relieved of the liability between one and three years from the date of project construction commencement. The table does not include, for our Federal ESPC liability arrangements, the difference between the aggregate amount of the long-term customer receivables sold by us to the lender and the amount received by us from the lender for such sale.

(2) For both the revolver and term loan portion of our senior secured credit facility, the table above assumes that the variable interest rate in effect at March 31, 2016 remains constant for the term of the facility.

**Off-Balance Sheet Arrangements**

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under SEC rules, such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheet.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

As of March 31, 2016, there have been no significant changes in market risk exposures that materially affected the quantitative and qualitative disclosures as described in Item 7A to our Annual Report on Form 10-K for the year ended December 31, 2015.

**Item 4. Controls and Procedures****Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this quarterly report, or the evaluation date. Disclosure controls and procedures are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the



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Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our management, after evaluating the effectiveness of our disclosure controls and procedures as of the evaluation date, concluded that as of the evaluation date, our disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings**

In the ordinary conduct of our business we are subject to periodic lawsuits, investigations and claims. Although we cannot predict with certainty the ultimate resolution of such lawsuits, investigations and claims against us, we do not believe that any currently pending or threatened legal proceedings to which we are a party will have a material adverse effect on our business, results of operations or financial condition.

For additional information about certain proceedings, please refer to Note 5, "Commitments and Contingencies", to our Condensed Consolidated Financial Statements included included under Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated into this item by reference.

**Item 1A. Risk Factors**

Our business is subject to numerous risks, a number of which are described below and under "Risk Factors" in Part I of our Annual Report on Form 10-K for the year ended December 31, 2015 ("Annual Report"). We caution you that the following important factors, among others, could cause our actual results to differ materially from those expressed in forward-looking statements made by us or on our behalf in filings with the SEC, press releases, communications with investors and oral statements. Any or all of our forward-looking statements in this Quarterly Report on Form 10-Q and in any other public statements we make may turn out to be wrong. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Many factors mentioned in the discussion below and in our Annual Report will be important in determining future results. Consequently, no forward-looking statement can be guaranteed. Actual future results may differ materially from those anticipated in forward-looking statements. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by applicable law. You should, however, consult any further disclosure we make in our reports filed with the SEC.

Though we may repurchase shares of our Class A common stock pursuant to our recently announced share repurchase program, we are not obligated to do so and if we do, we may purchase only a limited number of shares of Class A common stock.

On May 5, 2016, we announced a stock repurchase program under which it authorized the Company to repurchase, in the aggregate, up to \$10.0 million of our outstanding Class A common stock. However, we are not obligated to acquire any shares of our Class A common stock, and holders of our Class A common stock should not rely on the share repurchase program to increase their liquidity. The amount and timing of any share repurchases will depend upon a variety of factors, including the trading price of our Class A common stock, liquidity, securities laws restrictions, other regulatory restrictions, potential alternative uses of capital, and market and economic conditions. We intend to purchase through open market transactions or in privately negotiated transactions, in accordance with applicable securities laws and regulatory limitations. We may reduce or eliminate our share repurchase program in the future. The reduction or elimination of our share repurchase program, particularly if we do not repurchase the full number of shares authorized under the program, could adversely affect the market price of our common stock.

**Item 6. Exhibits**

The exhibits listed in the Exhibit Index immediately preceding the exhibits are filed (other than exhibit 32.1) as part of this Quarterly Report on Form 10-Q and such Exhibit Index is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERESCO, INC.

Date: May 5, 2016 By: /s/ John R. Granara, III

John R. Granara, III  
Vice President and Chief  
Financial Officer  
(duly authorized and  
principal financial  
officer)

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Exhibit Index

Exhibit  
Number Description

- 31.1\* Principal Executive Officer Certification required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2\* Principal Financial Officer Certification required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1\*\* Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101\* The following condensed consolidated financial statements from Ameresco, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, formatted in XBRL (Extensible Business Reporting Language):  
(i) Consolidated Balance Sheets (ii) Consolidated Statements of Income (Loss), (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statement of Changes in Redeemable Non-Controlling Interest and Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements.
- \*Filed herewith.  
\*\*Furnished herewith.