SOUTHWESTERN ENERGY CO
Form S-3
July 26, 2005

As filed with the Securities and Exchange Commission on July 26, 2005

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

SOUTHWESTERN ENERGY COMPANY

(Exact Name of Registrant as Specified in Its Charter)

Arkansas	**71-0205415**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification Number)*

2350 North Sam Houston Parkway East

Suite 300

Houston, Texas 77032

(281) 618-4700

(Address, Including Zip Code, and Telephone Number, Including Area Code,

of Registrant s Principal Executive Offices)

Greg D. Kerley

Executive Vice President and Chief Financial Officer

Southwestern Energy Company

2350 North Sam Houston Parkway East

Suite 300

Houston, Texas 77032

(281) 618-4700

(Name, Address, Including Zip Code, and Telephone Number,

Including Area Code, of Agent For Service)

Copies to:

Stephen H. Shalen, Esq.

Cleary Gottlieb Steen & Hamilton LLP

One Liberty Plaza

New York, New York 10006-1470

(212) 225-2000

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement as determined by market conditions and other factors.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Registration Fee(3)
Common Stock, par value $0.10 per share (4) (5)		
Debt Securities		
Total	$600,000,000	$70,620(3)

(1) There is being registered hereunder an indeterminate number of shares of common stock and an indeterminate principal amount of debt securities that when taken together will result in an aggregate initial offering price of $600,000,000 or the equivalent thereof. In no event will the aggregate initial offering price of securities issued from time to time pursuant to this Registration Statement exceed $600,000,000. If any debt securities are issued at an original issue discount, then the offering price will be deemed to be the principal amount that results in an aggregate initial offering price of up to $600,000,000, less the dollar amount of any securities previously issued hereunder.

(2) Exclusive of accrued interest, distributions and dividends, if any.

(3) An aggregate of $190,000,000 of common stock and debt securities are being carried forward from Registration Statement No. 333-101658. In connection with Registration Statement No. 333-101658, registration fees of $17,480 attributable to that $190,000,000 of common stock and debt securities were previously paid and are credited against the registration fees payable in connection with this Registration Statement. Accordingly, $53,140 is being paid in connection with this Registration Statement.

(4) Including such indeterminate number of shares of common stock as may, from time to time, be issued (i) at an indeterminate price or (ii) upon conversion or exchange of debt securities registered hereunder, to the extent any such securities are, by their terms, convertible into or exchangeable for common stock.

(5) The aggregate amount of common stock being registered hereunder will be limited to that which is permissible under Rule 415(a)(4) under the Securities Act of 1933. Each share of common stock includes a stock purchase right pursuant to the Registrant s Amended and Restated Rights Agreement, referred to as the rights. Prior to the occurrence of certain events, none of which have occurred as of the date hereof, the rights will not be exercisable or evidenced separately from the common stock.

Pursuant to Rule 429 under the Securities Act of 1933, this Registration Statement includes $190,000,000 of common stock and debt securities registered under a registration statement on Form S-3 (Registration No. 333-101658), which was declared effective on January 28, 2003, which securities have not been offered or sold as of the date of the filing of this Registration Statement (the Previously Registered Securities). This Registration Statement constitutes Post-Effective Amendment No. 1 to Registration Statement No. 333-101658, pursuant to which the total amount of unsold Previously Registered Securities registered on Registration Statement No. 333-101658, to the extent that such Previously Registered Securities are common stock or debt securities, may be offered and sold as Securities. In the event that any of such Previously Registered Securities are offered and sold prior to the effective date of this Registration Statement, the amount of such Previously Registered Securities so sold will not be included in the prospectus hereunder.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED JULY 26, 2005.

PROSPECTUS

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

$600,000,000

COMMON STOCK

DEBT SECURITIES

We may offer from time to time in one or more issuances:

- shares of our common stock, or
- one or more series of unsecured debt securities, which may be senior notes or debentures or other unsecured evidences of indebtedness.

We may also issue common stock upon the conversion or exchange of debt securities issued under this prospectus. These securities are collectively referred to in this prospectus as the securities.

The aggregate initial offering price of the securities that are offered will not exceed $600,000,000. We will offer the securities in an amount and on terms to be determined by market conditions and other circumstances at the time of the offering. We will provide you with the specific terms of the particular securities being offered in supplements to this prospectus.

Our common stock is quoted on the New York Stock Exchange under the symbol SWN. The closing sale price of the common stock (as reported on the New York Stock Exchange) on July 25, 2005 was $54.15 per share.

You should read this prospectus and each related supplement carefully before you invest. This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these Securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2005.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, using a shelf registration process. Using this process, we may offer the securities described in this prospectus in one or more offerings with a total initial offering price of up to $600,000,000 or an equivalent amount in one or more foreign currencies or composite currencies. We may sell these securities separately or in units. This prospectus provides you with a general description of the securities we may offer. Each time we offer securities, we will provide you a prospectus supplement and any pricing supplement that will contain information about the specific terms of that particular offering. The prospectus supplement or pricing supplement may also add, update or change information contained in this prospectus. To obtain additional information that may be important to you, you should read the exhibits filed by us with the registration statement of which this prospectus is a part or our other filings with the SEC. You also should read this prospectus and any prospectus supplement or pricing supplement together with the additional information described under the heading Where You Can Find More Information.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You can read and copy any materials we file with the SEC at its Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You can obtain information about the operations of the SEC Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site that contains information we file electronically with the SEC, which you can access over the Internet at http://www.sec.gov. You may also access the information we file electronically with the SEC through our website at http://www.swn.com. You can obtain information about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

This prospectus is part of a registration statement we have filed with the SEC relating to the securities. As permitted by SEC rules, this prospectus does not contain all of the information we have included in the registration statement and the accompanying exhibits we file with the SEC. You may refer to the registration statement and the exhibits for more information about the securities and us. The registration statement and the exhibits are available at the SEC s Public Reference Room or through the Internet.

The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information we incorporate by reference is an important part of this prospectus, and later information that we file with the SEC will automatically update and supersede some of this information. We incorporate by reference the documents listed below, and any future filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, until we sell all the securities. The documents we incorporate by reference are:

(1) Annual Report on Form 10-K for the fiscal year ended December 31, 2004 as filed with the SEC on March 8, 2005;

(2) Quarterly Reports on Form 10-Q for the period ended March 31, 2005 as filed with the SEC on April 29, 2005 and for the period ended June 30, 2005 as filed with the SEC on July 26, 2005;

(3) Current Reports on Form 8-K as filed with the SEC on January 4, 2005; January 24, 2005; February 28, 2005; February 28, 2005; March 2, 2005; May 11, 2005; June 10, 2005; June 16, 2005; June 28, 2005 (with respect to Items 8.01 and 9.01); July 6, 2005; and July 26, 2005 (only with respect to Item 8.01);

(4) The description of the common stock contained in the Registration Statement on Form 8-A dated October 23, 1981, as updated by the Current Report on Form 8-K dated July 8, 1993;

(5) The description of the common stock purchase rights contained in Amendment No. 1 to the Registration Statement on Form 8-A dated April 26, 1999, as updated by Amendment No. 2 to the Registration Statement on Form 8-A filed April 12, 2002; and

(6) Proxy Statement for the Annual Meeting of Shareholders held on May 11, 2005.

You may request a copy of these filings and any other documents incorporated by reference into this prospectus (other than an exhibit to the filings unless we have specifically incorporated that exhibit by reference into the filing), at no cost, by writing or telephoning us at the following address:

Southwestern Energy Company

2350 North Sam Houston Parkway East, Suite 300

Houston, Texas 77032

Attention: Investor Relations

Telephone: (281) 618-4700

You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with different information. We may only use this prospectus to sell securities if it is accompanied by a prospectus supplement and any applicable pricing supplement. We are only offering the securities in states where the offer is permitted. You should not assume that the information in this prospectus, the applicable prospectus supplement or any applicable pricing supplement is accurate as of any date other than the date on the front of those documents.

ABOUT SOUTHWESTERN ENERGY COMPANY

Southwestern Energy Company is a growing integrated energy company primarily focused on natural gas. Our primary business is the exploration, development and production of natural gas and crude oil, with operations principally located in Arkansas, Oklahoma, Texas, New Mexico and Louisiana. We also operate integrated natural gas distribution systems in northern Arkansas. As a complement to our other businesses, we provide marketing and transportation services in our core areas of operation. All of our operations are located within the United States and we operate principally in three segments: exploration and production, natural gas distribution and natural gas marketing.

Our principal executive offices are located at 2350 North Sam Houston Parkway East, Suite 300, Houston, Texas, 77032, and our telephone number is (281) 618-4700.

RISK FACTORS

The securities to be offered by this prospectus may involve a high degree of risk. These risks will be set forth in the prospectus supplement relating to each such security. Certain risk factors relating to our business are set forth in the documents incorporated by reference into this prospectus. Those risk factors may be supplemented and amended by any risk factors set forth in a prospectus supplement.

FORWARD-LOOKING INFORMATION

This prospectus and the documents we incorporate by reference contain statements that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, or the Securities Act, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in the documents we incorporate by reference. All statements, other than statements of historical fact, included in this document, including, without limitation, statements regarding the financial position, business strategy, production and reserve growth and other plans and objectives for our future operations are forward-looking statements. Although we believe the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance.

Forward-looking statements include the items identified in the preceding paragraph, the information concerning possible or assumed future results of operations and other statements contained in or incorporated by reference in this prospectus identified by words such as anticipate, project, intend, estimate, expect, believe, predict, budget, goal, plan, forecast, target or similar expressions.

You should not place undue reliance on forward-looking statements. They are subject to known and unknown risks, uncertainties and other factors that may affect our operations, markets, products, services and prices and cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In addition to any assumptions and other factors referred to specifically in connection with forward-looking statements, risks, uncertainties and factors that could cause our actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to:

- the timing and extent of changes in commodity prices for natural gas and oil;
- the timing and extent of our success in discovering, developing, producing and estimating reserves;
- the extent to which the Fayetteville Shale play can replicate the results of other productive shale gas plays;
- the potential for significant variability in reservoir characteristics of the Fayetteville Shale over such a large acreage position;
- the extent of our success in drilling and completing horizontal wells;

- our ability to determine the most effective and economic fracture stimulation for the Fayetteville Shale formation;
- our ownership and operation of drilling rigs;
- our ability to fund our planned capital expenditures;
- our future property acquisition or divestiture activities;
- the effects of weather and regulation on our gas distribution segment;
- increased competition;
- the impact of federal, state and local government regulation;
- the financial impact of accounting regulations and critical accounting policies;
- changing market conditions and prices (including regional basis differentials);
- the comparative cost of alternative fuels;
- conditions in capital markets and changes in interest rates;
- the availability of oil field personnel, services, drilling rigs and other equipment; and
- any other factors listed in the reports we have filed and may file with the SEC, which are incorporated by reference.

We caution you that these forward-looking statements are also subject to all of the risks and uncertainties, many of which are beyond our control, incident to the exploration for and development, production and sale of natural gas and oil. These risks include, but are not limited to, third-party interruption of sales to market, inflation, lack of availability of goods and services, environmental risks, drilling and other operating risks, regulatory changes, the uncertainty inherent in estimating proved natural gas and oil reserves and in projecting future rates of production and timing of development expenditures and the other risks described in our annual report on Form 10-K and the periodic reports that we file with the SEC. Should one or more of the risks or uncertainties described above or elsewhere in our annual report on Form 10-K or our other periodic reports occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

Other factors and assumptions not identified above were also involved in the making of the forward-looking statements. The failure of those assumptions to be realized, as well as other factors, may also cause actual results to differ materially from those projected. We specifically disclaim all responsibility to publicly update any information contained in a forward-looking statement or any forward-looking statement in its entirety and therefore disclaim any resulting liability for potentially related damages.

USE OF PROCEEDS

Unless we inform you otherwise in the prospectus supplement, we will use the net proceeds from the sale of the securities offered by this prospectus for general corporate purposes. These purposes may include repayment and refinancing of debt, acquisitions, working capital, capital expenditures and repurchases and redemptions of securities. Pending any specific application, we may initially invest funds in short-term marketable securities or apply them to the reduction of indebtedness.

RATIO OF EARNINGS TO FIXED CHARGES

The table below sets forth our ratio of earnings to fixed charges for the periods indicated:

For the six months ended June 30,	For the year ended December 31,				
2005	**2004**	**2003**	**2002**	**2001**	**2000(1)**
8.6x	**8.0x**	**4.4x**	**1.9x**	**3.0x**	**-x**

(1) For the year ended December 31, 2000, earnings were insufficient to cover fixed charges by $75.8 million primarily due to the affirmation by the Arkansas Supreme Court to uphold the 1998 decision of a Sebastian County Circuit Court awarding $109.3 million to royalty owners in a class action suit.

In the calculation of the ratio of earnings to fixed charges, earnings consists of income before income taxes, adjusted to add back fixed charges (excluding capitalized interest relating to oil and gas properties), the amortization of interest previously capitalized on oil and gas properties, and our ownership share of the fixed charges of the NOARK Pipeline System, Limited Partnership (NOARK). Fixed charges consists of interest on borrowings (including capitalized interest), amortization of debt discount and expense, a portion of rental expense determined to be representative of the interest factor, and our guaranty of the fixed charges of NOARK.

DESCRIPTION OF COMMON STOCK

General

We are authorized under our amended and restated articles of incorporation to issue a total of 220,000,000 shares of all classes of common stock, par value $0.10 per share. As of June 30, 2005, there were 74,451,168 outstanding shares of our common stock. We are also authorized under our amended and restated articles of incorporation to issue a total of 10,000,000 shares of preferred stock, par value of $.01 per share. No shares of preferred stock are currently outstanding.

We may issue additional shares of our common stock at times and under circumstances so as to have a dilutive effect on our earnings per share, our net tangible book value per share and on the equity ownership of the holders of our common stock. If we issue shares of our common stock, the prospectus supplement relating to an offering will set forth the information regarding any dilutive effect of that offering.

The following description is a summary of the material provisions of our common stock, but does not purport to be complete and is subject to, and qualified in its entirety by reference to, our amended and restated articles of incorporation and our amended and restated bylaws, copies of which are filed as exhibits to the registration statement of which this prospectus forms a part. You should refer to our amended and restated articles of incorporation and bylaws for additional information.

Listing

Our common stock is listed on the New York Stock Exchange under the symbol SWN. Any additional common stock that we issue will also be listed on the New York Stock Exchange, unless otherwise indicated in a prospectus supplement.

Dividends

We do not currently pay cash dividends on our capital stock and we do not anticipate paying cash dividends in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of our board of directors and will be dependent upon our financial condition, results of operation, capital requirements and other factors that the board of directors deems to be relevant.

Fully Paid

All of our outstanding shares of common stock are fully paid and non-assessable. Any additional shares of common stock will also be fully paid and non-assessable.

Voting Rights

Holders of our common stock are entitled to one vote per share on all matters voted on by our shareholders, including the election of directors. Our amended and restated articles of incorporation provide for cumulative voting for the election of directors, which means that holders of our common stock may cumulatively vote all of their votes for the board of directors to one director.

Other Provisions

We will notify holders of our common stock of any shareholders meetings in accordance with applicable law. If we liquidate, dissolve or wind-up, whether voluntarily or not, our common stockholders will share equally in the assets remaining after we pay our creditors, subject to any preferential rights of holders of preferred stock that may be then outstanding. Our board of directors may make rules and regulations concerning the transfer of shares of our common stock from time to time, in accordance with our bylaws. Holders of our common stock will have no conversion, sinking fund or redemption rights.

Shareholder Rights

We have adopted an amended and restated shareholder rights plan, the objectives of which are to provide adequate time for our board of directors and shareholders to assess an unsolicited take-over bid for us, to provide our board of directors with sufficient time to explore and develop alternatives for maximizing shareholder value if such a bid is made and to provide our shareholders with an equal opportunity to participate in such a bid. The rights are currently evidenced (on the basis of one right for each outstanding share) by the existing certificates for outstanding shares of our common stock and are not exercisable and do not trade separately from such shares.

If a specified take-over bid occurs and the shareholder rights plan is not waived by our board of directors, the plan provides that our shareholders, other than the offeror, will be able to purchase additional amounts of our common shares at an initial purchase price of $40.00 per share, which price is subject to adjustment upon the occurrence of specified events, which include, among other things, the declaration or payment of a stock dividend, a subdivision of the outstanding shares of common stock and a combination or consolidation of the outstanding shares of common stock into a smaller number of shares of common stock. On June 3, 2005, we effected a two-for-one split with respect to our outstanding shares of common stock and the purchase price per share under the rights plan adjusted to $20.00. A detailed description of our amended and restated shareholder rights plan may be found in our registration statement on Form 8-A, as amended, which you may obtain as described under Where You Can Find More Information.

Transfer Agent

The transfer agent and registrar of our common stock is Computershare Investor Services, N.A., Jersey City, New Jersey.

DESCRIPTION OF DEBT SECURITIES

The following description of the terms of the debt securities sets forth certain general terms and provisions of the debt securities to which any prospectus supplement may relate. The particular terms of the debt securities offered by any prospectus supplement and the extent, if any, to which such general provisions may apply to the debt securities so offered will be described in the prospectus supplement relating to such debt securities.

Article 12, Section 8 of the Constitution of the State of Arkansas, adopted in 1874, prohibits private corporations from increasing their bonded indebtedness without the prior consent of their shareholders obtained at a meeting held after notice of not less than 60 days. The term bonded indebtedness is not defined by the Constitution or other laws of the State of Arkansas. We have been advised by counsel that we should treat the debt securities as bonded indebtedness within the meaning of the Arkansas Constitution. We have also been advised by Arkansas counsel that neither the amounts borrowed under the Company s existing $500 million revolving credit facility nor the Company s outstanding several guarantee of 60% of NOARK s debt obligations constitute bonded indebtedness. Our shareholders have previously authorized the incurrence of up to $600,000,000 principal amount of bonded indebtedness, and we currently have an aggregate principal amount of $225,000,000 of bonded indebtedness outstanding, excluding the amounts outstanding under our credit facility and our NOARK guaranty. Debt securities offered through this prospectus will be limited to an aggregate initial public offering price or an equivalent amount in one or more foreign currencies or composite currencies which, when taken together with the principal amount of all outstanding bonded indebtedness, would not exceed $600,000,000.

The debt securities are to be issued in one or more series under an indenture dated as of December 1, 1995, between us and J.P. Morgan Trust Company, National Association (formerly The First National Bank of Chicago), as trustee. The following description of the debt securities and the indenture is a summary and is subject to the detailed provisions of the indenture. The indenture is included as an exhibit to the registration statement of which this prospectus is a part. The following summary of certain material provisions of the indenture does not purport to be complete and is subject to, and qualified in its entirety by reference to, all of the provisions of the indenture, including the definitions of terms used in the indenture. The summary that follows includes references to section numbers of the indenture so that you can more easily locate these provisions.

General

The debt securities will rank as to priority of payment equally with all of our other outstanding unsubordinated and unsecured indebtedness. The indenture does not limit the aggregate amount of debt securities that may be issued thereunder, nor does it limit the incurrence or issuance of other secured or unsecured debt by us.

The indenture provides that the debt securities may be issued from time to time in one or more series. We may authorize the issuance and provide for the terms of a series of debt securities pursuant to a supplemental indenture or pursuant to a resolution of our board of directors, any duly authorized committee of our board of directors or any committee of our officers or our other representatives duly authorized by the board of directors for such purpose. The indenture provides us with the ability to reopen a previous issue of a series of debt securities and to issue additional debt securities of such series.

The prospectus supplement relating to the particular series of debt securities being offered thereby will set forth the terms relating to the offering. The terms may include:

- the title and type of such debt securities;
- the aggregate principal amount of the debt securities;
- the purchase price of the debt securities;
- the date or dates on which the principal of and premium, if any, on the debt securities is payable or the method of determining such date or dates;
- the rate or rates (which may be fixed, variable or zero) at which the debt securities will bear interest, if any, or the method of calculating such rate or rates;
- the date or dates from which interest, if any, will accrue or the method by which such date or dates will be determined;
- the date or dates on which interest, if any, will be payable and the record date or dates therefor;
- the place or places where principal of, premium, if any, and interest, if any, on such debt securities will be payable;
- the period or periods within which, the price or prices at which, the currency in which, and the other terms and conditions upon which, the debt securities may be redeemed, in whole or in part, at our option;
- our obligation, if any, to redeem or purchase the debt securities pursuant to any sinking fund or analogous provisions or upon the happening of a specified event or at the option of a holder and the period or periods within which, the price or prices at which, and the other terms and conditions upon which, the debt securities shall be redeemed or purchased, in whole or in part, pursuant to such obligation;
- the denominations in which the debt securities are authorized to be issued;
- the currency for which debt securities may be purchased or in which debt securities may be denominated and/or the currency in which the debt securities are stated to be payable;
- if the amount of payments of principal of and premium, if any, or interest, if any, on the debt securities may be determined with reference to an index, formula or other method (which index, formula or other

method may be based on a currency other than that in which such debt securities are stated to be payable), the index, formula or other method by which such amount shall be determined;

- if the amount of payments of principal of and premium, if any, or interest, if any, on the debt securities may be determined with reference to an index, formula or other method based on the prices of securities or commodities, with reference to changes in the prices of particular securities or commodities or otherwise by application of a formula, the index, formula or other method by which such amount shall be determined;

- if other than the entire principal amount thereof, the portion of the principal amount of the debt securities which will be payable upon declaration of the acceleration of the maturity thereof or the method by which such portion shall be determined;

- the person to whom any interest on any debt security shall be payable if other than the person in whose name such debt security is registered on the applicable record date;

- provisions, if any, granting special rights to the holders of debt securities upon the occurrence of such events as may be specified;

- any addition to, or modification or deletion of, any event of default or any covenant specified in the indenture with respect to such debt securities;

- any additional amounts we will pay in respect of the debt securities or any option we may have to redeem the debt securities;

- whether the debt securities will be registered or bearer debt securities;

- the date any debt securities will be dated if other than the date of issuance;

- the forms of the debt securities, and coupons, if any;

- the application, if any, of such means of defeasance as may be specified for such debt securities;

- the identity of the registrar and any paying agent;

- whether such debt securities are to be issued in whole or in part in the form of one or more temporary or permanent global securities and, if so, the identity of the depository for such global security or securities and whether interests in such debt securities in global form may be exchanged for definitive certificated debt securities; and

- any other special terms pertaining to such debt securities.

Unless otherwise specified in the applicable prospectus supplement, the debt securities will not be listed on any securities exchange. (*Section 3.1*) Unless otherwise specified in the applicable prospectus supplement, debt securities will be issued only in fully registered form without coupons or in the form of one or more global debt securities as specified below under Global Debt Securities. (*Section 2.3*) Unless the prospectus supplement specifies otherwise, debt securities denominated in U.S. dollars will be issued only in denominations of U.S. $1,000 and any integral multiple thereof. (*Section 3.2*) The prospectus supplement relating to debt securities denominated in a foreign or composite currency will specify the authorized denominations thereof. Where debt securities of any series are issued in bearer form, the special restrictions and considerations, including special offering restrictions and special federal income tax considerations, applicable to those debt securities and the payment on and transfer and exchange of those debt securities will be described in the applicable prospectus supplement. Bearer debt securities will be transferable by delivery. (*Section 3.5*)

Debt securities may be sold at a substantial discount below their stated principal amount, bearing no interest or interest at a rate which at the time of issuance is below market rates. Certain federal income tax consequences and special considerations applicable to any such debt securities will be described in the applicable prospectus supplement.

If the amount of payments of principal of and premium, if any, or any interest on debt securities of any series is determined based on any type of index or formula or changes in prices of particular securities or commodities, the federal income tax consequences, specific terms and other information with respect to those debt securities and the index or formula and securities or commodities will be described in the applicable prospectus supplement.

If the principal of and premium, if any, or any interest on debt securities of any series are payable in a foreign or composite currency, the restrictions, elections, federal income tax consequences, specific terms and other information with respect to those debt securities and the currency will be described in the applicable prospectus supplement.

Payment, Registration, Transfer and Exchange

Unless otherwise provided in the applicable prospectus supplement, payments in respect of the debt securities will be made in the designated currency at the office or agency maintained by us for that purpose as we may designate from time to time, except that, at our option, interest payments, if any, on debt securities in registered form may be made (i) by checks mailed to the holders of debt securities entitled to such interest payments at their registered addresses or (ii) by wire transfer to an account maintained by the person entitled to such interest payments as specified in the register. (*Section 3.7(a) and 9.2*) Unless otherwise indicated in an applicable prospectus supplement, payment of any installment of interest on debt securities in registered form will be made to the person in whose name such debt security is registered at the close of business on the regular record date for such interest. (*Section 3.7(a)*)

Payment in respect of debt securities in bearer form will be made in the currency and in the manner designated in the prospectus supplement, subject to any applicable laws and regulations, at such paying agencies outside the United States as we may appoint from time to time. The paying agents outside the United States initially appointed by us for a series of debt securities will be named in the prospectus supplement. We may at any time designate additional paying agents or rescind the designation of any paying agents, except that, if debt securities of a series are issuable as securities that are only payable to the registered holder, we will be required to maintain at least one paying agent in each place where principal of, premium, if any, and interest on those debt securities is payable and, if debt securities of a series are issuable as securities that are payable to any person, we will be required to maintain a paying agent in a place where principal of, premium, if any, and interest on those debt securities is payable outside the United States where debt securities of such series and any coupons appertaining thereto may be presented and surrendered for payment. (*Section 9.2*)

Unless otherwise provided in the applicable prospectus supplement, debt securities in registered form will be transferable or exchangeable at the agency maintained for such purpose as designated by us from time to time. (*Sections 3.5 and 9.2*) Debt securities may be transferred or exchanged without service charge, other than any tax or other governmental charge imposed in connection therewith. (*Section 3.5*)

Global Debt Securities

The debt securities of a series may be issued in whole or in part in the form of one or more fully registered global securities, or a registered global security, that will be deposited with a depository or with a nominee for the depository identified in the applicable prospectus supplement. In such a case, one or more registered global securities will be issued in a denomination or aggregate denominations equal to the portion of the aggregate principal amount of outstanding debt securities of the series to be represented by such registered global security or securities. Unless and until it is exchanged in whole or in part for debt securities in definitive certificated form, a registered global security may not be registered for transfer or exchange except as a whole by the depository for such registered global security to a nominee of such depository or by a nominee of such depository to such depository or another nominee of such depository or by such depository or any such nominee to a successor

depository for such series or a nominee of such successor depository and except in the circumstances described in the applicable prospectus supplement. (*Section 3.5*)

The specific terms of the depository arrangement with respect to any portion of a series of debt securities to be represented by a registered global security will be described in the applicable prospectus supplement. We expect that the following provisions will apply to depository arrangements.

Upon the issuance of any registered global security, and the deposit of such registered global security with or on behalf of the depository for such registered global security, the depository will credit, on its book-entry registration and transfer system, the respective principal amounts of the debt securities represented by such registered global security to the accounts of institutions, which we refer to as participants, that have accounts with the depository or its nominee. The accounts to be credited will be designated by the underwriters or agents engaging in the distribution of such debt securities or by us, if such debt securities are offered and sold directly by us. Ownership of beneficial interests in a registered global security will be limited to participants or persons that may hold interest through participants. Ownership of beneficial interests by participants in such registered global security will be shown on, and the transfer of such beneficial interests will be effected only through, records maintained by the depository for such registered global security or by its nominee. Ownership of beneficial interests in such registered global security by persons that hold through participants will be shown on, and the transfer of such beneficial interests within such participants will be effected only through, records maintained by such participants. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in certificated form. The foregoing limitations and such laws may impair the ability to transfer beneficial interests in such registered global securities.

December 31, 2018, the Company repurchased 218 shares of common stock in the amount of $1,839, including fees of $9. During the year ended December 31, 2017, the Company repurchased 575 shares of common stock in the amount of $3,412, net of fees of $23.

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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 and commodity 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 and commodity prices. 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). Changes in fair value on derivatives not designated as hedges are recognized in the Company's consolidated statements of income (loss).

In July 2018, the Company had an early prepayment on one of its term loans that had a related interest rate swap that was designated as a hedging instrument, which was canceled and de-designated as a hedge instrument. The Company does not have a history of prepaying its loans and notes that another prepayment is not probable and a forced prepayment of any of its hedged term or construction loans is remote. See Note 18 for additional information concerning the de-designation of this interest rate swap.

In June 2018, the Company entered into a term loan agreement, discussed in Note 8, that contained an interest make-whole provision. In August 2018, the Company signed a joinder to the above agreement, which added another series of notes to the term loan that also contained an interest make-whole provision. The Company determined that these provisions fulfill the requirements of an embedded derivative instrument that were required to be bifurcated from its host agreement. The instrument is revalued periodically and the changes in fair value are recognized as either gains or losses in earnings in the Company's consolidated statements of income (loss).

See Notes 17 and 18 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.

	Year Ended December 31,		
	2018	2017	2016
Net income attributable to common shareholders	$37,984	$37,491	$12,032
Basic weighted-average shares outstanding	45,729	45,509	46,409
Effect of dilutive securities:			
Stock options	1,102	239	84
Diluted weighted-average shares outstanding	46,831	45,748	46,493

For the years ended December 31, 2018, 2017 and 2016, 692, 2,560 and 3,530 shares of common stock, respectively, related to stock options were excluded from the calculation of dilutive shares since the inclusion of such shares would be anti-dilutive.

Variable Interest Entities

Certain contracts are executed jointly through partnership and joint venture arrangements with unrelated third parties. 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.

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The Company evaluates each partnership and joint venture at inception to determine if it qualifies as a 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.

The Company generally aggregates the disclosures of its VIEs based on certain qualitative and quantitative factors including the purpose and design of the underlying VIEs, the nature of the assets in the VIE, and the type of involvement the Company has with the VIE including its role and type of interest held in the VIE. As of December 31, 2018, all the VIEs that make up the Company’s investment funds are similar in purpose, design, and the Company’s involvement and, as such, are aggregated in one disclosure. See Note 10 for additional disclosures.

Redeemable Non-Controlling Interests

In each of September 2015, June 2017, June 2018 and October 2018, the Company formed an investment fund with a different third party investor which granted the applicable investor ownership interests in the net assets of certain of the Company’s renewable energy project subsidiaries. The Company currently has four such investment funds each with a different third party investor.

The Company entered into these agreements in order to finance the costs of constructing energy assets which are under long-term customer contracts. The Company has determined that these entities qualify as VIEs and that it is the primary beneficiary in the operational partnerships for accounting purposes. Accordingly, the Company will consolidate the assets and liabilities and operating results of the entities in its consolidated financial statements. The Company will recognize the investors’ share of the net assets of the subsidiaries as redeemable non-controlling interests in its consolidated balance sheet.

The Company has determined that the provisions in the contractual arrangements represent substantive profit-sharing arrangements. The Company has further determined that the appropriate methodology for attributing income and loss to the redeemable non-controlling interests each period is a balance sheet approach referred to as the hypothetical liquidation at book value (“HLBV”) method. Under the HLBV method, the amounts of income and loss attributed to the redeemable non-controlling interests in the consolidated statements of income (loss) reflect changes in the amounts the investors would hypothetically receive at each balance sheet date under the liquidation provisions of the contractual agreements, assuming the net assets of this funding structure were liquidated at recorded amounts. The investors’ non-controlling interest in the results of operations of this funding structure is determined as the difference in the non-controlling interest’s claim under the HLBV method at the start and end of each reporting period, after taking into account any capital transactions, such as contributions or distributions, between the Company’s subsidiaries and the investors. The use of the HLBV methodology to allocate income to the redeemable non-controlling interest holders may create volatility in the Company’s consolidated statements of income (loss) as the application of HLBV can drive changes in net income available and loss attributable to the redeemable non-controlling interests from quarter to quarter.

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

See Notes 10 and 11 for additional disclosures.

Recent Accounting Pronouncements

Revenue Recognition

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On January 1, 2018, the Company adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), using the modified retrospective method applied to those contracts which were not completed as of December 31, 2017. Results for reporting periods beginning January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period. The Company recorded an adjustment of $4,454 to retained earnings on January 1, 2018 due to the cumulative impact of adopting Topic 606. See Note 3 "Revenue from Contracts with Customers" for the required disclosures related to the impact of adopting this standard and a discussion of the Company's updated policies related to revenue recognition discussed below.

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. For a description of the Company’s primary lines of business, see Revenue Recognition above.

Intangibles-Goodwill and Other

In August 2018, the Financial Accounting Standards Board (“FASB”) issued ASU 2018-15, Intangibles - Goodwill and Other - Internal-Use-Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract, which clarifies the accounting for implementation, setup, and upfront costs and aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The new standard is effective interim and annual periods beginning after December 15, 2019, with early adoption permitted, and can be applied either retrospectively or prospectively. The Company is currently evaluating the impact ASU 2018-13 on its consolidated financial statements, but does not expect that the adoption of this guidance will have a significant impact on its consolidated financial statements.

Derivatives and Hedging

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities, which improves the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. ASU 2017-12 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those annual reporting periods. Early adoption is permitted. The Company adopted ASU 2017-12 during the third quarter of 2018. Upon adoption, the Company recognized an increase to retained earnings and an accumulated other comprehensive loss of $432 to remove the cumulative effect of hedging ineffectiveness previously recognized in earnings, as of January 1, 2018, for contracts designated as hedging instruments that were outstanding at the beginning of the third quarter 2018. The Company also recognized a decrease in other expenses, net and an increase in accumulated other comprehensive loss of $54 to remove the cumulative effect of hedging ineffectiveness previously recognized in earnings through 2018.

In October 2018, the FASB issued ASU No. 2018-16 Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (“SOFR”) Overnight Index Swap (“OIS”) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes, which permits the use of the OIS rate as a U.S. benchmark interest rate for hedge accounting purposes. The Company adopted ASU 2018-16 in the fourth quarter of 2018. The adoption had no impact on the Company’s consolidated financial statements.

Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13 Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is currently evaluating the impact ASU 2018-13 on its consolidated financial statements, but does not expect that the adoption of this guidance will have a significant impact on its consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, the Company is electing to only recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company has completed its evaluation on the impact on the consolidated financial statements of the adoption of ASU 2016-02, and is adopting the standard as of January 1, 2019.

On January 1, 2019, the Company adopted ASU 2016-02 using the modified retrospective approach of applying the new standard at the adoption date. The Company also elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification. The Company is also choosing to apply the policy election under ASC 842 that allows the Company to not include its short-term leases in its calculation of right-of-use asset or liability and instead continue to recognize expense on a straight-line basis over the remaining lease term for these leases.

As a result of the adoption of ASC 842, the Company expects to recognize an increase in net lease assets between $30.6 million and $33.8 million and an increase in net lease liabilities between $32.4 million and $35.7 million related to the recognition of a right-of-use asset and the associated liability. The Company is in the process of evaluating if there was an impairment of the previously unrecognized right-of-use assets effective January 1, 2019. The Company is currently working to complete the implementation of new processes and information technology tools to assist in our ongoing lease data collection and analysis as well as updating our accounting policies and internal controls in connection with the adoption of the new standard.

Stock Based Compensation Expense

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting. This new guidance amends the scope of modification accounting for share-based payment awards. ASU 2017-09 provide guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. ASU 2017-09 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. The Company adopted these requirements on January 1, 2018. The adoption had no impact on the Company’s consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting, which expands the scope of current stock compensation recognition standards to include share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 will become effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted, but no earlier than an entity's adoption date of ASU 2014-09 (Topic 606), which the Company adopted on January 1, 2018. The Company adopted ASU 2018-07 during the second quarter of 2018. The adoption had no impact on the Company’s consolidated financial statements, as the Company currently has no issued share-payments to non-employees.

Consolidated Statements of Cash Flow

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 eliminates diversity in practice in how certain cash receipts and cash payments are presented and classified in the consolidated statements of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. The Company adopted these requirements on January 1, 2018. The adoption had no impact on the Company’s consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230), Restricted Cash. ASU 2016-18 requires restricted cash and cash equivalents to be included with cash and cash equivalents on the statement of cash flows. ASU 2016-18 is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The guidance should be applied using a retrospective transition method for each period presented. The Company has adopted this guidance as of January 1, 2018 and the

consolidated statement of cash flow has been prepared to conform with ASU 2016-18 for all periods presented.
Accumulated Other Comprehensive Income
In February 2018, the FASB issued ASU 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220) – Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, to allow entities to reclassify the income tax effects of tax reform legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") on items within accumulated other comprehensive income to retained earnings. ASU 2018-02 is effective for fiscal years and interim periods

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within those years beginning after December 15, 2018, and early adoption is permitted. The Company is currently evaluating the impact ASU 2018-02 on its consolidated financial statements.

Business Combinations

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, which provides guidance to entities to assist with evaluating when a set of transferred assets and activities (collectively, the “set”) is a business and provides a screen to determine when a set is not a business. Under the new guidance, when substantially all of the fair value of gross assets acquired (or disposed of) is concentrated in a single identifiable asset, or group of similar assets, the assets acquired would not represent a business. Also, to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to produce outputs. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and should be applied on a prospective basis to any transactions occurring within the period of adoption. Early adoption is permitted for interim or annual periods in which the financial statements have not been issued. The Company adopted the guidance effective January 1, 2018, and its adoption did not have a significant impact on the Company’s financial position or financial statement disclosures.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Adoption

On January 1, 2018, the Company adopted ASU 2014-09, Revenue from Contracts with Customers, (Topic 606) using the modified retrospective method applied to those contracts which were not completed as of December 31, 2017. Results for reporting periods beginning January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period. The Company recorded a net decrease to beginning retained earnings of $4,454 on January 1, 2018 due to the cumulative impact of adopting Topic 606, as detailed below.

	January 1, 2018		
	As Reported	606 Adjustments	Adjusted Balances
Assets:			
Costs and estimated earnings in excess of billings	104,852	$ (9,194)	$ 95,658
Prepaid expenses and other current assets	14,037	4,343	18,380
Deferred income taxes, net	—	1,003	1,003
Liabilities:			
Accrued expenses and other current liabilities	23,260	1,190	24,450
Deferred income taxes, net	584	(584)	—
Shareholders' Equity:			
Retained earnings	235,844	(4,454)	231,390

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In accordance with Topic 606, the disclosure of the impact of adoption to the Company’s consolidated statements of income (loss) and balance sheets was as follows:

	Impact of changes in accounting policies 12/31/2018		
	As Reported	Balances without adoption of Topic 606	Effect of Change Higher/(Lower)
Revenues	$787,138	$784,316	$ 2,822
Cost of revenues	613,526	610,229	3,297
Gross profit	173,612	174,087	(475)
Operating expenses:			
Selling, general and administrative expenses	114,513	114,513	—
Operating income	59,099	59,574	(475)
Other expenses, net	16,709	16,709	—
Income before provision for income taxes	42,390	42,865	(475)
Income tax provision	4,813	4,998	(185)
Net income	37,577	37,867	(290)
Net income attributable to redeemable non-controlling interests	407	407	—
Net income attributable to common shareholders	$37,984	$38,274	$ (290)
Basic income per share	$0.83	$0.84	$ (0.01)
Diluted income per share	$0.81	$0.82	$ (0.01)

	December 31, 2018		
	As Reported	Balances without adoption of Topic 606	Effect of Change Higher/(Lower)
Assets:			
Costs and estimated earnings in excess of billings	$ 86,842	$ 93,214	$ (6,372)
Prepaid expenses and other current assets	11,571	10,644	927
Liabilities:			
Accrued expenses and other current liabilities	35,947	34,877	1,070
Deferred income taxes, net	4,352	6,123	(1,771)
Shareholders' Equity:			
Retained earnings	269,806	274,550	(4,744)

The impact in revenue recognition due to the adoption of Topic 606 is primarily from the timing of revenue recognition for uninstalled materials, amortization of contract acquisition costs over the contract term, and timing of revenue recognition from renewable energy credits. See Note 2 for a summary of the Company’s significant policies for revenue recognition.

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Disaggregation of Revenue
The following table provides information about disaggregated revenue by line of business, reportable segments, and geographical region for the year ended December 31, 2018.

	US Regions	U.S. Federal	Canada	Non-Solar DG	All Other	Total
Line of Business						
Year ended December 31, 2018						
Project revenue	$296,226	$202,286	$29,571	$ 4,550	$12,420	$545,053
O&M revenue	17,814	39,250	37	8,135	—	65,236
Energy assets	18,442	4,062	2,604	69,599	1,069	95,776
Other	1,862	711	6,770	371	71,359	81,073
Total revenues	$334,344	$246,309	$38,982	$ 82,655	$84,848	$787,138
Geographical Regions						
Year ended December 31, 2018						
United States	$334,344	$246,309	$2,557	$ 82,655	$68,883	$734,748
Canada	—	—	36,425	—	303	36,728
Other	—	—	—	—	15,662	15,662
Total revenues	$334,344	$246,309	$38,982	$ 82,655	$84,848	$787,138

Contract Balances
The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	January 1, 2018	December 31, 2018
Accounts receivable, net	$85,121	$ 85,985
Accounts receivable retainage, net	17,484	13,516
Contract Assets:		
Costs and estimated earnings in excess of billings	95,658	86,842
Contract Liabilities:		
Billings in excess of cost and estimated earnings	27,248	30,706

Accounts receivable retainage represents amounts due from customers, but where payments are withheld contractually until certain construction milestones are met. Amounts retained typically range from 5% to 10% of the total invoice. The Company classifies as a current asset those retainages that are expected to be billed in the next twelve months.
Unbilled revenue, presented as costs and estimated earnings in excess of billings, represent amounts earned and billable that were not invoiced at the end of the fiscal period.
Contract assets represent the Company’s rights to consideration in exchange for services transferred to a customer that have not been billed as of the reporting date. The Company’s rights to consideration are generally unconditional at the time its performance obligations are satisfied.
At the inception of a contract, the Company expects the period between when it satisfies its performance obligations, and when the customer pays for the services, will be one year or less. As such, the Company has elected to apply the practical expedient which allows the Company to not adjust the promised amount of consideration for the effects of a significant financing component, when a financing component is present.

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When the Company receives consideration, or such consideration is unconditionally due, from a customer prior to transferring goods or services to the customer under the terms of a sales contract, the Company records deferred revenue, which represents a contract liability. Such deferred revenue typically results from billings in excess of costs incurred and advance payments received on project contracts. As of December 31, 2018, the Company classified $6,342 as a non-current liability, included in other liabilities on the consolidated balance sheets, for those performance obligations expected to be completed beyond the next twelve months.

The decrease in contract assets for the year ended December 31, 2018 was primarily due to billings of approximately $510,470, offset in part by revenue recognized of $485,143. The change in contract liabilities was primarily driven by the receipt of advance payments from customers, and related billings, exceeding reductions from recognition of revenue as performance obligations were satisfied. For the year ended December 31, 2018, the Company recognized revenue of $95,318, and billed customers $80,007, that was previously included in the beginning balance of contract liabilities. Changes in contract liabilities are also driven by reclassifications to or from contract assets as a result of timing of customer payments.

Contracts are often modified for a change in scope or other requirements. The Company considers contract modifications to exist when the modification either creates new or changes the existing enforceable rights and obligations. Most of the Company’s contract modifications are for goods or services that are not distinct from the existing performance obligations. The effect of a contract modification on the transaction price, and the measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase or decrease) on a cumulative catchup basis.

The Company elected to utilize the modified retrospective transition practical expedient which allows the Company to evaluate the impact of contract modifications as of the adoption date rather than evaluating the impact of the modifications at the time they occurred prior to the adoption date.

Performance obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in ASC Topic 606. Performance obligations are satisfied as of a point in time or over time and are supported by contracts with customers. For most of the Company’s contracts, there are multiple promises of goods or services. Typically, the Company provides a significant service of integrating a complex set of tasks and components such as design, engineering, construction management, and equipment procurement for a project contract. The bundle of goods and services are provided to deliver one output for which the customer has contracted. In these cases, the Company considers the bundle of goods and services to be a single performance obligation. The Company may also promise to provide distinct goods or services within a contract, such as a project contract for installation of energy conservation measures and post-installation O&M services. In these cases the Company separates the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, the Company allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation.

Backlog - The Company’s remaining performance obligations (hereafter referred to as “backlog”) represent the unrecognized revenue value of the Company’s contract commitments. The Company’s backlog may vary significantly each reporting period based on the timing of major new contract commitments and the backlog may fluctuate with currency movements. In addition, our customers have the right, under some circumstances, to terminate contracts or defer the timing of the Company’s services and their payments to us. At December 31, 2018, the Company had backlog of approximately $1,660,800. Approximately 25%, of our December 31, 2018 backlog is anticipated to be recognized as revenue in the next twelve months and the remaining, thereafter.

The Company has applied the practical expedient for certain revenue streams to exclude the value of remaining performance obligations for (i) contracts with an original expected term of one year or less or (ii) contracts for which the Company recognizes revenue in proportion to the amount it has the right to invoice for services performed.

Contract acquisition costs:

In connection with the adoption of Topic 606, the Company is required to account for certain acquisition cost over the life of the contract, consisting primarily of commissions when paid. Commission costs are incurred commencing at contract signing. Commission costs are allocated across all performance obligations and deferred and amortized over the contract term on a progress towards completion basis.

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As of January 1, 2018 and December 31, 2018, the Company capitalized $927 in commission costs related to contracts that were not completed. For contracts that have a duration of less than one year, the Company follows a practical expedient and expenses these costs when incurred. During the year ended December 31, 2018, the amortization of commission costs related to contracts were not material and have been included in the accompanying consolidated statements of income (loss). Additionally, no impairment charges in connection with the Company's commission costs or project development costs were recorded during the period ended December 31, 2018.
The Company analyzed the impact of adoption of Topic 606 on the Company's project development costs and determined no change in the Company's accounting policy was required. In the year ended December 31, 2018, $15,672 of project development costs were recognized in the consolidated statement of income (loss) on projects that converted to customer contracts.

4. BUSINESS ACQUISITIONS AND RELATED TRANSACTIONS
The Company accounts for acquisitions using the acquisition method 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 as set forth in the table below. The excess purchase price over the estimated fair value of the net assets, which are calculated using level 3 inputs per the fair value hierarchy as defined in Note 17, acquired has been recorded as goodwill. Intangible assets, if identified, have been recorded and are being amortized over periods ranging from one to fifteen years. See Note 5 for additional information.
Determining the fair value of certain assets and liabilities assumed is judgmental in nature and often involves the use of significant estimates and assumptions. Certain amounts below are provisional based on our best estimates using information available as of the reporting date. The Company is waiting for information to become available to finalize its valuation of certain elements of these transactions. Specifically, the assigned values for energy assets, intangibles, and goodwill are provisional in nature and subject to change upon the completion of the final valuation of such elements.
During the year ended December 31, 2018, the Company completed an acquisition of certain assets of Washington, DC based mechanical, electrical, plumbing, and fire protection design company, JVP Engineers, P.C. The consideration consisted of $2,326, of which, $1,901 has been paid to date. The remaining balance is attributed to a contingent consideration holdback related to the collection of certain receivables and will be be paid 15 months from the completion of the acquisition. No debt was assumed or cash acquired in the transaction. The pro-forma effects of this acquisition on the Company's operations are not material. During the year ended December 31, 2018, the Company had a measurement period adjustment of $197, which was recorded as a reduction to goodwill.
During the year ended December 31, 2018, the Company completed an acquisition of certain assets of the Hawaii-based building science and design engineering consulting firm, Chelsea Group Limited. The consideration consisted of $1,691 of cash and potential contingent consideration of up to $2,000 based upon meeting certain future revenue targets over the next 5 years. The final purchase price is subject to a net working capital adjustment, dependent on the level of working capital at the acquisition date, that has not been finalized yet. The fair value of the contingent consideration was $555 as of the date of acquisition. No debt was assumed or cash acquired in the transaction. The pro-forma effects of this acquisition on the Company's operations are not material. The value of the contingent consideration increased by $44 during the year ended December 31, 2018 to a ending balance of $599 as of December 31, 2018. See Note 17 for additional information on the of the contingent consideration.
In January 2017, the Company acquired two solar PV projects currently under construction as well as associated construction loan agreements with a bank for use in providing non-recourse financing for these acquired solar PV projects currently under construction. The Company paid $2,409 to acquire the assets under construction, and assumed $5,635 of associated non-recourse financing.

In December 2016, the Company acquired a solar PV project currently under construction as well as an associated construction loan agreement with a bank for use in providing non-recourse financing for this acquired solar PV project currently under construction. The Company paid $3,575 to acquire the asset under construction, and assumed $9,503 of associated non-recourse financing.
A summary of the cumulative consideration paid and the allocation of the purchase price of all of the acquisitions in each respective year is as follows:

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	2018	2017	2016
Accounts receivable	$1,015	$—	$—
Prepaid expenses and other current assets	12	256	263
Property and equipment and energy assets	—	7,788	12,815
Intangibles	680	—	—
Goodwill	2,845	—	—
Accounts payable	67	—	—
Purchase price	$4,619	$8,044	$13,078
Total, net of cash received	$4,619	$8,044	$13,078
Debt assumed	$—	$5,635	$9,503
Total fair value of consideration	$4,619	$2,409	$3,575

The results of the acquired assets since the dates of the acquisitions have been included in the Company's operations as presented in the accompanying consolidated statements of income (loss), consolidated statements of comprehensive income (loss) and consolidated statements of cash flows.
For the years ended December 31, 2018, in order to expand its portfolio of energy assets, the Company acquired twelve solar projects from two separate developers and is under definitive agreement to acquire six additional solar projects. The Company has concluded that in accordance with ASC 805, Business Combinations, these acquisitions did not constitute a business as the assets acquired in each case could be considered a single asset or group of similar assets that made up substantially all of the fair market value of the acquisitions. See Note 7 for additional disclosures on these asset acquisitions.

5. 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	Other	Total
Balance, December 31, 2016	$24,759	$3,375	$3,262	$26,580	$57,976
Sale of assets of a business	—	—	—	(2,639)	(2,639)
Currency effects	—	—	232	566	798
Balance, December 31, 2017	24,759	3,375	3,494	24,507	56,135
Goodwill acquired during the year	1,611	1,234	—	—	2,845
Currency effects	—	—	(277)	(371)	(648)
Balance, December 31, 2018	$26,370	$4,609	$3,217	$24,136	$58,332
Accumulated Goodwill Impairment Balance, December 31, 2017	$—	$—	$(1,016)	$—	$(1,016)
Accumulated Goodwill Impairment Balance, December 31, 2018	$—	$—	$(1,016)	$—	$(1,016)

In accordance with ASC 350, goodwill was tested for impairment as of December 31, 2018, 2017 and 2016 at the reporting unit level under the income approach which uses, in part, a discounted cash flow method and a peer-based, and a risk-adjusted weighted average cost of capital. No impairment was recorded in the December 31, 2018, 2017 or 2016 assessments. Based on the Company's goodwill impairment assessment, all of its reporting units with goodwill had estimated fair values as of December 31, 2018 that exceeded their carrying values by at least 20%.
Based on the Company's goodwill impairment assessment, all of its reporting units with goodwill had estimated fair values as of December 31, 2017 that exceeded their carrying values by at least 20%. However, during the course of the valuation analysis it was determined that although the fair value of the Company's Canada reporting unit exceeded the carrying amount of this reporting unit, the carrying value of the reporting unit was negative as of December 31, 2017. The Canada reporting unit had goodwill of $3,494 as of December 31, 2017.

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

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	As of December 31,	
	2018	2017
Gross Carrying Amount		
Customer contracts	$7,818	$7,786
Customer relationships	12,082	11,863
Non-compete agreements	3,013	3,052
Technology	2,710	2,751
Trade names	541	546
	26,164	25,998
Accumulated Amortization		
Customer contracts	7,668	7,786
Customer relationships	10,302	9,557
Non-compete agreements	3,013	3,048
Technology	2,651	2,642
Trade names	526	525
	24,160	23,558
Intangible assets, net	$2,004	$2,440

Amortization expense related to customer contracts is included in cost of revenues in the consolidated statements of income (loss). Amortization expense 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).

Customer contracts are amortized ratably over the period of the acquired customer contracts ranging in periods from approximately one to eight years. All other intangible assets are amortized over periods ranging from approximately four to fifteen years, as defined by the nature of the respective intangible asset.

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 years ended December 31, 2018, 2017 and 2016.

Amortization expense for the years ended December 31, 2018, 2017 and 2016 is as follows:

	Year Ended December 31,		
	2018	2017	2016
Customer contracts	$30	$31	$184
Customer relationships	973	1,244	1,809
Non-compete agreements	3	42	116
Technology	47	128	238
Trade names	4	6	11
Total intangible amortization expense	$1,057	$1,451	$2,358

Estimated amortization expense for existing intangible assets for the next five succeeding fiscal years is as follows:

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	Estimated Amortization Included in Selling, General and Administrative Expenses
2019	$ 844
2020	620
2021	247
2022	75
2023	66
Thereafter	152
	$ 2,004

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	2018	2017
Furniture and office equipment	$6,118	$5,846
Computer equipment and software costs	23,781	21,457
Leasehold improvements	3,990	3,255
Automobiles	1,373	1,181
Land	1,454	1,498
Property and equipment, gross	36,716	33,237
Less - accumulated depreciation	(29,731)	(27,934)
Property and equipment, net	$6,985	$5,303

Depreciation expense on property and equipment for the years ended December 31, 2018, 2017 and 2016 was $2,167, $2,394 and $3,020, respectively, and is included in selling, general and administrative expenses in the accompanying consolidated statements of income (loss).

7. ENERGY ASSETS

Energy assets consist of the following:

	December 31,	
	2018	2017
Energy assets	$619,708	$488,818
Less - accumulated depreciation and amortization	(159,756)	(132,375)
Energy assets, net	$459,952	$356,443

Included in energy assets are capital lease assets and accumulated depreciation of capital lease assets. Capital lease assets consist of the following:

	December 31,	
	2018	2017
Capital lease assets	$42,402	$38,725
Less - accumulated depreciation and amortization	(4,139)	(2,049)
Capital lease assets, net	$38,263	$36,676

Depreciation and amortization expense on the above energy assets, net of deferred grant amortization, for the years ended December 31, 2018, 2017 and 2016 was $27,305, $21,648 and $19,377, respectively, and is included in cost of revenues in the accompanying consolidated statements of income (loss). Included in these depreciation and amortization expense totals are

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depreciation and amortization expense on capital lease assets of $2,090, $1,305 and $570 for the years ended December 31, 2018, 2017 and 2016, respectively.

For the years ended December 31, 2018, in order to expand its portfolio of energy assets and in connection with the adoption of ASU 2017-01, the Company acquired numerous energy projects, which did not constitute businesses under the new guidance. The Company acquired and closed on twelve solar projects, and entered into a definitive agreement to purchase six additional solar projects, from two developers for a total purchase price of $72,921. The purchase price included deferred consideration of $5,437 that will be paid upon final completion of the respective projects and throughout 2019. As of December 31, 2018, the Company has paid $62,116 to the developers of the projects.

As of December 31, 2018, the Company had $897 in ARO assets recorded in project assets and $897 in ARO liabilities recorded in accrued expenses and other current liabilities and other liabilities. As of December 31, 2017 the Company had immaterial ARO obligations. The Company’s current ARO liabilities relate to the removal of equipment and pipelines at certain renewable gas projects and obligations related to the decommissioning of certain solar facilities.

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8. LONG-TERM DEBT
Long-term debt comprised the following:

	Commencement Date	Maturity Date	Acceleration Clause[(2)]	Rate as of December 31, 2018		Balance as of December 31, 2018	2017
Senior secured credit facility, interest at varying rates monthly in arrears	June 2015	June 2020	NA	4.710	%	$43,074	$49,986
Variable rate term loan payable in semi-annual installments	January 2006	February 2021	Yes	5.047	%	936	1,220
Variable rate term loan payable in semi-annual installments	January 2006	June 2024	Yes	4.797	%	7,426	8,295
Variable rate term loan payable in quarterly installments	February 2009	December 2024	NA	NA		—	8,757
Term loan payable in quarterly installments	March 2011	March 2021	Yes	7.250	%	1,464	2,218
Term loan payable in monthly installments	October 2011	June 2028	NA	6.110	%	3,843	4,551
Variable rate term loan payable in quarterly installments	October 2012	June 2020	NA	6.297	%	30,674	32,711
Variable rate term loan payable in quarterly installments	September 2015	March 2023	NA	5.297	%	17,208	18,346
Term loan payable in quarterly installments	August 2016	July 2031	NA	4.950	%	3,925	4,605
Term loan payable in quarterly installments	March 2017	March 2028	NA	5.000	%	3,945	4,258
Term loan payable in monthly installments[(3)]	April 2017	April 2027	NA	4.500	%	22,081	13,325
Term loan payable in quarterly installments	April 2017	February 2034	NA	5.610	%	2,735	3,128
Variable rate term loan payable in quarterly installments	June 2017	December 2027	NA	5.247	%	12,915	14,034
Variable rate term loan payable in quarterly installments	February 2018	August 2022	Yes	10.297	%	21,475	—
Term loan payable in quarterly installments	June 2018	December 2038	Yes	5.150	%	30,069	—
Variable rate term loan payable in semi-annual installments	June 2018	June 2033	Yes	4.847	%	9,668	—
Variable rate construction loan payable	November 2016	June 2018	NA	NA		—	1,721
Variable rate term loan payable in monthly/quarterly installments	October 2018	October 2029	Yes	5.020	%	9,072	—
Capital leases[(1)]						33,363	35,013

	253,873	202,168
Less - current maturities	26,890	22,375
Less - deferred financing fees	7,821	6,556
Long-term debt	$219,162	$173,237

(1) Capital leases do not include approximately $25,305 in future interest payments

(2) These agreements have acceleration causes that, in the event of default, as defined, the payee has the option to accelerate payment terms and make due the remaining principal and the required interest balance according to the agreement

(3) As of December 31, 2018, this construction loan has an additional $2,742 commitment that could be drawn upon

Aggregate maturities of long-term debt for the years ended December 31, are as follows:

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2019	$26,890
2020	85,685
2021	18,573
2022	27,810
2023	27,518
Thereafter	69,955
Debt Discount	(2,558)
	$253,873

Senior Secured Credit Facility - Revolver and Term Loan

On June 30, 2015, the Company entered into a third amended and restated bank credit facility with two banks. The new credit facility replaces and extended the Company's existing credit facility, which was scheduled to expire in accordance with its terms on June 30, 2016. The revolving credit facility and term loan mature on June 30, 2020, when all amounts will be due and payable in full. The Company expects to use the new credit facility for general corporate purposes of the Company and its subsidiaries, including permitted acquisitions, refinancing of existing indebtedness and working capital. In July 2016, the Company entered into an amendment to the third amended and restated bank credit facility that amended the requirement of the total funded debt to EBITDA ratio, as defined. In November 2016, the Company entered into an additional amendment to the third amended and restated bank credit facility that increased the amount of the term loan under the credit facility by approximately $20,000 to an aggregate of $30,000 and extends the maturity date of the term loan from June 30, 2018 to June 30, 2020. In June 2017, the Company entered into an additional amendment to the third amended and restated bank credit facility that increased the amount available to be drawn on the revolving credit facility from $60,000 to $75,000. This amendment also amended the requirement of the total funded debt to EBITDA ratio, as defined, described below. In June 2018, the Company entered into an additional amendment to the Third Amended and Restated bank credit facility. The amendment added an additional lender, increased the aggregate amount of the revolving commitments from $75,000 to $85,000 through the existing June 30, 2020 end date, increased the term loan from $25,000 to $46,000 to reduce the outstanding revolving loan balances by the same amount and, for the period of June 30, 2018 through June 30, 2020, increased the Total Funded Debt to EBITDA covenant ratio, as defined, from a maximum of 2.75 to 3.00. The total commitment under the amended credit facility (revolving credit, term loan and swing line) is $136,000.

The credit facility consists of a $85,000 revolving credit facility and a $46,000 term loan. The revolving credit facility may be increased by up to an additional $25,000 at the Company's option if lenders are willing to provide such increased commitments, subject to certain conditions. Up to $20,000 of the revolving credit facility may be borrowed in Canadian dollars, Euros or pounds sterling. The Company is the sole borrower under the credit facility. The obligations under the credit facility are guaranteed by certain of the Company's direct and indirect wholly owned domestic subsidiaries and are secured by a pledge of all of the Company's and such subsidiary guarantors' assets, other than the equity interests of certain subsidiaries and assets held in non-core subsidiaries (as defined in the agreement).

At December 31, 2018 and 2017, $41,500 and $22,500, excluding debt discounts, was outstanding under the term loan, respectively. At December 31, 2018 and 2017, $1,696 and $27,580, excluding debt discounts, was outstanding under the revolving credit facility, respectively. At December 31, 2018 funds of $72,234 is available for borrowing under the revolving credit facility. At December 31, 2018, the Company had $11,070 in letters of credit outstanding.

The interest rate for borrowings under the credit facility is based on, at the Company's option, either (1) a base rate equal to a margin of 0.5% or 0.25%, depending on the Company's ratio of Total Funded Debt to EBITDA (as defined in the agreement), over the highest of (a) the federal funds effective rate, plus 0.50% , (b) Bank of America's prime rate and (c) a rate based on the London interbank deposit rate ("LIBOR") plus 1.50%, or (2) the one-, two- three- or six-month LIBOR plus a margin of 2.00% or 1.75%, depending on the Company's ratio of Total Funded Debt to EBITDA, as defined. A commitment fee of 0.375% is payable quarterly on the undrawn portion of the revolving credit facility. At December 31, 2018, the interest rate for borrowings under the revolving credit facility was 4.52% and the weighted average interest rate for borrowings under the term loan was 4.72%.

The revolving credit facility does not require amortization of principal. The term loan requires quarterly principal payments of $1,500, with the balance due at maturity. All borrowings may be paid before maturity in whole or in part at the Company's option without penalty or premium, other than reimbursement of any breakage and deployment costs in the case of LIBOR borrowings.

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The credit facility limits the Company's and its subsidiaries' ability to, among other things: incur additional indebtedness; incur liens or guarantee obligations; merge, liquidate or dispose of assets; make acquisitions or other investments; enter into hedging agreements; pay dividends and make other distributions and engage in transactions with affiliates, except in the ordinary course of business on an arms' length basis.
Under the credit facility, the Company and its subsidiaries may not invest cash or property in, or loan to, the Company's non-core subsidiaries in aggregate amounts exceeding 49% of the Company's consolidated stockholders' equity. In addition, under the credit facility, the Company and its core subsidiaries must maintain the following financial covenants:

- a ratio of total funded debt to EBITDA, as defined, of less than 3.0 to 1.0 as of the end of each fiscal quarter ending June 30, 2018 and thereafter; and
- a debt service coverage ratio (as defined in the agreement) of at least 1.5 to 1.0.

Any failure to comply with the financial or other covenants of the credit facility would not only prevent the Company from being able to borrow additional funds, but would constitute a default, permitting the lenders to, among other things, accelerate the amounts outstanding, including all accrued interest and unpaid fees, under the credit facility, to terminate the credit facility, and enforce liens against the collateral.
The credit facility also includes several other customary events of default, including a change in control of the Company, permitting the lenders to accelerate the indebtedness, terminate the credit facility, and enforce liens against the collateral.
For purposes of the Company's senior secured facility: EBITDA, as defined, excludes the results of certain renewable energy projects that the Company owns and for which financing from others remains outstanding; total funded debt, as defined, includes amounts outstanding under both the term loan and revolver portions of the senior secured credit facility plus other indebtedness, but excludes non-recourse indebtedness of project company subsidiaries; and debt service, as defined, includes principal and interest payments on the indebtedness included in total funded debt other than principal payments on the revolver portion of the facility.
February 2018 Term Loan
In February 2018, the Company entered into a credit agreement for gross proceeds of $28,500, with a bank for use in providing non-recourse financing for a new renewable natural gas energy asset at a rate of 7.5% above LIBOR. Principal and interest amounts are due in quarterly installments. The term loan matures on August 31, 2022 with all remaining unpaid amounts outstanding under the agreement due at that time. At December 31, 2018, $21,475, net of debt discount, was outstanding under the term loan. The interest rate at December 31, 2018 was 10.297%.
June 2018 Term Loan
In June 2018, the Company entered into a non-recourse term loan with a bank, with an original principal amount of $12,407. In August 2018, the Company entered into a joinder agreement which increased the principal amount by an additional $19,252, for a total principal amount of $31,659. The loan bears interest at a fixed rate of 5.15%. The principal and interest payments are due in quarterly installments and the loan matures on December 31, 2038, with all remaining unpaid amounts outstanding under the agreement due at that time. These agreements contain interest make-whole provisions that the Company determined qualified as embedded derivatives that are required to be bifurcated and valued separately from the host contract. See Notes 8 and 9 for additional discussions. At December 31, 2018, $30,069 was outstanding under the term loan, including debt discounts and the make-whole interest provision derivatives.
June 2018 Variable Note
In June 2018, the Company entered into a loan agreement for use in providing non-recourse financing for a solar PV project in operation. The loan agreement provides for a $10,000 term loan credit facility and bears interest at a variable rate, with interest payments due in semi-annual installments. The term loan matures on June 15, 2033, with all remaining unpaid amounts outstanding under the facility due at that time. At December 31, 2018, $9,668, net of

debt discounts, was outstanding under the term loan. The variable interest rate for this loan at December 31, 2018 was 4.847%.

October 2018 Term Loan

In October 2018, the Company entered into a non-recourse term loan with a bank, with an original principal amount of $9,200. The loan bears interest at a rate of 2.5% above LIBOR. Interest is due monthly in the first year of the loan and then

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principal and interest payments are due in quarterly installments. the loan matures on October 18, 2029, with all remaining unpaid amounts outstanding under the agreement due at that time. At December 31, 2018, $9,072 was outstanding under the term loan, including debt discounts.
The Company's project financing facilities contain various financial and other covenant requirements which include debt service coverage ratios and total funded debt to EBITDA, as defined. Any failure to comply with the financial or other covenants of the Company's projects financings would result in inability to distribute funds to from the wholly-owned subsidiary to the Company or constitute an event of default in which the lenders may have the ability to accelerate the amounts outstanding, including all accrued interest and unpaid fees.
As of December 31, 2018, the Company was not in compliance with certain financial covenant requirements on two of the Company's project financing debt facilities. The Company has received a waiver from one of the financial institutions to waive the failure as of December 31, 2018. The Company has not received a waiver from one financial institution in relation to the covenant failure on a project financing facility for which $3,978 was outstanding as of December 31, 2018.

9. INCOME TAXES

The components of income before income taxes are as follows:

	Year Ended December 31,		
	2018	2017	2016
Domestic	$46,542	$29,792	$19,874
Foreign	(4,152)	(1,075)	(3,507)
Income before (benefit) provision for income taxes	$42,390	$28,717	$16,367

The components of the (benefit) provision for income taxes are as follows:

	Year Ended December 31,		
	2018	2017	2016
Current:			
Federal	$(1,888)	$(1,055)	$1,304
State	1,176	671	303
Foreign	30	161	(106)
	(682)	(223)	1,501
Deferred:			
Federal	2,662	(6,683)	2,341
State	2,530	1,853	106
Foreign	303	262	422
	5,495	(4,568)	2,869
	$4,813	$(4,791)	$4,370

The Company's deferred tax assets and liabilities result primarily from temporary differences between financial reporting and tax recognition of depreciation, energy efficiency and NOL carryforwards.

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Deferred tax assets and liabilities consist of the following:

	December 31,	
	2018	2017
Deferred tax assets:		
Compensation accruals	$3,489	$3,042
Reserves	2,940	2,149
Other	127	—
Net operating losses	10,010	10,099
Interest rate swaps	666	866
Energy efficiency	28,911	22,716
Interest limitation	3,292	—
Deferred revenue	1,943	815
Gross deferred income tax assets	51,378	39,687
Valuation allowance	(7,931)	(7,534)
Total deferred income tax assets	$43,447	$32,153
Deferred tax liabilities:		
Depreciation	$(37,107)	$(24,178)
Deferred effect of derivative liability and ASU 2016-09 adoption	(475)	—
Canadian capital cost, allowance and amortization	(1,974)	(3,156)
United Kingdom goodwill amortization	(755)	(802)
Outside basis difference	(7,488)	(4,408)
Other	—	(193)
Total deferred income tax liabilities	(47,799)	(32,737)
Deferred income tax liabilities, net	$(4,352)	$(584)

The Company recorded a valuation allowance in the amount of $7,931 and $7,534 as of December 31, 2018 and 2017, respectively, related to the following items: 1) The Company recorded a valuation allowance on a deferred tax asset relating to interest rate swaps in the amount of $184 and $401 as of December 31, 2018 and 2017, respectively. The deferred tax asset represents a future capital loss which can only be recognized for income tax purposes to the extent of capital gain income. Although the Company anticipates sufficient future taxable income, it is more likely than not that it will not be of the appropriate character to allow for the recognition of the future capital loss. 2) As of December 31, 2018 and 2017, the Company recorded a valuation allowance on a deferred tax asset relating to a foreign net operating loss in the amount of $7,500 and $6,871, respectively. It is more likely than not that the Company will not generate sufficient taxable income at the foreign subsidiary level to utilize the net operating loss. 3) The Company recorded a valuation allowance on a deferred tax asset relating to a state net operating loss of $247 and $262 at one of its subsidiaries as of December 31, 2018 and 2017, respectively. It is more likely than not that the Company will not generate sufficient taxable income at the subsidiary level to utilize the net operating loss.

The provision for income taxes is based on the various rates set by federal and local authorities and is affected by permanent and temporary differences between financial accounting and tax reporting requirements.

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The following is a reconciliation of the effective tax rates:

	Year Ended December 31,		
	2018	2017	2016
Income before (benefit) provision for income taxes	$42,390	$28,717	$16,367
Federal statutory tax expense	$8,902	$10,048	$5,728
State income taxes, net of Federal benefit	3,071	1,584	678
Net state impact of deferred rate change	174	327	(110)
Non deductible expenses	982	1,473	670
Impact of reserve for uncertain tax positions	879	42	(411)
Stock-based compensation expense	(441)	116	306
Energy efficiency preferences	(8,636)	(6,416)	(4,130)
Foreign items and rate differential	(41)	139	516
Tax rate change	—	(13,948)	—
Valuation allowance	641	424	213
Miscellaneous	(718)	1,420	910
	$4,813	$(4,791)	$4,370
Effective tax rate:			
Federal statutory rate expense	21.0 %	35.0 %	35.0 %
State income taxes, net of Federal benefit	7.2 %	5.5 %	4.1 %
Net state impact of deferred rate change	0.4 %	1.1 %	(0.7)%
Non deductible expenses	2.3 %	5.1 %	4.1 %
Impact of reserve for uncertain tax positions	2.1 %	0.1 %	(2.5)%
Stock-based compensation expense	(1.0)%	0.4 %	1.9 %
Energy efficiency preferences	(20.4)%	(22.3)%	(25.2)%
Foreign items and rate differential	(0.1)%	0.5 %	3.2 %
Tax rate change	— %	(48.6)%	— %
Valuation allowance	1.5 %	1.5 %	1.3 %
Miscellaneous	(1.6)%	4.9 %	5.5 %
	11.4 %	(16.7)%	26.7 %

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

	Year Ended December 31,	
	2018	2017
Balance, beginning of year	$600	$600
Additions for current year tax positions	300	
Additions for prior year tax positions	900	—
Settlements paid to tax authorities	—	—
Reductions of prior year tax positions	(200)	—
Balance, end of year	$1,600	$600

At December 31, 2018 and 2017, the Company had approximately $1,600 and $600, respectively, of total gross unrecognized tax benefits.

Of the total gross unrecognized tax benefits as of December 31, 2018 and 2017, $705 and $80, respectively, (both net of the federal benefit on state amounts) represent the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in any future periods.

At December 31, 2018 the Company had a federal net operating loss carryforwards of approximately $7,200 which has an indefinite life, state net operating loss carryforwards of approximately $23,340, which will expire from 2018 through 2034 and an interest deduction carryforward of approximately $12,300 which has an indefinite life. At December 31, 2018 the Company had Canadian net operating loss carryforwards of approximately $25,000, which will expire for tax years 2018 through 2028.

The Company does not accrue U.S. tax for foreign earnings that it considers to be permanently reinvested outside the United States. Consequently, the Company has not provided any withholding tax on the unremitted earnings of its foreign subsidiaries. As of December 31, 2018, the amount of earnings for which no repatriation tax has been provided is estimated to be $0.

At December 31, 2018 the company had a federal tax credit carryforward of approximately $28,300 which will expire at various times through 2038.

The tax years 2015 through 2018 remain open to examination by major taxing jurisdictions. The Company accounts for interest and penalties related to uncertain tax positions as part of its provision for federal and state income taxes. The (decrease) increase included in tax expense for the years end December 31, 2018, 2017 and 2016 were $(50), $(60) and $(20), respectively.

The 2017 Tax Cuts and Jobs Act (the “2017 Tax Act”) was signed into law on December 22, 2017and was effective for tax years beginning after December 31, 2017. The 2017 Tax Act significantly revised the U.S. corporate income tax by, among other things, lowering the statutory corporate tax rate from 35% to 21%, eliminating certain deductions, imposing a mandatory one-time tax on accumulated earnings of foreign subsidiaries as of December 31, 2017, introducing new tax regimes, and changing how foreign earnings are subject to U.S. tax. The 2017 Tax Act also enhanced and extended through 2026 the option to claim accelerated depreciation deductions on qualified property and created limitations on the deductibility and timing of interest deductions. The Company recorded a tax benefit for the impact of the 2017 Tax Act of approximately $13,900, in its consolidated financial statements for the year ending December 31, 2017. This amount was primarily comprised of the remeasurement of federal net deferred tax liabilities resulting from the permanent reduction in the U.S. statutory corporate tax rate from 35% to 21%.

The Tax 2017 Tax Act provided for a one-time deemed mandatory repatriation for post-1986 undistributed foreign subsidiary earnings and profits (“E&P”) through the year ended December 31, 2017. The Company’s initial estimate showed a deficit in foreign E&P and significant foreign taxes paid, which could be creditable against any tax resulting from the deemed mandatory repatriation. During 2018 the Company concluded that it’s foreign E&P were in a deficit position and the Company had no tax due in connection with the deemed mandatory repatriation.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Legislation. The Company recognized the provisional tax impacts related to the revaluation of deferred tax assets and liabilities and included these amounts in its consolidated financial statements for the year ended December 31, 2017. As of December 31, 2018 the Company has finalized it’s accounting for the 2017 Tax Act with no material adjustments and all the impacts are reflected in the consolidated financial statements as of that date.

In February 2018, as part of the Bipartisan Budget Act, Code Section 179D Commercial Buildings Energy Efficiency Tax Deduction was retroactively extended through December 31, 2017. Because of the timing of the retroactive extension the impact was not reflected in the Company’s effective tax rate for 2017 but was included as a tax benefit in the Company’s tax provision for the year ending December 31, 2018.

10. INVESTMENT FUNDS

In each of September 2015, June 2017, June 2018 and October 2018, the Company formed an investment fund with a different third party investor which granted the applicable investor ownership interests in the net assets of certain of the Company’s renewable energy project subsidiaries. The Company currently has four such investment funds each with a different third party investor.

The Company consolidates the investment funds, and all inter-company balances and transactions between the Company and the investment funds are eliminated in its consolidated financial statements. The Company determined that the investment funds meet the definition of a VIE. The Company uses a qualitative approach in assessing the consolidation requirement for VIEs that focuses on determining whether the Company has the power to direct the activities of the VIE that most significantly affect the VIE’s economic performance and whether the Company has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

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The Company has considered the provisions within the contractual arrangements that grant it power to manage and make decisions that affect the operation of these VIEs, including determining the solar energy systems and associated long term customer contracts to be sold or contributed to the VIEs, and installation, operation and maintenance of the solar energy systems. The Company considers that the rights granted to the other investors under the contractual arrangements are more protective in nature rather than participating rights. As such, the Company has determined it is the primary beneficiary of the VIEs for all periods presented. The Company evaluates its relationships with VIEs on an ongoing basis to ensure that it continues to be the primary beneficiary.
Under the related agreements, cash distributions of income and other receipts by the funds, net of agreed-upon expenses and estimated expenses, tax benefits and detriments of income and loss, and tax benefits of tax credits, are assigned to the funds' investor and Company's subsidiaries as specified in contractual arrangements. Certain of these arrangements have call and put options to acquire the investor's equity interest as specified in the contractual agreements. See Note 11 for additional information on the call and put options.
A summary of amounts related to the investment funds in the Company's consolidated balance sheets for the years ending December 31, 2018 and 2017 is as follows:

	2018[(1)]	2017[(1)]
Cash	$ 1,255	$ 444
Restricted cash	156	155
Accounts receivable	374	328
Costs and estimated earnings in excess of billings	498	360
Prepaid expenses and other current assets	190	8
Energy assets, net	122,641	55,712
Other assets	1,613	1,398
Accounts payable	234	764
Accrued liabilities	4,146	74
Other liabilities	—	75
Current portions of long-term	1,712	—
Long-term debt, net of deferred financing costs	26,461	—
Other long-term liabilities	2,131	—

[(1)]The amounts in the above table are reflected in parenthetical references on the Company's consolidated balance sheet. See the Company's consolidated balance sheet for additional information.
11. NON-CONTROLLING INTERESTS AND EQUITY
Redeemable Non-controlling Interest
The Company's wholly owned subsidiary with a membership interest in the investment fund formed in the third quarter of 2015 has the right, beginning on the fifth anniversary of the final funding of the variable rate construction and term loans due 2023 and extending for six months, to elect to require the non-controlling interest holder to sell all of its membership units to the Company's wholly owned subsidiary (the "Call Option"). The Company's investment fund, which was formed in the third quarter of 2015, also includes a right, beginning on the sixth anniversary of the final funding and extending for one year, for the non-controlling interest holder to elect to require the Company's wholly owned subsidiary to purchase all of its membership interests in the fund (the "Put Option").
The Company's wholly owned subsidiary with a membership interest in the investment fund formed in the second quarter of 2017 has the right, beginning on the fifth anniversary of the final funding of the non-controlling interest holder and extending for six months, to elect to require the non-controlling interest holder to sell all of its membership units to the Company's wholly owned subsidiary, a call option. The Company's investment fund formed in the second quarter of 2017 also includes a right, beginning on the sixth anniversary of the final funding and extending for one year, for the non-controlling interest holder to elect to require the Company's wholly owned subsidiary to purchase all

of its membership interests in the fund, a put option.

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The Company's wholly owned subsidiary with a membership interest in the investment fund formed in the second quarter of 2018 has the right, beginning on the fifth anniversary of the investment fund's final project being placed into service and extending for six months, to elect to require the non-controlling interest holder to sell all of its membership units to the Company's wholly owned subsidiary, a call option. The Company's investment fund formed in the second quarter of 2018 also includes a right, upon the expiration of the call option and extending for six months, for the non-controlling interest holder to elect to require the Company's wholly owned subsidiary to purchase all of its membership interests in the fund, a put option.

The Company's wholly owned subsidiary with a membership interest in the investment fund formed in the fourth quarter of 2018 has the right, beginning on the fifth anniversary on the last projects placed in-service date and extending for six months, to elect to require the non-controlling interest holder to sell all of its membership units to the Company's wholly owned subsidiary, a call option. The Company's investment fund formed in the fourth quarter of 2018 also includes a right, upon the expiration of the call option and extending for six months, for the non-controlling interest partner to elect to require the Company's wholly owned subsidiary to purchase all of its membership interests in the fund, a put option.

The purchase price for two of the investment funds investors' interests under the call options is equal to the fair market value of such interest at the time the option is exercised. The purchase price for the other two investment funds investor's interests under the call options is equal to the greater of (i) the fair market value of such interests at the time the option is exercised or (ii) 7% of the investors' contributed capital balance at the time the option is exercisable. The call options are exercisable beginning on the date that specified conditions are met for each respective fund. None of the call options are expected to become exercisable prior to 2021.

The purchase price for two of the funds investors' interests in the investment funds under the put options is the lessor of fair market value at the time the option is exercised and a specified amount, ranging from $659 - $917. The purchase price for the other two of the fund investors' interest in the investment funds under the put options is the sum of (i) the fair market value at the time the option is exercised, and (ii) the closing costs incurred by the investor in connection with the exercise of the put option. The put options for the investment funds are exercisable beginning on the date that specified conditions are met for each respective fund. The put options are not expected to become exercisable prior to 2022.

Because the put options represents redemption features that are not solely within the control of the Company, the non-controlling interests in these funds are presented outside of permanent equity. Redeemable non-controlling interests are reported using the greater of their carrying value at each reporting date (which is impacted by attribution under the HLBV method) or their estimated redemption value in each reporting period. At both December 31, 2018 and 2017, redeemable non-controlling interests were reported at their carrying value of $14,719 and $10,338, respectively, as the carrying value at each reporting period was greater than the estimated redemption value.

12. STOCK INCENTIVE PLAN

Common and Preferred Stock

The Company has authorized 500,000 shares of Class A common stock, par value $0.0001 per share, 144,000 shares of Class B common stock, par value $0.0001 per share, and 5,000,000 shares of Preferred Stock, par value $0.0001 per share. The rights of the holders of the Company's Class A common stock and Class B common stock are identical, except with respect to voting and conversion. Each share of the Company's Class A common stock is entitled to one vote per share and is not convertible into any other shares of the Company's capital stock. Each share of the Company's Class B common stock is entitled to five votes per share, is convertible at any time into one share of Class A common stock at the option of the holder of such share and will automatically convert into one share of Class A common stock upon the occurrence of certain specified events, including a transfer of such shares (other than to such holder's family members, descendants or certain affiliated persons or entities). The Company's Board of Directors is authorized to fix the rights and terms for any series of preferred stock without additional shareholder approval.

In 2000, the Company's Board of Directors approved the Company's 2000 Stock Incentive Plan (the "2000 Plan") and between 2000 and 2010 authorized the Company to reserve a total of 28,500 shares of its then authorized common stock, par value $0.0001 per share ("Common Stock") for issuance under the 2000 Plan. The 2000 Plan provided for the issuance of restricted stock grants, incentive stock options and nonqualified stock options. The Company will grant no further stock options or restricted awards under the 2000 Plan.

The Company's 2010 Stock Incentive Plan (the "2010 Plan"), was adopted by the Company's Board of Directors in May 2010 and approved by its stockholders in June 2010. The 2010 Plan provides for the grant of incentive stock options, non-

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statutory stock options, performance-based stock options, restricted stock awards and other stock-based awards. Upon its effectiveness, 10,000 shares of the Company's Class A common stock were reserved for issuance under the 2010 Plan. As of December 31, 2018, the Company had granted options to purchase 3,887 shares of Class A common stock under the 2010 Plan.

The Company's 2017 Employee Stock Purchase Plan ("ESPP") permits eligible employees to purchase up to an aggregate of 200 shares of the Company's Class A common stock. This plan commenced December 1, 2017 and was most recently amended on August 2018. The ESPP allows participants to purchase shares of common stock at a 5% discount from the fair market value of the stock as determined on specific dates at six-month intervals. During the year ended December 31, 2018, the Company issued 51 shares under the ESPP. As of December 31, 2018, the amount that had been withheld from employees for future purchases under the ESPP is immaterial.

Stock Option Grants

The Company has granted stock options to certain employees and directors, including its principal and controlling stockholder, under the 2000 Plan. The Company has also granted stock options to certain employees and directors under the 2010 Plan. At December 31, 2018, 6,833 shares were available for grant under the 2010 Plan.

The following table summarizes the collective activity under the 2000 Plan and the 2010 Plan:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2015	4,139	$ 7.740		
Granted[1]	665	4.703		
Exercised	(321)	3.286		
Forfeited	(194)	8.154		
Expired	(318)	11.293		
Outstanding at December 31, 2016	3,971	7.300		
Granted[1]	390	6.061		
Exercised	(401)	4.935		
Forfeited	(41)	6.421		
Expired	(85)	10.157		
Outstanding at December 31, 2017	3,834	7.367		
Granted[1]	518	10.878		
Exercised	(909)	7.367		
Forfeited	(87)	4.726		
Expired	(51)	9.146		
Outstanding at December 31, 2018	3,305	$ 8.050	4.99	$ 20,120
Options exercisable at December 31, 2018	1,926	$ 8.824	2.87	$ 10,237
Expected to vest at December 31, 2018	1,379	$ 6.970	7.94	$ 9,883

(1) Grants are related to the 2010 Plan.

The aggregate intrinsic value of stock options exercised during the years ended December 31, 2018, 2017 and 2016 was $5,588, $808 and $575, respectively.

During the year ended December 31, 2018, a total of 909 shares were issued upon the exercise of options under the 2000 and 2010 Plan at an average price of $7.367 per share. Cash received from option exercises under all stock-based

payment arrangements, net, for the years ended December 31, 2018, 2017 and 2016 was $6,696, $1,977 and $1,054, respectively.
Stock options issued under our 2000 Plan generally expire if not exercised within ten years after the grant date. Under the terms of our 2010 stock incentive plan, all options expire if not exercised within ten years after the grant date. During 2011, the Company began awarding options which typically vest over a five year period on an annual ratable basis. From time to time,

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the Company awards options providing for vesting over three years, with one-third vesting on each of the first three anniversaries of the grant date. During the year ending December 31, 2016, the Company also awarded options that vest based upon the achievement of specific performance goals. If the employee ceases to be employed by the Company for any reason before vested options have been exercised, the employee has 90 days to exercise options that have vested as of the date of such employee's termination or they are forfeited.

The Company uses the Black-Scholes option pricing model to determine the weighted-average fair value of options granted. The Company will recognize the compensation cost of stock-based awards on a straight-line basis over the vesting period of the award.

The determination of the fair value of stock-based payment awards utilizing the Black-Scholes model is affected by the stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. The following table sets forth the significant assumptions used in the model during 2018, 2017 and 2016:

	Year Ended December 31,		
	2018	2017	2016
Expected dividend yield	—%	—%	—%
Risk-free interest rate	2.71%-3.00%	1.96%-2.36%	1.16%-1.77%
Expected volatility	43%-45%	46%	46%-49%
Expected life	6.5 years	6.5 years	6.5-10 years

The Company will continue to use judgment in evaluating the expected term and volatility related to the stock-based compensation on a prospective basis, and incorporating these factors into the Black-Scholes pricing model. The Company records forfeitures as they occur. Higher volatility and longer expected lives result in an increase to stock-based compensation expense determined at the date of grant.

The weighted-average fair value of stock options granted during the years ended December 31, 2018, 2017 and 2016, under the Black-Scholes option pricing model was $5.20, $2.93 and $2.60, respectively, per share. For the years ended December 31, 2018, 2017 and 2016, the Company recorded stock-based compensation expense of approximately $1,258, $1,293, and $1,462, 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 December 31, 2018, there was approximately $3,107 of unrecognized compensation expense related to non-vested stock option awards that is expected to be recognized over a weighted-average period of 2.1 years.

13. EMPLOYEE BENEFITS

The Company has salary reduction/profit sharing plans under the provisions of Section 401(k) of the Internal Revenue Code. The plans cover all employees who have completed the minimum service requirement, as defined by the plans. The plans require the Company to contribute 100% of the first six percent of base compensation that a participant contributes to the plans. Matching contributions made by the Company were $4,957, $3,832 and $4,600 for the years ended December 31, 2018, 2017 and 2016, respectively.

The Company has a Group Personal Pension Plan (GPPP) for employees in the U.K., established in 2016, whereby eligible employees may contribute a portion of their compensation, subject to their age and other limitations established by HM Revenue & Customs. The plan requires the Company to contribute 100% of the first six percent of base compensation that a participant contributes to the plans. Matching contributions made by the Company were $161, $344 and $202 for the years ended December 31, 2018, 2017 and 2016, respectively.

The Company has a Registered Retirement Savings Plan (RRSP) for employees in Canada, whereby eligible employees may contribute a portion of their compensation. The plan requires the Company to contribute 100% of the first six percent of base compensation that a participant contributes to the plans. Matching contributions made by the Company were $351, $774 and $307 for the years ended December 31, 2018, 2017 and 2016, respectively.

14. COMMITMENTS AND CONTINGENCIES

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The Company from time to time issues letters of credit and performance bonds, with their third-party lenders, to provide collateral.

The Company leases certain administrative offices. The leases are long-term noncancelable real estate lease agreements, expiring at various dates through fiscal 2025. The agreements generally provide for fixed minimum rental payments and the payment of utilities, real estate taxes, insurance and repairs. Rent and related expenses for the years ended December 31, 2018, 2017 and 2016 was $6,463, $6,362 and $6,147, respectively.

The Company's estimated minimum future lease obligations under operating leases are as follows:

	Operating Leases
Year ended December 31,	
2019	$ 7,917
2020	7,265
2021	5,833
2022	5,357
2023	3,873
Thereafter	17,348
Total minimum lease payments	$ 47,593

Legal Proceedings

The Company also 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.

Commitments as a Result of Acquisitions

During the the year ended December 31, 2018, the Company completed an acquisition which provided for a $425 cash consideration holdback contingent upon the Company collecting certain acquired receivables. The contingent consideration will be paid fifteen months from the completion of the acquisition and is recorded in the other liabilities line on the consolidated balance sheets.

During the year ended December 31, 2018, the Company completed an acquisition which provided for a revenue earn-out contingent upon the acquired business meeting certain cumulative revenue targets over the next five years. The Company evaluated financial forecasts of the acquired business and concluded that the fair value of this earn-out was approximately $555 which was subsequently increased to $599 as of December 31, 2018 and is recorded in the other liabilities on the consolidated balance sheets. The contingent consideration will be paid yearly, commencing in 2020, if any of the cumulative revenue targets are achieved and the fair value of the earn-out will be periodically re-evaluated and adjustments will be recorded as needed. See Notes 4 and 17 for additional information.

During the year ended December 31, 2018, the Company completed an acquisition of certain lease options, which provided for a payout if the lease option is exercised and if certain financial metrics are achieved. The Company evaluated the the acquired lease options and concluded that the fair-value of this contingent liability is approximately $363, which is recorded in accrued expenses and other current liabilities and other liabilities on the consolidated balance sheets. Payments will be made when milestones are achieved. The contingent liability will be periodically re-evaluated and adjustments will be recorded as needed. See Note 17 for additional information.

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15. GEOGRAPHIC INFORMATION

The Company attributes revenues to customers based on the location of the customer. Information as to the Company's operations in different geographical areas is as follows:

	December 31,	
	2018	2017
Long-lived assets:		
United States	$443,385	$343,344
Canada	22,107	17,082
Other	1,445	1,320
Total long-lived assets	$466,937	$361,746

	Year Ended December 31,		
	2018	2017	2016
Revenues:			
United States	$734,748	$665,793	$588,791
Canada	36,728	42,186	49,706
Other	15,662	9,173	12,730
Total revenues	$787,138	$717,152	$651,227

16. OTHER EXPENSES, NET

The components of other expenses, net, are as follows:

	Year Ended December 31,		
	2018	2017	2016
Gain on derivatives	$(121)	$(271)	$(279)
Interest expense, net of interest income	13,132	8,086	6,510
Amortization of deferred financing fees, net	1,894	1,350	1,173
Foreign currency transaction (gain) loss	1,804	(1,294)	5
Other expenses, net	$16,709	$7,871	$7,409

Estimated amortization expense for existing deferred financing fees for the next five succeeding fiscal years is as follows:

	Estimated Amortization
2019	$ 1,774
2020	1,061
2021	781
2022	671
2023	487

17. 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.

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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 December 31, 2018	2017
Assets:			
Interest rate swap instruments	2	$733	$233
Commodity swap instruments	2	33	—
Total assets		$766	$233
Liabilities:			
Interest rate swap instruments	2	$3,187	3,529
Commodity swap instruments	2	70	—
Interest make-whole provisions	2	1,808	—
Contingent consideration liabilities	3	962	—
Total liabilities		$6,027	$3,529

The fair value of the Company's interest rate swaps was determined using 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 the Company's commodity swaps was determined using a cash flow analysis on the expected cash flow of the contract in combination with observable forward price inputs obtained from a third-party pricing source. As part of this valuation, the Company considered the credit ratings of the counterparties to the commodity swaps to determine if a credit risk adjustment was required.

The fair value of the Company's make-whole provisions were determined by comparing them against the rates of similar debt instruments under similar terms without a make-whole provision obtained from various highly rated third-party pricing sources.

The fair value of the Company's contingent consideration liabilities were determined by evaluating the acquired asset's future financial forecasts and evaluating which, if any, of the cumulative revenue targets, financial metrics and/or milestones are likely to be met. The Company has classified contingent consideration related to certain acquisitions within Level 3 of the fair value hierarchy because the fair value is derived using significant unobservable inputs, which include discount rates and probability-weighted cash flows. The Company determined the fair value of its contingent consideration obligations based on a probability-weighted income approach derived from financial performance estimates and probability assessments of the attainment of certain targets. The Company establishes discount rates to be utilized in its valuation models based on the cost to borrow that would be required by a market participant for similar instruments. In determining the probability of attaining certain technical, financial and operation targets, the Company utilizes data regarding similar milestone events from our own experience, while considering the inherent difficulties and uncertainties in developing a product. On a quarterly basis, the Company reassesses the probability factors associated with the financial, operational and technical targets for its contingent consideration obligations. Significant judgment is employed in determining the appropriateness of these assumptions as of the acquisition date and for each subsequent period.

The key assumptions as of December 31, 2018, related to the contingent consideration from the acquisition of certain assets of Chelsea Group Limited, used in the model include a discount rate of 18% for purposes of discounting the low and base case scenarios associated with achievement of the financial based earn-out. The probabilities assigned to these scenarios were 50% for both the low and base case scenarios. An increase or decrease in the probability of achievement of any scenario could result in a significant increase or decrease to the estimated fair value of the contingent consideration liability.

The key assumptions as of December 31, 2018, related to the contingent consideration from the acquisition of certain lease options, used in the model include a discount rate of 18% for purposes of discounting the low, base and high case scenarios

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associated with achievement of the financial based earn-out. The probabilities assigned to these scenarios were 20% for the low case, 75% for the base case and 5% for the high case. An increase or decrease in the probability of achievement of any scenario could result in a significant increase or decrease to the estimated fair value of the contingent consideration liability.
The following table sets forth a summary of changes in fair value of contingent liabilities classified as Level 3 for the year ended December 31, 2018:

	Year Ended December 31, 2018
Contingent consideration liabilities balance at the beginning of year	$ —
Contingent consideration issued in connection with acquisitions	918
Loss on change in fair value	44
Contingent consideration liabilities balance at the end of year	$ 962

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 December 31, 2018 and 2017, the fair value of the Company's long-term debt was estimated using discounted cash flows analysis, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements which are considered to be level two inputs. There have been no transfers in or out of level two or three for the years ended December 31, 2018 and 2017. Based on the analysis performed, the fair value and the carrying value of the Company's long-term debt, excluding capital leases, are as follows:

	As of December 31, 2018		As of December 31, 2017	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Long-term debt value (Level 2)	$211,823	$212,687	$160,108	$160,598

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 goodwill impairment analysis with its own discounted cash flow analysis. The Company has determined the inputs used in such analysis as Level 3 inputs. There were no assets recorded at fair value on a non-recurring basis at December 31, 2018 or 2017.
18. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES
At December 31, 2018 and 2017, the following table presents information about the fair value amounts of the Company's derivative instruments:

	Derivatives as of December 31,			
	2018		2017	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives Designated as Hedging Instruments:				
Interest rate swap contracts	Other assets	$703	Other assets	$233
Interest rate swap contracts	Other liabilities	$3,187	Other liabilities	$3,529
Derivatives Not Designated as Hedging Instruments:				
Interest rate swap contracts	Other assets	$30	Other assets	$—
Commodity swap contracts	Other assets	$33	Other assets	$—

Commodity swap contracts	Other liabilities	$70	Other liabilities	$—
Interest make-whole provisions	Other liabilities	$1,808	Other liabilities	$—

All but four of the Company's freestanding derivatives were designated as hedging instruments as of December 31, 2018 and all but one of the Company's derivatives were designated as hedging instruments as of December 31, 2017.

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

The following tables present 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 Net Income	Amount of (Gain) Loss Recognized in Net Income for the Year Ended December 31,		
		2018	2017	2016
Derivatives Designated as Hedging Instruments:				
Interest rate swap contracts	Other expenses, net	$(196)	$(271)	$(279)
Derivatives Not Designated as Hedging Instruments:				
Interest rate swap contracts	Other expenses, net	$(308)	$—	$—
Commodity swap contracts	Other expenses, net	$36	$—	$—
Interest make-whole provisions	Other expenses, net	$337	$—	$—

	Year Ended December 31, 2018
Derivatives Designated as Hedging Instruments:	
Accumulated loss in AOCI at the beginning of the period	$(1,745)
Cumulative impact from the adoption of ASU No. 2017-12	(486)
Unrealized gain recognized in AOCI	603
Gain reclassified from AOCI to other expenses, net	(196)
Accumulated loss in AOCI at the end of the period	$(1,824)

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 covered an initial notional amount of approximately $27,900 variable rate note at a fixed interest rate of 3.74% and expired 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 loss and recorded as a reduction to other expenses, net in the Company’s consolidated statements of income (loss) during the second quarter of 2014. During the second quarter 2018, this swap was de-designated as a hedge as a result of the expected pay down of the associated hedged debt principal. As a result, $34 was reclassified from accumulated other comprehensive loss and recorded to other expenses, net in the Company’s consolidated statements of income (loss) during the second quarter 2018. In the third quarter of 2018, the expected pay down of the hedged debt principal occurred and the balance of the related hedge was written off. This resulted in a decrease of other liabilities of $252 in the Company’s consolidated balance sheets and a corresponding decrease in other expenses, net in the Company’s consolidated statements of income (loss).

The followings tables present a listing of all the Company’s active derivative instruments as of December 31, 2018:

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

Active Interest Rate Swap	Effective Date	Expiration Date	Initial Notional Amount ($)	Status
11-Year, 5.77% Fixed	October 2018	October 2029	$ 9,200	Designated
15-Year, 3.19% Fixed	June 2018	June 2033	10,000	Designated
3-Year, 2.46% Fixed	March 2018	December 2020	17,100	Not Designated
10-Year, 4.74% Fixed	June 2017	December 2027	14,100	Designated
15-Year, 3.26% Fixed	February 2023	December 2038	14,084	Designated
7-Year, 2.19% Fixed	February 2016	February 2023	20,746	Designated
8-Year, 3.70% Fixed	March 2020	June 2028	14,643	Designated
8-Year, 3.70% Fixed	March 2020	June 2028	10,734	Designated
8-Year, 1.71% Fixed	October 2012	March 2020	9,665	Designated
8-Year, 1.71% Fixed	October 2012	March 2020	7,085	Designated
15-Year, 5.30% Fixed	February 2006	February 2021	3,256	Designated
15.5-Year, 5.40% Fixed	September 2008	March 2024	13,081	Designated

Active Commodity Swap	Effective Date	Expiration Date	Initial Notional Amount (Volume)	Commodity Measurement	Status
1-Year, $2.84 MMBtu Fixed	May 2018	April 2019	323,390	MMBtus	Not Designated
1-Year, $2.68 MMBtu Fixed	May 2019	April 2020	437,004	MMBtus	Not Designated
1-Year, $2.70 MMBtu Fixed	May 2020	April 2021	435,810	MMBtus	Not Designated

Other Derivatives	Classification	Effective Date	Expiration Date	Fair Value ($)
Interest make-whole provisions	Liability	June/August 2018	December 2038	$ 1,808

19. BUSINESS SEGMENT INFORMATION

The Company reports results under ASC 280, Segment Reporting. The Company's reportable segments for the year ended December 31, 2018 are U.S. Regions, U.S. Federal, Canada and Non-Solar Distributed Generation ("DG"). The Company's U.S. Regions, U.S. Federal and Canada segments offer energy efficiency products and services which include the design, engineering and installation of equipment and other measures to improve the efficiency and control the operation of a facility's energy infrastructure, renewable energy solutions and services which include the construction of small-scale plants that the Company owns or develops for customers that produce electricity, gas, heat or cooling from renewable sources of energy and O&M services. The Company's Non-solar DG segment sells electricity, processed renewable gas fuel, heat or cooling, produced from renewable sources of energy, other than solar, and generated by small-scale plants that the Company owns and O&M services for customer owned small-scale plants. The Company's U.S. Regions segment also, as of 2017, includes certain small-scale solar grid-tie plants developed for customers previously included in our Non-solar DG segment. Previously reported amounts have been restated for comparative purposes. The "All Other" category offers enterprise energy management services, consulting services and the sale of solar PV energy products and systems which we refer to as integrated-PV. These segments do not include results of other activities, such as corporate operating expenses not specifically allocated to the segments. Certain reportable segments are an aggregation of operating segments. For the years ended December 31, 2018, 2017 and 2016 unallocated corporate expenses were $30,415, $27,195 and $32,225, respectively. During the year ended

December 31, 2016, the Company reserved for certain assets in its Canada segment totaling $1,934 due to collectability concerns as a result of its previously disclosed restructuring efforts. During the year ended December 31, 2016, the Company included in unallocated corporate activity $2,870 as a reserve for amounts payable from a customer who declared bankruptcy.

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

For the years ended December 31, 2018, 2017 and 2016 more than 77% of the Company’s revenues have been derived from federal, state, provincial or local government entities, including public housing authorities and public universities. The U.S. federal government, which is considered a single customer for reporting purposes, constituted 31.3%, 32.0% and 27.3% of the Company’s consolidated revenues for the years ended December 31, 2018, 2017 and 2016, respectively. Revenues from the U.S. federal government are included in the Company’s U.S. Federal segment. The reports of the Company’s chief operating decision maker do not include assets at the operating segment level.
An analysis of the Company’s business segment information and reconciliation to the consolidated financial statements is as follows:

	U.S. Regions	U.S. Federal	Canada	Non-solar DG	All Other	Total Consolidated
2018						
Revenues	$334,344	$246,309	$38,982	$ 82,655	$84,848	$ 787,138
Interest income	9	126	—	147	—	282
Interest expense	6,188	1,045	1,917	6,172	22	15,344
Depreciation and intangible asset amortization	5,578	2,772	1,155	18,101	1,542	29,148
Unallocated corporate activity	—	—	—	—	—	(30,415)
Income before taxes, excluding unallocated corporate activity	20,543	36,332	(2,746)	13,412	5,264	72,805
2017						
Revenues	290,196	229,146	43,803	79,220	74,787	717,152
Interest income	2	44	1	83	—	130
Interest expense	2,672	1,056	1,927	3,389	38	9,082
Depreciation and intangible asset amortization	2,974	2,623	1,178	15,259	1,881	23,915
Unallocated corporate activity	—	—	—	—	—	(27,195)
Income (loss) before taxes, excluding unallocated corporate activity	13,865	29,261	1,751	8,115	2,920	55,912
2016						
Revenues	276,766	178,005	50,448	74,395	71,613	651,227
Interest income	1	11	—	38	—	50
Interest expense	1,055	942	1,737	3,319	23	7,076
Depreciation and intangible asset amortization	1,901	2,588	1,090	14,557	2,628	22,764
Unallocated corporate activity	—	—	—	—	—	(32,225)
Income (loss) before taxes, excluding unallocated corporate activity	19,802	22,246	(2,330)	9,301	(427)	48,592

Information as to the Company’s revenues by service and product lines is as follows:

	Year Ended December 31,		
	2018	2017	2016
Revenues:			
Project	$545,053	$506,550	$454,200
Energy Assets	95,776	69,241	64,882
O&M	65,236	60,574	63,082
Integrated-PV	41,349	38,796	29,325
Other Services	39,724	41,991	39,738
Total Revenues	$787,138	$717,152	$651,227

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

20. QUARTERLY INFORMATION (Unaudited)

The following tables set forth selected unaudited condensed consolidated statement of income (loss) data for each of the most recent eight quarters ended December 31, 2018. Operating results for any quarter are not necessarily indicative of results for any future period.

	Three Months Ended,			
	March 31	June 30	September 30	December 31
2018				
Revenues	$167,410	$196,982	$205,375	$217,371
Gross profit	$35,473	$42,776	$46,162	$49,201
Net income attributable to common shareholders	$6,988	$8,702	$10,701	$11,593
Net income per share attributable to common shareholders:				
Basic	$0.15	$0.19	$0.23	$0.25
Diluted	$0.15	$0.19	$0.23	$0.24
Weighted average common shares outstanding:				
Basic	45,373	45,470	45,854	46,114
Diluted	45,994	46,406	46,944	47,327
2017				
Revenues	$134,610	$166,665	$204,744	$211,133
Gross profit	$25,924	$35,408	$41,367	$41,459
Net income (loss) attributable to common shareholders	$(644)	$5,831	$8,493	$23,811
Net income (loss) per share attributable to common shareholders:				
Basic	$(0.01)	$0.13	$0.19	$0.52
Diluted	$(0.01)	$0.13	$0.19	$0.52
Weighted average common shares outstanding:				
Basic	45,514	45,463	45,524	45,537
Diluted	45,514	45,675	45,771	45,957

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Directors and Shareholders of
Ameresco, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting
We have audited the accompanying consolidated balance sheets of Ameresco, Inc. and Subsidiaries (the "Company") as of December 31, 2018 and 2017 and the related consolidated statements of income (loss), comprehensive income (loss), changes in redeemable non-controlling interest and stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.
Change in Accounting Principle
As discussed in Note 3 to the financial statements, the Company has changed its method of accounting for revenue recognition in 2018 due to the adoption of Accounting Standards Update 2014-09, "Revenue from Contracts with Customers" as of January 1, 2018.
Basis for Opinion
The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.
Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.
Definition and Limitations of Internal Control Over Financial Reporting
A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain

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to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ RSM US LLP

We have served as the Company's auditor since 2010.

Boston, Massachusetts

March 8, 2019

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
None.
Item 9A. 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 annual 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 effective at the reasonable assurance level.
Management's Annual Report on Internal Control over Financial Reporting
Our management, with the participation of our principal executive officer and principal financial officer, is responsible for establishing and maintaining adequate internal control over our financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, a company's principal executive and principal financial officers and effected by our board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.
Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework (2013).
Based on this assessment and those criteria, our management concluded that, as of December 31, 2018, our internal control over financial reporting was effective.
The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by RSM US LLP, an independent registered public accounting firm, as stated in their report, which appears under Item 8.
Changes in Internal Control over Financial Reporting
There were no changes in our internal control over financial reporting, other than those stated above, during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.
Item 9B. Other Information
None.

PART III

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Item 10. Directors, Executive Officers and Corporate Governance

The information concerning our executive officers is set forth under the heading “Executive Officers” at the end of Item 1 in Part I of this report.

We have adopted a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. A copy of the code of business conduct and ethics is posted on the Investor Relations section of our website, which is located at www.ameresco.com. In addition, we intend to post on our website all disclosures that are required by law or applicable NYSE listing standards concerning any amendments to, or waivers from, any provision of the code. We include our website address in this report only as an inactive textual reference and do not intend it to be an active link to our website. None of the material on our website is part of this Annual Report on Form 10-K.

The response to the remainder of this item is incorporated by reference from the discussion responsive thereto in the sections titled “Corporate Governance” and “Stock Ownership - Section 16(a) Beneficial Ownership Reporting Compliance” contained in the definitive proxy statement for our 2019 annual meeting of stockholders.

Item 11. Executive Compensation

The response to this item is incorporated by reference from the discussion responsive thereto in the sections titled “Executive Compensation and Related Information” and “Corporate Governance” contained in the definitive proxy statement for our 2019 annual meeting of stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plan Information

The following table provides information about the securities authorized for issuance under our equity compensation plans as of December 31, 2018:

Equity Compensation Plan Information

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders[(1)(2)]	3,305,000	$ 8.0501	6,981,714
Equity compensation plans not approved by security holders	—	—	—
Total	3,305,000	$ 8.0501	6,981,714

(1) Consists of our 2000 stock incentive plan and our 2010 stock incentive plan and our 2017 employee stock purchase plan.

(2) Consists of 6,833,000 shares of our class A common stock remaining available for future issuance are under our 2010 stock incentive plan and 148,620 shares of our class A common stock remaining available for future issuance under our 2017 employee stock purchase plan, including shares subject to purchase during the current purchase period. In addition to being available for future issuance upon exercise of options that may be granted after December 31, 2018, shares under our 2010 stock incentive plan may instead be issued in the form of stock

appreciation rights, restricted stock, restricted stock units and other stock-based awards.

The response to the remainder of this item is incorporated by reference from the discussion responsive thereto in the section titled “Stock Ownership” contained in the definitive proxy statement for our 2019 annual meeting of stockholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The response to this item is incorporated by reference from the discussion responsive thereto in the sections titled “Certain Relationships and Related Person Transactions” and “Corporate Governance” contained in the definitive proxy statement for our 2019 annual meeting of stockholders.

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Item 14. Principal Accountant Fees and Services

The response to this item is incorporated by reference from the discussion responsive thereto in the section titled "Proposal 2 - Ratification of the Selection of our Independent Registered Public Accounting Firm" contained in the definitive proxy statement for our 2019 annual meeting of stockholders.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Consolidated Financial Statements.

The following consolidated financial statements of Ameresco, Inc. are filed in Item 8 of this Annual Report on Form 10-K:

(2) Financial Statement Schedules.

Schedules are omitted because they are not applicable, or are not required, or because the information is included in the consolidated financial statements and notes thereto.

(3) Exhibits.

The exhibits filed or furnished with this report or that are incorporated herein by reference are set forth in the Exhibit Index immediately preceding such exhibits, which Exhibit Index is incorporated herein by reference.

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SIGNATURES

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

	AMERESCO, INC.	
Date: March 8, 2019	By:	/s/ George P. Sakellaris
		George P. Sakellaris
		President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ George P. Sakellaris George P. Sakellaris	Chairman of the Board of Directors, President and Chief Executive Officer (Principal Executive Officer)	March 8, 2019
/s/ Mark Chiplock Mark Chiplock	Vice President and Interim Chief Financial Officer (Principal Financial and Accounting Officer)	March 8, 2019
/s/ David J. Anderson David J. Anderson	Director	March 8, 2019
/s/ David J. Corrsin David J. Corrsin	Director	March 8, 2019
/s/ Douglas I. Foy Douglas I. Foy	Director	March 8, 2019
/s/ Thomas S. Murley Thomas S. Murley	Director	March 8, 2019
/s/ Jennifer L. Miller Jennifer L. Miller	Director	March 8, 2019
/s/ Joseph W. Sutton Joseph W. Sutton	Director	March 8, 2019
/s/ Frank V. Wisneski Frank V. Wisneski	Director	March 8, 2019

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Exhibit Index

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Ameresco, Inc. Filed as Exhibit 3.1 to our Current Report on Form 8-K dated July 27, 2010 and filed with the Commission on July 30, 2010 (file no. 001-34811) and incorporated herein by reference.
3.2	Amended and Restated By-Laws of Ameresco, Inc. (as further amended May 22, 2014). Filed as Exhibit 3.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2014 and filed with the Commission on July 31, 2014 (file no. 011-34811) and incorporated herein by reference. Filed as Exhibit 3.1 to our Registration Statement on Form S-1 (pre-effective amendment no. 4; reg. no. 333-165821) and incorporated herein by reference.
4.1	Specimen Certificate evidencing shares of Class A common stock. Filed as Exhibit 4.1 to our Registration Statement on Form S-1 (pre-effective amendment no. 4; reg. no. 333-165821) and incorporated herein by reference.
10.1.1	Third Amended and Restated Credit and Security Agreement dated June 30, 2015 among Ameresco, Inc., certain guarantors party thereto, certain lenders party thereto from time to time and Bank of America, N.A. as Administrative Agent. Filed as Exhibit 10.1 to our Current Report on Form 8-K dated June 30, 2015 and filed with the Commission on July 2, 2015 (file no. 001-34811) and incorporated herein by reference.
10.1.2	Amendment No. 1 to Third Amended and Restated Credit and Security Agreement dated April 22, 2016 among Ameresco, Inc., certain guarantors party thereto, certain lenders party thereto from time to time and Bank of America, N.A. as Administrative Agent. Filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2016 and filed with the Commission on August 9, 2016 (file no. 001-34811) and incorporated herein by reference.
10.1.3	Amendment No. 2 to Third Amended and Restated Credit and Security Agreement dated May 4, 2016 among Ameresco, Inc., certain guarantors party thereto, certain lenders party thereto from time to time and Bank of America, N.A. as Administrative Agent. Filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2016 and filed with the Commission on August 9, 2016 (file no. 001-34811) and incorporated herein by reference.
10.1.4	Amendment No. 3 to Third Amended and Restated Credit and Security Agreement dated July 27, 2016 among Ameresco, Inc., certain guarantors party thereto, certain lenders party thereto from time to time and Bank of America, N.A. as Administrative Agent. Filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2016 and filed with the Commission on November 1, 2016 (file no. 001-34811) and incorporated herein by reference.
10.1.5	Amendment No. 4 to Third Amended and Restated Credit and Security Agreement dated November 17, 2016 among Ameresco, Inc., certain guarantors party thereto, certain lenders party thereto from time to time and Bank of America, N.A. as Administrative Agent. Filed as Exhibit 10.1 to our Current Report on Form 8-K dated November 17, 2016 and filed with the Commission on November 22, 2016 (file no. 001-34811) and incorporated herein by reference.
10.1.6	Amendment No. 5 to Third Amended and Restated Credit and Security Agreement dated March 2, 2017 among Ameresco, Inc., certain guarantors party thereto, certain lenders party thereto from time to time and Bank of America, N.A. as Administrative Agent. Filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2017 and filed with the Commission on May 2, 2017 (file no. 001-34811) and incorporated herein by reference.
10.1.7	Amendment No. 6 to Third Amended and Restated Credit and Security Agreement dated June 29, 2017 among Ameresco, Inc., certain guarantors party thereto, certain lenders party thereto from time to time and Bank of America, N.A. as Administrative Agent. Filed as Exhibit 10.1 to our Current Report on Form 8-K dated June 29, 2017 and filed with the Commission on July 6, 2017 (file no. 001-34811) and incorporated

	herein by reference.
10.1.8	Amendment No. 7 to Third Amended and Restated Credit and Security Agreement dated June 29, 2018 among Ameresco, Inc., certain guarantors party thereto, certain lenders party thereto from time to time and Bank of America, N.A. as Administrative Agent. Filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2018 and filed with the Commission on August 8, 2018 (file no. 001-34811) and incorporated herein by reference.

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Exhibit Number	Description
10.1.9	Amendment No. 8 to Third Amended and Restated Credit and Security Agreement dated June 29, 2018 among Ameresco, Inc., certain guarantors party thereto, certain lenders party thereto from time to time and Bank of America, N.A. as Administrative Agent. Filed as Exhibit 10.3 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2018 and filed with the Commission on August 8, 2018 (file no. 001-34811) and incorporated herein by reference.
10.2.1+	Ameresco, Inc. 2000 Stock Incentive Plan. Filed as Exhibit 10.6 to our Registration Statement on Form S-1 (reg. no. 333-165821) and incorporated herein by reference.
10.2.2+	Form of Incentive Stock Option Agreement granted under Ameresco, Inc. 2000 Stock Incentive Plan. Filed as Exhibit 10.7 to our Registration Statement on Form S-1 (reg. no. 333-165821) and incorporated herein by reference.
10.2.3+	Form of Non-Qualified Stock Option Agreement granted under Ameresco, Inc. 2000 Stock Incentive Plan. Filed as Exhibit 10.8 to our Registration Statement on Form S-1 (reg. no. 333-165821) and incorporated herein by reference.
10.3.1+	Ameresco, Inc. 2010 Stock Incentive Plan. Filed as Exhibit 10.10 to our Registration Statement on Form S-1 (pre-effective amendment no. 4; reg. no. 333-165821) and incorporated herein by reference.
10.3.2+	Form of Incentive Stock Option Agreement granted under Ameresco, Inc. 2010 Stock Incentive Plan. Filed as Exhibit 10.11 to our Registration Statement on Form S-1 (pre-effective amendment no. 4; reg. no. 333-165821) and incorporated herein by reference.
10.3.3+	Form of Director Stock Option Agreement granted under Ameresco, Inc. 2010 Stock Incentive Plan. Filed as Exhibit 10.12 to our Registration Statement on Form S-1 (pre-effective amendment no. 4; reg. no. 333-165821) and incorporated herein by reference.
10.4.1+	Form of Indemnification Agreement entered into between Ameresco, Inc. and each non-employee director. Filed as Exhibit 10.6.1 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and filed with the Commission on March 31, 2011 (file no. 001-34811) and incorporated herein by reference.
10.4.2+	Form of Indemnification Agreement entered into between Ameresco, Inc. and each employee director. Filed as Exhibit 10.6.2 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and filed with the Commission on March 31, 2011 (file no. 001-34811) and incorporated herein by reference.
10.5.1+	Ameresco, Inc. 2017 Employee Stock Purchase Plan, as amended. Filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2018 and filed with the Commission on August 8, 2018 (file no. 001-34811) and incorporated herein by reference.
10.6.1+	Ameresco, Inc. Executive Management Team Additional Annual Incentive Performance Program. Filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2017 and filed with the Commission on August 9, 2017 (file no. 001-34811) and incorporated herein by reference.
10.7+	Agreement between the Ameresco, Inc. and John R. Granara, III, dated December 17, 2018. Filed as Exhibit 10.1 to our Current Report on Form 8-k dated December 18, 2018 and filed with the Commission on December 20, 2018 (file no. 001-34811) and incorporated herein by reference.
21.1*	Subsidiaries of Ameresco, Inc.
23.1*	Consent of RSM US LLP.
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.

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Exhibit Number	Description
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 consolidated financial statements from Ameresco, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2018, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets (ii) Consolidated Statements of Income (Loss), (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statement of Changes in Redeemable Non-Controlling Interests and Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.

* Filed herewith.

** Furnished herewith.

+ Identifies a management contract or compensatory plan or arrangement in which an executive officer or director of Ameresco participates.

++ Confidential treatment requested as to certain portions, which portions have been omitted and filed separately with the Securities and Exchange Commission.