
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

OR

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

For the transition period from _____ to _____.

Commission File Number: 001-34811

Ameresco, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

**111 Speen Street, Suite 410
Framingham, Massachusetts**

(Address of Principal Executive Offices)

04-3512838

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

01701

(Zip Code)

(508) 661-2200

(Registrant's Telephone Number, Including Area Code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares outstanding as of November 3, 2014
Class A Common Stock, \$0.0001 par value per share	28,349,792
Class B Common Stock, \$0.0001 par value per share	18,000,000

AMERESCO, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014
TABLE OF CONTENTS

	<u>Page</u>
<u>PART I - FINANCIAL INFORMATION</u>	
<u>Item 1. Condensed Consolidated Financial Statements</u>	
<u>Consolidated Balance Sheets at September 30, 2014 (Unaudited) and December 31, 2013</u>	<u>1</u>
<u>Consolidated Statements of Income (Loss) for the three and nine months ended September 30, 2014 and 2013 (Unaudited)</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2014 and 2013 (Unaudited)</u>	<u>4</u>
<u>Consolidated Statement of Changes in Stockholders' Equity for the nine months ended September 30, 2014 (Unaudited)</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013 (Unaudited)</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>8</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>24</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>36</u>
<u>Item 4. Controls and Procedures</u>	<u>36</u>
<u>PART II - OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>38</u>
<u>Item 1A. Risk Factors</u>	<u>38</u>
<u>Item 6. Exhibits</u>	<u>38</u>
<u>Signatures</u>	<u>39</u>
<u>Exhibit Index</u>	<u>40</u>

PART I - FINANCIAL INFORMATION**Item 1. Condensed Consolidated Financial Statements**

AMERESCO, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	September 30, 2014	December 31, 2013
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 23,486	\$ 17,171
Restricted cash	13,542	15,497
Accounts receivable, net	92,728	82,008
Accounts receivable retainage	14,378	21,019
Costs and estimated earnings in excess of billings	53,318	71,204
Inventory, net	9,050	10,257
Prepaid expenses and other current assets	12,932	14,177
Income tax receivable	7,516	3,971
Deferred income taxes	6,224	4,843
Project development costs	11,565	9,686
Total current assets	244,739	249,833
Federal ESPC receivable	65,335	44,297
Property and equipment, net	7,855	8,699
Project assets, net	216,326	210,744
Deferred financing fees, net	4,594	5,320
Goodwill	61,116	53,074
Intangible assets, net	13,014	10,253
Other assets	21,386	22,440
Total assets	\$ 634,365	\$ 604,660
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 13,623	\$ 12,974
Accounts payable	79,787	88,733
Accrued expenses and other current liabilities	23,501	11,947
Billings in excess of cost and estimated earnings	18,968	16,933
Income taxes payable	—	615
Total current liabilities	135,879	131,202
Long-term debt, less current portion	108,449	103,222
Federal ESPC liabilities	64,833	44,297
Deferred income taxes	15,267	11,318
Deferred grant income	8,980	8,163
Other liabilities	19,760	29,652
Commitments and contingencies (Note 6)		

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

AMERESCO, INC.
CONSOLIDATED BALANCE SHEETS — (Continued)
(in thousands, except share and per share amounts)

	<u>September 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
	(Unaudited)	
Stockholders' equity:		
Preferred stock, \$0.0001 par value, 5,000,000 shares authorized, no shares issued and outstanding at September 30, 2014 and December 31, 2013	\$ —	\$ —
Class A common stock, \$0.0001 par value, 500,000,000 shares authorized, 28,349,792 shares issued and outstanding at September 30, 2014, 27,869,317 shares issued and outstanding at December 31, 2013	3	3
Class B common stock, \$0.0001 par value, 144,000,000 shares authorized, 18,000,000 shares issued and outstanding at September 30, 2014 and December 31, 2013	2	2
Additional paid-in capital	108,625	102,587
Retained earnings	172,823	171,094
Accumulated other comprehensive (loss) income, net	(257)	3,112
Non-controlling interest	1	8
Total stockholders' equity	<u>281,197</u>	<u>276,806</u>
Total liabilities and stockholders' equity	<u>\$ 634,365</u>	<u>\$ 604,660</u>

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

AMERESCO, INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in thousands, except share and per share amounts)
(Unaudited)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues	\$ 168,891	\$ 161,648	\$ 412,180	\$ 398,037
Cost of revenues	133,867	131,585	331,666	323,072
Gross profit	35,024	30,063	80,514	74,965
Selling, general and administrative expenses	25,800	22,482	74,293	71,375
Operating income	9,224	7,581	6,221	3,590
Other expenses, net	2,465	1,588	4,993	2,502
Income before (benefit) provision for income taxes	6,759	5,993	1,228	1,088
Income tax (benefit) provision	(532)	1,448	(501)	248
Net income	<u>\$ 7,291</u>	<u>\$ 4,545</u>	<u>\$ 1,729</u>	<u>\$ 840</u>
Net income per share attributable to common shareholders:				
Basic	\$ 0.16	\$ 0.10	\$ 0.04	\$ 0.02
Diluted	\$ 0.16	\$ 0.10	\$ 0.04	\$ 0.02
Weighted average common shares outstanding:				
Basic	46,315,968	45,621,552	46,098,158	45,472,517
Diluted	46,987,522	46,605,360	46,636,529	46,390,468

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

AMERESCO, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(Unaudited)

	Three Months Ended September 30,	
	2014	2013
Net income	\$ 7,291	\$ 4,545
Other comprehensive income:		
Unrealized gain from interest rate hedge, net of tax of \$4 and \$36, respectively	372	90
Foreign currency translation adjustments	(2,018)	1,163
Total other comprehensive (loss) income	(1,646)	1,253
Comprehensive income	\$ 5,645	\$ 5,798

	Nine Months Ended September 30,	
	2014	2013
Net income	\$ 1,729	\$ 840
Other comprehensive (loss) income:		
Unrealized (loss) gain from interest rate hedge, net of tax of \$549 and \$(720), respectively	(1,432)	2,621
Foreign currency translation adjustments	(1,937)	(384)
Total other comprehensive (loss) income	(3,369)	2,237
Comprehensive (loss) income	\$ (1,640)	\$ 3,077

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

AMERESCO, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014
(in thousands, except share amounts)
(Unaudited)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interest	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance, December 31, 2013	27,869,317	\$ 3	18,000,000	\$ 2	\$102,587	\$171,094	\$ 3,112	\$ 8	\$ 276,806
Exercise of stock options	480,475	—	—	—	1,434	—	—	—	1,434
Stock-based compensation expense, including excess tax benefits of \$2,496	—	—	—	—	4,604	—	—	—	4,604
Unrealized loss from interest rate hedge, net	—	—	—	—	—	—	(1,432)	—	(1,432)
Foreign currency translation adjustment	—	—	—	—	—	—	(1,937)	—	(1,937)
Non-controlling interest	—	—	—	—	—	—	—	(7)	(7)
Net income	—	—	—	—	—	1,729	—	—	1,729
Balance, September 30, 2014	<u>28,349,792</u>	<u>\$ 3</u>	<u>18,000,000</u>	<u>\$ 2</u>	<u>\$108,625</u>	<u>\$172,823</u>	<u>\$ (257)</u>	<u>\$ 1</u>	<u>\$ 281,197</u>

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

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

	Nine Months Ended September 30,	
	2014	2013 (Revised, see Note 2)
Cash flows from operating activities:		
Net income	\$ 1,729	\$ 840
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation of project assets	11,162	9,782
Depreciation of property and equipment	2,495	2,466
Amortization of deferred financing fees	1,086	851
Amortization of intangible assets	3,266	3,257
Provision for bad debts	1,253	509
Gain on sale of assets	—	(632)
Unrealized gain on interest rate swaps	(983)	(1,378)
Stock-based compensation expense	2,108	2,125
Deferred income taxes	3,343	(3,554)
Excess tax benefits from stock-based compensation arrangements	(2,496)	(418)
Changes in operating assets and liabilities:		
Restricted cash	(182)	(1,182)
Accounts receivable	(11,282)	4,749
Accounts receivable retainage	6,392	(1,610)
Federal ESPC receivable	(33,388)	(24,318)
Inventory	1,172	754
Costs and estimated earnings in excess of billings	17,768	(1,421)
Prepaid expenses and other current assets	1,266	(595)
Project development costs	(812)	(2,843)
Other assets	(3,676)	(2,598)
Accounts payable, accrued expenses and other current liabilities	(3,754)	(25,354)
Billings in excess of cost and estimated earnings	1,403	(6,704)
Other liabilities	(5,815)	2,378
Income taxes payable	(4,148)	(417)
Cash flows from operating activities	(12,093)	(45,313)
Cash flows from investing activities:		
Purchases of property and equipment	(1,553)	(2,331)
Purchases of project assets	(16,530)	(35,755)
Grant awards received on project assets	3,727	1,580
Proceeds from sale of assets	—	3,510
Acquisitions, net of cash received	(13,903)	(9,945)
Cash flows from investing activities	\$ (28,259)	\$ (42,941)

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

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

	Nine Months Ended September 30,	
	2014	2013 (Revised, see Note 2)
Cash flows from financing activities:		
Excess tax benefits from stock-based compensation arrangements	\$ 2,496	\$ 418
Payments of financing fees	(368)	(505)
Proceeds from exercises of options	1,435	1,676
Proceeds from senior secured credit facility	20,000	18,000
Proceeds from long-term debt financing	—	9,434
Proceeds from Federal ESPC projects	32,886	21,383
Non-controlling interest	(7)	31
Restricted cash	2,758	1,270
Payments on long-term debt	(13,881)	(8,385)
Cash flows from financing activities	45,319	43,322
Effect of exchange rate changes on cash	1,348	374
Net increase (decrease) in cash and cash equivalents	6,315	(44,558)
Cash and cash equivalents, beginning of period	17,171	63,348
Cash and cash equivalents, end of period	\$ 23,486	\$ 18,790
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 4,999	\$ 4,881
Cash paid for income taxes	\$ 2,650	\$ 3,350
Non-cash Federal ESPC settlement	\$ 12,350	\$ 88,556
Accrued purchases of project assets	\$ 7,319	\$ 2,952

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

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 generating assets; and 3) direct payment for photovoltaic equipment and systems.

The condensed consolidated financial statements as of September 30, 2014, and for the nine months ended September 30, 2014 and 2013, 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, 2013, and notes thereto, included in the Company’s annual report on Form 10-K for the year ended December 31, 2013 filed with the Securities and Exchange Commission on March 17, 2014. 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

Reclassifications

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

During the fourth quarter of 2013, the Company changed the manner in which advances received from third-party investors under agreements to finance certain energy savings performance contract (“ESPC”) projects with various Federal Government agencies were classified in the consolidated statements of cash flows. The Company concluded that as the transfers of receivables under these agreements do not qualify for sales accounting under accounting standards codification (“ASC”) 860, *Transfers and Servicing*, until final customer acceptance of the work, the advances from the investors would be better classified as financing cash flows rather than operating cash flows where they had been previously presented. The use of the cash received under these arrangements to pay project costs will continue to be classified as operating cash flows. Due to the manner in which the energy savings performance contracts with the investors are structured, operating cash flows now 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 the Company’s consolidated balance sheet as a non-cash settlement.

The following is a summary of the impact of the change on the previously reported amounts in the consolidated statements of cash flows:

	Nine Months Ended September 30, 2013		
	As Reported	Adjustment	Revised
Cash flows from operating activities	\$ (15,112)	\$ (30,201)	\$ (45,313)
Cash flows from investing activities	\$ (42,941)	\$ —	\$ (42,941)
Cash flows from financing activities	\$ 13,121	\$ 30,201	\$ 43,322

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Ameresco, Inc., its wholly owned subsidiaries and one subsidiary for which there is a minority shareholder. All significant intercompany accounts and transactions have been eliminated. Gains and losses from the translation of all foreign currency financial statements are recorded in accumulated other comprehensive income within stockholders’ equity. The Company prepares its financial statements in conformity with GAAP.

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)
(in thousands, except share and per share amounts)

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 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 2014 under the plan is \$75 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 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.

Restricted Cash

Restricted cash consists of cash held in an escrow account in association with construction draws for ESPCs, construction of project assets, operating and maintenance 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. 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.

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 at the end of the period. Bad debts are written off against the allowance when identified.

Changes in the allowance for doubtful accounts are as follows:

	Nine Months Ended September 30,	
	2014	2013
Allowance for doubtful accounts, beginning of period	\$ 1,519	\$ 1,174
Charges to costs and expenses	1,253	509
Account write-offs and other	(674)	(63)
Allowance for doubtful accounts, end of period	<u>\$ 2,098</u>	<u>\$ 1,620</u>

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.

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)
(in thousands, except share and per share amounts)

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 market (determined on the basis of estimated net realizable values). 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 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 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. The interest capitalized is included in the total cost of the project at completion. There was no interest capitalized for the three months ended September 30, 2014. There was \$596 of interest capitalized for the three months ended September 30, 2013. The amount of interest capitalized for the nine months ended September 30, 2014 and 2013 was \$395 and \$1,311, respectively.

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

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)
(in thousands, except share and per share amounts)

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. 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.

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 September 30, 2014 and 2013. The Company received \$3,727 and \$1,580 in Section 1603 grants during the nine months ended September 30, 2014 and 2013, respectively.

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 \$8,980 and \$8,163 recorded in the accompanying consolidated balance sheets as of September 30, 2014 and December 31, 2013, 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 10, for which deferred financing fees are amortized on a straight line basis over the term of the agreement.

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 31st) 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 underperformance 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.

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 fair value of interest rate swaps and the non-current portion of project development 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

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)
(in thousands, except share and per share amounts)

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 September 30, 2014 and December 31, 2013, the Company had no AROs.

Federal ESPC Liabilities

Federal ESPC liabilities represent the advances received from third-party investors under agreements to finance certain energy savings performance contract 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.

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 interest rate swaps. See Note 8 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 revenue from operations and maintenance ("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.

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)
(in thousands, except share and per share amounts)

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 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. See Note 5 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 income (loss). Foreign currency transaction gains and losses are reported in the consolidated statements of income (loss).

Financial Instruments

Financial instruments consist of cash and cash equivalents, restricted cash, accounts and notes receivable, long-term contract receivables, accounts payable, accrued expenses, equity-based liabilities, short- and long-term debt and interest rate swaps. The estimated fair value of cash and cash equivalents, restricted cash, accounts and notes receivable, long-term contract receivables, accounts payable, accrued expenses and equity-based liabilities approximates their carrying value. See below and Note 7 for additional information regarding the Company's fair value measurements.

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.

AMERESCO, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)
(in thousands, except share and per share amounts)

Because of their short maturity, the carrying amounts of cash and cash equivalents, accounts and notes receivable, accounts payable, accrued expenses and short-term debt approximate fair value. The carrying value of long-term variable-rate debt approximates fair value. As of September 30, 2014, the fair value of the Company's fixed-rate long-term debt exceeds its carrying value by approximately \$48. 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.

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 7 for additional information related to fair value measurements.

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 September 30, 2014 and 2013, the Company recorded stock-based compensation expense of \$683 and \$789, respectively, in connection with stock-based payment awards. For the nine months ended September 30, 2014 and 2013, the Company recorded stock-based compensation expense of \$2,108 and \$2,125, 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 September 30, 2014, there was \$4,166 of unrecognized compensation expense related to non-vested stock option awards that is expected to be recognized over a weighted-average period of 2.9 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

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)
(in thousands, except share and per share amounts)

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 nine months ended September 30, 2014 or during the year ended December 31, 2013.

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.

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 income (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 fifteen-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 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 a hedge 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 a hedge since inception.

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)
(in thousands, except share and per share amounts)

See Notes 7 and 8 for additional information on the Company's derivative instruments.

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 September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	\$ 7,291	\$ 4,545	\$ 1,729	\$ 840
Basic weighted-average shares outstanding	46,315,968	45,621,552	46,098,158	45,472,517
Effect of dilutive securities:				
Stock options	671,554	983,808	538,371	917,951
Diluted weighted-average shares outstanding	46,987,522	46,605,360	46,636,529	46,390,468

For the three months ended September 30, 2014 and 2013, 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, was 2,158,312 and 1,813,431, respectively. For the nine months ended September 30, 2014 and 2013, 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, was 2,158,312 and 1,813,431, respectively.

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 variable interest entity 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.

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. Additionally, this ASU 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. For a public entity, the amendments in this ASU are effective for annual reporting periods beginning

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)
(in thousands, except share and per share amounts)

after December 15, 2016, including interim periods within that reporting period. Retrospective application of the amendments in this ASU are 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. The Company does not believe that this pronouncement will have an impact on its consolidated financial statements.

3. BUSINESS ACQUISITIONS AND RELATED TRANSACTIONS

The Company accounts for acquisitions in accordance with ASC 805, *Business Combinations*. The purchase price for each has been allocated to the assets based on their estimated fair values at the date of each acquisition. The excess purchase price over the estimated fair value of the net assets acquired has been recorded as goodwill. Intangible assets identified have been recorded and are being amortized over periods ranging from one to fifteen years. See Note 4 for additional information. The unaudited pro forma results of operations for the current and prior periods are not presented due to the insignificant impact of the 2014 acquisitions on the Company’s consolidated results of operations.

In August 2014, the Company acquired the energy consultancy and energy project management business of Energyexcel LLP (“EEX”), an independent energy services provider located in Central London, UK. The Company paid \$9,054 to acquire substantially all of the assets of EEX. The purchase price is subject to post-closing adjustments for working capital and for certain indemnity obligations of the seller and its owners. The Company deposited approximately \$834 of the initial cash payment with a third-party escrow agent as security for these matters.

A summary of the consideration paid and the preliminary allocation of the purchase price paid for EEX is as follows:

	Acquisition Purchase Price Allocation
Accounts receivable	\$ 1,432
Costs and estimated earnings in excess of billings	186
Prepaid expenses and other current assets	156
Property and equipment	123
Goodwill	5,154
Intangible assets	4,830
Accounts payable	(1,064)
Accrued liabilities	(1,103)
Billings in excess of cost and estimated earnings	(648)
Deferred taxes and other liabilities	(12)
Purchase price	<u>\$ 9,054</u>

The allocation of the purchase price for current year acquisitions are preliminary, based on management’s current best estimates and subject to revision.

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)
(in thousands, except share and per share amounts)

4. 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, 2013	\$ 24,759	\$ 3,375	\$ 4,124	\$ —	\$ 20,816	\$ 53,074
Goodwill acquired during the year	—	—	—	—	7,729	7,729
Fair value adjustment(1)	—	—	—	—	641	641
Currency effects	—	—	(208)	—	(120)	(328)
Balance, September 30, 2014	\$ 24,759	\$ 3,375	\$ 3,916	\$ —	\$ 29,066	\$ 61,116
Accumulated Goodwill Impairment						
Balance, December 31, 2013	\$ —	\$ —	\$ (1,016)	\$ —	\$ —	\$ (1,016)
Accumulated Goodwill Impairment						
Balance, September 30, 2014	\$ —	\$ —	\$ (1,016)	\$ —	\$ —	\$ (1,016)

(1) Fair value adjustment represents a final purchase accounting adjustment to decrease the recorded fair value of certain acquired intangible assets totaling \$801, net of a \$160 deferred tax liability adjustment, related to the Company's prior year acquisition of The Energy Services Partnership Limited (now known as Ameresco Limited) and ESP Response Limited (together "ESP").

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 nine months ended September 30, 2014 or for the year ended December 31, 2013.

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. Intangible assets acquired during the nine months ended September 30, 2014 consisted of customer contracts, customer relationships, non-compete assets and technology which were assigned a weighted average useful life of 8.2 years.

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

	As of September 30, 2014	As of December 31, 2013
Gross Carrying Amount		
Customer contracts	\$ 8,220	\$ 7,684
Customer relationships	13,045	8,200
Non-compete agreements	3,447	3,230
Technology	2,815	2,386
Trade names	553	556
	<u>28,080</u>	<u>22,056</u>
Accumulated Amortization		
Customer contracts	6,431	5,349
Customer relationships	4,045	2,923
Non-compete agreements	2,530	1,872
Technology	1,640	1,299
Trade names	420	360
	<u>15,066</u>	<u>11,803</u>
Intangible assets, net	<u>\$ 13,014</u>	<u>\$ 10,253</u>

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 September 30, 2014 and 2013 related to customer contracts was \$513 and \$499, respectively. Amortization expense for the nine months ended September 30, 2014 and 2013 related to customer contracts was \$1,127 and \$953, respectively. Amortization expense for the three months ended September 30, 2014 and 2013 related to all other acquired intangible assets was \$875 and \$969, respectively. Amortization expense for the nine months ended September 30, 2014 and 2013 related to all other acquired intangible assets was \$2,139 and \$2,304, respectively.

5. INCOME TAXES

The (benefit) provision for income taxes was \$(532) and \$1,448, for the three months ended September 30, 2014 and 2013, respectively. The (benefit) provision for income taxes was \$(501) and \$248, for the nine months ended September 30, 2014 and 2013, respectively. The estimated 2014 effective tax rate was (7.9)% for the three months ended September 30, 2014 compared to a 24.2% estimated annual effective tax rate for the three months ended September 30, 2013. For the nine months ended September 30, 2014 the estimated 2014 effective tax rate was (40.8)% compared to a 22.8% estimated annual effective tax rate for the nine months ended September 30, 2013.

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, 2013	\$ 9,200
Additions for prior year tax positions	—
Settlements with tax authorities	(4,100)
Reductions of prior year tax positions	—
Balance, September 30, 2014	<u>\$ 5,100</u>

At September 30, 2014 and December 31, 2013, the Company had approximately \$5,100 and \$9,200, respectively, of total gross unrecognized tax benefits. Of the total gross unrecognized tax benefits as of September 30, 2014 and December 31, 2013, approximately \$3,700 and \$5,500, 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.

6. 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 and countervailing duty 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 anti-dumping duty of 249.96%, in the case of the Company, and increased its countervailing duty from 3.61% to 15.24%; both duties are applied to the value of imports of solar modules containing PRC cells. Under Commerce’s determination, the anti-dumping and countervailing duties both were to apply retroactively 90 days from the date each preliminary decision was published to February 25, 2012 and December 21, 2011, respectively. On November 7, 2012, the International Trade Commission announced its final determination upholding the duties, but eliminating the retroactive periods. Since early 2012, the Company has been importing solar modules containing PRC cells, though it ceased doing so in July 2012 in response to these duties. In April 2014, the Company’s manufacturer filed an application for a separate and reduced anti-dumping duty. During the third quarter of 2014, the Company paid countervailing duties on all covered shipments at the 3.61% rate. Depending on whether the maximum anti-dumping duty rate of 249.96% or some lower rate applies, the Company may be liable for anti-dumping duties of up to approximately \$2,900.

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)
(in thousands, except share and per share amounts)

The Company has established a reserve reflecting its current estimate of its ultimate exposure to these assessments.

Commitments as a Result of Acquisitions

Related to the Company's acquisition of EEX in the second quarter of 2014 (see Note 3), the former owners of EEX, who are now employees of the Company, may be entitled to receive up to 4.5 million British pounds sterling in additional consideration, accounted for as compensation for post-combination services, if the acquired business meets certain financial performance milestones through December 31, 2018.

7. 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:

	Level	Fair Value as of	
		September 30, 2014	December 31, 2013
Assets:			
Interest rate swap instruments	2	\$ 165	\$ 1,553
Liabilities:			
Interest rate swap instruments	2	\$ 3,595	\$ 4,268

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 September 30, 2014, the fair value of the Company's long-term debt was estimated using discounted cash flows analysis, based on quoted market prices or on rates available to the Company for debt with similar terms and maturities, which are considered to be level two inputs. There were no transfers in or out of level two for the nine months ended September 30, 2014. Based on the analysis performed, the fair value and the carrying value of the Company's long-term debt are as follows:

	As of September 30, 2014		As of December 31, 2013	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Long-term debt value	\$ 122,120	\$ 122,072	\$ 114,776	\$ 116,196

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. The Company determined the fair value used in its annual impairment analysis with its own discounted cash flow analysis. The Company has determined the inputs used in such analysis as Level 3 inputs. The Company did not record any impairment charges on goodwill or other intangible assets as no significant events

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)
(in thousands, except share and per share amounts)

requiring non-financial assets and liabilities to be measured at fair value occurred for the nine months ended September 30, 2014.

8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

	Derivatives as of			
	September 30, 2014		December 31, 2013	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives Designated as Hedging Instruments:				
Interest rate swap contracts	Other assets	\$ 165	Other assets	\$ 1,553
Interest rate swap contracts	Other liabilities	\$ 3,595	Other liabilities	\$ 4,268

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 income (loss):

	Location of (Gain) Loss Recognized in Income (Loss)	Amount of (Gain) Loss Recognized in Income (Loss)			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2014	2013	2014	2013
Derivatives Designated as Hedging Instruments:					
Interest rate swap contracts	Other expenses, net	\$ (69)	\$ (125)	\$ (1,266)	\$ (1,112)
Derivatives Not Designated as Hedging Instruments:					
Interest rate swap contracts	Other expenses, net	\$ —	\$ —	\$ —	\$ (266)

	Nine Months Ended September 30, 2014	
	Loss Recognized in Accumulated Other Comprehensive (Loss) Income, Net	Interest Expense Reclassified from Accumulated Other Comprehensive (Loss) Income, Net into Other Expenses, Net
	Derivatives Designated as Hedging Instruments:	
Interest rate swap contracts	\$ 1,981	\$ 786

9. 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 products 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 LFG, 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.

AMERESCO, INC.
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 September 30, 2014						
Revenues	\$ 80,503	\$ 26,233	\$ 21,976	\$ 13,954	\$ 26,225	\$ 168,891
Interest income	—	—	—	11	1	12
Interest expense	—	—	355	1,006	—	1,361
Depreciation and amortization of intangible assets	330	315	390	3,204	1,213	5,452
Unallocated corporate activity	—	—	—	—	—	(6,844)
Income (loss) before taxes, excluding unallocated corporate activity	8,199	4,222	(318)	1,372	128	13,603
Three Months Ended September 30, 2013						
Revenues	91,334	19,118	20,060	9,750	21,386	161,648
Interest income	—	—	8	—	—	8
Interest expense	—	—	336	1,157	—	1,493
Depreciation and amortization of intangible assets	642	263	472	2,390	936	4,703
Unallocated corporate activity	—	—	—	—	—	(5,511)
Income (loss) before taxes, excluding unallocated corporate activity	10,079	1,971	(127)	78	(497)	11,504
Nine Months Ended September 30, 2014						
Revenues	184,294	62,374	58,043	39,309	68,160	412,180
Interest income	—	—	1	34	1	36
Interest expense	—	—	1,025	2,283	—	3,308
Depreciation and amortization of intangible assets	977	879	1,210	9,451	2,948	15,465
Unallocated corporate activity	—	—	—	—	—	(21,847)
Income (loss) before taxes, excluding unallocated corporate activity	14,801	6,487	(3,387)	5,187	(13)	23,075
Nine Months Ended September 30, 2013						
Revenues	214,132	44,826	49,845	30,324	58,910	398,037
Interest income	—	—	34	1	2	37
Interest expense	—	—	1,008	2,016	—	3,024
Depreciation and amortization of intangible assets	1,551	788	1,256	8,284	2,022	13,901
Unallocated corporate activity	—	—	—	—	—	(18,136)
Income (loss) before taxes, excluding unallocated corporate activity	\$ 16,870	\$ 1,851	\$ (2,061)	\$ 2,705	\$ (141)	\$ 19,224

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)
(in thousands, except share and per share amounts)

10. 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. At September 30, 2014, \$43,152 was outstanding under construction and term loans. The weighted average rate for these loans at September 30, 2014 was 3.240%.

Senior Secured Credit Facility - Revolver and Term Loan

On June 30, 2011, the Company entered into an amended and restated credit and security agreement with two banks consisting of a \$60,000 revolving credit facility and a \$40,000 term loan. The revolving credit facility may be increased up to an additional \$25,000 at the Company's option, if the lenders agree. The facility matures on June 30, 2016, and all remaining unpaid amounts outstanding under the facility will be due at that time. At September 30, 2014, \$21,429 was outstanding under the term loan and \$20,000 was outstanding under the revolving credit facility. Payments on the term loan are due in quarterly principal installments of \$1,429 together with accrued but unpaid interest, with all remaining unpaid principal amounts due June 30, 2016. The Company is the sole borrower under the facility and its obligations are guaranteed by certain of the Company's subsidiaries and are secured by a lien on all of the assets of the Company other than renewable energy projects that the Company owns and that are financed by others. The agreement contains certain financial covenants.

On March 12, 2014, the Company amended the senior secured credit facility as follows: (i) to increase the margins added to Bank of America's prime rate or the one-, two- three- or six-month London interbank deposit rate, as applicable, in determining the interest rate by 25 basis points to 0.50% and 2.00%, respectively; (ii) to waive compliance with the minimum EBITDA covenant for the four consecutive fiscal quarters ended December 31, 2013; (iii) to reduce the required minimum EBITDA amount to \$16,500 for the four consecutive fiscal quarters ended March 31, 2014, \$22,000 for the four consecutive fiscal quarters ended June 30, 2014, \$24,000 for the four consecutive fiscal quarters ended September 30, 2014, and \$27,000 for the four consecutive fiscal quarters ended December 31, 2014 and thereafter; (iv) to increase the maximum ratio of total funded debt to EBITDA as of the end of each fiscal quarter to 2.5 to 1.0 for March 31, 2014 and 2.25 to 1.0 for June 30, 2014, returning to 2.0 to 1.0 for September 30, 2014 and thereafter; and (v) to reduce the minimum ratio of cash flow to debt service to 1.25 to 1.0 for the four fiscal quarters ended March 31, 2014, returning to 1.5 to 1.0 for the four fiscal quarters ended June 30, 2014 and thereafter.

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; cash flow is based on EBITDA as used in the facility, less capital expenditures (other than by project company subsidiaries that are not guarantors under the facility), certain taxes, and dividends and other distributions; 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 September 30, 2014, the Company was in compliance with all financial covenants.

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, 2013 included in our Annual Report on Form 10-K for the year ended December 31, 2013 filed on March 17, 2014 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 projections regarding our future financial performance, our anticipated growth and trends in our businesses, our future capital needs and capital expenditures; our future market position and competitive changes in the marketplace for our services; our ability to integrate new technologies into our services; our ability to access credit or capital markets; our reliance on subcontractors; potential acquisitions or divestitures; the continued availability of key personnel; 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," "predict" or "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, 2013 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. 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 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 services business of Duke Energy in 2002 expanded our geographical reach into Canada and the southeastern United States and enabled us to penetrate the Federal Government market for energy efficiency projects. The acquisition of the energy services business of Exelon in 2004 expanded our geographical reach into the Midwest. Our acquisition of the energy services business of Northeast Utilities in 2006 substantially grew our capability to provide services for the Federal market and in Europe. Our acquisition of Southwestern Photovoltaic in 2007 significantly expanded our offering of solar energy products and services. Our acquisition of energy services company Quantum in 2010 expanded our geographical reach into the northwest U.S.

We made three acquisitions in 2011. Our acquisition of energy efficiency and demand side management consulting services provider Applied Energy Group, Inc. ("AEG"), expanded our service offering to utility customers. Our acquisition of APS Energy Services Company, Inc., which we renamed Ameresco Southwest, a company that provides a full range of integrated energy efficiency and renewable energy solutions, strengthened our geographical position in the southwest U.S. Our acquisition of the xChangePoint® and energy projects businesses from Energy and Power Solutions, Inc. ("EPS"), which we operate as Ameresco Intelligent Systems ("AIS"), expanded our service offerings to private sector commercial and industrial customers. AIS offers energy efficiency solutions to customers across North America encompassing the food and beverage, meat, dairy, paper, aerospace, oil and gas and REIT industries.

Our acquisition of infrastructure asset management solutions provider FAME Facility Software Solutions Inc. ("FAME") in 2012 expanded our asset planning consulting and software services offerings and our geographical position in western Canada.

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 (together “ESP”) in the second quarter of 2013 added a local presence in the United Kingdom (“UK”), expertise and seasoned energy industry professionals to support multi-national customers of our enterprise energy management service offerings.

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 UK and to our commercial and industrial customer base.

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 revenue and operating income in the third quarter are typically higher, and our revenue 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 business is affected by seasonal trends and construction cycles, and these trends and cycles could have an adverse effect on our operating results” in Item 1A, Risk Factors in our Annual Report on Form 10-K.

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 on Form 10-K.

As of September 30, 2014, we had backlog of approximately \$400.6 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 \$1,037.1 million. As of September 30, 2013, we had fully-contracted backlog of approximately \$366.0 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 \$1,041.7 million.

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, 2013.

Non-GAAP Financial Measures

We use the non-GAAP financial measures defined and discussed below to provide investors and others with useful supplemental information to our financial results prepared in accordance with GAAP. These non-GAAP financial measures should not be considered as an alternative to any measure of financial performance calculated and presented in accordance with GAAP. The tables below provide a reconciliation of these non-GAAP measures to the most directly comparable financial measures prepared in accordance with GAAP.

We understand that, although measures similar to these non-GAAP financial measures are frequently used by investors and securities analysts in their evaluation of companies, they have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for the most directly comparable GAAP financial measures or an analysis of our results of operations as reported under GAAP. To properly and prudently evaluate our business, we encourage investors to review our GAAP financial statements included above, and not to rely on any single financial measure to evaluate our business.

Adjusted EBITDA

We define adjusted EBITDA as operating income (loss) before depreciation, amortization of intangible assets, impairment of goodwill and stock-based compensation expense. We believe adjusted EBITDA is useful to investors in evaluating our operating performance for the following reasons: adjusted EBITDA and similar non-GAAP measures are widely used by investors to measure a company's operating performance without regard to items that can vary substantially from company to company depending upon financing and accounting methods, book values of assets, capital structures and the methods by which assets were acquired; securities analysts often use adjusted EBITDA and similar non-GAAP measures as supplemental measures to evaluate the overall operating performance of companies; and by comparing our adjusted EBITDA in different historical periods, investors can evaluate our operating results without the additional variations of depreciation and amortization expense, goodwill impairment and stock-based compensation expense.

Our management uses adjusted EBITDA: as a measure of operating performance, because it does not include the impact of items that we do not consider indicative of our core operating performance; for planning purposes, including the preparation of our annual operating budget; to allocate resources to enhance the financial performance of the business; to evaluate the effectiveness of our business strategies; and in communications with the board of directors and investors concerning our financial performance.

Adjusted Free Cash Flow

We define adjusted free cash flow as cash flows from operating activities, less purchases of property and equipment, plus proceeds from Federal ESPC projects. Cash received in payment of Federal ESPC projects is treated as a financing cash flow under GAAP due to the unusual financing structure for these projects. These cash flows, however, correspond to the revenues generated by these projects. Thus we believe that adjusting operating cash flow to include the cash generated by our Federal ESPC projects and to give effect for purchases of property and equipment provides investors with a useful measure for evaluating the cash generating ability of our core operating business. Our management uses adjusted free cash flow as a measure of liquidity because it captures all sources of cash associated with our revenues generated by operations.

Reconciliations

The following table presents a reconciliation of adjusted EBITDA to operating income, the most comparable GAAP measure (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Operating income	\$ 9,224	\$ 7,581	\$ 6,221	\$ 3,590
Depreciation and amortization of intangible assets	5,938	5,227	16,923	15,505
Stock-based compensation	683	789	2,108	2,125
Adjusted EBITDA	\$ 15,845	\$ 13,597	\$ 25,252	\$ 21,220

The following table presents a reconciliation of adjusted free cash flow to cash flows from operating activities, the most comparable GAAP measure (in thousands):

	Nine Months Ended September 30,	
	2014	2013 (Revised)
Cash flows from operating activities	\$ (12,093)	\$ (45,313)
Less: purchases of property and equipment	(1,553)	(2,331)
Plus: proceeds from Federal ESPC projects	32,886	21,383
Adjusted free cash flow	\$ 19,240	\$ (26,261)

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. Additionally, this ASU 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. For a public entity, the amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Retrospective application of the amendments in this ASU are 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. 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) (“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. We do not believe that this pronouncement will have an impact on our consolidated financial statements.

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 September 30,			
	2014		2013	
	Dollar Amount	% of Revenues	Dollar Amount	% of Revenues
Revenues	\$ 168,891	100.0 %	\$ 161,648	100.0%
Cost of revenues	133,867	79.3 %	131,585	81.4%
Gross profit	35,024	20.7 %	30,063	18.6%
Selling, general and administrative expenses	25,800	15.3 %	22,482	13.9%
Operating income	9,224	5.5 %	7,581	4.7%
Other expenses, net	2,465	1.5 %	1,588	1.0%
Income before (benefit) provision for income taxes	6,759	4.0 %	5,993	3.7%
Income tax (benefit) provision	(532)	(0.3)%	1,448	0.9%
Net income	\$ 7,291	4.3 %	\$ 4,545	2.8%

	Nine Months Ended September 30,			
	2014		2013	
	Dollar Amount	% of Revenues	Dollar Amount	% of Revenues
Revenues	\$ 412,180	100.0 %	\$ 398,037	100.0%
Cost of revenues	331,666	80.5 %	323,072	81.2%
Gross profit	80,514	19.5 %	74,965	18.8%
Selling, general and administrative expenses	74,293	18.0 %	71,375	17.9%
Operating income	6,221	1.5 %	3,590	0.9%
Other expenses, net	4,993	1.2 %	2,502	0.6%
Income before (benefit) provision for income taxes	1,228	0.3 %	1,088	0.3%
Income tax (benefit) provision	(501)	(0.1)%	248	0.1%
Net income	\$ 1,729	0.4 %	\$ 840	0.2%

Revenues

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

	Three Months Ended September 30,		Dollar Change	Percentage Change
	2014	2013		
Revenues	\$ 168,891	\$ 161,648	\$ 7,243	4.5%

	Nine Months Ended September 30,		Dollar Change	Percentage Change
	2014	2013		
Revenues	\$ 412,180	\$ 398,037	\$ 14,143	3.6%

Revenues increased \$7.2 million, or 4.5%, for the three months ended September 30, 2014 compared to the same period of 2013 due to a \$7.1 million increase in revenues from our Federal segment, a \$1.9 million increase in revenues from our Canada segment, a \$4.2 million increase in revenues from our Small-Scale Infrastructure segment and \$4.7 million in revenues as a result of our current year acquisitions. These increases were partially offset by a \$10.8 million decrease in revenues from our U.S. Regions segment.

Revenues increased \$14.1 million, or 3.6%, for the nine months ended September 30, 2014 compared to the same period of 2013 due to a \$17.5 million increase in revenues from our Federal segment, an \$8.2 million increase in revenues from our Canada segment, a \$9.0 million increase in revenues from our Small-Scale Infrastructure segment, a \$5.2 million increase in revenues from enterprise energy management services and integrated-PV sales and \$5.0 million as a result of our current year acquisitions. These increases were partially offset by a \$29.8 million decrease in revenues from our U.S. Regions segment.

We derive a majority of our revenue from energy efficiency products and services, which accounted for approximately 72.2% and 66.3% of revenues for the nine months ended September 30, 2014 and 2013, respectively.

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 September 30,		Dollar Change	Percentage Change
	2014	2013		
Cost of revenues	\$ 133,867	\$ 131,585	\$ 2,282	1.7%
Gross margin %	20.7%	18.6%		

	Nine Months Ended September 30,		Dollar Change	Percentage Change
	2014	2013		
Cost of revenues	\$ 331,666	\$ 323,072	\$ 8,594	2.7%
Gross margin %	19.5%	18.8%		

Cost of revenues increased \$2.3 million, or 1.7%, for the three months ended September 30, 2014 compared to the same period of 2013 primarily due to the increase in revenues described above, partially offset by a favorable mix of higher margin projects. Cost of revenues increased \$8.6 million, or 2.7%, for the nine months ended September 30, 2014 compared to the same period of 2013 primarily due to the increase in revenues described above as well as higher fuel and operating costs, at our Savannah River Site (“SRS”), due to weather related issues during the first quarter of 2014, partially offset by a \$1.0 million recovery during the second quarter of 2014 related to a customer warranty issue and a favorable mix of higher margin projects.

The majority of our cost of revenues are incurred in connection with energy efficiency projects for which expenditures represented approximately 81.3% and 81.0% of corresponding revenue for the nine months ended September 30, 2014 and 2013, respectively.

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 September 30, 2014 and 2013, we recorded amortization expense of \$0.5 million and \$0.5 million, respectively, related to customer contracts. For the nine months ended September 30, 2014 and 2013, we recorded amortization expense of \$1.1 million and \$1.0 million, respectively, 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 Ended September 30,		Dollar Change	Percentage Change
	2014	2013		
Selling, general and administrative expenses	\$ 25,800	\$ 22,482	\$ 3,318	14.8%

	Nine Months Ended September 30,		Dollar Change	Percentage Change
	2014	2013		
Selling, general and administrative expenses	\$ 74,293	\$ 71,375	\$ 2,918	4.1%

Selling, general and administrative expenses increased \$3.3 million, or 14.8%, for the three months ended September 30, 2014 compared to the same period of 2013 primarily due to increases in project development costs and an increase in expenses, including salaries and benefits, as a result of acquisitions. The three months ended September 30, 2013 also included a gain on a project termination, which reduced selling, general and administrative expenses for the period. Selling, general and

administrative expenses increased \$2.9 million, or 4.1%, for the nine months ended September 30, 2014 compared to the same period of 2013 primarily due to the third quarter changes described above as well as severance charges recognized during the first quarter of 2014, partially offset by decreases in marketing, travel and professional fees as well as a decrease in salary and benefits, excluding acquisitions.

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 September 30, 2014 and 2013, we recorded amortization expense, related to these intangible assets, of \$0.9 million and \$1.0 million, respectively. For the nine months ended September 30, 2014 and 2013, we recorded amortization expense, related to these intangible assets, of \$2.1 million and \$2.3 million, respectively.

Other Expenses, Net

Other expenses, net includes gains and losses from derivatives, interest income and expenses, amortization of deferred financing costs, net and foreign currency transaction gains and losses. Other expenses, net, increased \$0.9 million for the three months ended September 30, 2014 compared to the same period of 2013 primarily due to foreign currency exchange losses. Other expenses, net, increased \$2.5 million for the nine months ended September 30, 2014 compared to the same period of 2013 primarily due to foreign currency exchange losses and a \$1.2 million increase in interest expense, net of interest income. The increase in interest expense for the nine months ended September 30, 2014 was primarily due to a \$0.9 million decrease in interest capitalized relating to construction financing and an increase in interest related to the conversion to term loans on our construction-to-term loan credit facility during the second half of 2013 and first half of 2014.

Income (Loss) Before Taxes

Income before taxes increased \$0.8 million, or 12.8%, to \$6.8 million for the three months ended September 30, 2014 from \$6.0 million for the three months ended September 30, 2013 due to the reasons described above. Income before taxes increased \$0.1 million, or 12.9%, to \$1.2 million for the nine months ended September 30, 2014 from \$1.1 million for the nine months ended September 30, 2013 due to the reasons described above.

Provision (Benefit) from Income Taxes

The benefit for income taxes was \$0.5 million for the three months ended September 30, 2014, compared to a provision of \$1.4 million for the three months ended September 30, 2013. The benefit for income taxes was \$0.5 million for the the nine months ended September 30, 2014, compared to a provision of \$0.2 million for the nine months ended September 30, 2013. The estimated annual effective tax rate applied for the three months ended September 30, 2014 was (7.9)% compared to 24.1% for the three months ended September 30, 2013 and was (40.8)% for the nine months ended September 30, 2014 compared to 22.8% for the nine months ended September 30, 2013, respectively. The decrease in the rate compared to the same periods in the prior year was due to investment tax credits on energy efficiency projects placed or expected to be placed in service in 2014 as compared to deductions allowed under Section 179D of the Internal Revenue Code in 2013. The principal reason for the difference between the statutory rate and the estimated annual effective rate for 2014 were the effects of investment tax credits and production tax credits to which we are entitled from plants we own. The principal reasons for the difference between the statutory rate and the estimated annual effective rate for 2013 were the effects of deductions permitted under Section 179D in 2013, which relate to the installation of certain energy efficiency equipment in Federal, state, provincial and local government-owned buildings, as well as tax credits to which we are entitled from plants we own.

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

Net income increased \$2.7 million, or 60.4%, for the three months ended September 30, 2014 to \$7.3 million from \$4.5 million for the three months ended September 30, 2013 due to the reasons described above. Net income increased \$0.9 million, or 105.8%, for the nine months ended September 30, 2014 to \$1.7 million from \$0.8 million for the nine months ended September 30, 2013 due to the reasons described above.

Basic and diluted earnings per share for the three months ended September 30, 2014 were \$0.16 per share, an increase of \$0.06 per share, or 60.0%, compared to the same period of 2013. Basic and diluted earnings per share for the nine months ended September 30, 2014 were \$0.04 per share, an increase of \$0.02 per share, or 100.0%, compared to the same period of 2013.

Business Segment Analysis (in thousands)

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 products 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. Our Small-Scale Infrastructure segment sells electricity, processed LFG, heat or cooling produced from renewable sources of energy from small-scale plants that we own. 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.

U.S. Regions

	Three Months Ended September 30,		Dollar Change	Percentage Change
	2014	2013		
Revenues	\$ 80,503	\$ 91,334	\$ (10,831)	(11.9)%
Income before taxes	\$ 8,199	\$ 10,079	\$ (1,880)	(18.7)%
	Nine Months Ended September 30,		Dollar Change	Percentage Change
	2014	2013		
Revenues	\$ 184,294	\$ 214,132	\$ (29,838)	(13.9)%
Income before taxes	\$ 14,801	\$ 16,870	\$ (2,069)	(12.3)%

Revenues for the U.S. Regions segment decreased for the three months ended September 30, 2014 compared to the same period of 2013 by \$10.8 million, or 11.9%, to \$80.5 million and decreased for the nine months ended September 30, 2014 compared to the same period of 2013 by \$29.8 million, or 13.9%, to \$184.3 million primarily due to a decrease in revenues from the construction of small-scale renewable energy plants for customers and the timing of revenue recognized as a result of the phase of active projects.

Income before taxes for the U.S. Regions segment decreased for the three months ended September 30, 2014 compared to the same period of 2013 by \$1.9 million, or 18.7%, to \$8.2 million. The decrease was primarily due to the decrease in revenues described above, partially offset by a favorable mix of higher margin projects. Income before taxes for the U.S. Regions segment decreased for the nine months ended September 30, 2014 compared to the same period of 2013 by \$2.1 million, or 12.3%, to \$14.8 million. The decrease was primarily due to the decrease in revenues, partially offset by the recovery on a customer warranty issue described above.

U.S. Federal

	Three Months Ended September 30,		Dollar Change	Percentage Change
	2014	2013		
Revenues	\$ 26,233	\$ 19,118	\$ 7,115	37.2%
Income before taxes	\$ 4,222	\$ 1,971	\$ 2,251	114.2%
	Nine Months Ended September 30,		Dollar Change	Percentage Change
	2014	2013		
Revenues	\$ 62,374	\$ 44,826	\$ 17,548	39.1%
Income before taxes	\$ 6,487	\$ 1,851	\$ 4,636	250.5%

Revenues for the U.S. Federal segment increased for the three months ended September 30, 2014 compared to the same period of 2013 by \$7.1 million, or 37.2%, to \$26.2 million and increased for the nine months ended September 30, 2014 compared to the same period of 2013 by \$17.5 million, or 39.1%, to \$62.4 million due to two large new energy efficiency projects for which revenue began to be recognized during the second quarter of 2014.

Income before taxes for the U.S. Federal segment increased for the three months ended September 30, 2014 compared to the same period of 2013 by \$2.3 million to \$4.2 million and increased for the nine months ended September 30, 2014 compared to the same period of 2013 by \$4.6 million to \$6.5 million. The increases were primarily due to the increase in revenues described above.

Canada

	Three Months Ended September 30,		Dollar Change	Percentage Change
	2014	2013		
Revenues	\$ 21,976	\$ 20,060	\$ 1,916	9.6%
Loss before taxes	\$ (318)	\$ (127)	\$ (191)	150.4%

	Nine Months Ended September 30,		Dollar Change	Percentage Change
	2014	2013		
Revenues	\$ 58,043	\$ 49,845	\$ 8,198	16.4%
Loss before taxes	\$ (3,387)	\$ (2,061)	\$ (1,326)	64.3%

Revenues for the Canada segment increased for the three months ended September 30, 2014 compared to the same period of 2013 by \$1.9 million, or 9.6%, to \$22.0 million and increased for the nine months ended September 30, 2014 compared to the same period of 2013 by \$8.2 million, or 16.4%, to \$58.0 million, primarily due to the timing of revenue recognized as a result of the phase of active projects, including several new projects.

Loss before taxes for the Canada segment increased for the three months ended September 30, 2014 compared to the same period of 2013 by \$0.2 million to a loss of \$0.3 million and increased for the nine months ended September 30, 2014 compared to the same period of 2013 by \$1.3 million, or 64.3%, to a loss of \$3.4 million. The increase in the losses was primarily due to an unfavorable mix of lower margin projects.

Small-Scale Infrastructure

	Three Months Ended September 30,		Dollar Change	Percentage Change
	2014	2013		
Revenues	\$ 13,954	\$ 9,750	\$ 4,204	43.1%
Income before taxes	\$ 1,372	\$ 78	\$ 1,294	1,659.0%

	Nine Months Ended September 30,		Dollar Change	Percentage Change
	2014	2013		
Revenues	\$ 39,309	\$ 30,324	\$ 8,985	29.6%
Income before taxes	\$ 5,187	\$ 2,705	\$ 2,482	91.8%

Revenues for the Small-Scale Infrastructure segment increased for the three months ended September 30, 2014 compared to the same period of 2013 by \$4.2 million, or 43.1%, to \$14.0 million and increased for the nine months ended September 30, 2014 compared to the same period of 2013 by \$9.0 million, or 29.6%, to \$39.3 million primarily due to an increase in the number of plants fully operational during the nine months ended September 30, 2014, as compared to the same period of 2013.

Income before taxes for the Small-Scale Infrastructure segment increased for the three months ended September 30, 2014 compared to the same period of 2013 by \$1.3 million to \$1.4 million and increased for the nine months ended September 30, 2014 compared to the same period of 2013 by \$2.5 million, or 91.8%, to \$5.2 million. The increases were primarily due to the increase in revenues described above.

All Other & Unallocated Corporate Activity

	Three Months Ended September 30,		Dollar Change	Percentage Change
	2014	2013		
Revenues	\$ 26,225	\$ 21,386	\$ 4,839	22.6%
Income (loss) before taxes	\$ 128	\$ (497)	\$ 625	125.8%
Unallocated corporate activity	\$ (6,844)	\$ (5,511)	\$ (1,333)	24.2%

	Nine Months Ended September 30,		Dollar Change	Percentage Change
	2014	2013		
Revenues	\$ 68,160	\$ 58,910	\$ 9,250	15.7%
Loss before taxes	\$ (13)	\$ (141)	\$ 128	90.8%
Unallocated corporate activity	\$ (21,847)	\$ (18,136)	\$ (3,711)	20.5%

Revenues not allocated to segments and presented as all other increased for the three months ended September 30, 2014 compared to the same period of 2013 by \$4.8 million, or 22.6%, to \$26.2 million primarily due to our current year acquisitions. Revenues not allocated to segments and presented as all other increased for the nine months ended September 30, 2014 compared to the same period of 2013 by \$9.3 million, or 15.7%, to \$68.2 million primarily due to increases in integrated-PV sales and acquisitions.

Income before taxes not allocated to segments and presented as all other increased by \$0.6 million to \$0.1 million for the three months ended September 30, 2014 compared to the same period of 2013 primarily due to the increase in revenues described above, partially offset by increased acquisition related costs, including contingent consideration recognized as compensation for post-combination services and amortization of acquired intangible assets. Loss before taxes not allocated to segments and presented as all other decreased for the nine months ended September 30, 2014 compared to the same period of 2013 by \$0.1 million to a loss of \$0.0 million primarily due an increase in acquisition related selling, general and administrative expenses, depreciation expense and amortization of acquired intangible assets, partially offset by, the increase in revenues described above.

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.

Unallocated corporate activity increased for the three months ended September 30, 2014 compared to the same period of 2013 by \$1.3 million, or 24.2%, to \$(6.8) million and increased for the nine months ended September 30, 2014 compared to the same period of 2013 by \$3.7 million, or 20.5%, to \$(21.8) million primarily due to an increase in acquisition related professional fees, a decrease in interest capitalized during the construction of project assets and an increase in salary and benefits expense, including severance charges realized during the first quarter of 2014.

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 2014 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. 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 to our Notes to Condensed Consolidated Financial Statements under 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 free cash flows, as previously defined, as a measure of liquidity because it captures all sources of cash associated with our revenues generated by operations. Adjusted free cash flows for the nine months ended September 30, 2014 and 2013 were \$19.2 million and \$(26.3) million, respectively.

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 nine months ended September 30, 2014 and 2013 was \$0.4 million and \$1.3 million, respectively.

Cash flows from operating activities. Operating activities used \$12.1 million of net cash during the nine months ended September 30, 2014. During that period, we had net income of 1.7 million, which is net of non-cash compensation, depreciation, amortization, deferred income taxes and other non-cash items totaling \$21.2 million. Decreases in inventory, 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, as well as increases in accounts payable and accrued expenses provided \$17.9 million. These were offset by increases in restricted cash, accounts receivable, including retainage, project development costs and other assets and decreases in other liabilities and income taxes payable, which used \$19.5 million in cash. An increase in Federal ESPC receivables used an additional \$33.4 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 \$45.3 million of net cash during the nine months ended September 30, 2013. During that period, we had net income of \$0.8 million, which is net of non-cash compensation, depreciation, amortization, deferred income taxes and other non-cash items totaling \$13.0 million. Decreases in accounts receivable, including retainage, and inventory and increases in other liabilities provided \$6.3 million. These were offset by increases in restricted cash, costs and estimated earnings in excess of billings and billings in excess of costs and estimated earnings, net, prepaid expenses and other current assets, project development costs and other assets and decreases in accounts payable and accrued expenses and income taxes payable, which used \$41.1 million in cash. An increase in Federal ESPC receivables used an additional \$24.3 million.

Cash flows from investing activities. Cash flows from investing activities during the nine months ended September 30, 2014 used \$28.3 million. Development of our renewable energy plants used \$16.5 million. We now expect to invest \$20.0 million to \$25.0 million on capital expenditures, principally for renewable energy plants, in 2014. In addition, we invested \$1.6 million in purchases of other property and equipment and \$13.9 million was used for acquisitions. Partially offsetting these amounts were \$3.7 million related to Section 1603 grants received during the period.

Cash flows from investing activities during the nine months ended September 30, 2013 used \$42.9 million. Development of our renewable energy plants used \$35.8 million. In addition, we invested \$2.3 million in purchases of other property and equipment and \$9.9 million was used for acquisitions. These were partially offset by \$1.6 million relating to grant awards received on project assets and \$3.5 million in proceeds from the sale of assets.

Cash flows from financing activities. Cash flows from financing activities during the nine months ended September 30, 2014 provided \$45.3 million. This was primarily due to \$20.0 million in net draws on our revolving credit facility, a decrease in our investment in restricted cash of \$2.8 million and proceeds from exercises of options of \$1.4 million. These were partially offset by payments on long-term debt of \$13.9 million and payments of financing fees of \$0.4 million. Proceeds from Federal ESPC projects provided \$32.9 million.

Cash flows from financing activities during the nine months ended September 30, 2013 provided \$43.3 million. This was primarily due to draws on our revolving credit facility of \$18.0 million, proceeds from long-term debt financing of \$9.4 million, proceeds from the exercise of stock options of \$1.7 million and a decrease in our investment in restricted cash of \$1.3

million, partially offset by payments of long-term debt of \$8.4 million. Proceeds from Federal ESPC projects provided \$21.4 million.

Senior Secured Credit Facility — Revolver and Term Loan

We have a credit and security agreement with two banks. The credit facility consists of a \$60.0 million revolving credit facility and an initial \$40.0 million term loan. At September 30, 2014, \$20.0 million was outstanding under the revolving credit facility and \$21.4 million was outstanding under the term loan. The term loan requires quarterly principal payments of \$1.4 million, with the balance due at maturity. Ameresco, Inc. is the sole borrower under the credit facility. The credit facility is secured by a lien on all of our assets other than renewable energy projects that we own and for which financing from others remains outstanding, and limits our ability to enter into other financing arrangements. Availability under the revolving credit facility is based on two times our EBITDA for the preceding four quarters, and we are required to maintain a minimum EBITDA amount on a rolling four-quarter basis. EBITDA for purposes of the facility excludes the results of renewable energy projects that we own and for which financing from others remains outstanding. The credit facility matures on June 30, 2016, when all amounts will be due and payable in full.

During the first quarter of 2014, we amended the senior credit facility to:

- increase the margins over the applicable benchmark rate in determining the interest rate by 25 basis points;
- waive compliance with the minimum EBITDA covenant for the four consecutive fiscal quarters ended December 31, 2013;
- reduce the required minimum EBITDA amount to \$16.5 million for the four consecutive fiscal quarters ended March 31, 2014, \$22.0 million for the four consecutive fiscal quarters ended June 30, 2014, \$24.0 million for the four consecutive fiscal quarters ended September 30, 2014, and \$27.0 million for the four consecutive fiscal quarters ended December 31, 2014 and thereafter;
- increase the maximum ratio of total funded debt to EBITDA as of the end of each fiscal quarter to 2.5 to 1.0 for March 31, 2014 and 2.25 to 1.0 for June 30, 2014, returning to 2.0 to 1.0 for September 30, 2014 and thereafter; and
- reduce the minimum ratio of cash flow to debt service to 1.25 to 1.0 for the four fiscal quarters ended March 31, 2014, returning to 1.5 to 1.0 for the four fiscal quarters ended June 30, 2014 and thereafter.

As of September 30, 2014, 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.

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 generally accepted accounting principles to reflect these loans as liabilities on our consolidated balance sheet, they are generally nonrecourse and not direct obligations of Ameresco, Inc. As of September 30, 2014, we had outstanding \$80.6 million in aggregate principal amount under these loans, bearing interest at rates ranging from 3.2% to 7.3% and maturing at various dates from 2017 to 2028. One loan with an outstanding balance as of September 30, 2014 totaling \$3.9 million, does require 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 September 30, 2014 of \$43.2 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, 2013, we had outstanding \$90.5 million in aggregate principal amount under these loans, bearing interest at rates ranging from 6.1% to 8.7% and maturing at various dates from 2015 to 2028.

These construction and term loan agreements require us to comply with a variety of financial and operational covenants. As of September 30, 2014 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 \$64.8 million and \$44.3 million in principal amounts at September 30, 2014 and December 31, 2013, 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 sheet until the completed project is accepted by the customer.

Contractual Obligations

The following table summarizes our significant contractual obligations and commitments as of September 30, 2014 (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	\$ 20,000	\$ —	\$ 20,000	\$ —	\$ —
Term Loan	21,428	5,714	15,714	—	—
Project Financing:					
Construction and term loans	80,644	7,909	12,862	12,776	47,097
Federal ESPC liabilities(1)	64,833	—	64,833	—	—
Interest obligations(2)	32,897	4,700	7,815	6,077	14,305
Operating leases	11,255	3,394	5,328	2,130	403
Total	\$ 231,057	\$ 21,717	\$ 126,552	\$ 20,983	\$ 61,805

- (1) 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 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 September 30, 2014 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 September 30, 2014, 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, 2013.

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 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 not effective at the reasonable assurance level due to the material weakness in our internal control over financial reporting disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on March 17, 2014, and discussed below.

Changes in Internal Control over Financial Reporting

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

Material Weakness Discussion and Remediation

As previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on March 17, 2014, we identified a material weakness in our internal control over financial reporting. Specifically, we did not have adequate processes to ensure timely preparation and reviews necessary to provide reasonable assurance that financial statements and related disclosures could be prepared in accordance with generally accepted accounting principles and recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

During the three months ended September 30, 2014, we have undertaken the following actions, which had a material affect on our internal controls over financial reporting, to remediate the material weakness identified:

- we continued to act upon the enhancements to our internal controls that we implemented in 2013 as described in our Annual Report on Form 10-K for the year ended December 31, 2013; and
- we continued improving the quality and timing of our accounting close process and financial reporting to allow for an increase in time for review.

Further work, however, is required to develop appropriate controls in some aspects of our financial statement preparation and review process to provide reasonable assurance that controls are designed in the most effective and efficient manner possible. Therefore, while we believe these changes reduce the risk of financial statement misstatement, there continues to be additional work required for us to conclude that reasonable assurance has been obtained that all controls are operating effectively and in a timely manner. We expect to continue to undertake these actions as appropriate throughout the remainder of 2014.

The Audit Committee is monitoring management's continuing development and implementation of its plan for undertaking the foregoing remedial measures. In addition, under the direction of the Audit Committee, management will continue to review and make necessary changes to the overall design of our internal control environment, as well as policies and procedures to improve the overall effectiveness of internal control over financial reporting.

Management is committed to continuous improvement of our internal control processes and will continue to diligently review our reporting controls and procedures. As management continues to evaluate and work to improve internal control over financial reporting, we may determine to take additional measures to address control deficiencies or determine to modify, or in appropriate circumstances not to complete, certain of the remediation measures described above. We expect that our remediation efforts will continue throughout 2014.

For the near-term future, the matter identified above will continue to constitute a material weakness in our internal control over financial reporting that could result in material misstatements in our financial statements not being prevented or detected.

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 6, "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

As of September 30, 2014, there have been no material changes to the risk factors described in Item 1A to our Annual Report on Form 10-K for the year ended December 31, 2013.

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.

Date: November 6, 2014

AMERESCO, INC.

By: /s/ Andrew B. Spence

Andrew B. Spence

Vice President and Chief Financial Officer

(duly authorized and principal financial officer)

Exhibit Index

Exhibit Number	Description
10.1	Amendment No. 8 to Second Amended and Restated Credit and Security Agreement dated July 8, 2014 among Ameresco, Inc., certain guarantors party thereto, certain lenders party thereto from time to time and Bank of America, N.A. as Administrative Agent.
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 September 30, 2014, 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 Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements.

*Furnished herewith.

AMENDMENT NO. 8 TO SECOND AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT

This AMENDMENT NO. 8 TO SECOND AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT is dated as of July 8, 2014 (this "Amendment"), among AMERESCO, INC. (the "Borrower"), THE GUARANTORS PARTY HERETO (the "Guarantors" and collectively with the Borrower, the "Credit Parties"), THE LENDERS PARTY HERETO (the "Lenders"), and BANK OF AMERICA, N.A., as administrative agent (the "Agent").

WHEREAS, the Credit Parties, the Lenders, and the Agent are parties to that certain Second Amended and Restated Credit and Security Agreement dated as of June 30, 2011, among the Borrower, the Guarantors, the Lenders, and the Agent (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, the Credit Parties, the Agent and the Lenders wish to modify a certain covenant, as described herein;

NOW, THEREFORE, in consideration of the foregoing and the agreements contained herein, the parties agree that the Credit Agreement is hereby amended as follows:

1. Capitalized Terms. Capitalized terms used herein which are defined in the Credit Agreement have the same meanings herein as therein, except to the extent that such meanings are amended hereby.

2. Amendment to Section 8.1 of the Credit Agreement. Section 8.1(j) of the Credit Agreement is hereby deleted and replaced with the following:

(j) Indebtedness of the Canadian Subsidiaries to any Credit Party in an aggregate principal amount not to exceed \$12,000,000 outstanding at any time;

3. Confirmation of Guaranty by Guarantors. Each Guarantor hereby confirms and agrees that all indebtedness, obligations or liability of the Borrower under the Credit Agreement as amended hereby, whether any such indebtedness, obligations and liabilities are now existing or hereafter arising, due or to become due, actual or contingent, or direct or indirect, constitute "Obligations" under and as defined in the Credit Agreement and, subject to the limitation set forth in Section 3.8 of the Credit Agreement, are guaranteed by and entitled to the benefits of the Guaranty set forth in Article 3 of the Credit Agreement. Each Guarantor hereby ratifies and confirms the terms and provisions of such Guarantor's Guaranty and agrees that all of such terms and provisions remain in full force and effect.

4. Confirmation of Security Interests. Each Credit Party hereby confirms and agrees that all indebtedness, obligations and liabilities of the Credit Parties under the Credit Agreement as amended hereby, whether any such indebtedness, obligations and liabilities are now existing or hereafter arising, due or to become due, actual or contingent, or direct or indirect, constitute "Obligations" under and as defined in the Credit Agreement and are secured by the Collateral and entitled to the benefits of the grant of security interests pursuant to Article 4 of the Credit

Agreement. The Credit Parties hereby ratify and confirm the terms and provisions of Article 4 of the Credit Agreement and agree that, after giving effect to this Amendment, all of such terms and provisions remain in full force and effect.

5. No Default; Representations and Warranties, etc. The Credit Parties hereby confirm that, after giving effect to this Amendment, the representations and warranties of the Credit Parties contained in Article 5 of the Credit Agreement and the other Loan Documents are true and correct on and as of the date hereof as if made on such date (except to the extent that such representations and warranties expressly relate to an earlier date) and no Default or Event of Default shall have occurred and be continuing. Each Credit Party hereby further represents and warrants that (a) the execution, delivery and performance by such Credit Party of this Amendment (i) have been duly authorized by all necessary action on the part of such Credit Party, (ii) will not violate any applicable law or regulation or the organizational documents of such Credit Party, (iii) will not violate or result in a default under any indenture, agreement or other instrument binding on such Credit Party or any of its assets, and (iv) do not require any consent, waiver, approval, authorization or order of, or filing, registration or qualification with, any court or governmental authority or any Person (other than the Agent and the Lenders) which has not been made or obtained; and (b) it has duly executed and delivered this Amendment.

6. Conditions to Effectiveness. This Amendment shall become effective upon the receipt by the Agent of counterparts of this Amendment duly executed by each of the parties hereto or written evidence reasonably satisfactory to the Agent that each of the parties hereto has signed a counterpart of this Amendment.

7. Miscellaneous.

(a) Except to the extent specifically amended hereby, the Credit Agreement, the Loan Documents and all related documents shall remain in full force and effect. This Amendment shall constitute a Loan Document. Whenever the terms or sections amended hereby shall be referred to in the Credit Agreement, Loan Documents or such other documents (whether directly or by incorporation into other defined terms), such defined terms shall be deemed to refer to those terms or sections as amended by this Amendment.

(b) This Amendment may be executed in any number of counterparts, each of which, when executed and delivered, shall be an original, but all counterparts shall together constitute one instrument. Delivery of an executed counterpart to this Amendment by telecopy or other electronic means shall be effective as an original and shall constitute a representation that an original will be delivered.

(c) This Amendment shall be governed by the laws of the Commonwealth of Massachusetts and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(d) The Credit Parties agree to pay all reasonable expenses, including legal fees and disbursements incurred by the Agent in connection with this Amendment and the transactions contemplated hereby.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment which shall be deemed to be a sealed instrument as of the date first above written.

BORROWER

AMERESCO, INC.

By: /s/ Andrew B. Spence
Name: Andrew B. Spence
Title: Vice President & Chief Financial Officer

GUARANTORS

AMERESCO ENERTECH, INC.
AMERESCO FEDERAL SOLUTIONS, INC.
AMERESCO PLANERGY HOUSING, INC.
AMERESCO QUANTUM, INC.
AMERESCO SELECT, INC.
AMERESCOSOLUTIONS, INC.
APPLIED ENERGY GROUP INC.
SIERRA ENERGY COMPANY

By: /s/ Andrew B. Spence
Name: Andrew B. Spence
Title: Treasurer

AMERESCO SOUTHWEST, INC.

By: /s/ Andrew B. Spence
Name: Andrew B. Spence
Title: Vice President and Treasurer

E.THREE CUSTOM ENERGY SOLUTIONS, LLC,
By: Sierra Energy Company, its sole member

By: /s/ Andrew B. Spence
Name: Andrew B. Spence
Title: Treasurer

[Signature Page to Amendment No. 8 to Second Amended Ameresco Credit and Security Agreement]

AMERESCO ASSET SUSTAINABILITY GROUP LLC
AMERESCO EVANSVILLE, LLC
AMERESCO HAWAII LLC
AMERESCO Intelligent SYSTEMS, LLC
AMERESCO LFG HOLDINGS LLC
AMERESCO PALMETTO LLC
AMERESCO SOLAR, LLC
AMERESCO SOLAR NEWBURYPORT LLC
AMERESCO SOLAR-PRODUCTS LLC
AMERESCO WOODLAND MEADOWS ROMULUS LLC
SELDERA LLC
SOLUTIONS HOLDINGS, LLC

By: Ameresco, Inc., its sole member

By: /s/ Andrew B. Spence
Name: Andrew B. Spence
Title: Vice President & Chief Financial Officer

AMERESCO SOLAR - SOLUTIONS LLC
AMERESCO SOLAR - TECHNOLOGIES LLC
By: Ameresco Solar LLC, its sole member
By: Ameresco, Inc., its sole member

By: /s/ Andrew B. Spence
Name: Andrew B. Spence
Title: Vice President & Chief Financial Officer

[Signature Page to Amendment No. 8 to Second Amended Ameresco Credit and Security Agreement]

AGENT:

BANK OF AMERICA, N.A.

By: /s/ Darleen R Parmalee
Name: Darleen R Parmalee
Title: Vice President

LENDERS:

BANK OF AMERICA, N.A.

By: /s/ Luanne T. Smith
Name: Luanne T. Smith
Title: VP

WEBSTER BANK, N.A.

By: /s/ Ann M. Meade
Name: Ann M. Meade
Title: Senior Vice President

[Signature Page to Amendment No. 8 to Second Amended Ameresco Credit and Security Agreement]

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION

I, George P. Sakellaris, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ameresco, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 6, 2014

/s/ George P. Sakellaris

George P. Sakellaris
President and Chief Executive Officer
(principal executive officer)

PRINCIPAL FINANCIAL OFFICER CERTIFICATION

I, Andrew B. Spence, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ameresco, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 6, 2014

/s/ Andrew B. Spence

Andrew B. Spence
Vice President and Chief Financial Officer
(principal financial officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Ameresco, Inc. (the "Company") to which this certification is attached and as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company hereby certifies, pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2014

/s/ George P. Sakellaris

George P. Sakellaris
President and Chief Executive Officer
(principal executive officer)

Date: November 6, 2014

/s/ Andrew B. Spence

Andrew B. Spence
Vice President and Chief Financial Officer
(principal financial officer)