UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2014

OR

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

For the transition period from to

Commission File Number: 001-35877

HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	**46-1347456** (I.R.S. Employer Identification No.)
1906 Towne Centre Blvd **Suite 370** **Annapolis, MD** (Address of principal executive offices)	**21401** (Zip Code)

(410) 571-9860
(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value	**New York Stock Exchange**

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

As of June 30, 2014, the aggregate market value of the registrant's common stock (includes unvested restricted stock) held by non-affiliates of the registrant was $304 million based on the closing sales price of the registrant's common stock on Monday, June 30, 2014 as reported on the New York Stock Exchange.

On March 3, 2015, the registrant had a total of 27,370,719 shares of common stock, $0.01 par value, outstanding (which includes 987,127 shares of unvested restricted common stock).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for the 2015 annual meeting of stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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EXPLANATORY NOTE

We provide debt and equity financing to the energy efficiency and renewable energy markets. We are self-advised and self-administered, were incorporated in the state of Maryland on November 7, 2012, and elected and qualified as a real estate investment trust ("REIT") for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2013.

Hannon Armstrong Capital, LLC, a Maryland limited liability company, the entity that operated our historical business prior to the consummation of our initial public offering on April 23, 2013 (our "IPO") and which we refer to as the "Predecessor," became our subsidiary upon consummation of our IPO. To the extent any of the financial data included in this Annual Report on Form 10-K is as of a date or from a period prior to the consummation of our IPO, such financial data is that of the Predecessor. The financial data for the Predecessor for such periods do not reflect the material changes to the business as a result of the capital raised in the IPO including the broadened types of projects undertaken, the enhanced financial structuring flexibility and the ability to retain a larger share of the economics from the origination activities. Accordingly, the financial data for the Predecessor is not necessarily indicative of our results of operations, cash flows or financial position following the completion of the IPO.

FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this Annual Report on Form 10-K within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are subject to risks and uncertainties. For these statements, we claim the protections of the safe harbor for forward-looking statements contained in such Sections. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. When we use the words "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "may" or similar expressions, we intend to identify forward-looking statements. Forward-looking statements are subject to significant risks and uncertainties. Investors are cautioned against placing undue reliance on such statements. Actual results may differ materially from those set forth in the forward-looking statements. Statements regarding the following subjects, among others, may be forward-looking:

- our equity method investment in wind projects (as described in Note 1 of the audited financial statements in this Annual Report on Form 10-K);
- our expected recovery from the EnergySource LLC ("EnergySource") loan;
- our acquisition and integration of American Wind Capital Company, LLC ("AWCC");
- the state of government legislation, regulation and policies that support energy efficiency, renewable energy and sustainable infrastructure projects and that enhance the economic feasibility of energy efficiency, renewable energy and sustainable infrastructure projects and the general market demands for such projects;
- market trends in our industry, energy markets, commodity prices, interest rates, the debt and lending markets or the general economy;
- our business and investment strategy;
- our ability to complete potential new financing opportunities in our pipeline;
- our relationships with originators, investors, market intermediaries and professional advisers;
- competition from other providers of financing;
- our or any other companies' projected operating results;
- actions and initiatives of the U.S. federal, state and local government and changes to U.S. federal, state and local government policies and the execution and impact of these actions, initiatives and policies;

- the state of the U.S. economy generally or in specific geographic regions, states or municipalities; economic trends and economic recoveries;
- our ability to obtain and maintain financing arrangements on favorable terms, including securitizations;
- general volatility of the securities markets in which we participate;
- changes in the value of our assets, our portfolio of assets and our underwriting process;
- interest rate and maturity mismatches between our assets and any borrowings used to fund such assets;
- changes in interest rates and the market value of our target assets;
- changes in commodity prices;
- effects of hedging instruments on our target assets;
- rates of default or decreased recovery rates on our target assets;
- the degree to which our hedging strategies may or may not protect us from interest rate volatility;
- impact of and changes in governmental regulations, tax law and rates, accounting guidance and similar matters;
- our ability to maintain our qualification, as a REIT for U.S. federal income tax purposes;
- our ability to maintain our exception from registration under the Investment Company Act of 1940, as amended (the “1940 Act”);
- availability of opportunities to originate energy efficiency, renewable energy and sustainable infrastructure projects;
- availability of qualified personnel;
- estimates relating to our ability to make distributions to our stockholders in the future; and
- our understanding of our competition.

Forward-looking statements are based on beliefs, assumptions and expectations as of the date of this Annual Report on Form 10-K. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The risks included here are not exhaustive. Other sections of this Annual Report on Form10-K may include additional factors that could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

PART I

In this Annual Report on Form 10-K, unless specifically stated otherwise or the context otherwise indicates, references to "we," "our," "us" and "our company" refer to Hannon Armstrong Sustainable Infrastructure Capital, Inc., a Maryland corporation, Hannon Armstrong Sustainable Infrastructure, L.P., and any of our other subsidiaries. Hannon Armstrong Sustainable Infrastructure, L.P. is a Delaware limited partnership of which we are the sole general partner and to which we refer in this Annual Report on Form 10-K as our "Operating Partnership."

Hannon Armstrong Capital, LLC, a Maryland limited liability company, the entity that operated our historical business prior to the consummation of our initial public offering on April 23, 2013 (our "IPO") and which we refer to as the "Predecessor," became our subsidiary upon consummation of our IPO. To the extent any of the financial data included in this Annual Report on Form 10-K is as of a date or from a period prior to the consummation of our IPO, such financial data is that of the Predecessor. The financial data for the Predecessor for such periods do not reflect the material changes to the business as a result of the capital raised in the IPO including the broadened types of projects undertaken, the enhanced financial structuring flexibility and the ability to retain a larger share of the economics from the origination activities. Accordingly, the financial data for the Predecessor is not necessarily indicative of our company's results of operations, cash flows or financial position following the completion of the IPO.

Item 1. Business.

GENERAL

We provide debt and equity financing to the energy efficiency and renewable energy markets. We focus on providing preferred or senior level capital to established sponsors and high credit quality obligors for assets that generate long-term, recurring and predictable cash flows. Since our IPO in April 2013 through December 31, 2014, we completed more than $1.5 billion of financing and investment transactions, including over $875 million of transactions in 2014.

Our management team has extensive industry knowledge and experience having completed its first renewable energy financing over 25 years ago and its first energy efficiency financing over 15 years ago. We have deep and long-standing relationships, in the markets we target with leading energy service providers, manufacturers, project developers and owners. We originate many of our transactions through programmatic finance relationships with global energy service providers, such as Honeywell International, Ingersoll-Rand, Johnson Controls, Schneider Electric, Siemens, SunPower and United Technologies as well as a number of U.S. utility companies. Since our IPO, a new group of public companies who own and operate renewable energy projects, referred to as YieldCos, has emerged and added additional financing opportunities, in addition to the existing utility-scale renewable energy independent power producers. We also rely on relationships with a variety of key financial participants, including institutional investors, private equity funds, senior lenders, and investment and commercial banks, as well as leading intermediaries, to complement our origination and financing activities. We believe we are the leading provider of financing for energy efficiency projects for the U.S. federal government, the largest property owner and energy user in the United States.

We focus our investment activities primarily on:

- *Energy Efficiency Projects*: projects, typically undertaken by Energy Services Companies ("ESCOs"), which reduce a building's or facility's energy usage or cost by improving or installing various building components, including heating, ventilation and air conditioning systems ("HVAC systems"), lighting, energy controls, roofs, windows, building shells, and/or combined heat and power systems ; and
- *Renewable Energy Projects*: projects that deploy cleaner energy sources, such as solar and wind to generate power production.

We may also provide financing for other sustainable infrastructure projects, such as water or communications infrastructure, that improve water or energy efficiency, increase energy system resiliency, positively impact the environment or more efficiently use natural resources.

A number of macro-economic and geopolitical trends and other factors have, and are expected to continue to have, a positive impact on the size of the energy efficiency and renewable energy markets in which we participate. In a July 2014 report entitled 2030 Market Outlook, Bloomberg New Energy Finance estimated over $800 billion will be spent on renewables energy investments in North, Central and South America from 2013 to 2026, including over $200 billion on distributed energy assets like rooftop solar. A September 2013 report, from the Lawrence Berkeley National Laboratory entitled Current Size and Remaining Market Potential of the U.S. Energy Service Company Industry, estimated the remaining energy efficiency investment potential in commercial and government facilities typically served by the ESCO industry ranges from $71 billion to $133 billion. These studies suggest that approximately 33% of this estimated $900 billion potential market will come from distributed energy assets like energy efficiency and rooftop solar.

Our goal is to invest in assets that generate long-term, recurring and predictable cash flows or cost savings that will be more than adequate to deliver attractive risk-adjusted returns to our stockholders. The cash flows or cost savings are generally generated from proven technologies that minimize performance uncertainty, enabling us to more accurately predict project cashflow over the term of the financing or investment. We provide capital through debt financings and a variety of preferred and common equity structures with a preference for structures in which we hold a senior or preferred position in the capital structure. Our debt financings may be structured as financing receivables, project loans, direct financing leases or debt securities and are often supported by additional forms of credit enhancement, including security interests, supplier guaranties and performance bonds. We may also lease fee or leasehold real property interests to renewable energy project developers, operators and owners. Our investments also typically benefit from contractually committed obligations of government entities or private, high credit quality obligors.

In April 2013, we completed our IPO, raising net proceeds of approximately $160 million. In April 2014 and October 2014, we completed follow on public offerings, raising net proceeds of approximately $70 million and $59 million, respectively. Our strategy in undertaking the public offerings was to expand our proven ability to serve our rapidly growing markets by increasing our capital resources, enhancing our financial structuring flexibility, expanding the types of projects and end-customers we pursue, and selectively retaining a larger portion of the economics in the assets in which we invest. Prior to our IPO, we had traditionally financed our business by accessing the securitization market, primarily utilizing our relationships with institutional investors such as insurance companies and commercial banks. By utilizing the net proceeds from our offerings and our anticipated financing strategies, we intend to hold a significantly larger portion of the assets we originate on our balance sheet, using our own capital in conjunction with both securitizations and other borrowings.

We began leasing real property to renewable projects in May 2014, when we acquired all of the outstanding member interests in AWCC for approximately $107 million. Through this acquisition and a series of follow on transactions, we own more than 10,500 acres of land that are under long-term lease agreements with over 20 solar projects, which we have recorded in our financial statements as real estate, and rights to payments from land leases for a diversified portfolio of 57 wind projects, which we have recorded in our financial statements as financing receivables. For further information on our real estate transactions, see Note 1 of the audited financial statements in this Annual Report on Form 10-K.

In October 2014, we invested approximately $144 million to acquire a portfolio of non-controlling equity investments in ten operating wind projects owned by an affiliate of JPMorgan Chase & Co (“JPMorgan”). This transaction enables us to participate in the priority cash flows associated with these wind projects. As part of the transaction, we also borrowed $115 million of fixed-rate, amortizing non-recourse debt using the investment as collateral. For further information on these transactions, see Notes 9 and 15 of the audited financial statements in this Annual Report on Form 10-K.

We refer to the transactions that we hold on our balance sheet as our "Portfolio." As of December 31, 2014, our Portfolio was approximately $900 million and consisted of over 80 transactions. The weighted average remaining life of our Portfolio as of December 31, 2014, (excluding match-funded transactions) is approximately 13 years. Approximately 71% of our Portfolio consisted of loans, financing receivables, direct financing leases or debt securities with 68% structured with fixed rates and 3% structured with floating rates. Approximately 13% of our Portfolio was real estate with long-term leases and approximately 16% represented minority ownership of wind projects. Excluding our equity investments, approximately 46% of our Portfolio consisted of U.S. federal government or state or local government obligors, approximately 52% consisted of investment grade commercial obligations and 2% consisted of non-investment grade rated commercial obligations, in all cases rated either by an independent third party rating service or our internal credit rating system. In total, as of December 31, 2014, we managed approximately $2.5 billion of assets, which consisted of our Portfolio plus approximately $1.7 billion of assets held in non-consolidated securitization trusts. We refer to this $2.5 billion of assets collectively as our managed assets.

We have a large and active pipeline of potential new opportunities that are in various stages of our underwriting process. We refer to potential opportunities as being part of our pipeline if we have determined that the project fits within our investment strategy and exhibits the appropriate risk/reward characteristics through an initial credit analysis, including a quantitative and qualitative assessment of the opportunity, as well as research on the market and sponsor. Our pipeline of transactions that could potentially close in the next 12 months consists of opportunities in which we will be the lead originator, as well as projects in which we may participate with other institutional investors. As of December 31, 2014, this 12-month pipeline consisted of more than $2.0 billion in new debt and equity opportunities. There can, however, be no assurance that any or all of the transactions in our pipeline will be completed.

In connection with our IPO, we entered into a series of formation transactions that resulted in our Predecessor, Hannon Armstrong Capital, LLC, becoming a wholly owned subsidiary of our Operating Partnership and a change in our organizational structure that allowed us to continue our business as a REIT. We elected to be, and intend to continue to operate our business so as to qualify, to be taxed as a REIT for U.S. federal income tax purposes, commencing with our taxable year ended December 31, 2013. We also intend to continue to operate our business in a manner that will permit us to maintain our exception from registration as an investment company under the 1940 Act.

INVESTMENT STRATEGY

We provide a range of equity and financing solutions to the energy efficiency and renewable energy market. Our goal is to invest in assets that generate long-term, recurring and predictable cash flows or cost savings that will be more than adequate to deliver attractive risk-adjusted returns to our stockholders.

We utilize a variety of investment structures, which may include:

- Financing Receivables, such as project loans, receivables and direct financing leases,
- Debt and equity securities,
- Real Estate, such as land or other physical assets and related intangible assets used in sustainable infrastructure projects, and
- Equity Investments in unconsolidated affiliates, such as projects where we hold a non-consolidated equity interest in a project.

Our financings typically benefit from contractually committed obligations of government entities or private, high credit quality obligors. The cash flows or cost savings are generally produced from proven technologies that minimize performance uncertainty, enabling us to more accurately predict project cash flows over the term of the financing or investment.

We provide debt and equity financing for energy efficiency projects, which reduce the amount or cost of energy usage. We often work with ESCOs, who achieve these savings by improving or installing various building components, including HVAC systems, lighting, energy controls, roofs, windows, building shells, and/or combined heat and power systems. We are assigned the payment stream and other contractual rights, often using our pre-existing master purchase agreements with the ESCOs. Our financings are generally also secured by the installed improvements.

We also provide debt and equity financing, or own the land used for projects that deploy renewable energy sources such as solar or wind. We focus on financing renewable energy projects that use proven technology and that have contractually committed agreements, such as power purchase agreements ("PPAs"), with high credit quality utilities or large electricity users under which the utility or user purchases the power produced by the project at a minimum price with potential price escalators. These projects are building or facility specific and may be combined with other energy efficiency projects or are standalone projects designed to sell power to electric utilities or large users. Developers, including many of the ESCOs, acquire a specific site and the applicable permits and negotiate the construction and maintenance contracts and the PPAs.

We may also provide financing for other sustainable infrastructure projects, such as water or communications infrastructure, that improve water or energy efficiency, increase energy system resiliency, positively impact the environment or more efficiently use natural resources.

We seek to manage the diversity of our portfolio of financings by, among other factors, project type, type of investment, transaction size, geography, obligor and maturity. In addition, we seek to manage the diversity of the underlying properties by, among other factors, technology type and manufacturer. Our target mix of our Portfolio is expected over time to range from approximately 25% to 45% energy efficiency projects, 45% to 70% renewable energy projects and 5% to 10% other sustainable infrastructure projects. As of December 31, 2014, approximately 33% of our Portfolio was invested in energy efficiency projects; approximately 61% was invested in renewable energy projects; and the remaining 6% was invested in other sustainable infrastructure projects.

Our target mix of our Portfolio is expected over time to range from 55% to 75% debt financings and 25% to 45% land and equity financings. We will not invest more than 15% of our assets in any individual project without the consent of a majority of our independent directors. We will adjust the mix and duration of our assets over time in order to allow us to manage various aspects of our portfolio, including expected risk-adjusted returns, macroeconomic conditions, liquidity, availability of adequate financing for our assets, and to maintain our REIT qualification and our exception from registration as an investment company under the 1940 Act.

We believe that our long history of energy efficiency and renewable energy investing, the experience, expertise and relationships of our management team, the anticipated credit strength of the obligors of our financings and the size and growth potential of our market, position us well to capitalize on our strategy and provide attractive risk-adjusted returns to our stockholders over the long term, through both distributions and capital appreciation.

FINANCING STRATEGY

We use borrowings as part of our financing strategy to increase potential returns to our stockholders and have available to us a broad range of financing sources. In July 2013, we entered into a $350 million senior secured revolving credit facility with maximum total advances of $700 million. Since that time, we have entered into a number of amendments intended to increase the flexibility and borrowing capability under the credit facility and to extend the maturity date. The facility has been increased to $450 million with maximum total advances of $1.35 billion and the facility was extended an additional year and matures in July 2019.

In addition, in December 2013, we issued a $100 million, 2.79% fixed rate asset backed nonrecourse note that matures in 2019. We believe that this financing was one of the first asset-backed securitizations that provided details on the greenhouse gas emissions ("GHG") saved by the technologies that secured the financing. In October 2014, we entered into a $115 million nonrecourse asset-backed loan with a fixed interest rate of 5.74% using our equity investment in the wind projects as collateral for this loan.

Prior to our IPO, we financed our business primarily through fixed rate nonrecourse debt where the debt was match-funded with corresponding fixed rate yielding assets and through the use of securitizations. In our securitization transactions, we transfer the loans or other assets we originate to securitization trusts or other bankruptcy remote special purpose funding vehicles. Large institutional investors, primarily insurance companies and commercial banks, have provided the financing needed for these assets by purchasing the notes issued by the funding vehicle.

We continue to use both of these funding sources and, as of December 31, 2014, had outstanding approximately $113 million of this match funded debt, all of which was consolidated on our balance sheet. As of December 31, 2014, the outstanding principal balance of our assets financed through the use of securitizations which are not consolidated on our balance sheet was approximately $1.7 billion. For further information on the credit facility, asset backed nonrecourse notes, and our nonrecourse match funded debt, see Note 8 and Note 9 of our audited financial statements included in this Annual Report on Form 10-K.

We plan to use other fixed and floating rate borrowings in the form of additional bank credit facilities (including term loans and revolving facilities), warehouse facilities, repurchase agreements and public and private equity and debt issuances, including match funded arrangements, as a means of financing our business. We also expect to use both on-balance sheet and non-consolidated securitizations and also believe we will be able to customize securitized tranches to meet investment preferences of different investors.

The decision on how we finance specific assets or groups of assets is largely driven by capital allocations and portfolio management considerations, as well as the overall interest rate environment, prevailing credit spreads and the terms of available financing and market conditions. Over time, as market conditions change, we may use other forms of leverage in addition to these financings arrangements.

Although we are not restricted by any regulatory requirements to maintain our leverage ratio at or below any particular level, the amount of leverage we may deploy for particular assets will depend upon the availability of particular types of financing and our assessment of the credit, liquidity, price volatility and other risks of those assets, the interest rate environment and the credit quality of our financing counterparties. Prior to our IPO, we primarily financed our transactions with U.S. federal government obligors with more than 95% fixed rate debt. Since the IPO, we had a leverage target of less than two to one across our overall portfolio. Our debt to equity ratio was approximately 1.9 to 1 as of December 31, 2014. We also have increased the percentage of fixed rate debt from zero at the IPO to approximately 40% as of December 31, 2014. Given our increased level of fixed rate debt, we have decided to increase our leverage target to 2.5 to 1 beginning in March 2015. We calculate both of these ratios exclusive of securitizations that are not consolidated on our balance sheet (where the collateral is typically borrowings with U.S. government obligors) and our on balance sheet match funded nonrecourse debt.

We intend to use leverage for the primary purpose of financing our portfolio and business activities and not for the purpose of speculating on changes in interest rates. While we may temporarily exceed the leverage target, if our board of directors approves a material change to our leverage target, we anticipate advising our stockholders of this change through disclosure in our periodic reports and other filings under the Exchange Act.

CORPORATE GOVERNANCE

We have structured our corporate governance in a manner we believe closely aligns our interests with those of our stockholders. Notable features of our corporate governance structure include the following:

- our board of directors is not staggered, with each of our directors subject tore-election annually;
- our board of directors has determined that five of our six directors are independent for purposes of the New York Stock Exchange ("NYSE") corporate governance listing standards and Rule 10A-3 under the Exchange Act;
- two of our directors qualify as an "audit committee financial expert" as defined by the Securities and Exchange Commission (the "SEC");
- we have opted out of the control share acquisition statute in the Maryland General Corporations Law (the "MGCL") and have exempted from the business combinations statute in the MGCL transactions that are approved by our board of directors; and
- we do not have a stockholder rights plan.

In order to foster the highest standards of ethics and conduct in all business relationships, we have adopted a Code of Business Conduct and Ethics policy. This policy, which covers a wide range of business practices and procedures, applies to our officers, directors, employees and independent contractors. In addition, we have implemented Whistleblowing Procedures for Accounting and Auditing Matters (the "Whistleblower Policy") that sets forth procedures by which any Covered Persons (as defined in the Whistleblower Policy) may raise, on a confidential basis, concerns regarding, among other things, any questionable or unethical accounting, internal accounting controls or auditing matters and any potential violations of the Code of Business Conduct and Ethics with our Audit Committee or our General Counsel.

We have adopted a Statement of Corporate Policy Regarding Equity Transactions that governs the process to be followed in the purchase or sale of our securities by any of our directors, officers, employees and consultants and prohibits any such persons from buying or selling our securities on the basis of material nonpublic information.

Our business is managed by our senior management team, subject to the supervision and oversight of our board of directors. Our directors stay informed about our business by attending meetings of our board of directors and its committees and through supplemental reports and communications. Our independent directors, led by the lead independent director, meet regularly in executive sessions without the presence of our officers.

COMPETITION

We compete against a number of parties, including other specialty finance companies, savings and loan associations, banks, private equity, hedge or infrastructure investment funds, insurance companies, mutual funds, institutional investors, investment banking firms, financial institutions, utilities, independent power producers, project developers, pension funds, governmental bodies, public entities established to own infrastructure assets and other entities. We compete primarily on the basis of service, price, structure and flexibility as well as the breadth and depth of our expertise. We may at times compete, and at other times partner or work as a participant, with alternative financing sources.

We also encounter competition in the form of potential customers or our origination partners electing to use their own capital rather than engaging an outside financing provider. In addition, we may also face competition based on technological developments that reduce demand for electricity, increase power supplies through existing infrastructure or that otherwise compete with our sustainable infrastructure projects.

Some of our competitors are significantly larger, have greater access to capital and other resources or enjoy other advantages in comparison to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of opportunities and establish more relationships than we can. These competitors may not be subject to the same regulatory constraints (such as REIT compliance or the need to maintain an exemption from registration as an investment company under the 1940 Act) that we face.

We believe that a significant part of our competitive advantage is our management team's experience and industry expertise, and that the markets for investment opportunities in the areas that we focus on are underserved by traditional commercial banks and other financial sources. However, we may not be able to achieve our business goals or expectations due to the competitive risks that we face. An increase in competition among competing providers of financing could adversely affect the availability and cost of financing, and thereby adversely affect the market price of our common stock. For additional information concerning these competitive risks, see "Risk Factors—We operate in a competitive market and future competition may impact the terms of the financing we offer."

EMPLOYEES; STAFFING

As of December 31, 2014, we employed 28 people. We intend to hire additional business professionals as needed to assist in the implementation of our business strategy.

OUR EXECUTIVE OFFICERS

Our executive officers and other significant employees and their ages are as follows:

Jeffrey W. Eckel, 56, is one of our directors and was with the Predecessor as president and chief executive officer since 2000 and prior to that from 1985 to 1989 as a senior vice president. He serves as our president, chief executive officer, and chairman of our board of directors. He previously held senior executive positions such as chief executive officer of EnergyWorks, LLC and Wärtsilä Power Development. Mr. Eckel is a member of the board of directors of HA EnergySource Holdings LLC ("HA EnergySource"). In 2014, he was elected to the board of directors of the Alliance To Save Energy. He also was appointed by the governor of Maryland to the board of the Maryland Clean Energy Center in 2011 and served as its chairman from 2012 to 2014. He has served as a member of the Johns Hopkins Environmental, Energy, Sustainability and Health Institute's advisory council since 2013. Mr. Eckel has over 30 years of experience in financing, owning and operating infrastructure and energy assets. Mr. Eckel received a Bachelor of Arts degree from Miami University in 1980 and a Master of Public Administration degree from Syracuse University, Maxwell School of Citizenship and Public Affairs, in 1981. He holds Series 24, 63 and 79 securities licenses. We believe Mr. Eckel's extensive experience in managing companies operating in the energy sector and expertise in financing energy assets make him qualified to serve as our president and chief executive officer and as chairman of our board of directors.

J. Brendan Herron, 54, has served in a variety of roles at the Predecessor and its affiliates from 1994 to 2005, has been a senior vice president from 2011 to 2013 and serves as an executive vice president and our chief financial officer. Mr. Herron has over 20 years of experience in structuring, executing and operating infrastructure and technology investments. From 2006 to 2011, Mr. Herron was the vice president of Corporate Development & Strategy for Current Group, LLC, a provider of smart grid technology to electric utilities. He formerly served on the U.S. Commerce Secretary's Renewable Energy and Energy Efficiency Advisory Committee and is presently a member of the Board of Trustees of Calvert Hall College High School (Baltimore, MD). Mr. Herron received a Bachelor of Science degree in accounting and computer science from Loyola University Maryland in 1982 and a Master of Business Administration degree from Loyola University Maryland in 1987 and has passed the CPA and CMA examinations. We believe Mr. Herron's financial background, extensive experience in infrastructure and technology investments and expertise in energy infrastructure make him qualified to serve as our chief financial officer.

Steven L. Chuslo, 57, has been with the Predecessor as general counsel since 2008 and serves in that role and as an executive vice president. Mr. Chuslo is responsible for all internal governance matters and is actively involved in structuring, developing, negotiating and closing transactions. He has more than 24 years of experience in the fields of securities, commercial finance and energy development, U.S. federal regulation and project finance. From 2006 to 2008, Mr. Chuslo was the senior legal and finance advisor to the Assistant Secretary of the U.S. Department of Energy Office of Energy Efficiency and Renewable Energy. Prior to this, he worked as a legal consultant to the office of the general counsel for AOL, Inc. from 2004 to 2006. He was General Counsel to EnergyWorks, LLC, from 1996 to 2001. Mr. Chuslo was an associate attorney for Chadbourne & Parke, LLP from 1994 to 1995, practicing in the power project finance group and earlier with Davis Polk & Wardwell LLP from 1990 to 1994, practicing in the corporate finance group. Mr. Chuslo received a Bachelor of Arts degree in History from the University of Massachusetts/Amherst in 1982 and a Juris Doctorate from the Georgetown University Law Center in 1990.

Daniel K. McMahon, CFA, 43, has been with the Predecessor since 2000 in a variety of roles, most recently as a senior vice president since 2007 and serves us as a senior vice president. Mr. McMahon responsibilities include originating and executing transactions with our government and institutional customers and sourcing capital markets transactions. He has played a role in analyzing, negotiating and structuring several billion dollars of investments, as well as raising funds on a corporate level. Mr. McMahon previously worked with T. Rowe Price from 1997 to 2000. Mr. McMahon received his Bachelor of Arts degree from the University of California, San Diego in 1993, and is a Chartered Financial Analyst, or CFA, charter holder. He holds Series 24, 63 and 79 securities licenses.

Nathaniel J. Rose, CFA, 37, has been with the Predecessor since 2000, in a variety of roles, most recently as a senior vice president since 2007, and serves as our senior vice president and chief investment officer. Mr. Rose is presently responsible for structuring and analyzing our transactions. He has been involved with a vast majority of our transactions since 2000. He earned a joint Bachelor of Science and Bachelor of Arts degree from the University of Richmond in 2000, a Master of Business Administration degree from the Darden School of Business Administration at the University of Virginia in 2009, is a CFA charter holder and has passed the CPA examination. He holds a Series 79 securities license.

M. Rhem Wooten Jr., 55, has been with the Predecessor as a managing director since October 2010 and serves as an executive vice president. Mr. Wooten has worked in the energy industry for more than 30 years, and has extensive experience in project development, commodity trading/risk management and project finance. Mr. Wooten previously held a number of senior management positions, including serving as President of Duke Energy Corporation's domestic and international independent power production affiliates from 1988 to 1996, as Managing Director, origination and operations of Duke/Louis Dreyfus from 1996-1997, chief executive officer of Merchant Energy Group of the Americas (MEGA) from 1997 to 2000, as president and chief executive officer of Pradium, Inc. from 2000 to 2001 and as president of Allied Syngas Corporation from 2004 to 2010. Mr. Wooten received a Bachelor of Science degree in Business Administration from the University of North Carolina-Chapel Hill in 1981. He holds a Series 79 securities license.

AVAILABLE INFORMATION

We maintain a website at www.hannonarmstrong.com. Information on our website is not incorporated by reference in this Annual Report on Form 10-K. We will make available, free of charge, on our website (a) our Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K (including any amendments thereto), proxy statements and other information (collectively, "Company Documents") filed with, or furnished to, the SEC, as soon as reasonably practicable after such documents are so filed or furnished, (b) Corporate Governance Guidelines, (c) director independence standards, (d) Code of Business Conduct and Ethics policy and (e) written charters of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee of our board of directors. Company Documents filed with, or furnished to, the SEC are also available for review and copying by the public at the SEC's Public Reference Room at 100 F Street, NE., Washington, DC 20549 and at the SEC's website at www.sec.gov. Information regarding the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. We provide copies of our Corporate Governance Guidelines and Code of Business Conduct and Ethics policy, free of charge, to stockholders who request such documents. Requests should be directed to 1906 Towne Centre Blvd, Suite 370, Annapolis, Maryland 21401, (410) 571-9860.

Item 1A. Risk Factors.

Our business and operations are subject to a number of risks and uncertainties, the occurrence of which could adversely affect our business, financial condition, consolidated results of operations and ability to make distributions to stockholders and could cause the value of our capital stock to decline. We may refer to the energy efficiency, renewable energy and the other sustainable infrastructure projects or market collectively as the sustainable infrastructure projects or industry. Please also refer to the section entitled "Forward-Looking Statements."

Risks Related to Our Business and Our Industry

Our business depends in part on U.S. federal, state and local government policies and a decline in the level of government support could harm our business.

The projects in which we invest typically depend in part on various U.S. federal, state or local governmental policies and incentives that support or enhance project economic feasibility. Such policies may include governmental initiatives, laws and regulations designed to reduce energy usage, encourage the use of renewable energy or encourage the investment in and the use of sustainable infrastructure. Incentives provided by the U.S. federal government may include tax credits (with some of these tax credits that are related to renewable energy scheduled to be reduced in the future), tax deductions, bonus depreciation as well as federal grants and loan guarantees. Incentives provided by state and local governments may include renewable portfolio standards, which specify the portion of the power utilized by local utilities that must be derived from renewable energy sources such as renewable energy as well as the state or local government sponsored programs where the financing of energy efficiency or renewable energy projects is repaid through an assessment in the property tax bill in a program commonly referred to as property assessed clean energy ("PACE"). Additionally, certain states have implemented feed-in tariffs, pursuant to which electricity generated from renewable energy sources is purchased at a higher rate than prevailing wholesale rates. Other incentives include tariffs, tax incentives and other cash and non-cash payments. In addition, U.S. federal, state and local governments provide regulatory, tax and other incentives to encourage the development and growth of sustainable infrastructure.

Governmental agencies, commercial entities and developers of renewable energy projects frequently depend on these policies and incentives to help defray the costs associated with, and to finance, various projects. Government regulations also impact the terms of third party financing provided to support these projects. If any of these government policies, incentives or regulations are adversely amended, delayed, eliminated, reduced or not extended beyond their current expiration dates the demand for, and the returns available from, the financing we provide may decline, which could harm our business. Changes in government policies, support and incentives, including retroactive changes, could also negatively impact the operating results of the projects we finance and the returns on our assets.

U.S. federal, state and local government entities are major participants in the sustainable infrastructure industry and their actions could be adverse to our projects or our company.

The projects where we invest are, and will continue to be, subject to substantial regulation by U.S. federal, state and local governmental agencies. For example, many projects require government permits, licenses, concessions, leases or contracts. Government entities, due to the wide-ranging scope of their authority, have significant leverage in setting their contractual and regulatory relationships with third parties. In addition, government permits, licenses, concessions, leases and contracts are generally very complex, which may result in periods of non-compliance, or disputes over interpretation or enforceability. If the projects where we invest fail to obtain or comply with applicable regulations, permits or contractual obligations, they could be prevented from being constructed or subjected to monetary penalties or loss of operational rights, which could negatively impact project operating results and the returns on our assets.

Contracts with government counterparties that support the projects where we invest may be more favorable to the government counterparties compared to commercial contracts with private parties. For example, a lease, concession or general service contract may enable the government to modify or terminate the contract without requiring the payment of adequate compensation. Typically, our contracts with government counterparties contain termination provisions including prepayment amounts. In most cases, the prepayment amounts provide us with amounts sufficient to repay the financing we have provided, but may be less than amounts that would be payable under “make whole” provisions customarily found in commercial lending arrangements.

In addition, government counterparties also may have the discretion to change or increase regulation of project operations, or implement laws or regulations affecting project operations, separate from any contractual rights they may have. These actions could adversely impact the efficient and profitable operation of the projects in which we invest.

Government entities may also suspend or debar contractors from doing business with the government or pursue various criminal or civil remedies under various government contract regulations. Our ability to originate new assets could be adversely affected if one or more of the ESCOs with whom we have relationships with are so suspended or debarred.

Changes in the terms of energy savings performance contracts could have a material and adverse impact on our business.

We derive a significant amount of our income from the assignment to us of payment streams under energy savings performance contracts with property owners, including government customers, in which the scope and cost of improvements and services are specified. While U.S. federal, state and local government rules governing such contracts vary, such rules may, for example, permit the funding of such contracts through long-term financing arrangements, permit long-term payback periods from the savings realized through such contracts, allow units of government to exclude debt related to such contracts from the calculation of their statutory debt limitation, allow for award of contracts on a “best value” instead of “lowest cost” basis and allow for the use of sole source providers. To the extent these rules become more restrictive in the future, our ability to provide financing to support these projects could be adversely impacted, which could harm our business. Changes in these rules, including retroactive changes, could also negatively impact the operating results of the projects we finance and the returns on our assets.

A change in the fiscal health, level of appropriations or budgets of U.S. federal, state and local governments could reduce demand for our financing solutions.

Although our energy efficiency assets do not normally require direct governmental appropriations and instead the resulting cash flow is generally paid for out of general operating and maintenance appropriations based on the energy and operating savings derived from the improved facility, a significant decline in the fiscal health, level of appropriations or budgets of government customers may make it difficult or undesirable for them to make existing payments or to enter into new energy efficiency improvement projects. This could have a material and adverse effect on the repayment of our financings or the return on our asset for existing projects and on our ability to originate new assets. Moreover, other changes in resources available to governments may also impact their willingness to undertake energy efficiency projects. For example, an increase in money set aside for government expenditures for energy efficiency projects may reduce demand for our assets.

In addition, to the extent we provide financing solutions that involve direct appropriations funding, we will depend on approval of the necessary spending for the projects. The repayment of the financing, or the return on our asset, could be adversely affected if appropriations for any such projects are delayed or terminated.

Many of our assets depend on revenues from third-party contractual arrangements.

Many of the projects in which we invest rely on revenue or repayment from contractual commitments ofend-customers. There is a risk that these customers will default under their contracts. We cannot provide assurance that one or more of such customers will not default on their obligations or that such defaults will not have a material and adverse effect on the project's operations, financial position, future results of operations, or future cash flows. Furthermore, the bankruptcy, insolvency or other liquidity constraints of one or more customers may reduce the likelihood of collecting defaulted obligations. Some projects rely on one customer for their revenue and thus the project could be materially and adversely affected by any material change in the financial condition of that customer. While there may be alternative customers for such a project, there can be no assurance that a new contract on the same terms will be able to be negotiated for the project.

Certain of our projects withcontractually-committed revenues or other sources of repayment under a small number of long term contracts will be subject tore-contracting risk in the future. We cannot provide assurance that these contracts can be re-negotiated once their terms expire on equally favorable terms or at all. If it is not possible to renegotiate these contracts on favorable terms, our business, financial condition, results of operation and prospects could be materially and adversely affected.

Revenues at some of the projects in which we invest depend on reliable and efficient metering, or other revenue collection systems, which are often specified in the contract. There is a risk that, if one or more of such projects are not able to operate and maintain the metering or other revenue collection systems in the manner expected, if the operation and maintenance costs, are greater than expected, or if the customer disputes the output of the revenue collection system, the ability of the project to repay our financing or provide a return to us on our asset could be materially and adversely affected.

Because our business depends to a significant extent upon relationships with key industry players, our inability to maintain or develop these relationships, or the failure of these relationships to generate business opportunities, could adversely affect our business.

We will rely to a significant extent on our relationships with key industry players in the markets we target. We originate transactions through programmatic finance relationships with various parties, including global industrial companies or U.S. utility companies, which develop and install sustainable infrastructure projects. In addition to the net proceeds from past and future offerings, we have traditionally financed our business by accessing the securitization or syndication market, primarily utilizing our relationships with insurance companies and commercial banks. Since our IPO, a new group of public companies who own and operate renewable energy projects, referred to as YieldCos, has emerged and added additional financing opportunities, in addition to the existing utility-scale renewable energy independent power producers. We also rely on relationships with a variety of key financial participants, including institutional investors, private equity funds, senior lenders, and investment and commercial banks, as well as leading intermediaries, to complement our origination and financing activities. Our inability to maintain or develop these relationships, or the failure of these relationships to generate business opportunities, could adversely affect our business. In addition, individuals and entities with whom we have relationships are not obligated to provide us with business opportunities, and, therefore, there is no assurance that such relationships will generate business opportunities for us.

We are exposed to the credit risk of ESCOs and others.

While we do not anticipate facing significant credit risk in our assets related to U.S. federal government energy efficiency projects, we are subject to varying degrees of credit risk in these projects in relation to guarantees provided by ESCOs where payments under energy savings performance contracts are contingent upon energy savings. We are also exposed to credit risk in projects in which we invest that do not depend on funding from the U.S. federal government. We increasingly target such projects as part of our strategy. We seek to mitigate this credit risk by employing a comprehensive review and asset selection process and careful ongoing monitoring of acquired assets. Nevertheless, unanticipated credit losses could occur which could adversely impact our operating results. During periods of economic downturn in the global economy, our exposure to credit risks from obligors increases, and our efforts to monitor and mitigate the associated risks may not be effective in reducing our credit risks.

If the cost of energy generated by traditional sources of energy declines, demand for the projects in which we invest may decline.

Many traditional sources of energy such as coal, petroleum based fuels and natural gas are highly influenced by the price of underlying or substitute commodities. While we believe the potential for rising or increasingly volatile commodity prices and inflation will spur investment in our industry, decreases in such prices may reduce the demand for energy efficiency projects or other projects, including renewable energy facilities, that do not rely on traditional energy sources. For example, we believe the current low prices in natural gas may reduce the demand for other projects like renewable energy that are a substitute for natural gas. Additionally, low natural gas prices can adversely affect both the price available to renewable energy projects under future power sale agreements and the price of the electricity the projects sell on either a forward or a spot-market basis. Technological progress in electricity generation or in the production of traditional fuels or the discovery of large new deposits of traditional fuels could reduce the cost of energy generated from those sources and consequently reduce the demand for the types of projects in which we invest, which could harm our new business origination prospects. In addition, volatility in commodity prices, including energy prices, may cause building owners and other parties to be reluctant to commit to projects for which repayment is based upon a fixed monetary value for energy savings that would not decline if the price of energy declines. Any resulting decline in demand for our financing solutions or the price that industry participants receive for the sale of their products could adversely impact our operating results.

If the market for various types of sustainable infrastructure projects or the investment techniques related to such projects do not develop as we anticipate, new business generation in this target area would be adversely impacted.

The market for various types of sustainable infrastructure projects such as renewable energy projects and commercial office building energy efficiency projects are emerging and rapidly evolving, leaving their future success uncertain. Similarly, various investing techniques, such as leasing land for renewable energy projects, purchasing minority interest in existing renewable energy projects, the use of PACE financing and the use of taxable debt for state and local energy efficiency financings are emerging and the future success of these investing techniques is also uncertain. If some or all of these market segments or investing techniques prove unsuitable for widespread commercial deployment or if demand for such projects or techniques fail to grow sufficiently, the demand for our capital and financing solutions may decline or develop more slowly than we anticipate. Many factors will influence the widespread adoption and demand for such projects and investing techniques, including general and local economic conditions, commodity prices of traditional energy sources, the cost-effectiveness of such projects and techniques, performance and reliability of such technologies compared to conventional power sources and technologies, the extent of government subsidies to support sustainable infrastructure and regulatory developments in the power and natural resource industries. In addition, renewable energy projects rely on electric and other types of transmission lines, pipelines and facilities owned and operated by third parties to obtain their inputs or distribute their output. Any substantial access barriers to these lines and facilities could make projects that depend on them more expensive, which could adversely impact the demand for such projects and our financing solutions.

Energy efficiency, renewable energy and other sustainable infrastructure projects are subject to performance risks that could impact the repayment of and the return on our assets.

Energy efficiency, renewable energy and other sustainable infrastructure projects are subject to various construction and operating delays and risks that may cause them to incur higher than expected costs or generate less than expected amounts of output such as electricity in the case of a renewable energy project. These risks include construction delays, a failure or degradation of our, our customers' or utilities' equipment; an inability to find suitable equipment or parts; labor shortages; less than expected supply of a project's source of renewable energy, such as solar insolation, wind, geothermal brine or biomass; or a faster than expected diminishment of such supply. Any extended interruption in the project's construction or operation, any cost overrun or failure of the project for any reason to generate the expected amount of output, could have a material adverse effect on the repayment of and the return on our assets.

Existing electric utility industry regulations, and changes to regulations, may present technical, regulatory and economic barriers to the purchase and use of renewable energy and energy efficiency systems that may significantly reduce demand for systems in which we can invest.

Federal, state and local government regulations and policies concerning the electric utility industry, and internal policies and regulations promulgated by electric utilities, heavily influence the market for electricity products and services. These regulations and policies often relate to electricity pricing and the interconnection of customer-owned electricity generation. In the United States, governments and utilities continuously modify these regulations and policies. These regulations and policies could deter customers from purchasing energy efficiency and renewable energy systems. This could result in a significant reduction in the potential demand for such systems. For example, utilities commonly charge fees to larger, industrial customers for disconnecting from the electric grid or for having the capacity to use power from the electric grid for back-up purposes. In addition, there is an increasing trend towards initiating or increasing fixed fees for users to have electricity service from a utility. These fees could increase our customers' cost to use renewable energy and energy efficiency systems not supplied by the utility and make them less desirable, thereby harming our business, prospects, financial condition and results of operations. In addition, any changes to government or internal utility regulations and policies that favor electric utilities could reduce competitiveness and cause a significant reduction in demand for systems in which we invest.

Some projects in which we invest rely on net metering and related policies to improve project economics which if over-turned could impact repayment of our financings or the return on our assets.

Many states have a regulatory policy known as net energy metering, or net metering. Net metering typically allows some project customers to interconnect their on-site solar or other renewable energy systems to the utility grid and offset their utility electricity purchases by receiving a bill credit at the utility's retail rate for the amount of energy in excess of their electric usage that is generated by their renewable energy system and is exported to the grid. At the end of the billing period, the customer simply pays for the net energy used or receives a credit at the retail rate if more energy is produced than consumed. The ability and willingness of customers to pay for renewable energy systems which benefit from net metering rules may be reduced if net metering rules are eliminated or their benefits reduced, which may also impact our returns on such systems.

Sustainable infrastructure projects that involve the generation, transmission or sale of electricity such as renewable energy projects may be subject to regulation by the Federal Energy Regulatory Commission under the Federal Power Act or other regulations that regulate the sale of electricity, which may adversely affect the profitability of such projects.

Sustainable infrastructure projects that involve the generation, transmission or sale of electricity such as renewable energy projects may be "qualifying facilities" that are exempt from regulation as public utilities by the Federal Energy Regulatory Commission, (the "FERC") under the Federal Power Act, (the "FPA") while certain other such projects may be subject to rate regulation by the FERC under the FPA. FERC regulations under the FPA confer upon these qualifying facilities key rights to interconnection with local utilities, and can entitle such facilities to enter into PPAs with local utilities, from which the qualifying facilities benefit. Changes to these U.S. federal laws and regulations could increase the regulatory burdens and costs, and could reduce the revenue of the project. In addition, modifications to the pricing policies of utilities could require sustainable infrastructure projects to achieve lower prices in order to compete with the price of electricity from the electric grid and may reduce the economic attractiveness of certain energy efficiency measures. To the extent that the projects in which we invest are subject to rate regulation, the project owners will be required to obtain FERC acceptance of their rate schedules for wholesale sales of energy, capacity and ancillary services. Any changes in the rates projects owners are permitted to charge could impact the repayment of our financings, or the return on our assets.

In addition, the operation of, and electrical interconnection for, our sustainable infrastructure projects may be subject to U.S. federal, state or local interconnection and federal reliability standards, some of which are set forth in utility tariffs. These standards and tariffs specify rules, business practices and economic terms to which the projects where we invest are subject and which may impact on a project's ability to deliver the electricity it produces or transports to its end customer. The tariffs are drafted by the utilities and approved by the utilities' state and U.S. federal regulatory commissions. These standards and tariffs change frequently and it is possible that future changes will increase our administrative burden or adversely affect the terms and conditions under which the projects render services to their customers.

In addition, under certain circumstances, we may also be subject to the reliability standards of the North American Electric Reliability Corporation. If project owners fail to comply with the mandatory reliability standards, they could be subject to sanctions, including substantial monetary penalties, which could also raise credit risks for, or lower the returns available from, the projects in which we invest.

These various regulations may also limit the transferability or sale of renewable energy projects and any such limits could negatively impact our returns from such projects.

Unfavorable publicity or public perception of the industries in which we operate could adversely impact our operating results and our reputation.

The sustainable infrastructure industry, including various forms of renewable energy receives significant media coverage that, whether or not directly related to our business or our projects, can adversely impact our reputation and the demand for our financing solutions. Similarly, negative publicity or public perception of the broader energy-related industries in which we operate, including through media coverage of environmental contamination and climate change concerns, could reduce demand for our financing solutions and our projects' services. Any reduction in demand for sustainable infrastructure projects or for our financing solutions could damage our reputation or could have a material adverse effect on our results of operations and business prospects.

Future litigation or administrative proceedings could have a material and adverse effect on our business, financial condition and results of operations.

We may become involved in legal proceedings, administrative proceedings, claims and other litigation that arise in the ordinary course of business. In addition, we may be subject to legal proceedings or claims arising out of the projects in which we invest. Adverse outcomes or developments relating to these proceedings, such as judgments for monetary damages, injunctions or denial or revocation of permits, could have a material adverse effect on the projects in which we invest, which could adversely impact the repayment of or the returns available for our assets.

We operate in a competitive market and future competition may impact the terms of our financing solutions.

We compete against a number of parties who may provide alternatives to our investments including specialty finance companies, savings and loan associations, banks, private equity, hedge or infrastructure investment funds, insurance companies, mutual funds, institutional investors, investment banking firms, financial institutions, utilities, independent power producers, project developers, pension funds, governmental bodies, public entities established to own infrastructure assets and other entities. We also encounter competition in the form of potential customers or our origination partners electing to use their own capital rather than engaging an outside provider such as us. In addition, we may also face competition based on technological developments that reduce demand for electricity, increase power supplies through existing infrastructure or that otherwise compete with our sustainable infrastructure projects. Some of our competitors are significantly larger than we are, have access to greater capital and other resources than we do and may have other advantages over us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than we can. In addition, many of our competitors are not subject to the operating constraints associated with REIT tax compliance or maintenance of an exception from the 1940 Act. These characteristics could allow our competitors to consider a wider variety of opportunities, establish more relationships and offer better pricing and more flexible structuring than we can offer. We may lose business opportunities if we do not match our competitors' pricing, terms and structure. If we are forced to match our competitors' pricing, terms and structure, we may not be able to achieve acceptable risk-adjusted returns on our assets or we may be forced to bear greater risks of loss. A portion of our competitive advantage stems from the fact that portions of the market for opportunities in sustainable infrastructure projects is underserved by traditional commercial banks and other sources. A significant increase in the number and/or the size of our competitors in this market could force us to accept less attractive terms on our assets. As a result, competitive pressures we face could have a material adverse effect on our business, financial condition and results of operations.

Our business is affected by seasonal trends and construction cycles, and these trends and cycles could have an adverse effect on our operating results.

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

Risks Related to Our Assets

Interest rate fluctuations and increases in interest rates could adversely affect the value of our assets which could result in reduced earnings or losses and negatively affect our profitability.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Many of our assets pay a fixed rate of interest or provide a fixed preferential return.

With respect to our business operations, increases in interest rates, in general, may over time cause: (1) project owners to be less interested in borrowing or raising equity and thus reduce the demand for our assets; (2) the interest expense associated with our borrowings to increase; (3) the value of our fixed rate or fixed return assets to decline; and (4) the value of our interest rate swap agreements to increase, to the extent we enter into such agreements as part of our hedging strategy. Conversely, decreases in interest rates, in general, may over time cause: (1) project owners to be more interested in borrowing or raising equity and thus increase the demand for our assets; (2) prepayments on our assets, to the extent allowed, to increase; (3) the interest expense associated with our borrowings to decrease; (4) the value of our fixed rate or fixed return assets to increase; and

(5) the value of our interest rate swap agreements to decrease, to the extent we enter into such agreements as part of our hedging strategy. Adverse developments resulting from changes in interest rates could have a material adverse effect on our business, financial condition and results of operations.

The lack of liquidity of our assets may adversely affect our business, including our ability to value and sell our assets.

Turbulent market conditions could significantly and negatively impact the liquidity of our assets. Illiquid assets typically experience greater price volatility, as a ready market does not exist, and can be more difficult to value. In addition, validating third-party pricing for illiquid assets may be more subjective than more liquid assets. The illiquidity of our assets may make it difficult for us to sell such assets if the need or desire arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our assets. To the extent that we utilize leverage to finance our purchase of assets that are or become illiquid, the negative impact on us related to trying to sell assets in a short period of time for cash could be greatly exacerbated. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited, which could adversely affect our results of operations and financial condition.

We may experience a decline in the fair value of our assets.

A decline in the fair market value of available for sale securities or our financing receivables held for sale or any other assets which we may carry at fair value in the future, may require us to reduce the value of such assets under generally accepted accounting principles in the United States ("U.S. GAAP"). In addition, all of our other financial assets are subject to an impairment assessment that could result in adjustments to their carrying values. Upon the subsequent disposition or sale of such assets, we could incur future losses or gains based on the difference between the sale price received and adjusted value of such assets as reflected on our balance sheet at the time of sale. See Note 2 and Note 3 of the audited financial statements in this Annual Report on Form 10-K for additional details related to our determination of fair value.

Some of the assets in our portfolio may be recorded at fair value (as determined in accordance with our pricing policy as approved by our board of directors) and, as a result, there could be uncertainty as to the value of these assets.

The financings we provide and the other assets we hold are not publicly traded. The fair value of assets that are not publicly traded may not be readily determinable. As required under and in accordance with U.S. GAAP, we record certain of our assets at fair value, which may include unobservable inputs. Because such valuations are subjective, the fair value of these assets may fluctuate over short periods of time and our determinations of fair value may differ materially from the values that would have been used if a ready market for these assets existed. The value of our common stock could be adversely affected if our determinations regarding the fair value of these assets were materially higher than the values that we ultimately realize upon their disposal. Additionally, our results of operations for a given period could be adversely affected if our determinations regarding the fair value of these assets were materially higher than the values that we ultimately realize upon their disposal. The valuation process has been particularly challenging in recent periods as market events have made valuations of certain assets more difficult, unpredictable and volatile.

We may not realize income or gains from our assets, which could cause the value of our common stock to decline.

We seek to provide attractive risk-adjusted returns to our stockholders. However, our assets may not appreciate in value and, in fact, may decline in value, and the assets we originate or acquire may default or not perform in accordance with our expectations. Accordingly, we may not be able to realize gains or income from our assets. Any gains that we do realize may not be sufficient to offset any other losses we experience. Any income that we realize may not be sufficient to offset our expenses.

Many of our assets are not rated by a rating agency, which may result in an amount of risk, volatility or potential loss of principal that is greater than that of alternative asset opportunities.

Many of our assets are not rated by any rating agency and we expect that many of the assets we originate and acquire in the future will not be rated by any rating agency. Although we intend to focus on sustainable infrastructure projects with high credit quality obligors, we believe that some of the projects or obligors in which we invest, if rated, would be rated below investment grade, due to speculative characteristics of the project or the obligor's capacity to pay interest and repay principal or pay dividends. Some of our assets may result in an amount of risk, volatility or potential loss of principal that is greater than that of alternative asset opportunities.

Any credit ratings assigned to our assets or obligors are subject to ongoing evaluations and revisions and we cannot assure you that those ratings will not be downgraded.

To the extent the assets we hold or their underlying obligors are rated by credit rating agencies or by our internal rating process, such assets will be subject to ongoing evaluation by credit rating agencies and our internal rating process, and we cannot assure you that any ratings will not be changed or withdrawn in the future. If rating agencies assign a lower-than-expected rating or if a rating is reduced or withdrawn by a rating agency or us, or if there are indications of a potential reduction or withdrawal of the ratings of our assets or the underlying obligors in the future, the value of these assets could significantly decline and could result in losses upon disposition or the failure of obligors to satisfy their obligations to us.

Our assets are subject to delinquency, foreclosure and loss, any or all of which could result in losses to us.

Our assets are subject to risks of delinquency, foreclosure and loss. In many cases, the ability of a borrower to repay our financing or the ability of an investment to return our capital and our expected return is dependent primarily upon the successful development, construction and operation of the underlying project. If the cash flow of the project is reduced, the borrower's ability to repay the debt financing we provide or the ability of an investment to return our capital and our expected return may be impaired. We make certain estimates regarding project cash flows or savings during our underwriting of our investment. These estimates may not prove accurate, as actual results may vary from estimates. The cash flows or cost savings of a project can be affected by, among other things: the terms of the power purchase or other use agreements used in such project; the creditworthiness of the power off-taker or project user; the technology deployed; unanticipated expenses in the development or operation of the project and changes in national, regional or local economic conditions; and environmental legislation, acts of God, terrorism, social unrest and civil disturbances.

In the event of any default or shortfall of an investment, we will bear a risk of loss of principal or equity to the extent of any deficiency between the value of the collateral, if any, and the amount of our investment, which could have a material adverse effect on our cash flow from operations. In the event of the bankruptcy of a project owner or other borrower, our investment will be deemed to be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession and our contractual rights may be unenforceable under state law. Foreclosure proceedings against a project can be an expensive and lengthy process, which could have a substantial negative effect on our anticipated return on the foreclosed investment.

We generally do not control the projects in which we invest.

Although the covenants in our financing or investment documentation generally restrict certain actions that may be taken by project owners, we generally do not control the projects in which we invest. As a result, we are subject to the risk that the project owner may make business decisions with which we disagree or take risks or otherwise act in ways that do not serve our interests.

Our sustainable infrastructure projects may incur liabilities that rank equally with, or senior to, our investments in such projects.

We provide a range of investment structures, including various types of debt and equity securities, senior and subordinated loans, real property leases, mezzanine debt, preferred equity and common equity. Our projects may have, or may be permitted to incur, other liabilities or equity preferences that rank equally with, or senior to, our positions or investments in such projects or businesses, as the case may be, including with respect to grants of collateral. By their terms, such instruments may entitle the holders to receive payment of interest, principal payments or equity distributions on or before the dates on which we are entitled to receive payments with respect to the instruments in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of an entity in which we have invested, holders of instruments ranking senior to our investment in that project or business would typically be entitled to receive payment in full before we receive any distribution. After repaying such senior stakeholders, such project may not have any remaining assets to use for repaying its obligation to us. In the case of securities ranking equally with instruments we hold, we would have to share on an equal basis any distributions with other stakeholders holding such instruments in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant project.

Our mezzanine or subordinated loans are less protected against losses than senior debt.

We may make or acquire mezzanine or subordinated loans, which are loans made to project owners for sustainable infrastructure projects that are subordinate to other more senior interest or are secured by pledges of the borrower’s ownership interests in the project and/or the project owner. These mezzanine or subordinated loans may be subordinate to senior secured loans on the project or to the returns required by the tax equity investor in the project but senior to the project owner’s equity in the project. In the event a borrower defaults on a loan and lacks sufficient assets to satisfy our mezzanine or subordinated financing, we may suffer a loss of principal or interest. In the event a borrower declares bankruptcy, we may not have full recourse to the assets of the borrower, or the assets of the borrower may not be sufficient to satisfy our mezzanine or subordinated loan. In addition, mezzanine or subordinated loans are by their nature structurally subordinated to more senior project level financings, and in some case, to tax equity investors. If a borrower defaults on our mezzanine or subordinated loan, on its obligations to the tax equity investor or on debt senior to our loan, or if a borrower declares bankruptcy, our mezzanine or subordinated loan will be satisfied only after the project level debt or tax equity and other senior debt is paid in full. Significant losses related to our mezzanine or subordinated loans would result in operating losses for us and may limit our ability to make distributions to our stockholders.

Our subordinated and mezzanine debt and equity investments, many of which are illiquid with no readily available market, involve a substantial degree of risk.

We may make subordinated and mezzanine debt and equity investments which may fail to be repaid or appreciate and may decline in value or become worthless and our ability to recover our investment will depend on the success of the project in which we make such investments. Subordinated and mezzanine debt and equity investments involve a number of significant risks, including:

- subordinated and mezzanine debt and any equity investment we make in a project could be subject to further dilution as a result of the issuance of additional debt or equity interests and to serious risks because subordinated and mezzanine debt are subordinate to other indebtedness and in some cases, project tax equity and equity interests are subordinate to all indebtedness (including trade creditors) and any senior securities in the event that the issuer is unable to meet its obligations or becomes subject to a bankruptcy process;
- to the extent that a project in which we invest requires additional capital and is unable to obtain it, we may not recover our investment; and
- in some cases, subordinated and mezzanine debt will not pay current interest or principal or equity investments will not pay current dividends, and our ability to realize a return on our investment, as well

as to recover our investment, will be dependent on the success of the project in which we invest. The project may face unanticipated costs or delays or may not generate projected cash flows which could lead to the project generating lower rates of return than we expected when we decided to fund the project. Further, many projects in which we make subordinated and mezzanine debt or equity investments will be subject to competitive risks and to volatility in commodity prices including the price of energy. Even if the project is successful, our ability to realize the value of our investment may be dependent on our ability to renew commercial contracts for a project or on the occurrence of a liquidity or other event.

We may invest in joint ventures or other similar arrangements that subject us to additional risks.

Some of our projects may be structured as joint ventures, partnerships and securitization, syndication and consortium arrangements. Part of our strategy is to participate with other institutional investors in consortiums and in partnerships on various sustainable infrastructure transactions. These arrangements are driven by the magnitude of capital required to complete acquisitions and the development of sustainable infrastructure projects and other industry-wide trends that we believe will continue. Such arrangements involve risks not present where a third party is not involved, including the possibility that partners or co-venturers might become bankrupt or otherwise failing to fund their share of required capital contributions. Additionally, partners or co-venturers might at any time have economic or other business interests or goals different from us.

Joint ventures, partnerships and securitization, syndication and consortium investments generally provide for a reduced level of control over an acquired project because governance rights are shared with others. Accordingly, decisions relating to the underlying operations, including decisions relating to the management, operation and the timing and nature of any exit, are often made by a majority vote of the investors or by separate agreements that are reached with respect to individual decisions. In addition, such operations may be subject to the risk that the project owners may make business, financial or management decisions with which we do not agree or the management of the project may take risks or otherwise act in a manner that does not serve our interests. Because we may not have the ability to exercise control over such operations, we may not be able to realize some or all of the benefits that we believe will be created from our involvement. If any of the foregoing were to occur, our business, financial condition and results of operations could suffer as a result.

In addition, we anticipate that some of our joint ventures, partnerships, securitization or syndication or consortium arrangements may subject the sale or transfer of our interests in these projects to rights of first refusal or first offer, tag along rights or drag along rights and some agreements provide for buy-sell or similar arrangements. Such rights may be triggered at a time when we may not want them to be exercised and such rights may inhibit our ability to sell our interest in an entity within our desired time frame or on any other desired basis.

Some of the projects in which we invest have sold their output under power purchase agreements which exposes the projects to various risks.

Some of our projects enter into PPAs when they contract to sell all or a fixed proportion of the electricity generated by the project, sometimes bundled with renewable energy credits and capacity or other environmental attributes, to a power purchaser, often a utility. PPAs are used to stabilize our revenues from that project. We are exposed to the risk that the power purchaser, who we consider an obligor, will fail to perform under a PPA, which will lead to that project needing to sell its electricity at the market price, which could be substantially lower than the price provided in the applicable PPA. In most instances, the project also commits to sell minimum levels of generation. If the project generates less than the committed volumes, it may be required to buy the shortfall of electricity on the open market or make payments of liquidated damages or be in default under a PPA, which could result in its termination. In the event that any of these events were to occur, our business, financial condition and results of operations could suffer as a result.

Certain of the electricity our assets generate is sold on the open market at spot-market prices. A prolonged environment of low prices for natural gas, or other conventional fuel sources, could have a material adverse effect on our long-term business prospects, financial condition and results of operations.

Historically low prices for traditional fossil fuels, particularly natural gas, could cause demand for renewable energy to decrease and adversely affect both the price available to our projects under PPAs that the projects may enter into in the future and the price of the electricity the projects generate for sale on a spot-market basis. Low spot market power prices, if combined with other factors, could have a material adverse effect on the projects and our results of operations and cash available for distribution. Additionally, cheaper conventional fuel sources could also have a negative impact on the power prices the projects are able to negotiate upon the expiration of current PPAs. As a result, the price our projects realize in the open market could be materially and adversely affected, which could, in turn, have a material adverse effect on the project's results of operations and cash available for distribution. In the event that any of these events were to occur, our business, financial condition and results of operations could suffer as a result.

The ability of our assets to generate revenue from certain utility renewable energy projects depends on having interconnection arrangements and services.

The future success of our renewable energy assets will depend, in part, on their ability to maintain satisfactory interconnection agreements. If the interconnection or transmission agreement of a renewable energy project is terminated for any reason, they may not be able to replace it with an interconnection and transmission arrangement on terms as favorable as the existing arrangement, or at all, or they may experience significant delays or costs in connection with securing a replacement. If a network to which one or more of the renewable energy projects is connected experiences equipment or operational problems or other forms of "down time," the affected project may lose revenue and be exposed to non-performance penalties and claims from its customers. These may include claims for damages incurred by customers, such as the additional cost of acquiring alternative electricity supply at then-current spot market rates. The owners of the network will not usually compensate electricity generators for lost income due to down time. These factors could materially affect the ability to forecast operations on these projects, which could negatively affect our business, results of operations, financial condition and cash flow.

The generation of electric energy from renewable energy sources depends heavily on suitable meteorological conditions. If renewable conditions are unfavorable, the electricity generation, and therefore revenue from our renewable generation assets, may be substantially below our expectations.

The electricity produced and revenues generated by a renewable electric generation facility are highly dependent on suitable weather conditions, which are beyond our control. Furthermore, components of renewable energy systems, such as turbines, solar panels and inverters, could be damaged by natural disasters or severe weather, including hailstorms or tornadoes. The projects in which we invest will be obligated to bear the expense of repairing the damaged renewable energy systems, and replacement and spare parts for key components may be difficult or costly to acquire or may be unavailable. Natural disasters or unfavorable weather and atmospheric conditions could impair the effectiveness of the renewable energy assets, reduce their output beneath their rated capacity, require shutdown of key equipment or impede operation of the renewable energy assets which could adversely affect our business, financial condition and results of operations and cash flows. Sustained unfavorable weather could also unexpectedly delay the installation of renewable energy systems, which could result in a delay in our investing in new projects or increase the cost of such projects.

We typically base our investment decisions with respect to each renewable energy facility on the findings of studies conducted on-site prior to construction or based on historical conditions at existing facilities. However, actual climatic conditions at a facility site may not conform to the findings of these studies. Even if an operating project's historical renewable energy resources are consistent with the long-term estimates, the unpredictable nature of weather conditions often results in daily, monthly and yearly material deviations from the average renewable resources anticipated during a particular period. Therefore, renewable energy facilities in which we invest may not meet anticipated production levels or the rated capacity of the generation assets, which could adversely affect our business, financial condition and results of operations and cash flows.

The amount of electricity renewable energy generation assets produce is also dependent in part on the time of year. For example, because shorter daylight hours in winter months results in less solar irradiation, the generation of particular assets will vary depending on the season. Further, time-of-day pricing factors vary seasonally which contributes to variability of revenues. As a result, we expect the revenue and cash flow from certain of our assets to vary based on the time of year.

Operation of electric generation facilities involves significant risks and hazards customary to the power industry that could have a material adverse effect on the business, financial condition, results of operations and cash flows.

The ongoing operation of the projects in which we invest involves risks that include the breakdown or failure of equipment or processes or performance below expected levels of output or efficiency due to wear and tear, latent defect, design error or operator error or force majeure events, among other things. In addition to natural risks such as earthquake, flood, drought, lightning, hurricane and wind, other hazards, such as fire, explosion, structural collapse and machinery failure, acts of terrorism or related acts of war, hostile cyber intrusions or other catastrophic events are inherent risks in the operation of a project. These and other hazards can cause significant personal injury or loss of life, severe damage to and destruction of property, plant and equipment and contamination of, or damage to, the environment and suspension of operations. Operation of a project also involves risks that the operator will be unable to transport its product to its customers in an efficient manner due to a lack of transmission capacity. Unplanned outages of generating units, including extensions of scheduled outages due to mechanical failures or other problems, occur from time to time and are an inherent risk of the business. Unplanned outages typically increase operation and maintenance expenses and may reduce revenues as a result of selling fewer megawatt hours or require the project to incur significant costs as a result of obtaining replacement power from third parties in the open market to satisfy forward power sales obligations. The project's inability to operate its electric generation assets efficiently, manage capital expenditures and costs and generate earnings and cash flow could have a material adverse effect on our investment and our business, financial condition, results of operations and cash flows. While the projects maintains insurance, obtains warranties from vendors and obligates contractors to meet certain performance levels, the proceeds of such insurance, warranties or performance guarantees may not cover the lost revenues, increased expenses or liquidated damages payments should the project experience equipment breakdown or non-performance by contractors or vendors.

Some of the projects in which we invest may require substantial operating or capital expenditures in the future.

Many of the projects in which we invest are capital intensive and require substantial ongoing expenditures for, among other things, additions and improvements, and maintenance and repair of plant and equipment related to project operations. While we do not typically bear the responsibility for these expenditures, any failure by the equity owner to make necessary operating or capital expenditures could adversely impact project performance. In addition, some of these expenditures may not be recoverable from current or future contractual arrangements.

The use of real property rights that we acquire or are used for our sustainable infrastructure projects may be adversely affected by the rights of lienholders and leaseholders that are superior to those of the grantors of those real property rights to us.

The projects in which we invest often require large areas of land for construction and operation or other easements or access to the underlying land. In addition, we may acquire rights to land or other real property. The rights to use the land can be obtained through freehold title, leases and other rights of use. Although we believe that the real property rights we acquire or our projects in which we invest have valid rights to all material easements, licenses and rights of way, not all of such easements, licenses and rights of way are registered against the lands to which they relate and may not bind subsequent owners. Some of our real property rights and projects generally are, and are likely to continue to be, located on land occupied pursuant to long-term easements and leases. The ownership interests in the land subject to these easements and leases may be subject to mortgages securing loans or other liens (such as tax liens) and other easement and lease rights of third parties (such as leases of oil or mineral rights) that were created prior to, or are superior to, our or our projects' easements and leases. As a result, the rights under these easements or leases may be subject, and subordinate, to the rights of those third parties. We typically obtain representations or perform title searches or obtain title insurance to protect our real property interest or our investments in our projects against these risks. Such measures may, however, be inadequate to protect against all risk of loss of rights to use the land rights we have acquired or the land on which these projects are located, which could have a material and adverse effect on our land rights, our projects and their financial condition and operating results.

We own land or leasehold interests that are used by renewable energy projects. Negative market conditions or adverse events affecting tenants, or the industries in which they operate, could have an adverse impact on our underwritten returns. Moreover, such assets are concentrated in a limited number of properties, which subjects us to an increased risk of significant loss if any property declines in value or if we are unable to lease a property.

We own a limited number of land or leasehold interests that are used by renewable energy projects. One consequence of a limited number of real property assets is that the aggregate returns we realize may be substantially adversely affected by the unfavorable performance of a small number of leases or a significant decline in the value of any single property. Our cash flow depends in part on the ability to lease the real estate to tenants on economically favorable terms. We could be adversely affected by various facts and events over which we have limited or no control, such as:

- lack of demand in areas where our properties are located;
- inability to retain existing tenants and attract new tenants;
- oversupply of space and changes in market rental rates;
- our tenants' creditworthiness and ability to pay rent, which may be affected by their operations, the current economic situation and competition within their industries from other operators;
- defaults by and bankruptcies of tenants, failure of tenants to pay rent on a timely basis, or failure of tenants to comply with their contractual obligations; and
- economic or physical decline of the areas where the properties are located.

At any time, any tenant may experience a downturn in its business that may weaken its operating results or overall financial condition, a tenant may delay lease commencement, fail to make rental payments when due, decline to extend a lease upon its expiration, become insolvent or declare bankruptcy. Any tenant bankruptcy or insolvency, leasing delay or failure to make rental payments when due could result in the termination of the tenant's lease and material losses to us.

If a tenant elects to terminate its lease prior to or upon its expiration or does not renew its lease as it expires, we may not be able to rent or sell the properties. Furthermore, leases that are renewed and some new leases for properties that are re-leased, may have terms that are less economically favorable than expiring lease terms, or may require us to incur significant costs, such as lease transaction costs. In addition, negative market conditions or adverse events affecting tenants, or the industries in which they operate, may force us to sell vacant properties for less than their carrying value, which could result in impairments. Any of these events could adversely affect cash flow from operations and our ability to make distributions to stockholders and service indebtedness. A significant portion of the costs of owning property, such as real estate taxes, insurance and maintenance, are not necessarily reduced when circumstances cause a decrease in rental revenue from the properties. In a weakened financial condition, tenants may not be able to pay these costs of ownership and we may be unable to recover these operating expenses from them.

Further, the occurrence of a tenant bankruptcy or insolvency could diminish the income we receive from the tenant's lease or leases. For instance, a bankruptcy court might authorize the tenant to terminate its leases with us. If that happens, our claim against the bankrupt tenant for unpaid future rent would be subject to statutory limitations that most likely would be substantially less than the remaining rent we are owed under the leases. In addition, any claim we have for unpaid past rent, if any, may not be paid in full. As a result, tenant bankruptcies may have a material adverse effect on our results of operations.

In addition, since renewable energy projects are often concentrated in certain states, we would also be subject to any adverse change in the political or regulatory climate in those states or specific counties where such properties are located that could adversely affect our properties and our ability to lease such properties.

Performance of projects where we invest may be harmed by future labor disruptions and economically unfavorable collective bargaining agreements.

A number of the projects where we invest could have workforces that are unionized or that in the future may become unionized and, as a result, are required to negotiate the wages, benefits and other terms with many of their employees collectively. If these projects were unable to negotiate acceptable contracts with any of their unions as existing agreements expire, they could experience a significant disruption of their operations, higher ongoing labor costs and restrictions on their ability to maximize the efficiency of their operations, which could have a material and adverse effect on our business, financial condition and results of operations. In addition, in some jurisdictions where our projects have operations, labor forces have a legal right to strike which may have a negative impact on our business, financial condition and results of operations, either directly or indirectly, for example if a critical upstream or downstream counterparty was itself subject to a labor disruption which impacted the ability of our projects to operate.

We invest in projects that rely on third parties to manufacture quality products or provide reliable services in a timely manner and the failure of these third parties could cause project performance to be adversely affected.

We invest in projects that typically rely on third parties to select and manage various equipment and service providers. These third parties may be responsible for choosing vendors, including equipment suppliers and subcontractors. Project success often depends on third parties who are capable of installing and managing projects and structuring contracts that provide appropriate protection against construction and operational risks. In many cases, in addition to contractual protections and remedies, project owners may seek guaranties, warranties and construction bonding to provide additional protection.

The warranties provided by the third parties and, in some cases, their subcontractors, typically limit any direct harm that results from relying on their products and services. However, there can be no assurance that a supplier or subcontractor will be willing or able to fulfill its contractual obligations and make necessary repairs or replace equipment. In addition, these warranties generally expire within one to five years or may be of limited scope or provide limited remedies. If projects are unable to avail themselves of warranty protection or receive the expected protection under the terms of the guaranties or bonding, we may need to incur additional costs, including replacement and installation costs, which could adversely impact our investment.

Liability relating to environmental matters may impact the value of properties that we may acquire or the properties underlying our assets.

Under various U.S. federal, state and local laws, an owner or operator of real estate or a project may become liable for the costs of removal of certain hazardous substances released from the project or any underlying real property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances.

The presence of hazardous substances may adversely affect our, or another owner's, ability to sell a contaminated project or borrow using the project as collateral. To the extent that we, or another project owner, become liable for removal costs, our investment, or the ability of the owner to make payments to us, may be negatively impacted.

We acquire real property rights, make investments in projects that own real property, have collateral consisting of real property and in the course of our business, we may take title to a project or its underlying real estate assets relating to one of our debt financings. In these cases, we could be subject to environmental liabilities with respect to these assets. To the extent that we become liable for the removal costs, our results of operation and financial condition may be adversely affected. The presence of hazardous substances, if any, may adversely affect our ability to sell the affected real property or the project and we may incur substantial remediation costs, thus harming our financial condition.

Our insurance and contractual protections may not always cover lost revenue, increased expenses or liquidated damages payments.

Although our assets generally have insurance, supplier warranties, subcontractors performance assurances such as bonding and other risk mitigation measures, the proceeds of such insurance, warranties, bonding or other measures may not be adequate to cover lost revenue, increased expenses or liquidated damages payments that may be required in the future.

Risks Related to Our Company

We may change our operational policies (including our investment guidelines, strategies and policies) with the approval of our board of directors but without stockholder consent at any time, which may adversely affect the market value of our common stock and our ability to make distributions to our stockholders.

Our board of directors determines our operational policies and may amend or revise our policies, including our policies with respect to acquisitions, dispositions, growth, operations, compensation, indebtedness, capitalization and dividends, or approve transactions that deviate from these policies, without a vote of, or notice to, our stockholders at any time. We may change our investment guidelines, underwriting process and our strategy at any time with the approval of our board of directors but without the consent of our stockholders, which could result in our originating assets that are different in type from, and possibly riskier than, the assets initially contemplated. In addition, our charter provides that our board of directors may authorize us to revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interests to qualify as a REIT. These changes could adversely affect our business, financial condition, results of operations and our ability to make distributions to our stockholders.

Our management and employees depend on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to make distributions to our stockholders.

Our underwriting process and our asset and financial management and reporting are dependent on our present and future communications and information systems. Any failure or interruption of these systems could cause delays or other problems in our originating, financing, investing, asset and financial management and reporting activities, which could have a material adverse effect on our operating results.

We may seek to expand our business internationally, which will expose us to additional risks that we do not face in the United States, which could have an adverse effect on our operating results.

We generate substantially all of our revenue from operations in the United States, and currently derive only a small amount of revenue from outside of the United States. We may seek to expand our revenue and projects outside of the United States in the future. These operations will be subject to a variety of risks that we do not face in the United States, including risk from changes in foreign country regulations, infrastructure, legal systems and markets. Other risks include possible difficulty in repatriating overseas earnings and fluctuations in foreign currencies.

Our overall success in international markets will depend, in part, on our ability to succeed in different legal, regulatory, economic, social and political conditions. We may not be successful in developing and implementing policies and strategies that will be effective in managing these risks in each country where we decide to do business. Our failure to manage these risks successfully could harm our international projects, reduce our international income or increase our costs, thus adversely affecting our business, financial condition and operating results.

We may seek to expand our business in part through future acquisitions

As we grow our business, we may find opportunities to use acquisitions of companies or assets to expand our projects skill-sets and capabilities, expand our geographic markets, add experienced management and increase our product and service offerings. There are a number of risks associated with any acquisition and we may not achieve our goals in making an acquisition. Any future acquisitions that we may make could disrupt our business, cause dilution to our stockholders and harm our business, financial condition or operating results. In addition, the time and effort involved in attempting to identify acquisition candidates and consummate acquisitions may divert members of our management from the operations of our company.

Risks Relating to Regulation

We cannot predict the unintended consequences and market distortions that may stem from far-ranging governmental intervention in the economic and financial system or from regulatory reform of the oversight of financial markets.

The U.S. federal government, the Federal Reserve Board of Governors, the U.S. Treasury, the SEC, U.S. Congress and other governmental and regulatory bodies have taken, are taking or may in the future take various actions to address the financial crisis. Such actions could have a dramatic impact on our business, results of operations and financial condition, and the cost of complying with any additional laws and regulations could have a material adverse effect on our financial condition and results of operations. The far-ranging government intervention in the economic and financial system may carry unintended consequences and cause market distortions. We are unable to predict at this time the extent and nature of such unintended consequences and market distortions, if any.

Loss of our 1940 Act exception would adversely affect us, the market price of shares of our common stock and our ability to distribute dividends.

We conduct our operations so that we are not required to register as an investment company under the 1940 Act. Section 3(a)(1)(A) of the 1940 Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the 1940 Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. Government securities and cash items) on a non-consolidated basis, which we refer to as the 40% test. Excluded from the term "investment securities," among other things, are U.S. Government securities and securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the 1940 Act.

We conduct our businesses primarily through our subsidiaries and our operations so that we comply with the 40% test. The securities issued by any wholly-owned or majority-owned subsidiaries that we hold or may form in the future that are excepted from the definition of "investment company" based on Section 3(c)(1) or 3(c)(7) of the 1940 Act, together with any other investment securities we may own, may not have a value in excess of 40% of the value of our total assets on a non-consolidated basis. Certain of our subsidiaries rely on or will rely on an exception from registration as an investment company under the 1940 Act pursuant to Section 3(c)(5)(C) of the 1940 Act, which is available for entities which are not primarily engaged in issuing redeemable securities, face-amount certificates of the installment type or periodic payment plan certificates and which are primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate. This exception generally requires that at least 55% of such subsidiaries' portfolios must be comprised of qualifying assets and at least 80% of each of their portfolios must be comprised of qualifying assets and real estate-related assets under the 1940 Act. Consistent with guidance published by the SEC staff, we intend to treat as qualifying assets for this purpose loans secured by projects for which the original principal amount of the loan did not exceed 100% of the value of the underlying real property portion of the collateral when the loan was made. We intend to treat as real estate-related assets non-controlling equity interests in joint ventures that own projects whose assets are primarily real property. In general, with regard to our subsidiaries relying on Section 3(c)(5)(C), we rely on other guidance published by the SEC or its staff or on our analyses of guidance published with respect to other types of assets to determine which assets are qualifying real estate assets and real estate-related assets.

In addition, one or more of our subsidiaries qualifies for an exception from registration as an investment company under the 1940 Act pursuant to either Section 3(c)(5)(A) of the 1940 Act, which is available for entities which are not engaged in the business of issuing redeemable securities, face-amount certificates of the installment type or periodic payment plan certificates, and which are primarily engaged in the business of purchasing or otherwise acquiring notes, drafts, acceptances, open accounts receivable, and other obligations representing part or all of the sales price of merchandise, insurance, and services, or Section 3(c)(5)(B) of the 1940 Act, which is available for entities primarily engaged in the business of making loans to manufacturers, wholesalers, and retailers of, and to prospective purchasers of, specified merchandise, insurance, and services. These exceptions generally require that at least 55% of such subsidiaries' portfolios must be comprised of qualifying assets that meet the requirements of the exception. We intend to treat energy efficiency loans where the loan proceeds are specifically provided to finance equipment, services and structural improvements to properties and other facilities and renewable energy and other sustainable infrastructure projects or improvements as qualifying assets for purposes of these exceptions. In general, we also expect, with regard to our subsidiaries relying on Section 3(c)(5)(A) or (B), to rely on guidance published by the SEC or its staff or on our analyses of guidance published with respect to other types of assets to determine which assets are qualifying assets under the exceptions.

Although we monitor the portfolios of our subsidiaries relying on the Section 3(c)(5)(A), (B) or (C) exceptions periodically and prior to each acquisition, there can be no assurance that such subsidiaries will be able to maintain their exceptions. Qualification for exceptions from registration under the 1940 Act will limit our ability to make certain investments. For example, these restrictions will limit the ability of these subsidiaries to make loans that are not secured by real property or that do not represent part or all of the sales price of merchandise, insurance, and services.

There can be no assurance that the laws and regulations governing the 1940 Act, including the Division of Investment Management of the SEC providing more specific or different guidance regarding these exceptions, will not change in a manner that adversely affects our operations. For example, on August 31, 2011, the SEC issued a concept release (No. IC-29778; File No. SW7-34-11, Companies Engaged in the Business of Acquiring Mortgages and Mortgage-Related Instruments) pursuant to which it is reviewing the scope of the exception from registration under Section 3(c)(5)(C) of the 1940 Act. Any additional guidance from the SEC or its staff from this process or in other circumstances could provide additional flexibility to us, or it could further inhibit our ability to pursue the strategies we have chosen. If we or our subsidiaries fail to maintain an exception from the 1940 Act, we could, among other things, be required either to (1) change the manner in which we conduct our operations to avoid being required to register as an investment company, (2) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so or (3) register as an investment company, any of which could negatively affect our business, our ability to make distributions and the market price for our shares of common stock.

We have not requested the SEC or its staff to approve our treatment of any company as amajority-owned subsidiary and neither the SEC nor its staff has done so. If the SEC or its staff were to disagree with our treatment of one or more companies as majority-owned subsidiaries, we would need to adjust our strategy and our assets in order to continue to pass the 40% test. Any such adjustment in our strategy could have a material adverse effect on us.

Rapid changes in the values of our assets may make it more difficult for us to maintain our qualification as a REIT or our exception from the 1940 Act.

If the market value or income potential of our assets changes as a result of changes in interest rates, general market conditions, government actions or other factors, we may need to adjust the portfolio mix of our real estate assets and income or liquidate our non-qualifying assets to maintain our REIT qualification or our exception from the 1940 Act. If changes in asset values or income occur quickly, this may be especially difficult to accomplish. This difficulty may be exacerbated by the illiquid nature of the assets we may own. We may have to make decisions that we otherwise would not make absent the REIT and 1940 Act considerations.

Because we expect to distribute substantially all of our taxable income to our stockholders, we will need additional capital to finance our growth and such capital may not be available on favorable terms or at all.

We may need additional capital to fund our growth. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its taxable income. Because we intend to grow our business, this limitation may require us to incur additional debt or raise additional equity at a time when it may be disadvantageous to do so. We cannot make any assurance that debt and equity financing will be available to us on favorable terms, or at all, and debt financings may be restricted by the terms of any of our outstanding borrowings. If additional funds are not available to us, we could be forced to curtail or cease new asset originations and acquisitions, which could have a material adverse effect on our business and financial condition.

The preparation of our financial statements involves use of estimates, judgments and assumptions, and our financial statements may be materially affected if our estimates prove to be inaccurate.

Financial statements prepared in accordance with U.S. GAAP require the use of estimates, judgments and assumptions that affect the reported amounts. Different estimates, judgments and assumptions reasonably could be used that would have a material effect on the financial statements, and changes in these estimates, judgments and assumptions are likely to occur from period to period in the future. Significant areas of accounting requiring the application of management's judgment include, but are not limited to determining the fair value of our assets. These estimates, judgments and assumptions are inherently uncertain, and, if they prove to be wrong, then we face the risk that charges to income will be required. In addition, because our company has a limited operating history, we have in some of these areas limited experience in making these estimates, judgments and assumptions and the risk of future charges to income may be greater than if we had more experience in these areas. Any such charges could significantly harm our business, financial condition, results of operations and the price of our securities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies" for a discussion of the accounting estimates, judgments and assumptions that we believe are the most critical to an understanding of our business, financial condition and results of operations.

Risks Related to Borrowings

We use leverage in executing our business strategy, which may adversely affect the return on our assets and may reduce cash available for distribution to our stockholders, as well as increase losses when economic conditions are unfavorable.

We use leverage to finance our assets, including our credit facility and our nonrecourse debt as well as securitizations. In the future, our financing sources may also include other fixed and floating rate borrowings in the form of new bank credit facilities (including term loans and revolving facilities), warehouse facilities, repurchase agreements, securitizations and public and private debt issuances. For further information on our credit facility and nonrecourse debt, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Credit Facility and—Nonrecourse Debt."

Changes in the financial markets and the economy generally could adversely affect one or more of our lenders or potential lenders and could cause one or more of our lenders, potential lenders or institutional investors to be unwilling or unable to provide us with financing or participate in securitizations or could increase the costs of that financing or securitization. The return on our assets and cash available for distribution to our stockholders may be reduced to the extent that market conditions prevent us from leveraging our assets or increase the cost of our financing relative to the income that can be derived from the assets acquired. Increases in our financing costs will reduce cash available for distributions to stockholders. We may not be able to meet our financing obligations and, to the extent that we cannot, we risk the loss of some or all of our assets to liquidation or sale to satisfy the obligations.

An increase in our borrowing costs relative to the interest we receive on our leveraged assets may adversely affect our profitability and our cash available for distribution to our stockholders. Our borrowings may have a shorter duration than our assets.

Borrowing rates are currently at historically low levels that may not be sustained in the long run. As any borrowing agreements we enter into mature, we will be required either to enter into new borrowings or to sell certain of our assets. In addition, our credit facility has rates that adjust on a frequent basis based on prevailing interest rates. An increase in interest rates, or the flattening of the yield curve, would reduce the spread between the returns on our assets and the cost of any new borrowings or borrowings where the interest rate adjusts to market rates. This increase in interest rates would adversely affect the returns on our assets, which might reduce our earnings and, in turn, cash available for distribution to our stockholders. In addition, as we may use short-term borrowings including repurchase agreements and warehouse facilities that are generally short-term commitments of capital, lenders may respond to market conditions making it more difficult for us to secure continued financing. If we are not able to renew our then existing facilities or arrange for new financing on terms acceptable to us, or if we default on our covenants or are otherwise unable to access funds under any of these facilities, we may have to curtail entering into new transactions and/or dispose of assets. We will face particular risk in this regard given that we expect many of our borrowings will have a shorter duration than the assets they finance.

We do not have a formal policy limiting the amount of debt we may incur. Our board of directors may change our leverage policy without stockholder approval.

Although we are not restricted by any regulatory requirements to maintain our leverage ratio at or below any particular level, the amount of leverage we may deploy for particular assets will depend upon the availability of particular types of financing and our assessment of the credit, liquidity, price volatility and other risks of those assets and the credit quality of our financing counterparties. Prior to our IPO, we financed our transactions with U.S. federal government obligors with more than 95% fixed rate debt. Since the IPO, we had a leverage target of less than two to one across our overall portfolio. Our debt to equity ratio was approximately 1.9 to 1 as of December 31, 2014. We also have increased the percentage of fixed rate debt from zero at the IPO to approximately 40% as of December 31, 2014. Given our increased level of fixed rate debt, we have decided to increase our leverage target to 2.5 to 1 beginning in March 2015. We calculate both of these ratios exclusive of securitizations which are not consolidated on our balance sheet (where the collateral is typically borrowings with U.S. government obligors) and our on balance sheet match funded nonrecourse debt. However, our charter and bylaws do not limit the amount of indebtedness we can incur, and our board of directors has changed, and has the discretion to deviate from or change at any time in the future, our leverage policy, which could result in an investment portfolio with a different risk profile. Moreover, we have more limited experience dealing with debt financings with obligors other than U.S. federal government agencies as well as with our other types of assets and we may apply too much leverage to our assets or use the wrong kinds of financings to leverage our assets.

The use of securitizations and special purpose entities would expose us to additional risks.

We presently hold, and to the extent that we securitize loans in the future, we anticipate that we will often hold the most junior certificates or the residual value associated with a securitization. As a holder of the most junior certificates or residual value, we are more exposed to losses on the underlying collateral because the equity interest we retain in the securitization vehicle would be subordinate to the more senior notes issued to investors and we would, therefore, absorb all of the losses up to the value of our junior certificates of residual value sustained with respect to the underlying assets before the owners of the notes experience any losses. In addition, the inability to securitize our portfolio or assets within our portfolio could hurt our performance and our ability to grow our business.

We also use various special purpose entities to own and finance our assets. These subsidiaries incur various types of debt, which can be used to finance one or more of our assets. This debt is typically structured as nonrecourse debt, which means it is repayable solely from the revenue from the investment financed by the debt and is secured by such assets' physical assets, major contracts and cash accounts and in some cases, a pledge of our equity interests in the subsidiaries involved in the projects. Although our subsidiary debt is typically nonrecourse to us, we make certain representations and warranties to the nonrecourse debt holder, the breach of which may require us to make payments to the lender. We may also from time to time determine to provide financial support to the subsidiary in order to maintain rights to the project or otherwise avoid the adverse consequences of a default. In the event a subsidiary defaults on its indebtedness, its creditors may foreclose on the collateral securing the indebtedness, which may result in us losing our ownership interest in some or all of the subsidiary's assets. The loss of our ownership interest in a subsidiary or some or all of a subsidiary's assets could have a material adverse effect on our business, financial condition and operating results.

Our existing credit facility and nonrecourse debt contain, and any future financing facilities may contain, covenants that restrict our operations and may inhibit our ability to grow our business and increase revenues.

Our existing senior secured revolving credit facility contains, and any future financing facilities may contain, various affirmative and negative covenants, including maintenance of an interest coverage ratio and limitations on the incurrence of liens and indebtedness, investments, fundamental organizational changes, dispositions, changes in the nature of business, transactions with affiliates, use of proceeds and stock repurchases. In addition, the terms of our nonrecourse debt include restrictions and covenants, including limitations on our ability to transfer or incur liens on the assets that secure the debt. For further information see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Credit Facility and —Nonrecourse Debt."

The covenants and restrictions included in our existing credit facility do, and the covenants and restrictions to be included in any future financing facilities may, restrict our ability to, among other things:

- incur or guarantee additional debt;
- make certain investments, originations or acquisitions;
- make distributions on or repurchase or redeem capital stock;

- engage in mergers or consolidations;
- reduce liquidity below certain levels;
- grant liens;
- incur operating losses for more than a specified period; and
- enter into transactions with affiliates.

Our nonrecourse debt limits our ability to take action with regard to the assets pledged as security for the debt. These restrictions, as well as any other covenants contained in any future financing facilities, may interfere with our ability to obtain financing, or to engage in other business activities, which may significantly limit or harm our business, financial condition, liquidity and results of operations. We also expect our financing agreements may contain cross-default provisions, so that if a default occurs under any one agreement, the lenders under our other agreements could also declare a default. Although as of December 31, 2014, we were in compliance with all of the covenants in our existing credit facility and nonrecourse debt, a default and resulting repayment acceleration could significantly reduce our liquidity, which could require us to sell our assets to repay amounts due and outstanding. This could also significantly harm our business, financial condition, results of operations, and our ability to make distributions, which could cause the value of our common stock to decline and adversely affect our ability to qualify, or remain qualified, as a REIT. A default will also significantly limit our financing alternatives such that we will be unable to pursue our leverage strategy, which could curtail the returns on our assets.

We will have to pay off the remaining balance or refinance ourasset-backed nonrecourse notes at the end of their stated term. The failure to be able to pay off the remaining balance or refinance such debt or an increase in interest rates of such refinancing could have a material impact on our business.

Some of our asset-backed nonrecourse notes will have a remaining balance at the end of their stated term. See Note 9 of our audited financial statements in this Annual Report on Form 10-K for more information on our nonrecourse notes. If we are unable to repay or refinance the remaining balance of this debt, or if the terms of any available refinancing are not favorable to us, we may be forced to liquidate assets or incur higher costs which may significantly harm our business, financial condition, results of operations, and our ability to make distributions, which could cause the value of our common stock to decline.

If a counterparty to our repurchase transactions defaults on its obligation to resell the underlying security back to us at the end of the transaction term, or if the value of the underlying security has declined as of the end of that term, or if we default on our obligations under the repurchase agreement, we will lose money on our repurchase transactions.

If we engage in repurchase transactions, we will generally sell loans or other financings to lenders (i.e., repurchase agreement counterparties) and receive cash from the lenders. The lenders will be obligated to resell the same financings back to us at the end of the term of the transaction. Because the cash we will receive from the lender when we initially sell the financing to the lender is less than its value (this difference is the haircut), if the lender defaults on its obligation to resell the same loans back to us we would incur a loss on the transaction equal to the amount of the haircut (assuming there was no other change in value). We would also lose money on a repurchase transaction if the value of the underlying loans has declined as of the end of the transaction term, as we would have to repurchase the loans for their initial value but would receive loans worth less than that amount. We may also be forced to sell assets at significantly depressed prices to meet margin calls, post additional collateral and maintain adequate liquidity, which could cause us to incur losses. Moreover, to the extent we are forced to sell assets at such time, given market conditions, we may be selling at the same time as others facing similar pressures, which could exacerbate a difficult market environment and which could result in our incurring significantly greater losses on our sale of such assets. In an extreme case of market duress, a market may not even be present for certain of our assets at any price. Such a situation would likely result in a rapid deterioration of our financial condition and possibly necessitate a filing for protection under the United States Bankruptcy Code (the "Bankruptcy Code"). Further, if we default on one of our obligations under a repurchase transaction, the lender will be able to terminate the transaction and cease entering into any other repurchase transactions with us. We expect that our repurchase agreements will contain cross-default provisions, so that if a default occurs under any one agreement, the lenders under our other agreements could also declare a default. If a default occurs under any of our repurchase agreements and the lenders terminate one or more of our repurchase agreements, we may need to enter into replacement repurchase agreements with different lenders. There can be no assurance that we will be successful in entering into such replacement repurchase agreements on the same terms as the repurchase agreements that were terminated or at all. Any losses we incur on our repurchase transactions could adversely affect our earnings and thus our cash available for distribution to our stockholders. In the event of our insolvency or bankruptcy, certain repurchase agreements may qualify for special treatment under the Bankruptcy Code, the effect of which, among other things, would be to allow the lender under the applicable repurchase agreement to avoid the automatic stay provisions of the Bankruptcy Code and to foreclose on the collateral agreement without delay, which could ultimately reduce the amounts we could otherwise recover.

Risks Related to Hedging

We, or the projects in which we invest, may enter into hedging transactions that could expose us to contingent liabilities in the future and adversely impact our financial condition.

Subject to maintaining our qualification as a REIT, part of our strategy, or the strategy of the projects in which we invest, may involve entering into hedging transactions that could require us to fund cash payments in certain circumstances (*e.g.*, the early termination of the hedging instrument caused by an event of default or other early termination event, or the decision by a counterparty to request margin securities it is contractually owed under the terms of the hedging instrument). The amount due would be equal to the unrealized loss of the open swap positions with the respective counterparty and could also include other fees and charges. These economic losses will be reflected in our, or the project's results of operations, and our, or the project's, ability to fund these obligations will depend on the liquidity of our, or the project's, assets and access to capital at the time, and the need to fund these obligations could adversely impact our financial condition.

We have limited experience hedging the interest rate risk of our assets and such hedging may adversely affect our earnings, which could reduce our cash available for distribution to our stockholders.

We have limited experience hedging the interest rate risk of our assets, as the holders of the notes issued by trusts or vehicles and collateralized by our projects historically managed this risk. However, as part of our strategy of retaining a larger portion of the economics in the financings we originate and subject to maintaining our qualification as a REIT, we may pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates. Our hedging activity will vary in scope based on the level and volatility of interest rates, the type of assets held and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect us because, among other things:

- our hedging strategies may be poorly designed or improperly executed resulting from our limited experience hedging the interest rate risk of our assets;
- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related liability;
- the amount of income that a REIT may earn from certain hedging transactions (other than through taxable REIT subsidiaries, or "TRSs"), to offset interest rate losses is limited by U.S. federal tax provisions governing REITs;

- the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction;
- the hedging counterparty owing money in the hedging transaction may default on its obligation to pay; and
- our hedging transactions, which are intended to limit losses, may actually adversely affect our earnings, which could reduce our cash available for distribution to our stockholders.

In addition, over-the-counter swaps entered into to hedge interest rates involve risk since they often are not traded on regulated exchanges or cleared through a central counterparty. We would remain exposed to our counterparty's ability to performance perform its obligations under each such interest rate swap and cannot look to the creditworthiness of a central counterparty for performance. As a result, if a hedging counterparty cannot perform under the terms of an interest rate swap, we would not receive payments due under that interest rate swap, we may lose any unrealized gain associated with the interest rate swap and the hedged liability would cease to be hedged. While we would seek to terminate the relevant swap transaction and may have a claim against the defaulting counterparty for any losses, including unrealized gains, there is no assurance that we would be able to recover such amounts or to replace the relevant interest rate swap on economically viable terms or at all. In such case, we could be forced to cover our unhedged liabilities at the then current market price. We may also be at risk for any collateral we have pledged to secure our obligations under the interest rate swap if the counterparty becomes insolvent or files for bankruptcy.

Furthermore, our interest rate swaps are subject to increasing statutory and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. Recently, new regulations have been promulgated by U.S. and foreign regulators attempting to strengthen oversight of swaps. Any actions taken by regulators could constrain our strategy and could increase our costs, either of which could materially and adversely impact our results of operations.

In particular, the Dodd–Frank Wall Street Reform and Consumer Protection Act requires certain derivatives, including certain interest rate swaps, to be executed on a regulated market and cleared through a central counterparty. Unlike over-the-counter swaps, the counterparty for the cleared swaps is the clearing house, which reduces counterparty risk. However, cleared swaps require us to appoint clearing brokers and to post margin in accordance with the clearing house's rules, which has resulted in increased costs for cleared swaps over over-the-counter swaps. It is expected that margin requirements will be introduced forover-the-counter swaps during the next 12 months which are expected to increase the margin requirements, and the cost to us, over cleared swaps. The margin regulations for both cleared and uncleared swaps are also expected to limit eligible margin to cash and specified types of securities, which may further increase the costs of hedging and induce us to change or reduce its use of hedging transactions. The margin regulations are not expected to apply to any swaps that were entered into prior to the effective date of such regulations.

In addition, the projects in which we invest, may enter into various forms of hedging including interest rate and power price hedging. To the extent they enter into such hedges, the financial results of the project will be exposed to similar risks as described above which could adversely impact our results of operations.

If we choose not to pursue, or fail to qualify for, hedge accounting treatment, our operating results may suffer because losses on the derivatives that we enter into may not be offset by a change in the fair value of the related hedged transaction.

We may choose not to pursue, or fail to qualify for, hedge accounting treatment relating to derivative and hedging transactions. We may fail to qualify for hedge accounting treatment for a number of reasons, including if we use instruments that do not meet the Accounting Standards Codification ("ASC") Topic 815 definition of a derivative (such as short sales), we fail to satisfy ASC Topic 815 hedge documentation and hedge effectiveness assessment requirements or our instruments are not highly effective. If we fail to qualify for, or choose not to pursue, hedge accounting treatment, our operating results may suffer because losses on the derivatives that we enter into may not be offset by a change in the fair value of the related hedged transaction.

Risks Related to Our Common Stock

There can be no assurance that an active trading market for our common stock will continue, which could cause our common stock to trade at a discount and make it difficult for holders of our common stock to sell their shares.

Our common stock is listed on the NYSE. However, there can be no assurance that an active trading market for our common stock will continue, which could cause our common stock to trade at a discount. Accordingly, no assurance can be given as to the ability of our stockholders to sell their common stock or the price that our stockholders may obtain for their common stock. Some of the factors that could negatively affect the market price of our common stock include:

- our actual or projected operating results, financial condition, cash flows and liquidity or changes in business strategy or prospects;
- changes in the mix of our financing products and services, including the level of securitizations or fee income in any quarter;
- actual or perceived conflicts of interest with individuals, including our executives;
- our ability to arrange financing for projects;
- equity issuances by us, or share resales by our stockholders, or the perception that such issuances or resales may occur;
- seasonality in construction and in demand for our financial solutions;
- actual or anticipated accounting problems;
- publication of research reports about us or the sustainable infrastructure industry;
- changes in market valuations of similar companies;
- adverse market reaction to any increased indebtedness we may incur in the future;
- commodity price changes;
- interest rate changes;
- additions to or departures of our key personnel;
- speculation in the press or investment community;
- our failure to meet, or the lowering of, our earnings estimates or those of any securities analysts;
- increases in market interest rates, which may lead investors to demand a higher distribution yield for our common stock, and would result in increased interest expenses on our debt;
- changes in governmental policies, regulations or laws;
- failure to qualify, or maintain our qualification, as a REIT or failure to maintain our exception from registration as an investment company under the 1940 Act;
- price and volume fluctuations in the stock market generally; and
- general market and economic conditions, including the current state of the credit and capital markets.

Market factors unrelated to our performance could also negatively impact the market price of our common stock. One of the factors that investors may consider in deciding whether to buy or sell our common stock is our distribution rate as a percentage of our stock price relative to market interest rates. If market interest rates increase, prospective investors may demand a higher distribution rate or seek alternative investments paying higher dividends or interest. As a result, interest rate fluctuations and conditions in capital markets can affect the market value of our common stock.

Common stock and preferred stock eligible for future sale may have adverse effects on our share price.

Subject to applicable law, our board of directors, without stockholder approval, may authorize us to issue additional authorized and unissued shares of common stock and preferred stock on the terms and for the consideration it deems appropriate.

In addition, in connection with our formation transactions we entered into a registration rights agreement pursuant to which we granted registration rights to those persons who received common stock (including common stock issuable upon exchange of units of limited partnership interests in our Operating Partnership (“OP units”)) in our formation transactions. On August 27, 2014, the SEC declared effective the registration statement, which covers the resale of 3,178,410 shares of our common stock (including 331,282 shares of common stock issuable upon exchange of an equivalent number of OP units). In certain circumstances, the registration rights agreement also requires us to provide piggyback and underwritten offering demand rights to those holders who received common stock (including common stock issuable upon exchange of OP units) in our formation transactions.

We cannot predict the effect, if any, of future sales of our common stock or the availability of shares for future sales, on the market price of our common stock. Sales of substantial amounts of common stock or the perception that such sales could occur may adversely affect the prevailing market price for our common stock.

We cannot assure you of our ability to make distributions in the future. If our portfolio of assets fails to generate sufficient income and cash flow, we could be required to sell assets, borrow funds or make a portion of our distributions in the form of a taxable stock distribution or distribution of debt securities.

We are generally required to distribute to our stockholders at least 90% of our REIT taxable income (without regard to the deduction for dividends paid and excluding net capital gains) each year for us to qualify, and maintain our qualification, as a REIT under the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”). Our current policy is to pay quarterly distributions, which on an annual basis will equal all or substantially all of our taxable income. In the event that our board of directors authorizes distributions in excess of the income or cash flow generated from our assets, we may make such distributions from the proceeds of future offerings of equity or debt securities or other forms of debt financing or the sale of assets.

Our ability to make distributions may be adversely affected by a number of factors. Therefore, although we anticipate making quarterly distributions to our stockholders, our board of directors has the sole discretion to determine the timing, form and amount of any distributions to our stockholders. If our portfolio of assets fails to generate sufficient income and cash flow, we could be required to sell assets, borrow funds or make a portion of our distributions in the form of a taxable stock distribution or distribution of debt securities. To the extent that we are required to sell assets in adverse market conditions or borrow funds at unfavorable rates, our results of operations could be materially and adversely affected. Our board of directors will make determinations regarding distributions based upon various factors, including our earnings, our financial condition, our liquidity, our debt and preferred stock covenants, maintenance of our REIT qualification, applicable provisions of the MGCL and other factors as our board of directors may deem relevant from time to time. We believe that a change in any one of the following factors could adversely affect our results of operations and impair our ability to make distributions to our stockholders:

- our ability to make profitable investments and loans;
- margin calls or other expenses that reduce our cash flow;

- defaults in our asset portfolio or decreases in the value of our portfolio; and
- the fact that anticipated operating expense levels may not prove accurate, as actual results may vary from estimates.

As a result, no assurance can be given that we will be able to make distributions to our stockholders at any time in the future or that the level of any distributions we do make to our stockholders will achieve a market yield or increase or even be maintained over time, any of which could materially and adversely affect us.

In addition, distributions that we make to our stockholders will generally be taxable to our stockholders as ordinary income. However, a portion of our distributions may be designated by us as long-term capital gains to the extent that they are attributable to capital gain income recognized by us or may constitute a return of capital to the extent that they exceed our earnings and profits as determined for tax purposes. A return of capital is not taxable, but has the effect of reducing the basis of a stockholder's investment in shares of our common stock.

Future offerings of debt or equity securities, which may rank senior to our common stock, may adversely affect the market price of our common stock.

Our present debt ranks, and any future debt would rank, senior to our common stock. Such debt is, and likely will be, governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any equity securities or convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock and may result in dilution to owners of our common stock. We and, indirectly, our stockholders will bear the cost of issuing and servicing such debt or securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our common stock will bear the risk of our future offerings reducing the market price of our common stock and diluting the value of their stock holdings in us.

Risks Related to Our Organization and Structure

Our management has limited prior experience operating a REIT or a public company and therefore may have difficulty in successfully and profitably operating our business, or complying with regulatory requirements.

Prior to the completion of our IPO, our management had limited experience operating a REIT or a public company. As a result, we cannot assure you that we will be able to successfully operate as a REIT, execute our business strategies as a public company, or comply with regulatory requirements applicable to public companies.

Our business could be harmed if key personnel terminate their employment with us.

Our success depends, to a significant extent, on the continued services of Jeffrey Eckel, Brendan Herron, Steven Chuslo, Rhem Wooten, Nate Rose and the other members of our senior management team. Upon completion of our IPO and our formation transactions, several of our officers, including Jeffrey Eckel, our chief executive officer, Brendan Herron, our executive vice president and chief financial officer, Steven Chuslo, our executive vice president and general counsel, Rhem Wooten, our executive vice president, and Nate Rose, our senior vice president and chief investment officer, entered into new employment agreements with us. These employment agreements provide for an initial four-year term of employment. Notwithstanding these agreements, there can be no assurance that any or all of these members of our senior management team will remain employed by us. We do not maintain key person life insurance on any of our officers other than two policies we maintain for Mr. Eckel under which we are a named beneficiary in the amount of approximately $3 million. The loss of services of one or more members of our senior management team could harm our business and our prospects.

Conflicts of interest could arise as a result of our structure.

Conflicts of interest could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our Operating Partnership or any partner thereof, on the other. Our directors and officers have duties to our company under applicable Maryland law in connection with our management. At the same time, we have fiduciary duties, as a general partner, to our Operating Partnership and to our limited partners under Delaware law in connection with the management of our Operating Partnership. Our duties, as the general partner, to our Operating Partnership and our partners may come into conflict with the duties of our directors and officers to us.

Unless otherwise provided for in the relevant partnership agreement, Delaware law generally requires a general partner of a Delaware limited partnership to adhere to fiduciary duty standards under which it owes its limited partners the highest duties of good faith, fairness and loyalty and which generally prohibit such general partner from taking any action or engaging in any transaction as to which it has a conflict of interest.

Additionally, the partnership agreement of our Operating Partnership expressly limits our liability by providing that neither we, as the general partner of the Operating Partnership, nor any of our directors or officers, will be liable or accountable in damages to our Operating Partnership, its limited partners or their assignees for errors in judgment, mistakes of fact or law or for any act or omission if the general partner, director or officer, acted in good faith. In addition, our Operating Partnership is required to indemnify us, our affiliates and each of our and their respective officers, directors, employees and agents to the fullest extent permitted by applicable law against any and all losses, claims, damages, liabilities (whether joint or several), expenses (including, without limitation, attorneys' fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the Operating Partnership, provided that our Operating Partnership will not indemnify any such person for (1) willful misconduct or a knowing violation of the law, (2) any transaction for which such person received an improper personal benefit in violation or breach of any provision of the partnership agreement of our Operating Partnership, or (3) in the case of a criminal proceeding, the person had reasonable cause to believe the act or omission was unlawful.

The provisions of Delaware law that allow the common law fiduciary duties of a general partner to be modified by a partnership agreement have not been resolved in a court of law, and we have not obtained an opinion of counsel covering the provisions set forth in the partnership agreement of our Operating Partnership that purport to waive or restrict our fiduciary duties that would be in effect under common law were it not for the partnership agreement of our Operating Partnership.

Certain provisions of Maryland law could inhibit changes in control.

Certain provisions of the MGCL may have the effect of deterring a third party from making a proposal to acquire us or of impeding a change in control under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then-prevailing market price of our common stock. We are subject to the "business combination" provisions of the MGCL that, subject to limitations, prohibit certain business combinations (including a merger, consolidation, statutory share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities) between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of our then outstanding voting stock or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of our then outstanding voting stock) or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder. After the five-year prohibition, any business combination between us and an interested stockholder generally must be recommended by our board of directors and approved by the affirmative vote of at least (1) 80% of the votes entitled to be cast by holders of outstanding shares of our voting stock and (2) two thirds of the votes entitled to be cast by holders of our voting stock other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder. These super-majority vote requirements do not apply if, among other conditions, our common stockholders receive a minimum price, as defined under the MGCL, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares. These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by a board of directors prior to the time that the interested stockholder becomes an interested stockholder. Our board of directors has by resolution exempted business combinations between us and (1) any other person, provided, that such business combination is first approved by our board of directors (including a majority of our directors who are not affiliates or associates of such person), (2) the Predecessor and its affiliates and associates as part of our formation transactions and (3) persons acting in concert with any of the foregoing. As a result, any person described in the preceding sentence may be able to enter into business combinations with us that may not be in the best interests of our stockholders, without compliance by our company with the supermajority vote requirements and other provisions of the statute. There can be no assurance that our board of directors will not amend or revoke the exemption at any time.

The “control share” provisions of the MGCL provide that, subject to certain exceptions, a holder of “control shares” of a Maryland corporation (defined as shares which, when aggregated with all other shares controlled by the stockholder (except solely by virtue of a revocable proxy), entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of issued and outstanding “control shares”) has no voting rights with respect to such shares except to the extent approved by our stockholders by the affirmative vote of at least two thirds of all the votes entitled to be cast on the matter, excluding votes entitled to be cast by the acquiror of control shares, our officers and our directors who are also our employees. Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of shares of our stock. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

The “unsolicited takeover” provisions of Title 3, Subtitle 8 of the MGCL permit our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain takeover defenses, some of which (for example, a classified board) we do not yet have. Our charter contains a provision whereby we have elected to be subject to the provisions of Title 3, Subtitle 8 of the MGCL, pursuant to which our board of directors has the exclusive power to fill vacancies on our board of directors. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in control of us under the circumstances that otherwise could provide the holders of shares of common stock with the opportunity to realize a premium over the then current market price.

Our authorized but unissued shares of common and preferred stock may prevent a change in our control.

Our charter permits our board of directors to authorize us to issue additional shares of our authorized but unissued common or preferred stock. In addition, our board of directors may, without common stockholder approval, amend our charter to increase the aggregate number of our shares of stock or the number of shares of stock of any class or series that we have the authority to issue and classify or reclassify any unissued shares of common or preferred stock and set the terms of the classified or reclassified shares. As a result, our board of directors may establish a series of common or preferred stock that could delay or prevent a transaction or a change in control that might involve a premium price for shares of our common stock or otherwise be in the best interest of our stockholders.

Our rights and the rights of our stockholders to take action against our directors and officers are limited, which could limit your recourse in the event of actions not in your best interests.

Our charter eliminates the liability of our present and former directors and officers to us and our stockholders for money damages to the maximum extent permitted under Maryland law. Under Maryland law, our present and former directors and officers will not have any liability to us or our stockholders for money damages other than liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty by the director or officer that was established by a final judgment and was material to the cause of action adjudicated.

Our charter authorizes us to indemnify our directors and officers for actions taken by them in those and other capacities to the maximum extent permitted by Maryland law. Our bylaws require us to indemnify each present and former director or officer, and each person who served any predecessor of our company, including the Predecessor, in a similar capacity, to the maximum extent permitted by Maryland law, in connection with the defense of any proceeding to which he or she is made, or threatened to be made, a party or a witness by reason of his or her service to us or any predecessor. In addition, we may be obligated to pay or reimburse the expenses incurred by such persons in connection with any such proceedings without requiring a preliminary determination of their ultimate entitlement to indemnification.

Our charter contains provisions that make removal of our directors difficult, which could make it difficult for our stockholders to effect changes to our management.

Our charter provides that, subject to the rights of holders of any series of preferred stock, a director may be removed with or without cause upon the affirmative vote of holders of at least two thirds of the votes entitled to be cast generally in the election of directors. Vacancies may be filled only by a majority of the remaining directors in office, even if less than a quorum. These requirements make it more difficult to change our management by removing and replacing directors and may prevent a change in control of our company that is in the best interests of our stockholders.

Ownership limitations may restrict change of control or business combination opportunities in which our stockholders might receive a premium for their shares.

In order for us to qualify as a REIT for each taxable year after 2013, no more than 50% in value of our outstanding capital stock may be owned, directly or constructively, by five or fewer individuals during the last half of any calendar year, and at least 100 persons must beneficially own our stock during at least 335 days of a taxable year of 12 months, or during a proportionate portion of a shorter taxable year. “Individuals” for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts. To assist us in preserving our REIT qualification, among other purposes, our charter generally prohibits any person from directly or indirectly owning more than 9.8% in value or in number of shares, whichever is more restrictive, of the aggregate outstanding shares of our capital stock, the outstanding shares of any class or series of our preferred stock or the outstanding shares of our common stock. These ownership limits could have the effect of discouraging a takeover or other transaction in which holders of our common stock might receive a premium for their shares over the then prevailing market price or which holders might believe to be otherwise in their best interests.

We have recently become subject to financial reporting and other requirements for which our accounting, internal audit and other management systems and resources may not be adequately prepared.

Upon the completion of our IPO, we became subject to reporting and other obligations under the Exchange Act, including the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”). Section 404 requires annual management assessments of the effectiveness of our internal controls over financial reporting and, after we are no longer an “Emerging Growth Company” for purposes of the Jumpstart Our Business Startups Act (the “JOBS Act”), our independent registered public accounting firm to express an opinion on the effectiveness of our internal controls over financial reporting. To the extent applicable, these reporting and other obligations place or will place significant demands on our management, administrative, operational, internal audit and accounting resources and will cause us to incur significant expenses. We may need to upgrade our systems or create new systems; implement additional financial and management controls, reporting systems and procedures; expand or outsource our internal audit function; and hire additional accounting, internal audit and finance staff. If we are unable to accomplish these objectives in a timely and effective fashion, our ability to comply with the financial reporting requirements and other rules that apply to reporting companies could be impaired. We believe that we have in place, or will have in place at the end of any applicable phase-in periods permitted by the NYSE, the SEC and the JOBS Act, accounting, internal audit and other management systems and resources that will allow us to maintain compliance with the requirements of the Sarbanes-Oxley Act. Any failure to maintain effective internal controls could have a material adverse effect on our business, operating results and stock price.

Pursuant to the JOBS Act, we are eligible to take advantage of certain specified reduced disclosure and other requirements that are otherwise generally applicable to public companies for so long as we are an "emerging growth company."

We are an "emerging growth company" as defined in the JOBS Act and we are eligible to take advantage of certain specified reduced disclosure and other requirements that are otherwise generally applicable to public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We may take advantage of these exemptions for up to five years or such earlier time that we are no longer an "emerging growth company." We would cease to be an "emerging growth company" if we have more than $1 billion in annual gross revenues, we have more than $700 million in market value of our stock held by non-affiliates, or we issue more than $1 billion of non-convertible debt over a three-year period. If we do take advantage of any or all of these exceptions, we cannot predict if some investors will find our common stock less attractive because we will rely on these exemptions. The result may be a less active trading market for our common stock and our stock price may be more volatile.

Risks Related to Our Taxation as a REIT

Qualifying as a REIT involves highly technical and complex provisions of the Internal Revenue Code, and our failure to qualify or remain qualified as a REIT would subject us to U.S. federal income tax and applicable state and local tax, which would negatively impact the results of our operations and reduce the amount of cash available for distribution to our stockholders.

We elected and qualified as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2013. The U.S. federal income tax laws governing REITs are complex, and judicial and administrative interpretations of the U.S. federal income tax laws governing REIT qualification are limited. To qualify as a REIT and remain so qualified, we must meet, on an ongoing basis, various tests regarding the nature and diversification of our assets and our income, the ownership of our outstanding shares, and the amount of our distributions. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals.

We intend to continue to treat a substantial portion of our existing assets and any similar assets that we may in the future have an interest in as qualifying real estate assets for purposes of the REIT asset tests, and intend to continue to treat the income derived from such assets as interest income qualifying under the 75% gross income test. We received a private letter ruling from the Internal Revenue Service ("IRS") relating to our ability to treat certain of our assets as qualifying REIT assets to the extent they fall within the scope of such private letter ruling. We are entitled to rely upon this ruling for those assets which fit within the scope of the ruling only to the extent that we have the legal and contractual rights described therein and did not misstate or omit in the ruling request a relevant fact and that we continue to operate in the future in accordance with the relevant facts described in such request, and no assurance can be given that we will always be able to do so.

If we were not able to treat the interest income that we receive as qualifying income for purposes of the REIT gross income tests, we would be required to restructure the manner in which we receive such income and we may realize significant income that does not qualify for the REIT 75% gross income test, which could cause us to fail to qualify as a REIT. In addition, our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis in accordance with existing REIT regulations and rules and interpretations thereof. Moreover, the IRS, new legislation, court decisions or other administrative guidance, in each case possibly with retroactive effect, may make it more difficult or impossible for us to qualify as a REIT.

In addition, our ability to satisfy the requirements to qualify as a REIT depends in part on the actions of third parties over which we have no control or only limited influence, including in cases where we own an equity interest in an entity that is classified as a partnership for U.S. federal income tax purposes. Thus, while we intend to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, no assurance can be given that we will so qualify for any particular year.

If we fail to qualify as a REIT in any taxable year, and we do not qualify for certain statutory relief provisions, we would be required to pay U.S. federal income tax on our taxable income, and distributions to our stockholders would not be deductible by us in determining our taxable income. In such a case, we might need to borrow money or sell assets in order to pay our taxes. Our payment of income tax would negatively impact the results of our operations and decrease the amount of our income available for distribution to our stockholders. Furthermore, if we fail to maintain our qualification as a REIT, we no longer would be required to distribute substantially all of our taxable income to our stockholders. In addition, unless we were eligible for certain statutory relief provisions, we could not re-elect to qualify as a REIT for the subsequent four taxable years following the year in which we failed to qualify.

Complying with REIT requirements may force us to liquidate or forego otherwise attractive investments.

To qualify as a REIT, we must ensure that we meet the REIT gross income tests annually and that, at the end of each calendar quarter, at least 75% of the value of our total assets consists of cash, cash items, government securities, shares in REITs and other qualifying real estate assets. The remainder of our investment in securities (other than government securities and REIT qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our total assets (other than government securities, securities of a TRS and securities that are qualifying real estate assets) can consist of the securities of any one issuer, and no more than 25% of the value of our total assets can be represented by securities of one or more TRSs. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate from our portfolio, or contribute to a TRS, otherwise attractive investments, and may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source of income or asset diversification requirements for qualifying as a REIT. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

REIT distribution requirements could adversely affect our ability to execute our business plan and may require us to incur debt or sell assets to make such distributions.

In order to qualify as a REIT, we must distribute to our stockholders, each calendar year, at least 90% of our REIT taxable income (including certain items of non-cash income), determined without regard to the deduction for dividends paid and excluding net capital gain. To the extent that we satisfy the 90% distribution requirement, but distribute less than 100% of our taxable income, we will be subject to U.S. federal corporate income tax on our undistributed income. In addition, we will incur a 4% non-deductible excise tax on the amount, if any, by which our distributions in any calendar year are less than a minimum amount specified under U.S. federal income tax laws. We intend to distribute our taxable income to our stockholders in a manner intended to satisfy the REIT 90% distribution requirement and to avoid the 4% non-deductible excise tax.

In addition, differences in timing between the recognition of taxable income, our U.S. GAAP income and the actual receipt of cash may occur. For example, we may be required to accrue interest and discount income on debt securities or interests in debt securities before we receive any payments of interest or principal on such assets, and there may be timing differences in the accrual of such interest and discount income for tax purposes and for U.S. GAAP purposes.

As a result of the foregoing, we may generate less cash flow than taxable income in a particular year and find it difficult or impossible to meet the REIT distribution requirements in certain circumstances. In such circumstances, we may be required to: (i) sell assets in adverse market conditions, (ii) borrow on unfavorable terms, (iii) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt, (iv) make a taxable distribution of our shares as part of a distribution in which stockholders may elect to receive shares or (subject to a limit measured as a percentage of the total distribution) cash or (v) use cash reserves, in order to comply with the REIT distribution requirements and to avoid U.S. federal corporate income tax and the 4% non-deductible excise tax. Thus, compliance with the REIT distribution requirements may hinder our ability to grow, which could adversely affect the value of our common stock.

Even if we qualify as a REIT, we may face tax liabilities that reduce our cash flow.

Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, franchise, property and transfer taxes, including mortgage recording taxes. In addition, any TRSs we own will be subject to U.S. federal, state and local corporate income or franchise taxes. In order to meet the REIT qualification requirements, or to avoid the imposition of a 100% tax that applies to certain gains derived by a REIT from sales of inventory or property held primarily for sale to customers in the ordinary course of business, we may hold some of our assets through TRSs. Any taxes paid by such TRSs would decrease the cash available for distribution to our stockholders.

The failure of assets subject to a repurchase agreement to be considered owned by us or a mezzanine loan to qualify as a real estate asset may adversely affect our ability to qualify as a REIT.

We may enter into repurchase agreements under which we will nominally sell certain of our assets to a counterparty and simultaneously enter into an agreement to repurchase the sold assets. We believe that we will be treated for U.S. federal income tax purposes as the owner of the assets that are the subject of any such agreements and that the repurchase agreements will be treated as secured lending transactions notwithstanding that such agreements may transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the assets during the term of the repurchase agreement, in which case we could fail to qualify as a REIT.

In addition, we may acquire mezzanine loans, which are loans secured by equity interests in a partnership or limited liability company that directly or indirectly owns real property. In IRS Revenue Procedure 2003-65, the IRS provided a safe harbor pursuant to which a mezzanine loan, if it meets each of the requirements contained in the Revenue Procedure, will be treated by the IRS as a real estate asset for purposes of the REIT asset tests, and interest derived from the mezzanine loan will be treated as qualifying mortgage interest for purposes of the REIT 75% gross income test. Although IRS Revenue Procedure 2003-65 provides a safe harbor on which taxpayers may rely, it does not prescribe rules of substantive tax law. We may acquire mezzanine loans that may not meet all of the requirements for reliance on this safe harbor. In the event we own a mezzanine loan that does not meet the safe harbor, the IRS could challenge such loan’s treatment as a real estate asset for purposes of the REIT asset and income tests, and if such a challenge were sustained, we could fail to qualify as a REIT.

We may be required to report taxable income for certain investments in excess of the economic income we ultimately realize from them.

To the extent we acquire debt instruments in the secondary market for less than their face amount, the amount of such discount will generally be treated as “market discount” for U.S. federal income tax purposes. We expect to accrue market discount on the basis of a constant yield to maturity of a debt instrument. Accrued market discount is reported as income when, and to the extent that, any payment of principal of the debt instrument is made, unless we elect to include accrued market discount in income as it accrues. Principal payments on certain loans are made monthly, and consequently accrued market discount may have to be included in income each month as if the debt instrument were assured of ultimately being collected in full. If we collect less on the debt instrument than our purchase price plus the market discount we had previously reported as income, we may not be able to benefit from any offsetting loss deductions.

Similarly, some of the debt instruments that we acquire may have been issued with original issue discount. We will be required to report such original issue discount based on a constant yield method and will be taxed based on the assumption that all future projected payments due on such debt instruments will be made. If such debt instruments turn out not to be fully collectible, an offsetting loss deduction will become available only in the later year that uncollectability is provable. In addition, in the event that any debt instruments acquired by us are delinquent as to mandatory principal and interest payments, or in the event payments with respect to a particular debt instrument are not made when due, we may nonetheless be required to continue to recognize the unpaid interest as taxable income as it accrues, despite doubt as to its ultimate collectability. While we would in general ultimately have an offsetting loss deduction available to us when such interest was determined to be uncollectible, the utility of that deduction could depend on our having taxable income in that later year or thereafter. Although we do not presently intend to, we may, in the future, acquire debt investments that are subsequently modified by agreement with the borrower. If such amendments are “significant modifications” under the applicable Treasury Regulations, we may be required to recognize taxable income as a result of such amendments. Finally, we may be required under the terms of indebtedness that we incur with private lenders to use cash received from interest payments to make principal payments on that indebtedness, with the effect of recognizing income but not having a corresponding amount of cash available for distribution to our stockholders.

The interest apportionment rules under Treasury Regulation Section 1.856-5(c) provide that, if a loan is secured by both real property and other property, a REIT is required to apportion its annual interest income to the real property securing the loan based on a fraction, the numerator of which is the value of such real property, determined when the REIT commits to acquire the loan, and the denominator of which is the highest “principal amount” of the loan during the year. IRS Revenue Procedures 2011-16 and 2014-51, interpret the “principal amount” of the loan to be the face amount of the loan, despite the Internal Revenue Code requiring taxpayers to treat any market discount, that is the difference between the purchase price of the loan and its face amount, for all purposes (other than certain withholding and information reporting purposes) as interest rather than principal. The interest apportionment regulations apply only if the loan in question is secured by both real property and other property.

If the IRS were to assert successfully that our loans were secured by property other than real estate, the interest apportionment rules applied for purposes of our REIT testing, and that the position taken in IRS Revenue Procedures 2011-16 and 2014-51 should be applied to certain loans in our portfolio, then depending upon the value of the real property securing our loans and their face amount, and the sources of our gross income generally, we may fail to meet the 75% REIT gross income test. If we do not meet this test, we could potentially lose our REIT qualification or be required to pay a penalty to the IRS.

The “taxable mortgage pool” rules may increase the taxes that we or our stockholders may incur, and may limit the manner in which we effect future securitizations.

Securitizations by us or our subsidiaries could result in the creation of taxable mortgage pools for U.S. federal income tax purposes. As a result, we could have “excess inclusion income.” Certain categories of stockholders, such as non-U.S. stockholders eligible for treaty or other benefits, U.S. stockholders with net operating losses, and certain U.S. tax-exempt stockholders that are subject to unrelated business income tax, could be subject to increased taxes on a portion of their dividend income from us that is attributable to any such excess inclusion income. In the case of a stockholder that is a REIT, a regulated investment company (a “RIC”) common trust fund or other pass-through entity, our allocable share of our excess inclusion income could be considered excess inclusion income of such entity. In addition, to the extent that our common stock is owned by U.S. tax-exempt "disqualified organizations," such as certain government-related entities and charitable remainder trusts that are not subject to tax on unrelated business income, we may incur a corporate level tax on a portion of any excess inclusion income. Because this tax generally would be imposed on us, all of our stockholders, including stockholders that are not disqualified organizations, generally will bear a portion of the tax cost associated with the classification of us or a portion of our assets as a taxable mortgage pool. A RIC, or other pass-through entity owning our common stock in record name will be subject to tax at the highest U.S. federal corporate tax rate on any excess inclusion income allocated to their owners that are disqualified organizations. Moreover, we could face limitations in selling equity interests in these securitizations to outside investors, or selling any debt securities issued in connection with these securitizations that might be considered to be equity interests for tax purposes. Finally, if we were to fail to qualify as a REIT, any taxable mortgage pool securitizations would be treated as separate taxable corporations for U.S. federal income tax purposes that could not be included in any consolidated U.S. federal corporate income tax return. These limitations may prevent us from using certain techniques to maximize our returns from securitization transactions.

Although our use of TRSs may be able to partially mitigate the impact of meeting the requirements necessary to maintain our qualification as a REIT, our ownership of and relationship with our TRSs is limited and a failure to comply with the limits would jeopardize our REIT qualification and may result in the application of a 100% excise tax.

A REIT may own up to 100% of the stock of one or more TRSs. Subject to certain exceptions, a TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 25% of the value of a REIT's total assets may consist of stock or securities of one or more TRSs. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. Our TRSs will pay U.S. federal, state and local income or franchise tax on their taxable income, and theirafter-tax net income will be available for distribution to us but will not be required to be distributed to us, unless necessary to maintain our REIT qualification. While we will be monitoring the aggregate value of the securities of our TRSs and intend to conduct our affairs so that such securities will represent less than 25% of the value of our total assets, there can be no assurance that we will be able to comply with the TRS limitation in all market conditions.

Dividends payable by REITs generally do not qualify for the reduced tax rates on dividend income from regular corporations, which could adversely affect the value of our shares.

The maximum U.S. federal income tax rate for certain qualified dividends payable to U.S. stockholders that are individuals, trusts and estates is 20%. Dividends payable by REITs are generally not eligible for the reduced rates and therefore may be subject to a 39.6% maximum U.S. federal income tax rate on ordinary income. Although the reduced U.S. federal income tax rate applicable to dividend income from regular corporate dividends does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including shares of our common stock.

The tax on prohibited transactions limits our ability to engage in transactions, including certain methods of securitizing loans, which would be treated as sales for U.S. federal income tax purposes.

A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, but including loans, held as inventory or primarily for sale to customers in the ordinary course of business. We might be subject to this tax if we were to sell or securitize loans in a manner that was treated as a sale of the loans as inventory for U.S. federal income tax purposes. Therefore, in order to avoid the prohibited transactions tax, we may choose not to engage in certain sales of loans, other than through a TRS, and we may be required to limit the structures we use for our securitization transactions, even though such sales or structures might otherwise be beneficial for us.

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Internal Revenue Code may limit our ability to hedge our assets and operations. Under these provisions, any income that we generate from transactions intended to hedge our interest rate exposure will be excluded from gross income for purposes of the REIT 75% and 95% gross income tests if the instrument hedges interest rate risk on liabilities used to carry or acquire real estate assets, or certain other specified types of risk, and such instrument is properly identified under applicable Treasury Regulations. Income from hedging transactions that do not meet these requirements will generally constitute non-qualifying income for purposes of both the REIT 75% and 95% gross income tests. As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRS would be subject to tax on gains or the limits on our use of hedging techniques could expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRS will generally not provide any tax benefit to us, although such losses may be carried forward to offset future taxable income of the TRS.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of shares of our common stock.

At any time, the U.S. federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be changed, possibly with retroactive effect. We cannot predict if or when any new U.S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective or whether any such law, regulation or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in, or any new, U.S. federal income tax law, regulation or administrative interpretation.

On May 14, 2014, the U.S. Department of the Treasury published proposed regulations which, if adopted in the form proposed, would revise the definition of “real property” for purposes of the REIT income and asset tests. The proposed regulations are not yet in effect, and, depending upon whether and in what form they are actually adopted and how if adopted they are interpreted, may affect the classification of certain of our assets under these tests, and thus could require us to alter our mix of assets, adjust our approach to qualifying as a REIT or adjust our business strategy. The proposed regulations are proposed to be effective for calendar quarters beginning after they are published in final form. The Treasury has not indicated whether or when the proposed regulations will be finalized.

Liquidation of our assets may jeopardize our REIT qualification.

To qualify as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our assets to repay obligations to our lenders, we may be unable to comply with these requirements, thereby jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as inventory or property held primarily for sale to customers in the ordinary course of business.

Your investment has various U.S. federal income tax risks.

We urge you to consult your tax advisor concerning the effects of U.S. federal, state, local and foreign tax laws to you with regard to an investment in shares of our common stock.

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Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal executive offices are located at 1906 Towne Centre Blvd, Suite 370, Annapolis, Maryland 21401. Our telephone number is (410) 571-9860.

Item 3. Legal Proceedings.

From time to time, we may be involved in various claims and legal actions in the ordinary course of business. As of December 31, 2014, we are not currently subject to any legal proceedings that are likely to have a material adverse effect on our financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures.

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock began trading on the NYSE on April 18, 2013 under the symbol "HASI." Prior to that time, there was no public trading market for our common stock. On March 2, 2015 the last sales price for our common stock on the NYSE was $16.79 per share. The following table presents the high and low sales prices per share of our common stock during each calendar quarter since it commenced trading on the NYSE on April 18, 2013 until December 31, 2014:

2014:	High	Low	Dividends
October 1, 2014 through December 31, 2014	$14.48	$13.07	$ 0.26
July 1, 2014 through September 30, 2014	14.87	13.28	0.22
April 1, 2014 through June 30, 2014	14.88	12.91	0.22
January 1, 2014 through March 31, 2014	15.11	12.61	0.22
October 1, 2013 through December 31, 2013	$14.15	$11.03	$ 0.36
July 1, 2013 through September 30, 2013	12.51	11.05	0.06
April 18, 2013 through June 30, 2013	12.51	9.15	—

Holders

As of March 2, 2015, we had 123 registered holders of our common stock. The 123 holders of record does not include the beneficial owners of our common stock whose shares are held by a broker or bank. Such information was obtained from The Depository Trust Company.

Dividends

We intend to make regular quarterly distributions to holders of our common stock. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its taxable income. Our current policy is to pay quarterly distributions, which on an annual basis will equal all or substantially all of our taxable income. Any distributions we make will be at the discretion of our board of directors and will depend upon, among other things, our actual results of operations. These results and our ability to pay distributions will be affected by various factors, including the net interest and other income from our portfolio, our operating expenses and any other expenditures. See Item 1A, "Risk Factors," and Item 7, "Management's Discussion and Analysis of Financial Conditions and Results of Operations," of this Annual Report on Form 10-K, for information regarding the sources of funds used for dividends and for a discussion of factors, if any, which may adversely affect our ability to pay dividends.

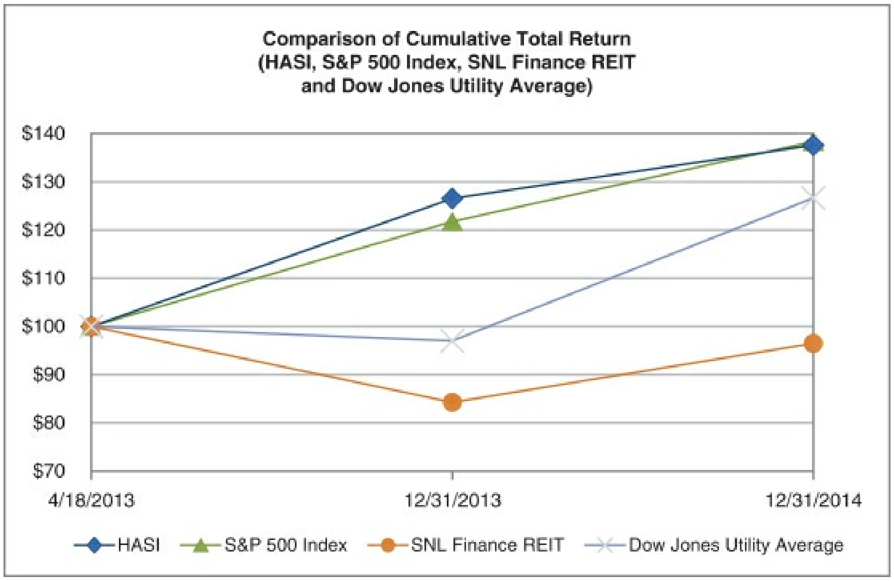
During 2013 and 2014, we declared the following dividends:

Declaration Date	Record Date	Payment Date	Amount per Share
8/8/13	8/20/13	8/29/13	$ 0.06
11/7/13	11/18/13	11/22/13	$ 0.14
12/17/13	12/30/13	1/10/14	$ 0.22
3/13/14	3/27/14	4/9/14	$ 0.22
6/17/14	6/27/14	7/10/14	$ 0.22
9/16/14	9/26/14	10/9/14	$ 0.22
12/8/14	12/19/14	1/9/15	$ 0.26

Stockholder Return Performance

The stock performance graph and table below shall not be deemed, under the Securities Act or the Exchange Act, to be (i) "soliciting material" or "filed" or (ii) incorporated by reference by any general statement into any filing made by us with the SEC, except to the extent that we specifically incorporate such stock performance graph and table by reference.

The following graph is a comparison of the cumulative total stockholder return on our shares of common stock, the Standard & Poor's 500 Index (the "S&P 500 Index"), and the SNL Finance REIT Index and the Dow Jones Utility Average which are peer group indexes from April 18, 2013 (using the closing pricing on our first day of trading on the NYSE) to December 31, 2014. The graph assumes that $100 was invested at closing on April 18, 2013 in our shares of common stock, the S&P 500 Index, and the peer group indexes and that all dividends were reinvested without the payment of any commissions. There can be no assurance that the performance of our common stock will continue in line with the same or similar trends depicted in the graph below.



Index	04/18/13	12/31/13	12/31/14
Hannon Armstrong Sustainable Infrastructure Capital, Inc.	$100.00	$126.51	$137.59
S&P 500 Index	$100.00	$121.73	$138.39
SNL Finance REIT Index (1)	$100.00	$ 84.25	$ 96.48
Dow Jones Utility Average	$100.00	$ 96.99	$126.71

Source: SNL Financial LC, Charlottesville, VA© 2014

(1) As of December 31, 2014, the SNL Finance REIT Index comprised of the following companies: AG Mortgage Investment Trust, Inc.; American Capital Agency Corp.; American Capital Mortgage Investment Corp.; American Church Mortgage Company; Annaly Capital Management, Inc.; Anworth Mortgage Asset Corporation; Apollo Commercial Real Estate Finance, Inc.; Apollo Residential Mortgage, Inc.; Arbor Realty Trust, Inc.; Ares Commercial Real Estate Corporation; ARMOUR Residential REIT, Inc.; Bimini Capital Management, Inc.; Blackstone Mortgage Trust, Inc.; Capstead Mortgage Corporation; Cherry Hill Mortgage Investment Corporation; Chimera Investment Corporation; Colony Financial, Inc.; CV Holdings, Inc.; CYS Investments, Inc.; Dynex Capital, Inc.; Ellington Residential Mortgage REIT; Five Oaks

Investment Corp.; Hannon Armstrong Sustainable Infrastructure Capital, Inc.; Hatteras Financial Corp.; Invesco Mortgage Capital Inc.; iStar Financial Inc.; JAVELIN Mortgage Investment Corp.; JER Investors Trust Inc.; MFA Financial, Inc.; New Residential Investment Corp.; New York Mortgage Trust, Inc.; Newcastle Investment Corp.; NorthStar Realty Finance Corp.; Orchid Island Capital, Inc.; Origen Financial, Inc.; Owens Realty Mortgage, Inc.; PennyMac Mortgage Investment Trust; RAIT Financial Trust; Redwood Trust, Inc.; Resource Capital Corp.; Starwood Property Trust, Inc.; Two Harbors Investment Corp.; United Development Funding IV, Western Asset Mortgage Capital Corporation; and ZAIS Financial Corp.

Securities Authorized For Issuance Under Equity Compensation Plans

In 2013, we adopted the 2013 Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan (the “2013 Plan”) to provide equity based incentive compensation to members of our senior management team, our independent directors, advisers, consultants and other personnel. The 2013 Plan authorizes our compensation committee to grant stock options, shares of restricted common stock, phantom shares, dividend equivalent rights, long term incentive plan (“LTIP”) units and other restricted limited partnership units issued by our Operating Partnership and other equity-based awards up to an aggregate of 7.5% of the shares of common stock issued and outstanding from time to time on a fully diluted basis (assuming, if applicable, the exercise of all outstanding options and the conversion of all warrants and convertible securities, including OP units and LTIP units, into shares of common stock).

As of December 31, 2014, we have granted 964,820 shares of our restricted common stock, which are subject to vesting and, in some cases, performance requirements, to our directors, officers and other employees. In addition, from January 1, 2015 through March 2, 2015, we have granted 31,557 shares of our restricted common stock, which are subject to vesting, and in some cases, performance requirements, to our directors, officers and other employees.

The following table presents certain information about our equity compensation plan as of December 31, 2014:

Award	Number of securities remaining available for future issuance under equity compensation plans (1)
Equity compensation plans approved by stockholders	976,487
Equity compensation plans not approved by stockholders	—
Total	**976,487**

(1) The 2013 Plan provides for grants of equity awards up to, in the aggregate, the equivalent of 7.5% of the issued and outstanding shares of our common stock from time to time (on a fully diluted basis (assuming, if applicable, the exercise of all outstanding options and the conversion of all warrants and convertible securities into shares of common stock)) at the time of the award. As of December 31, 2014, we did not have outstanding under our equity compensation plan, any options, warrants or rights to purchase share of our common stock.

Recent Sales of Unregistered Equity Securities; Use of Proceeds from Registered Securities

For the year ended December 31, 2014, we redeemed 131,093 OP units held by our non-controlling interest holders for cash of $1.8 million. During the year ended December 31, 2014, certain of our employees surrendered common stock owned by them to satisfy their statutory minimum federal and state tax obligations associated with the vesting of restricted stock units issued in connection with our IPO.

The table below summarizes all of our redemption of OP units and repurchases of common stock during 2014:

Period		Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
January 2014	**OP unit redemption**	**112,577**	**$ 13.52**	**N/A**	**N/A**
April 2014	**Common stock repurchase (1)**	**15,525**	**$ 13.18**	**N/A**	**N/A**
May 2014	**OP unit redemption**	**7,406**	**$ 13.28**	**N/A**	**N/A**
July 2014	**OP unit redemption**	**11,110**	**$ 14.49**	**N/A**	**N/A**

(1) The number of shares purchased represents shares of common stock surrendered by certain of our employees to satisfy their tax and other compensation related withholdings associated with the vesting of restricted stock. The price paid per share is based on the closing price of our common stock as of the date of the withholding.

Item 6. Selected Financial Data.

The following table sets forth selected financial and operating data on a historical basis for the Predecessor for periods prior to the consummation of our IPO on April 23, 2013 and for us for periods on or after April 23, 2013. The financial data for the Predecessor for such periods do not reflect the material changes to the business as a result of the capital raised in our IPO including the broadened types of projects undertaken, the enhanced financial structuring flexibility and the ability to retain a larger share of the economics from the origination activities. Accordingly, the financial data for the Predecessor is not necessarily indicative of our results of operations, cash flows or financial position following the completion of our IPO.

The following financial information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and related notes thereto. The Predecessor’s fiscal year ended on September 30 of each year. Our fiscal year ends on December 31 of each year, beginning with the year ended December 31, 2013. The historical consolidated balance sheet information as of September 30, 2012, 2011, and 2010 are of the Predecessor and the consolidated statements of operations information for the three months ended December 31, 2012 and for the years ended September 30, 2012, 2011, and 2010 are of the Predecessor and, along with the consolidated balance sheets of our company as of December 31, 2014 and 2013 and the consolidated statement of operations of our company for the years ended December 31, 2014 and 2013, have been derived from the historical audited consolidated financial statements and related notes. The historical condensed consolidated statements of operations information for the three-month periods ended December 31, 2011 has been derived from the unaudited historical condensed consolidated financial statements of the Predecessor, which we believe include all adjustments (consisting of normal recurring adjustments) necessary to present the information set forth therein under U.S. GAAP. The results of operations for the interim three month periods ended December 31, 2012 and December 31, 2011 are not necessarily indicative of the results to be obtained for the full fiscal year.

	Years Ended December 31, 2014	Years Ended December 31, 2013	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011 (unaudited)	Years Ended September 30, 2012	Years Ended September 30, 2011	Years Ended September 30, 2010
	(Amounts in thousands, except per share data)						
Net Investment Revenue:							
Total investment revenue	$ 30,125	$ 17,365	$ 2,834	$ 3,350	$ 11,848	$ 11,739	$ 10,904
Investment interest expense	(16,655)	(9,815)	(2,347)	(2,821)	(9,852)	(9,442)	(9,606)
Net Investment Revenue	13,470	7,550	487	529	1,996	2,297	1,298
Provision for credit losses	—	(11,000)	—	—	—	—	—
Net Investment Revenue, net of provision	13,470	(3,450)	487	529	1,996	2,297	1,298
Other Investment Revenue:							
Gain on sale of receivables and investments	13,250	5,597	2,534	1,940	3,912	4,025	6,322
Fee income	1,900	1,483	254	288	11,380	877	7,716
Other Investment Revenue	15,150	7,080	2,788	2,228	15,292	4,902	14,038
Total Revenue, net of investment interest expense	**28,620**	**3,630**	**3,275**	**2,757**	**17,288**	**7,199**	**15,336**
Compensation and benefits	(10,518)	(12,312)	(1,157)	(1,065)	(7,697)	(4,028)	(7,191)
General and administrative	(5,550)	(3,844)	(584)	(626)	(3,901)	(2,506)	(1,856)
Acquisition costs	(2,456)	—	—	—	—	—	—
Other, net	(300)	(359)	(137)	(153)	(602)	(630)	(871)
(Loss) income from equity method investment in affiliate	—	—	(448)	(799)	(1,284)	(5,047)	8,663
Other Expenses, net	(18,824)	(16,515)	(2,326)	(2,643)	(13,484)	(12,211)	(1,255)
Net income (loss) before income tax	**9,796**	**(12,885)**	**$ 949**	**$ 114**	**$ 3,804**	**$ (5,012)**	**$ 14,081**
Income tax (expense) benefit	(26)	251	—	—	—	—	—
Net Income (Loss)	**9,770**	**(12,634)**	**$ 949**	**$ 114**	**$ 3,804**	**$ (5,012)**	**$ 14,081**
Net income (loss) attributable to non-controlling interest holders	163	(2,175)					
Net income (loss) income attributable to controlling shareholders	$ 9,607	$ (10,459)					
Balance Sheet Data (at Period End):							
Financing receivables (1)	$ 552,706	$ 347,871			$ 195,582	$ 143,776	$ 159,210
Investments (1)	27,273	91,964			—	506	—
Real estate (2)	113,965	—			—	—	—
Equity method investment	143,903	—			—	—	—
Cash and cash equivalents	58,199	31,846			20,948	1,633	5,784
Total assets	1,010,257	571,432			232,463	174,594	192,226
Nonrecourse debt	320,771	259,924			200,283	148,177	163,889
Credit facility	315,748	77,114			4,599	6,895	4,336
Total liabilities	736,215	420,808			213,301	158,309	169,797
Total equity	274,042	150,624			19,162	16,285	22,429
Total liabilities and equity	1,010,257	571,432			232,463	174,594	192,226
Per Share Data:							
Basic and diluted earnings per share	$ 0.43	$ (0.68)					
Weighted average shares outstanding—basic and diluted	20,656,826	15,716,250					
Financing receivables (1)	$ 552,706	$ 347,871			$ 195,582	$ 143,776	$ 159,210
Investments (1)	27,273	91,964			—	—	—
Real Estate	113,965	—			—	—	—
Equity method investment	143,903	—			—	—	—
Plus Assets held in securitization trust	1,709,426	1,617,992			1,412,693	1,394,750	1,422,919
Managed Assets	**$ 2,547,273**	**$ 2,057,827**			**$1,608,275**	**$1,538,526**	**$1,582,129**
Investment revenue	$ 30,125	$ 17,365			$ 11,848	$ 11,739	$ 10,904
Income from assets held in securitization trust	92,139	86,256			84,582	82,176	72,126
Investment Revenue from Managed Assets	**$ 122,264**	**$ 103,621**			**$ 96,430**	**$ 93,915**	**$ 83,030**
Credit losses as a percentage of assets under management	0.0%	0.5%			0.0%	0.0%	0.0%

(1) The December 31, 2014 balance excludes financing receivables held-for-sale of $62.3 million. The December 31, 2013 balance excludes financing receivable held-for-sale of $24.8 million and investments available-for-sale of $3.2 million, which were purchased in December 2013 and sold in the three month period ended March 31, 2014. It also excludes short term government securities held by the Predecessor prior to 2011.

(2) Includes real estate intangibles.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with our financial statements and accompanying notes included in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

Our Business

We provide debt and equity financing to the energy efficiency and renewable energy markets. We focus on providing preferred or senior level capital to established sponsors and high credit quality obligors for assets that generate long-term, recurring and predictable cash flows. Since our IPO in April 2013 through December 31, 2014, we completed more than $1.5 billion of financing and investment transactions, including over $875 million of transactions in 2014.

Our management team has extensive industry knowledge and experience having completed its first renewable energy financing over 25 years ago and its first energy efficiency financing over 15 years ago. We have deep and long-standing relationships, in the markets we target with leading energy service providers, manufacturers, project developers and owners. We originate many of our transactions through programmatic finance relationships with global energy service providers, such as Honeywell International, Ingersoll-Rand, Johnson Controls, Schneider Electric, Siemens, SunPower and United Technologies as well as a number of U.S. utility companies. Since our IPO, a new group of public companies who own and operate renewable energy projects, referred to as YieldCos, has emerged and added additional financing opportunities, in addition to the existing utility-scale renewable energy independent power producers. We also rely on relationships with a variety of key financial participants, including institutional investors, private equity funds, senior lenders, and investment and commercial banks, as well as leading intermediaries, to complement our origination and financing activities. We believe we are the leading provider of financing for energy efficiency projects for the U.S. federal government, the largest property owner and energy user in the United States.

We focus our investment activities primarily on:

- *Energy Efficiency Projects*: projects, typically undertaken by ESCOs, which reduce a building's or facility's energy usage or cost by improving or installing various building components, including HVAC systems, lighting, energy controls, roofs, windows, building shells, and/or combined heat and power systems ; and
- *Renewable Energy Projects*: projects that deploy cleaner energy sources, such as solar and wind to generate power production.

We may also provide financing solutions for other sustainable infrastructure projects, such as water or communications infrastructure, that improve water or energy efficiency, increase energy system resiliency, positively impact the environment or more efficiently use natural resources.

Our goal is to invest in assets that generate long-term, recurring and predictable cash flows or cost savings that will be more than adequate to deliver attractive risk-adjusted returns to our stockholders. The cash flows or cost savings are generally generated from proven technologies that minimize performance uncertainty, enabling us to more accurately predict project cashflow over the term of the financing or investment. We provide capital through debt financings and a variety of preferred and common equity structures with a preference for structures in which we hold a senior or preferred position in the capital structure.

In April 2013, we completed our IPO, raising net proceeds of approximately $160 million. In April 2014 and October 2014, we completed follow on public offerings, raising net proceeds of approximately $70 million and $59 million, respectively. Our strategy in undertaking the public offerings was to expand our proven ability to serve our rapidly growing markets by increasing our capital resources, enhancing our financial structuring flexibility, expanding the types of projects and end-customers we pursue, and selectively retaining a larger portion of the economics in the assets in which we invest. Prior to our IPO, we had traditionally financed our business by accessing the securitization market, primarily utilizing our relationships with institutional investors such as insurance companies and commercial banks. By utilizing the net proceeds from our offerings and our anticipated financing strategies, we intend to hold a significantly larger portion of the assets we originate on our balance sheet, using our own capital in conjunction with both securitizations and other borrowings.

We expect to see, in comparison to historical periods, a much larger portion of our total revenue derived from net investment revenue and other recurring and predictable revenue sources. While we expect our investment interest expense to increase, we also expect that our net investment revenue, which represents the margin, or the difference between investment revenue and investment interest expense, will increase due to a higher average margin on a per asset basis as well as growth in the overall amount of our investments. We expect our average margin will increase as a result of increased use of equity in place of debt as well as lower anticipated interest rates on our borrowings.

In our securitization transactions, we transfer the transactions we originate to securitization trusts or other bankruptcy remote special purpose funding vehicles including to the Hannon Armstrong Multi-Asset Infrastructure Trust, or Hannie Mae. Large institutional investors, primarily insurance companies and commercial banks, historically provided the financing needed for a project by purchasing the notes issued by the trust or vehicle. The securitization market for the assets we finance remained active throughout the financial crisis due to investor demand for high credit quality, long-term investments. We typically arranged such securitizations of loans or other assets prior to originating the transaction and thus have avoided exposure to credit spread and interest rate risks that are normally associated with traditional capital markets conduit transactions. Additionally, we have typically avoided funding risks for these loans or other assets given that our securitization partners contractually agree to fund such assets before the origination transaction is completed.

In most cases, the transfer of loans or other assets to non-consolidated securitization trusts qualify as sales for accounting purposes. In these transactions, we receive cash and record income as a gain on sale of receivables and investments. We also typically manage and service these assets in exchange for fees and other payments, which we record as fee income on our statement of operations. We may periodically provide other services, including arranging financings that are held on the balance sheet of other investors and advising various companies with respect to structuring investments.

We completed over $875 million of transactions in 2014; approximately 75% of which were added to our balance sheet and 25% were securitized or syndicated. We refer to the transactions that we hold on our balance sheet as our “Portfolio.” Our Portfolio may include:

- Financing Receivables, such as project loans, receivables and direct financing leases,
- Debt and equity securities,
- Real Estate, such as land or other physical assets and related intangible assets used in sustainable infrastructure projects, and
- Equity Investments in unconsolidated affiliates, such as projects where we hold a non-consolidated equity interest in a project.

We began leasing real property to renewable projects in May 2014, when we acquired all of the outstanding member interests in AWCC for approximately $107 million. Through this acquisition and a series of follow on transactions, we own more than 10,500 acres of land that are under long-term lease agreements with over 20 solar projects, which we have recorded in our financial statements as real estate, and rights to payments from land leases for a diversified portfolio of 57 wind projects, which we have recorded in our financial statements as financing receivables. For further information on our real estate transactions, see Note 1 of the audited financial statements in this Annual Report on Form 10-K.

In October 2014, we invested approximately $144 million to acquire a portfolio of non-controlling equity investments in ten operating wind projects owned by an affiliate of JPMorgan. This transaction enables us to participate in the priority cash flows associated with these wind projects. We account for our investment in the wind projects as an equity method investment. As part of the transaction, we also borrowed $115 million of fixed-rate, amortizing non-recourse debt using the investment as collateral. For further information on these transactions, see Note 9 and Note 15 of the audited financial statements in this Annual Report on Form 10-K.

As of December 31, 2014, our Portfolio was approximately $900 million. Approximately 71% of our Portfolio consisted of loans, financing receivables, direct financing leases or debt securities with 68% structured with fixed rates and 3% structured with floating rates. Approximately 13% of our Portfolio was real estate with long-term leases and approximately 16% represented minority ownership of wind projects. Excluding our equity investments, approximately 46% of our Portfolio consisted of U.S. federal government or state or local government obligors, approximately 52% consisted of investment grade commercial obligations and 2% consisted of non-investment grade rated commercial obligations, in all cases rated either by an independent third party rating service or our internal credit rating system. In total, as of December 31, 2014, we managed approximately $2.5 billion of assets, which consisted of our Portfolio plus approximately $1.7 billion of assets held in non-consolidated securitization trusts. We refer to this $2.5 billion of assets collectively as our managed assets.

We have a large and active pipeline of potential new opportunities that are in various stages of our underwriting process. We refer to potential opportunities as being part of our pipeline if we have determined that the project fits within our investment strategy and exhibits the appropriate risk/reward characteristics through an initial credit analysis, including a quantitative and qualitative assessment of the opportunity, as well as research on the market and sponsor. Our pipeline of transactions that could potentially close over the next year consists of opportunities in which we will be the lead originator, as well as projects in which we may participate with other institutional investors. As of December 31, 2014, this 12-month pipeline consisted of more than $2.0 billion in new debt and equity opportunities. There can, however, be no assurance that any or all of the transactions in our pipeline will be completed.

Factors Impacting our Operating Results

We expect that our results of operations will be affected by a number of factors and will primarily depend on the size of our Portfolio, including the mix of transactions which we hold in our Portfolio, the income we receive from securitizations, syndications and other services, our Portfolio's credit risk profile, changes in market interest rates, commodity prices, U.S. federal, state and/or municipal governmental policies, general market conditions in local, regional and national economies and our ability to qualify as a REIT and maintain our exception from registration as an investment company under the 1940 Act.

Portfolio Size

The size of our Portfolio will be a key revenue driver. Generally, as the size of our Portfolio on our balance sheet grows the amount of our net investment revenue will increase. Our Portfolio may grow at an uneven pace as opportunities to originate new assets may be irregularly timed, and the timing and extent of our success in such originations cannot be predicted. To the extent the size of our Portfolio changes due to investment activity in our equity method affiliates, the income or loss from such investments will not be included in revenue but are reflected on a separate line in our income statement. In addition, we may decide for any particular project that we should securitize or otherwise sell a portion, or all, of the project, which would result in other investment income as, described below. The level of portfolio activity will fluctuate from period to period based upon the market demand for the capital we provide, our view of economic fundamentals including interest rates, the present mix of our Portfolio, our ability to identify new opportunities that meet our investment criteria, the volume of projects that have advanced to stages where we believe a transaction is appropriate, seasonality in our activities and in the various projects where we may provide debt or equity and our ability to consummate the identified opportunities, including as a result of our available capital. The level of our new origination activity, the percentage of the originations that we choose to retain on our balance sheet and the related income, will directly impact our investment revenue.

Income from Securitization, Syndication and Other Services

We will also earn other investment income by securitizing or selling all or a portion of our transactions and by servicing the securitization financings we arrange. For transactions that we securitize to a non-consolidated trust, we recognize a gain on securitization of the receivables. We receive a majority of the gain in cash and record the present value of the remaining portion as a retained interest in our securitization assets. We may also recognize additional income such as servicing fees from these securitization assets over the life of the project.

In many cases, we arrange the securitization of the loan or other asset prior to originating the transaction and thus have avoided exposure to credit spread and interest rate risks that are typically associated with traditional capital markets conduit transactions. In these cases, we avoid funding risks for these loans or other assets given that our securitization partners contractually agree to fund such assets before the origination transaction is completed.

We also generate fee income for syndications where we arrange financings that are held directly on the balance sheet of other investors or if we sell existing transactions to other investors. In these transactions, unless we decide to hold a portion of the economic interest of the transaction on our balance sheet, we have no exposure to risks related to ownership of those financings. We may charge advisory, retainer or other fees, including through our broker dealer subsidiary. As a large portion of these fees are earned upon the closing of a financing transaction, the timing of which will vary from quarter to quarter.

The gain on sale income and our other sources of fee income will also vary depending on the level of our new origination activity and the portion of our originated assets we decide to transfer to other investors. We view this other investment revenue from such activities as a valuable component of our earnings and an important source of franchise value. The total amount of fee income will vary on a quarter to quarter basis depending on various factors, including the level of our originations, the duration, credit quality and types of assets we originate, current and anticipated future interest rates, the mix of our Portfolio and our need to tailor our mix of assets in order to allow us to qualify as a REIT for U.S. federal income tax purposes and maintain our exception from registration under the 1940 Act.

Credit Risks

We source and identify quality opportunities within our broad areas of expertise and apply our rigorous underwriting processes to our transactions, which, we believe, will generally enable us to keep our credit losses and financing costs low. While we do not anticipate facing significant credit risk in our financings related to U.S. federal government energy efficiency projects, we are subject to varying degrees of credit risk in these projects in relation to guarantees provided by ESCOs where payments under energy savings performance contracts are contingent upon achieving pre-determined levels of energy savings. We are also exposed to credit risk in projects that do not depend on funding from the U.S. federal government. We increasingly target such projects as part of our strategy. In the case of various renewable energy and sustainable infrastructure projects, we will also be exposed to the credit risk of the obligor of the project’s power purchase agreement or other long-term contractual revenue commitments. We may encounter enhanced credit risk as we expect that over time our strategy will increasingly include mezzanine debt, real estate or equity investments. We seek to manage credit risk using thorough due diligence and underwriting processes, strong structural protections in our transaction agreements with customers and continual, active asset management and portfolio monitoring. Nevertheless, unanticipated credit losses could occur and during periods of economic downturn in the global economy, our exposure to credit risks from obligors increases, and our efforts to monitor and mitigate the associated risks may not be effective in reducing our credit risks.

Prior to our IPO, our origination activities consisted primarily of projects for which the U.S. federal government was the primary credit obligor, which did not, in our view, require a risk rating system that used specific metrics, such as watch lists, credit ratings or loan-to-value. However, as part of our expansion strategy, we have implemented a risk rating system to evaluate projects that we increasingly target, such as on balance sheet financing of projects undertaken by state and local governments, universities, schools and hospitals, as well as privately owned commercial projects. We first evaluate the credit rating of the obligors involved in the project using an average of the external credit ratings for an obligor, if available, or an estimated internal rating based on a third party credit scoring system. We then evaluate the probability of default and estimated recovery rate based on the obligors' credit ratings and the terms of the contract. We also review the performance of each investment, including through, as appropriate, a review of project performance, monthly payment activity and active compliance monitoring, regular communications with project management and, as applicable, its obligors, sponsors and owners, monitoring the financial performance of the collateral, periodic property visits and monitoring cash management and reserve accounts. The results of our reviews are used to update the project's risk rating as necessary.

Changes in Market Interest Rates

Interest rates and prepayment speeds vary according to the type of asset, conditions in the financial markets, competition and other factors, none of which can be predicted with any certainty. With respect to our business operations, increases in interest rates, in general, may over time cause: (1) project owners to be less interested in borrowing or raising equity and thus reduce the demand for our financings and services; (2) the interest expense associated with our borrowings to increase; (3) the market value of our fixed rate or fixed return investments to decline; and (4) the market value of interest rate swap agreements to increase, to the extent we, or the projects to which we provide capital, enter into such agreements as part of a hedging strategy. Conversely, decreases in interest rates, in general, may over time cause: (1) project owners to be more interested in borrowing or raising equity and thus increase the demand for our financings; (2) prepayments on our investments, to the extent allowed, to increase; (3) the interest expense associated with our borrowings to decrease; (4) the market value of our fixed rate or fixed return investments to increase; and (5) the market value of interest rate swap agreements to decrease, to the extent we, or the projects to which we provide capital, enter into such agreements as part of our hedging strategy. We are, and will, in the future, be subject to changes in market interest rate for any new floating or inverse floating rate assets and credit facilities including our existing credit facility and the refinancing of our fixed rated debt. Because short-term borrowings are generally short-term commitments of capital, lenders may respond to market conditions, making it more difficult for us to secure continued financing. If we are not able to renew our then existing facilities or arrange for new financing on terms acceptable to us, or if we default on our covenants or are otherwise unable to access funds under any of these facilities, we may have to curtail our origination of new assets and/or dispose of assets. We face particular risk in this regard given that we expect many of our borrowings will have a shorter duration than the assets they finance. In addition, our ability to receive protection against prepayments which occur in a declining interest rate environment, including through the use of make-whole payments, will vary according to type of investment and obligor. Subject to maintaining our qualification as a REIT for U.S. federal income tax purposes and our exception from registration under the 1940 Act, we may, from time to time, utilize derivative financial instruments to hedge interest rate risk. In addition to the use of traditional derivative instruments, we also seek to mitigate interest rate risk by using securitizations such as asset backed securitizations, syndications and other techniques to construct a portfolio with a staggered maturity profile.

Commodity Prices

When we provide debt or equity for a project that acts as a substitute for an underlying commodity we are exposed to volatility in prices for that commodity. For example, the performance of renewable energy projects that produce electricity can be impacted by volatility in the market prices of various forms of energy, including electricity, coal and natural gas. Although we generally focus on renewable energy projects that have the majority of their operating cash flow supported by long-term PPAs, ranging from 10 to 30 years, to the extent that the projects have shorter term contracts (which may have the potential of producing higher current returns) or sell their power in the open market on a merchant basis, the cash flows of such projects, and thus the repayment of, or the returns available for, our assets, may be subject to risk if energy prices change. We believe the current low prices in natural gas will increase demand for some types of our projects, such as combined heat and power, but may reduce the demand for other projects such as renewable energy that may be a substitute for natural gas. We seek to structure our energy efficiency financings so that we typically avoid exposure to commodity price risk. However, volatility in energy prices may cause building owners and other parties to be reluctant to commit to projects for which repayment is based upon a fixed monetary value for energy savings that would not decline if the price of energy declines.

Government Policies

We provide debt and equity financing to projects that typically depend in part on various U.S. federal, state or local governmental policies that support or enhance the project's economic feasibility. Such policies may include governmental initiatives, laws and regulations designed to reduce energy usage, encourage the use of renewable energy or encourage the investment in and the use of sustainable infrastructure. Incentives provided by the U.S. federal government may include tax credits (with some of these tax credits that are related to renewable energy schedule to be reduced in the future), tax deductions, bonus depreciation as well as federal grants and loan guarantees. Incentives provided by state and local governments may include renewable portfolio standards, which specify the portion of the power utilized by local utilities that must be derived from renewable energy sources such as renewable energy as well as the state or local government sponsored programs where the financing of energy efficiency or renewable energy projects is repaid through an assessment in the property tax bill in a program commonly referred to as PACE. Additionally, certain states have implemented feed-in tariffs, pursuant to which electricity generated from renewable energy sources is purchased at a higher rate than prevailing wholesale rates. Other incentives include tariffs, tax incentives and other cash and non-cash payments. In addition, U.S. federal, state and local governments provide regulatory, tax and other incentives to encourage the development and growth of sustainable infrastructure. Governmental agencies and other owners of real estate frequently depend on these policies to help defray the costs associated with, and to finance, various projects. Government regulations also impact the terms of third party financing provided to support these projects. If any of these government policies, incentives or regulations are adversely amended, delayed, eliminated, reduced or not extended beyond their current expiration dates the demand for, and the returns available from, the financing we provide may decline, which could harm our business. Changes in government policies, support and incentives, including retroactive changes, could also negatively impact the operating results of the projects we finance and the returns on our assets.

Market Conditions

We believe the market for the debt and equity transactions we provide is in the midst of a prolonged expansion, driven by several macro-economic and geopolitical trends, including:

- prospects for global climate change caused by man-made greenhouse gas emissions;
- volatile commodity prices;
- national security risks associated with energy procurement that threaten energy supply;
- governmental policies that seek to protect the environment;
- fiscal challenges and budgetary constraints facing U.S. federal, state and local governments; and
- changes in global banking regulations which increase banks' capital requirements for financing long-lived projects thus reducing the amount of available bank financing for such projects.

In part due to this growing demand, we believe that a significant shortage of capital currently exists to satisfy the demands of our markets in the United States and around the world. In addition, government subsidies have, or are scheduled to, decline or expire. In addition, much of the capital that is available to the sector comes with conditions attached, including substantial minimum project size requirements, requirements that all project cash flows be fully contracted prior to any provision of financing, and the inability of lenders to take any "merchant" or investment risk with respect to various government incentives. We believe these conditions make it difficult for many project developers to access capital. In addition, for those developers who can gain access to capital, these conditions may lead to increased cost or delays in the commencement of project construction and operation. As a result, we believe a significant opportunity exists for us to provide new forms of capital to meet these growing demands.

Our Qualification as a REIT

We have elected to qualify, and operate our business so as to qualify, to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code commencing with our taxable year ended December 31, 2013. We believe that we have been organized and operated, and we intend to continue to operate, in such a manner so as to qualify for taxation as a REIT under the Internal Revenue Code. Qualification and taxation as a REIT depends on our ability to satisfy, among other requirements, certain asset and income tests, some of which depend upon the classification of at least 75% of the "fair market value" of our assets as real estate assets under the Internal Revenue Code.

Critical Accounting Policies and Use of Estimates

Our financial statements are prepared in accordance with U.S. GAAP, which requires the use of estimates and assumptions that involve the exercise of judgment and use of assumptions as to future uncertainties. The following discussion addresses the accounting policies that we use. Our most critical accounting policies involve decisions and assessments that could affect our reported assets and liabilities, as well as our reported revenues and expenses. We believe that all of the decisions and assessments upon which our financial statements are based are reasonable at the time made and based upon information available to us at that time. Our critical accounting policies and accounting estimates may be expanded over time as we fully implement our strategy. Those material accounting policies and estimates that we expect to be most critical to an investor's understanding of our financial results and condition and require complex management judgment are discussed below.

Financing Receivables

Financing receivables include financing sustainable infrastructure project loans, receivables and direct financing leases.

Unless otherwise noted, we generally have the ability and intent to hold our financing receivables for the foreseeable future and thus they are classified as held for investment. Our ability and intent to hold certain financing receivables may change from time to time depending on a number of factors, including economic, liquidity and capital conditions. The carrying value of financing receivables held for investment represents the present value of the note, lease or other payments, net of any unearned fee income, which is recognized as income over the term of the note or lease using the effective interest method. Financing receivables that are held for investment are carried, unless deemed impaired, at cost, net of any unamortized acquisition premiums or discounts and including origination and acquisition costs, as applicable. Financing receivables that we intend to sell in the short-term are classified as held-for-sale and are carried at the lower of amortized cost or fair value on our balance sheet. We may secure non-recourse debt with the proceeds from our financing receivables.

We evaluate our financing receivables for potential delinquency or impairment on at least a quarterly basis and more frequently when economic or other conditions warrant such an evaluation. When a financing receivable becomes 90 days or more past due, and if we otherwise do not expect the debtor to be able to service all of its debt or other obligations, we will generally consider the financing receivable delinquent or impaired and place the financing receivable on non-accrual status and cease recognizing income from that financing receivable until the borrower has demonstrated the ability and intent to pay contractual amounts due. If a financing receivable's status significantly improves regarding the debtor's ability to service the debt or other obligations, we will remove it from non-accrual status.

A financing receivable is also considered impaired as of the date when, based on current information and events, it is determined that it is probable that we will be unable to collect all amounts due in accordance with the original contracted terms. Many of our financing receivables are secured by sustainable infrastructure projects. Accordingly, we regularly evaluate the extent and impact of any credit deterioration associated with the performance and value of the underlying project, as well as the financial and operating capability of the borrower, its sponsors or the obligor as well as any guarantors. We consider a number of qualitative and quantitative factors in our assessment, including, as appropriate, a project's operating results, loan-to-value ratios and any cash reserves, the ability of expected cash from operations to cover the cash flow requirements currently and into the future, key terms of the transaction, the ability of the borrower to refinance the transaction, other credit support from the sponsor or guarantor and the project's collateral value. In addition, we consider the overall economic environment, the sustainable infrastructure sector, the effect of local, industry, and broader economic factors, the impact of any variation in weather and the historical and anticipated trends in interest rates, defaults and loss severities for similar transactions.

If a financing receivable is considered to be impaired, we record an allowance to reduce the carrying value of the financing receivable to the present value of expected future cash flows discounted at the financing receivable's contractual effective rate or the amount realizable from other contractual terms such as the currently estimated fair market value of the collateral less estimated selling costs, if repayment is expected solely from the collateral. We charge off financing receivables against the allowance when we determine the unpaid principal balance is uncollectible, net of recovered amounts.

We record income from financing receivables held on our balance sheet on an accrual basis to the extent amounts are expected to be collected. We expect that income on our financing receivables will be accrued based on the actual coupon rate and the outstanding principal balance of such securities, or if no actual coupon rate exists, using the effective interest method. Premiums and discounts will be amortized or accreted into income over the lives of the financing receivables using the effective yield method, as adjusted for actual prepayments in accordance with ASC 310-40, *Receivables—Nonrefundable Fees and Other Costs*. For financing receivables that are direct financing leases under ASC 840, Leases, we amortize the unearned income to income over the lease term to produce a constant periodic rate of return on the net investment in the lease.

Investments

Investments include debt securities that meet the criteria of ASC 320,*Investments—Debt and Equity Securities.* As a result of the sale of certain debt securities previously designated as held-to-maturity in 2014, we have designated our debt securities as available-for-sale and will carry these securities at fair value on our balance sheet from that date. Unrealized gains and losses, to the extent not considered other than temporary impairment ("OTTI"), on available-for-sale debt securities are recorded as a component of accumulated other comprehensive income (loss) ("OCI") in equity on our balance sheet. Previously, we recorded our debt securities as held-to-maturity and thus had carried these securities on the balance sheet at amortized cost, which was initially at cost plus any premiums or less any discounts that are amortized or accreted from or into investment interest income using the effective interest method.

We evaluate our investments for OTTI on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. Our OTTI assessment is a subjective process requiring the use of judgments and assumptions. Accordingly, we regularly evaluate the extent and impact of any credit deterioration associated with the financial and operating performance and value of the underlying project. We consider a number of qualitative and quantitative factors in our assessment. We first consider the current fair value of the security and the duration of any unrealized loss. Other factors considered include changes in the credit rating, performance of the underlying project, key terms of the transaction and support provided by the sponsor or guarantor.

To the extent that we have identified an OTTI for a security and intend to hold the investment to maturity and we do not expect that we will be required to sell the security prior to recovery of the amortized cost basis, we recognize only the credit component of OTTI in earnings. We determine the credit component using the difference between the securities' amortized cost basis and the present value of its expected future cash flows, discounted using the effective interest method or its estimated collateral value. Any remaining unrealized loss due to factors other than credit, or the non-credit component, is recorded in accumulated OCI.

To the extent we hold investments with an OTTI and if we have made the decision to sell the security or it is more likely than not that we will be required to sell the security prior to recovery of its amortized cost basis, we recognize the entire portion of the impairment in earnings.

We expect that income on investments that are debt securities will be accrued based on the actual coupon rate and the outstanding principal balance of such securities, or if no actual coupon rate exists, using the effective interest method. Premiums or discounts on investment securities are amortized or accreted into investment interest income using the effective interest method.

Real Estate

Real estate reflects land or other real estate held on our balance sheet. Real estate intangibles reflect the value of associated lease intangibles, net of any amortization. In accordance with ASC 805, *Business Combinations*, the fair value of the real estate acquired in a business combination with in-place leases is allocated to (i) the acquired tangible assets, consisting of land or other real property such as buildings, and (ii) the identified intangible assets and liabilities, consisting of the value of above-market and below-market leases and the value of other acquired intangible assets, based in each case on their fair values.

The fair value of the tangible assets of an acquired leased property is determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land, building and tenant improvements, if any, based on the determination of the fair values of these assets. The as-if-vacant fair value of a property was determined by management based on an appraisal of the property by a qualified appraiser.

In allocating the fair value of the identified intangible assets and liabilities of an acquired property, above-market and below-market in-place lease values are recorded as intangible assets based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases, and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining term of the lease, including renewal periods reasonably assured of being exercised by the lessee. The capitalized above-market lease values are amortized as a reduction of rental income and the capitalized below-market lease values are amortized as an increase to rental income. We also record, as appropriate, an intangible asset for in-place leases. The value of the leases in place at the time of the transaction is equal to the potential revenue (rent and expenses) lost if the leases were not in place (during downtime) and that would be incurred to obtain the lease. The amortization is calculated over the initial term unless management believes that it is reasonably assured that the tenant would exercise the renewal option, whereby we would amortize the value attributable to the renewal over the renewal period. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be written off.

We record the purchases of real estate, other than in a business combination (i.e. real estate with no in-places leases), at cost, including acquisition and closing costs.

Our real estate is generally leased to tenants on a net lease basis, whereby the tenant is responsible for all operating expenses relating to the property, generally including property taxes, insurance, maintenance, repairs and capital expenditures. Revenue is recognized as rentals are earned and expenses (if any) are charged to operations as incurred. When scheduled rental revenue varies during the lease term, income is recognized on a straight-line basis, unless there is considerable risk as to collectability, so as to produce a constant periodic rent over the term of the lease. Accrued rental income is the aggregate difference between the scheduled rents which vary during the lease term and the income recognized on a straight-line basis and is recorded in other assets.

Securitization of Receivables

We have established various special purpose entities or securitization trusts for the purpose of securitizing certain financing receivables or other debt investments. We determined that the trusts used in securitizations are variable interest entities, as defined in ASC 810, *Consolidation*. We typically serve as primary or master servicer of these trusts; however, as the servicer, we do not have the power to make significant decisions impacting the performance of the trusts. Based on an analysis of the structure of the trusts, under U.S. GAAP, we have concluded that we are not the primary beneficiary of the trusts as we do not have power over the trusts' significant activities. Therefore, we do not consolidate these trusts in our consolidated financial statements.

We account for transfers of financing receivables to these securitization trusts as sales pursuant to ASC 860, *Transfers and Servicing*, as the transferred receivables have been isolated from the transferor (i.e., put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership) and we have surrendered control over the transferred receivables. When we sell receivables in securitizations, we generally retain minor interests in the form of servicing rights and residual assets, which we refer to as securitization assets.

Gain or loss on the sale of receivables is calculated based on the excess of the proceeds received from the securitization (less any transaction costs) plus any retained interests obtained over the cost basis of the receivables sold. For retained interests, we generally estimate fair value based on the present value of future expected cash flows using our best estimates of the key assumptions of anticipated losses, prepayment rates, and current market discount rates commensurate with the risks involved.

We initially account for all separately recognized servicing assets at fair value and subsequently measure such servicing assets and liabilities using the amortization method. We assess servicing assets for impairment at each reporting date. If the amortized cost of servicing assets is greater than the estimated fair value, we will recognize the impairment in net income.

Servicing income is recognized as earned. Servicing assets and liabilities are amortized in proportion to, and over the period of, estimated net servicing income, and are periodically (including at December 31, 2014 and 2013) assessed for impairment.

Our other retained interest in securitized assets, the residual assets, are classified as available-for-sale securities and carried at fair value on the consolidated balance sheets in Other Assets. We generally do not sell our residual assets. If we make an assessment that (i) we do not intend to sell our residual assets or (ii) it is not likely we will be required to sell our residual assets before their anticipated recovery, changes in fair value, such as those resulting from changes in market interest yield requirements, are reported as a component of accumulated OCI. However, in the case where we do intend to sell our residual assets or if the fair value of our residual assets is below the current carrying amount and we determine that the decline is OTTI, any impairment charge would be recorded in net income. An OTTI is considered to have occurred when, based on current information and events, there has been an adverse change in the timing or amount of cash flows expected to be collected. The impairment is equal to the difference between the residual asset's amortized cost basis and its fair value at the balance sheet date. In the case where there is any expected decline in the forecasted cash flows, such decline would be unlikely to reverse during the holding period of the retained assets and thus would be considered OTTI.

Interest income related to the residual assets is recognized using the effective interest rate method. If there is a change in expected cash flows related to the residual assets, we calculate a new yield based on the current amortized cost of the residual assets and the revised expected cash flows. This yield is used prospectively to recognize interest income.

Other Fee Income

We may periodically provide services, including arranging financing that is held on the balance sheet of other investors and advising various companies with respect to structuring investments. For services that are separately identifiable and where evidence exists to substantiate fair value, income is recognized as earned, which is generally when the investment or other applicable transaction closes. Retainer fees are amortized over the performance period.

Valuation of Financial Instruments

ASC 820 establishes a framework for measuring fair value in accordance with U.S. GAAP and expands financial statement disclosure requirements for fair value measurements. ASC 820 further specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. Where inputs for a financial asset or liability fall in more than one level in the fair value hierarchy, the financial asset or liability is classified in its entirety based on the lowest level input that is significant to the fair value measurement of that financial asset or liability. At December 31, 2014 and 2013, only our residual assets, financing receivables held-for-sale and investments available-for-sale, if any, were carried at fair value on the consolidated balance sheets on a recurring basis. We use our judgment and consider factors specific to the financial assets and liabilities measured at fair value in determining the significance of an input to the fair value measurements. The three levels of the fair value hierarchy are described below:

- Level 1—Quoted prices (unadjusted) in active markets that are accessible at the measurement date.
- Level 2—Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.
- Level 3—Unobservable inputs that are used when little or no market data is available.

For financial assets and liabilities carried at fair value, we use quoted market prices, when available, to determine the fair value of an asset or liability. If quoted market prices are not available, we consult independent pricing services or third party broker quotes, provided that there is no ongoing material event that affects the issuer of the securities being valued or the market thereof. If there is such an ongoing event, or if quoted market prices are not available, we will determine the fair value of the securities using valuation techniques that use, when possible, current market-based or independently-sourced market parameters, such as interest rates.

Fair value under U.S. GAAP represents an exit price in the normal course of business, not a forced liquidation price. If we were forced to sell assets in a short period to meet liquidity needs, the prices we receive could be substantially less than their recorded fair values. Furthermore, the analysis of whether it is more likely than not that we will be required to sell securities in an unrealized loss position prior to an expected recovery in value (if any), the amount of such expected required sales, and the projected identification of which securities would be sold is also subject to significant judgment, particularly in times of market illiquidity.

Any changes to the valuation methodology will be reviewed by our investment committee to ensure the changes are appropriate. As markets and products develop and the pricing for certain products becomes more transparent, we will continue to refine our valuation methodologies. The methods used by us may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while we anticipate that our valuation methods will be appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. We will use inputs that are current as of the measurement date, which may include periods of market dislocation, during which price transparency may be reduced.

Variable Interest Entities and Equity Method Investment in Affiliate

We account for our investment in entities that are considered variable interest entities under ASC 810. We perform an ongoing assessment to determine the primary beneficiary of each entity as required by ASC 810. See *Securitization of Receivables* above.

Substantially all of the activities of the special purpose entities that are formed for the purpose of holding our financing receivables and investments on our balance sheet are closely associated with our activities. Based on our assessment, we determined that we have power over and receive the benefits of these special purpose entities; hence, we are the primary beneficiary and should consolidate these entities under the provisions of ASC 810.

As described in Notes 1 and 2, in October 2014, we made a $144 million investment in Strong Upwind Holdings LLC ("Strong Upwind") that is jointly owned with an affiliate of JP Morgan. We own 50% of the voting stock of Strong Upwind. Based on our assessment, we have determined that Strong Upwind is a voting interest entity and that we have the ability to exercise influence over its operating and financial policies and as such we account for the investment using the equity method. We share in the cash flow and tax attributes of Strong Upwind according to a negotiated schedule.

Strong Upwind purchased JPMorgan's minority interest in four limited liability holding companies that own ten operating wind projects across five states. Each of the four holding companies is majority owned and operated by a large wind energy company. Based on our assessment, we have determined that each of the holding companies is a variable interest entity and that we have the ability to exercise influence over operating and financial policies of the holding companies, but we are not the primary beneficiary as we do not have the power to direct the most important decisions related to the most significant activities of the investment. After factoring in the various ownership interests, we own between 4% and 17.5% of the holding companies based on voting percentage. Thus we do not consolidate either Strong Upwind or the holding companies, but account for them using the equity method of accounting as described below.

Prior to December 2012, the Predecessor had an equity method investment in affiliate that was accounted for using the equity method of accounting. The Predecessor determined this investment was a variable interest entity under ASC 810 over which it had the ability to exercise influence over operating and financial policies of the investee, but it was not the primary beneficiary as it did not have the power to direct the most important decisions related to the most significant activities of the investment.

Under the equity method of accounting, the carrying value of our equity method investments is determined based on amounts we invested, adjusted for the equity in earnings or losses of investee allocated based on the partnership agreement, less distributions received. Because the partnership agreements contain preferences with regard to cash flows from operations, capital events and liquidation, we reflect our share of profits and losses by determining the difference between our "claim on the investee's book value" at the end and the beginning of the period. This claim is calculated as the amount we would receive (or be obligated to pay) if the investee were to liquidate all of its assets at recorded amounts determined in accordance with U.S. GAAP and distribute the resulting cash to creditors and investors in accordance with their respective priorities. This method is commonly referred to as the hypothetical liquidation at book value method.

We evaluate the realization of our investment accounted for using the equity method if circumstances indicate that our investment is OTTI. OTTI impairment occurs when the estimated fair value of an investment is below the carrying value and the difference is determined to not be recoverable. This evaluation requires significant judgment regarding, but not limited to, the severity and duration of the impairment; the ability and intent to hold the securities until recovery; financial condition, liquidity, and near-term prospects of the issuer; specific events; and other factors.

Equity-Based Compensation

We recorded compensation expense for stock awards in accordance with ASC 718,*Compensation—Stock Compensation*, which requires that all equity-based payments to employees be recognized in the consolidated statements of operations, based on their grant date fair values with the expense being recognized over the requisite service period.

At the time of completion of our IPO, we adopted our 2013 Equity Incentive Plan (the "2013 Plan"), which provides for grants of stock options, stock appreciation rights, restricted stock units, shares of restricted common stock, phantom shares, dividend equivalent rights, long-term incentive-plan units ("LTIP units") and other restricted limited partnership units issued by our Operating Partnership and other equity-based awards. From time to time, we may award unvested restricted shares as compensation to members of our senior management team, our independent directors, employees, advisors, consultants and other personnel under our 2013 Plan. Under the 2013 Plan, we have granted service based awards to certain employees and directors. The shares issued under this plan vest over a period of time as determined by the board of directors at the date of grant. We recognize compensation expense for unvested shares that vest solely based on service conditions on a straight-line basis over the vesting period based upon the fair market value of the shares on the date of grant, adjusted for forfeitures.

Under the 2013 Plan, we also granted performance based restricted stock awards to certain employees. The fair value of the performance based awards is measured by the market price of our common stock on the date of the grant. The vesting of these awards is contingent upon achievement of certain performance targets at the end of specified performance periods and the employees' continued employment. The performance conditions affect the number of shares that will ultimately vest. The range of possible stock-based award vesting is generally between 0% and 150% of the initial target. If minimum performance targets are not attained, no awards will vest under the agreement. Compensation expense related to these awards is recognized based upon the fair market value of the shares on the date of grant over the requisite service period and based on our estimate of the achievement of the various performance targets, adjusted for forfeitures.

Results of Operations

Our strategy in undertaking the public offerings was to expand our demonstrated ability to serve our rapidly growing market by increasing our capital resources, enhancing our financial flexibility, expanding the types of projects and end-customers we pursue, and selectively retaining a larger portion of the economics in the assets in which we invest. Thus, we expect over time to see significant increases in both investment revenue and investment interest expense. We also expect that our net investment revenue, which represents the margin, or the difference between investment revenue and investment interest expense, will increase due to a higher average margin on a per asset basis as well as growth in the overall amount of our investments. We expect our average margin will increase as a result of increased use of equity in place of debt as well as lower anticipated interest rates on our borrowings. We also expect to continue our practice of securitizing certain transactions, in which we transfer the loans or other assets we originate to securitization trusts or other bankruptcy remote special purpose funding vehicles.

To the extent any of the financial data presented below is as of a date or from a period prior to April 23, 2013, such financial data is that of the Predecessor. The financial data for the Predecessor for such periods do not reflect the material changes to the business as a result of the capital raised in our IPO including the broadened types of projects historically undertaken, the enhanced financial structuring flexibility and the ability to retain a larger share of the economics from the origination activities. Thus the financial data for the Predecessor is not necessarily indicative of our results of operations, cash flows or financial position following the completion of our IPO transaction and in the future.

Our Portfolio

As of December 31, 2014, our Portfolio was approximately $900 million. Approximately 71% of our Portfolio consisted of loans, financing receivables, direct financing leases or debt securities with 68% structured with fixed rates and 3% structured with floating rates. Approximately 13% of our Portfolio was real estate with long-term leases and approximately 16% represented minority ownership of wind projects. Excluding our equity investments, approximately 46% of our Portfolio consisted of U.S. federal government or state or local government

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obligors, approximately 52% consisted of investment grade commercial obligations and 2% consisted of non investment grade rated commercial obligations, in all cases rated either by an independent third party rating service or our internal credit rating system. The weighted average remaining life of our Portfolio as of December 31, 2014, (excluding match-funded transactions) is approximately 13 years.

The following is an analysis of our Portfolio by type of obligor and credit quality as of December 31, 2014 with 98% of the debt and real estate portion of our Portfolio rated investment grade as shown below:

	Investment Grade					
	Government (1)	Commercial Investment Grade (2)	Commercial Non-Investment Grade (3)	Subtotal, Debt and Real Estate	Equity Method Investment (4)	Total
	(dollar amounts in millions)					
Financing receivables	$ 284	$ 268	$ 1	$ 553	$ —	$ 553
Financing receivables held-for-sale	62	—	—	62	—	62
Investments	—	13	14	27	—	27
Real estate (5)	—	114	—	114	—	114
Equity method investment	—	—	—	—	144	144
Total	**$ 346**	**$ 395**	**$ 15**	**$ 756**	**$ 144**	**$ 900**
% of Debt and Real Estate Portfolio	46%	52%	2%	100%	N/A	N/A
Average Remaining Balance (6)	$ 11	$ 9	$ 14	$ 10	$ 14	$ 11

(1) Transactions where the ultimate obligor is the U.S. federal government or state or local governments where the obligors are rated investment grade (either by an independent rating agency or based upon our internal credit analysis). This amount includes $263 million of U.S. federal government transactions and $83 million of transactions where the ultimate obligors are state or local governments. Transactions may have guaranties of energy savings from third party service providers, the majority of which are entities rated investment grade by an independent rating agency.

(2) Transactions where the projects or the ultimate obligors are commercial entities, including institutions such as hospitals or universities, that have been rated investment grade (either by an independent rating agency or based on our internal credit analysis). Of this total, $56 million of the transactions have been rated investment grade by an independent rating agency.

(3) Transactions where the projects or the ultimate obligors are commercial entities, including institutions such as hospitals or universities, that have ratings below investment grade (either by an independent rating agency or using our internal credit analysis). Financing receivables are net of an allowance for credit losses of $1.2 million.

(4) Consists of minority ownership interest in operating wind projects in which we earn a preferred return.

(5) Includes the real estate and the lease intangible assets through which we receive scheduled lease payments, typically under long-term triple net lease agreements.

(6) Average Remaining Balance excludes 75 transactions each with outstanding balances that are less than $1.0 million and that in the aggregate total $21.0 million.

The table below provides details on the interest rate and maturity of our financing receivables and investments:

	Balance in Millions	Maturity
Floating-rate financing receivable, interest rate of 3.17% per annum	$ 25	2025
Fixed-rate financing receivables, interest rates from 1.17% to 5.00% per annum	214	2015 to 2037
Fixed-rate financing receivables, interest rates from 5.01% to 6.50% per annum	97	2015 to 2038
Fixed-rate financing receivables, interest rates from 6.51% to 13.36% per annum	218	2015 to 2059
Financing receivables	554	
Allowance for credit losses	(1)	
Financing receivables, net of allowance	553	
Financing receivables held-for-sale, interest rates from 3.65% to 3.99% per annum	62	2031 to 2032
Fixed-rate investment in debt securities, interest rates of 5.35% to 6.10% per annum	27	2017 to 2035
Total Financing Receivables and Investments	**$ 642**	

We own $14 million of senior secured debt securities (classified in commercial non-investment grade) in an operating wind project with a long-term power purchase agreement. The total outstanding balance of the debt securities is $61 million with the remaining portion owned by a large financial institution. An intercompany tax credit agreement was terminated when the parent company of the project was acquired by NRG Energy, Inc. The termination resulted in an event of default under the project financing arrangement. In addition, the trustee determined that an event of default arose in February 2015 from the borrower's failure to deliver sufficient funds for allocation of the pro rata principal and interest due for the month of February. Payments to the holders of the debt security are current and, based on information received from the trustee, the project has sufficient cash on hand to make the next semi annual debt payment. The holders are in negotiations with the projects owners. We have evaluated an updated cash flow model for the project and have concluded that debt security is not impaired as of December 31, 2014.

In December 2013, we recorded an allowance of $11.0 million on the remaining $11.8 million balance of a $24 million loan made in May 2013 to a wholly owned subsidiary of EnergySource LLC ("EnergySource") to be used for a geothermal project. In November 2014, we entered into a Forbearance and Mutual Release Agreement with EnergySource under which in full satisfaction of the remaining balance of our loan, we would realize a portion of the proceeds from the sale of land held by EnergySource. We expect our recovery from the land sale to equal the net balance of $0.8 million and have agreed to cap the recovery at $2.0 million. However, there can be no assurance as to the actual timing or ultimate recovery from any land sale or whether any land sale will in fact occur. As a result of this agreement, we charged off $9.8 million of the receivable against the allowance, resulting in a remaining allowance of $1.2 million. No interest income was accrued or collected in cash on the loan for the year ended December 31, 2014. Certain of our executive officers and directors own an indirect minority interest in EnergySource following the distribution of the Predecessor's ownership interest prior to our IPO.

We had no other financing receivables, investments or leases on nonaccrual status at December 31, 2014 or 2013. There was no allowance for credit losses as of September 30, 2012, or provision for credit losses for the three months ended December 31, 2012 or for the year ended September 30, 2012. We evaluate any modifications to our financing receivables in accordance with the guidance in ASC 310, *Receivables*. We evaluate modifications of financing receivables to determine if the modification is more than minor, whereby any related fees, such as prepayment fees, would be recognized as income at the time of the modification. We did not have any loan modifications that qualify as trouble debt restructurings for the years ended December 31, 2014, 2013, and September 30, 2012, or for the three months ended December 31, 2012.

The table below presents, for each major category of our Portfolio (excluding our equity method investment) and our interest-bearing liabilities, the average outstanding balances, investment income earned or interest expense incurred, and average yield or cost. Our net investment margin represents the difference between

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the yield on our portfolio (including our rental income) and the cost of our interest-bearing liabilities, including the impact of non-interest bearing funding, primarily equity.

	Years Ended December 31, 2014	Years Ended December 31, 2013	Three Months ended December 31, 2012	Year Ended September 30, 2012
	(In millions except for interest rate data)			
Net Investment Revenue:				
Interest Income, Financing receivables	$ 23.2	$ 15.5	$ 2.8	$ 11.8
Interest Income, Investments	3.8	1.9	—	—
Rental Income	3.1	—	—	—
Investment Revenue	30.1	17.4	2.8	11.8
Investment interest expense (2)	(15.2)	(9.8)	(2.3)	(9.8)
Net investment margin	$ 14.9	$ 7.6	$ 0.5	$ 2.0
Average monthly balance of financing receivables (1)	$423.8	$271.6	$ 191.7	$ 186.8
Average interest rate from financing receivables	5.47%	5.70%	5.91%	6.34%
Average monthly balance of investments	$ 66.5	$ 34.0	$ —	$ —
Average interest rate from investments	5.67%	5.57%	—	—
Average monthly balance of real estate	$ 50.2	$ —	$ —	$ —
Average yield on real estate	6.33%	—	—	—
Average monthly balance of Portfolio	$540.5	$305.7	$ 191.7	$ 186.8
Average yield from Portfolio	5.57%	5.68%	5.91%	6.34%
Average monthly balance of debt (2)	$380.7	$229.1	$ 196.3	$ 191.3
Average interest rate from debt (2)	3.99%	4.28%	4.78%	5.15%
Average interest spread (2)	1.58%	1.40%	1.13%	1.19%
Net investment margin (2)	2.76%	2.47%	1.02%	1.07%

(1) Excludes financing receivables held-for-sale of $62.3 million and $24.8 million and the allowance for credit losses of $1.2 million and $11.0 million as of December 31, 2014 and 2013, respectively.

(2) We have excluded interest expense of $1.5 million and the average monthly balance of debt of $29.0 million on the $115 million nonrecourse asset-backed loan that is secured by our equity investment in the wind projects with a fixed interest rate of 5.74% because our earnings on the equity investment in the wind projects are not included in Investment Revenue.

The following table provides a summary of our anticipated principal repayments for our financing receivables and investments as of December 31, 2014:

	Payment due by Period				
	Total	Less than 1 year	1-5 years	5-10 years	More than 10 years
	(in millions)				
Financing Receivables (1)	$552.7	$ 32.3	$ 118.7	$ 138.2	$ 263.5
Investments (1)	$ 27.3	$ 1.9	$ 14.6	$ 2.5	$ 8.3

(1) Financing receivables does not include financing receivables held-for-sale of $62.3 million or the allowance for credit losses of $1.2 million as of December 31, 2014.

For the anticipated maturity dates of our financing receivables and investments and the weighted average yield for each range of maturities as of December 31, 2014, see Note 6 of our audited financial statements in this Annual Report on Form 10-K.

Our real estate investments are rented under long term land lease agreements with expiration dates that range between 2033 and 2044 under the initial terms and 2047 and 2061 assuming expected extensions. For a schedule of our future minimum rental income under our land lease agreements as of December 31, 2014, see Note 6 of our audited financial statements in this Annual Report on Form 10-K.

For information on our residual assets relating to our securitization trusts, see Note 3 of our audited financial statements in this Annual Report on Form 10-K. The residual assets do not have a contractual maturity date and the underlying securitized assets have contractual maturity dates ranging from 2015 to 2038.

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Comparison of the Year Ended December 31, 2014 to the Year Ended December 2013

	Years ended December 31			
	2014	2013	$ Change	% Change
	(In thousands)			
Net Investment Revenue:				
Interest Income, Financing receivables	$ 23,178	$ 15,468	$ 7,710	49.8%
Interest Income, Investments	3,772	1,897	1,875	98.8%
Rental Income	3,175	—	3,175	NM
Investment Revenue	30,125	17,365	12,760	73.5%
Investment interest expense	(16,655)	(9,815)	(6,840)	(69.7%)
Net Investment Revenue	13,470	7,550	5,920	78.4%
Provision for credit losses	—	(11,000)	11,000	100.0%
Net Investment Revenue, net of provision	13,470	(3,450)	16,920	490.4%
Other Investment Revenue:				
Gain on sale of receivables and investments	13,250	5,597	7,653	136.7%
Fee income	1,900	1,483	417	28.1%
Other Investment Revenue	15,150	7,080	8,070	114.0%
Total Revenue, net of investment interest expense and provision	28,620	3,630	24,990	688.4%
Compensation and benefits	(10,518)	(12,312)	1,794	14.6%
General and administrative	(5,550)	(3,844)	(1,706)	(44.4%)
Acquisition costs	(2,456)	—	(2,456)	NM
Other, net	(300)	(359)	59	16.4%
Other Expenses, net	(18,824)	(16,515)	(2,309)	(14.0%)
Net Income (Loss) before income tax	9,796	(12,885)	22,681	176.0%
Income tax (expense) benefit	(26)	251	(277)	(110.4%)
Net Income (Loss)	$ 9,770	$(12,634)	$22,404	177.3%

* NM – Percentage change is not meaningful.

Net income increased by $22.4 million to $9.8 million for the year ended December 31, 2014, compared to a loss of $12.6 million for the same period in 2013. This increase was primarily the result of a $25.0 million increase in total revenue, net of investment interest expense and provision that was driven primarily by higher net investment revenue, net of provision of $16.9 million due to the increase in the size of our Portfolio including our new investments in real estate that are driving the increase in rental income and the $11 million provision for credit losses in 2013. Higher other investment revenue of $8.1 million was driven by an increase in our securitization transactions and sale of available-for-sale investments when comparing the year ended December 31, 2014 to the same period in 2013. In addition, other expenses, net increased by $2.3 million due primarily to acquisitions costs of $2.5 million and a $1.6 million net increase in general and administrative expenses and other resulting from higher legal, consulting and accounting costs associated with being a public company, offset by a $1.8 million decrease in equity-based compensation, during the year ended December 31, 2014, compared to the same period in 2013.

Net Investment Revenue

Net investment revenue increased to $13.5 million for the year ended December 31, 2014, from $7.6 million in the same period in 2013. The increase was driven primarily by an increase in the average size of our Portfolio of assets held during the year ended December 31, 2014, when compared to the same period in 2013. The monthly average Portfolio balance increased to approximately $541 million in the year ended December 31, 2014, from approximately $306 million in the same period in 2013. This increase in our Portfolio was driven by our strategy to hold more originated transactions on our balance sheet to increase our shareholders' value. The increase in our Portfolio was partially offset by a decline in average interest rates earned on these assets, which decreased to 5.57% in the year ended December 31, 2014, from 5.68% in the same period in 2013. This decrease was driven primarily by the impact of the current lower interest rate environment as compared to the historical rate environment when our legacy portfolio was originated. Our larger Portfolio, partially offset by lower interest rates, generated a $12.7 million increase in investment revenue to $30.1 million during the year ended December 31, 2014, compared to $17.4 million during the same period in 2013.

We used our existing credit facility and our nonrecourse debt to finance the majority of the growth in our Portfolio as the monthly average debt balance increased in the year ended December 31, 2014, to approximately $381 million compared to approximately $229 million during the same period in 2013. This increase in our monthly average debt balance was the primary driver for the increase in our investment interest expense of $6.8 million, when comparing the year ended December 31, 2014, to the same period ended December 31, 2013. Our average debt rate decreased to 3.99% during the year ended December 31, 2014, from 4.28% for the same period ending December 31, 2013 due to the lower interest rates on our credit facility and our asset backed debt as compared to our historical match funded other nonrecourse debt. In addition, our investment interest expense increased by $1.5 million as a result the issuance of nonrecourse debt of $115 million used to fund our investment in the Strong Upwind joint venture.

As a result of the increase in the size of our Portfolio offset by an increase in the debt used to finance the Portfolio, net investment revenue increased to $13.5 million for the year ended December 31, 2014, from $7.6 million for the same period ended in 2013.

Other Investment Revenue

Gain on sale of receivables and investments increased by $7.7 million for the year ended December 31, 2014, when compared to the year ended December 31, 2013. The increase was the result of higher transaction volume in 2014 when compared to 2013. Fee income in 2014 also increased by $0.4 million to $1.9 million for the year ended December 31, 2014, from $1.5 million for the year ended December 31, 2013, primarily as a result of an increase in the value of syndication fee transactions closed in 2014 when compared to such transactions closed in 2013.

Total Revenue, Net of Investment Interest Expense and Provision

Total revenue, net of investment interest expense and provision increased by $25.0 million to $28.6 million for the year ended December 31, 2014, compared to $3.6 million for the same period in 2013. This increase was primarily a result of the increase in net investment revenues due to an increase in the size of our Portfolio and higher transaction volumes driving the increases in other investment revenue when comparing the year ended December 31, 2014, to the year ended December 31, 2013. Additionally, there was no provision for credit loss recorded in the year ended December 31, 2014, while a provision for credit loss of $11.0 million relating to a mezzanine debt investment in a geothermal project was recorded in the year ended December 31, 2013.

Other Expenses, Net

Other expenses, net increased by $2.3 million to $18.8 million in the year ended December 31, 2014, compared to $16.5 million in the same period in 2013, primarily as a result of acquisition costs of $2.5 million related to the 2014 business combinations including the AWCC and other smaller real estate acquisitions and higher general and administrative expenses and other of $1.6 million due to an increase in legal and professional fees related to being a public company. These increases were offset by lower compensation and benefits costs of $1.8 million driven by the one-time IPO related equity-based compensation expense charge in 2013 of $5.8 million, which was partially offset by higher equity-based compensation expenses of $3.9 million and staff costs of $0.1 million in 2014 when compared to 2013 excluding the one-time IPO related charge.

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Comparison of the Years Ended December 31, 2013 and September 30, 2012

Prior to the completion of our IPO, the Predecessor used a fiscal year ending on September 30. In connection with our determination to continue our business as a REIT, our fiscal year coincided with the calendar year beginning with our year ending December 31, 2013. Our results of operation discussion compares our results for the twelve month period ended December 31, 2013 to the twelve month period ended September 30, 2012. Consequently, we have also included results for the three-month transition period ended December 31, 2012 and a comparative discussion of that period to three month period ended December 31, 2011.

	Years ended			
	December 31, 2013	September 30, 2012	$ Change	% Change
	(In thousands)			
Net Investment Revenue:				
Investment Revenue	$ 17,365	$ 11,848	$ 5,517	46.6%
Investment interest expense	(9,815)	(9,852)	37	0.4%
Net Investment Revenue	**7,550**	**1,996**	**5,554**	**278.3%**
Provision for credit losses	(11,000)	—	(11,000)	NM
Net Investment Revenue, net of provision	**(3,450)**	**1,996**	**(5,446)**	**(272.8)%**
Other Investment Revenue:				
Gain on sale of receivables and investments	5,597	3,912	1,685	43.1%
Fee income	1,483	11,380	(9,897)	(87.0)%
Other Investment Revenue	**7,080**	**15,292**	**(8,212)**	**(53.7)%**
Total Revenue, net of investment interest expense and provision	**3,630**	**17,288**	**(13,658)**	**(79.0)%**
Compensation and benefits	(12,312)	(7,697)	(4,615)	(60.0)%
General and administrative	(3,844)	(3,901)	57	1.5%
Other, net	(359)	(602)	243	40.4%
Loss from equity method investment in affiliate	—	(1,284)	1,284	NM
Other Expenses, net	(16,515)	(13,484)	(3,031)	(22.5)%
Net (Loss) Income before income tax	**(12,885)**	**3,804**	**(16,689)**	**(438.7)%**
Income tax benefit (expense)	251	—	251	NM
Net (Loss) Income	**$ (12,634)**	**$ 3,804**	**$(16,438)**	**(432.1)%**

* NM – Percentage change is not meaningful.

Net Income

We recorded a net loss of $12.6 million for the year ended December 31, 2013, compared to $3.8 million of income for the year ended September 30, 2012. This decrease was primarily the result of a provision for credit loss of $11.0 million related to a mezzanine debt investment in a geothermal project and a decrease in other investment revenue of $8.2 million due to the fees generated from sustainable infrastructure projects in 2012, partially offset by increases in net investment revenue of $5.6 million. Our increase in net investment revenue of $5.6 million was the result of increasing the financing receivables and investments held on the balance sheet in 2013. We also had $3.0 million higher other expenses, net as a result of IPO related stock based compensation expense offset by the elimination of the loss from equity method investments.

Net Investment Revenue, net of interest expense and provision

Net investment revenue increased by $5.6 million to $7.6 million for the year ended December 31, 2013, compared to $2.0 million for the year ended September 30, 2012. This increase was driven primarily by an increase in financing receivables and investments held on balance sheet for the year ended December 2013 when compared to the year ended September 30, 2012. The monthly average balance of financing receivables and investments increased to $305.7 million for year ended December 31, 2013 from $186.8 million for the year ended September 30, 2012, while the average interest rate earned on these assets decreased to 5.68% for the year ended December 31, 2013 from 6.34% for the year ended September 30, 2012 due to lower interest rates during 2013.

Investment interest expense decreased slightly to $9.8 million for the year ended December 31, 2013, compared to $9.9 million in the year ended September 30, 2012 due to a lower average cost of debt of 4.28% in 2013 as compared to 5.15% in the year ended September 30, 2012. Our lower average cost of debt was partially offset by an increase in debt held for the year ended December 31, 2013 when compared to year ended September 30, 2012. In July 2013, we began using our new credit facility to finance our on balance sheet investments in financing receivables. As a result, the monthly average debt balance increased for the year ended December 31, 2013, to $229.1 million compared to $191.3 million in the year ended September 30, 2012. In December 2013, we also issued in a private placement $100.0 million of nonrecourse asset-backed notes with a fixed interest rate of 2.79%.

As described above, in 2013, we recorded a provision for credit loss of $11.0 million relating to a mezzanine debt investment in a geothermal project. There were no provisions in the year ended September 30, 2012. Net investment revenue, after the provision, declined by $5.4 million to a loss of $3.4 million for the year ended December 31, 2013 from net investment revenue, net of provision, of $2.0 million for the year ended September 30, 2012.

Other Investment Revenue

Gain on securitization of receivables increased by $1.7 million to $5.6 million for the year ended December 31, 2013 compared to $3.9 million for the year ended September 30, 2012. Fee income decreased by approximately $9.9 million to $1.5 million for the year ended December 31, 2013 compared to $11.4 million for the year ended September 30, 2012 as a result of higher placement and advisory fees earned from sustainable infrastructure transactions in 2012.

Total Revenue, Net of Investment Interest Expense and Provision

Total revenue, net of investment interest expense and provision declined by $13.7 million to $3.6 million for the year ended December 31, 2013 as compared to $17.3 million for the year ended September 30, 2012, as a result of the $11.0 million provision for credit losses related to the geothermal project previously discussed and lower fee income of $9.9 million, partially offset by growth in net investment revenue of $5.6 million and increased gain on securitization of receivables of $1.7 million.

Other Expenses, Net

Other expenses, net increased by $3.0 million to $16.5 million in the year ended December 31, 2013, compared to $13.5 million in the for the year ended September 30, 2012, primarily as a result of increased compensation costs of $4.6 million, partially offset by lower loss from equity method investments in affiliate of $1.3 million. The increase in compensation costs was due to non-cash equity-based compensation charges of $7.1 million in 2013, including a one-time charge of $5.8 million relating to the reallocation between the owners and employees of the equity interest of the Predecessor as part of our IPO and formation transactions, offset by a decline in higher performance based compensation expense associated with the higher fee income in the year ended September 30, 2012. The increased compensation costs were offset by the elimination of the loss from equity method investment in affiliate of $1.3 million as a result of the distribution of the investment in HA EnergySource on December 31, 2012 to the Predecessor's previous owners.

Net Income

We recorded a net loss of $12.6 million for the year ended December 31, 2013, compared to $3.8 million of income for the year ended September 30, 2012. This decrease was primarily the result of a provision for credit losses and lower fee income, partially offset by an increase in net investment revenue. We also incurred higher other expenses, net in the year ended December 31, 2013 compared to the year ended September 30, 2012.

Comparison of the Three Months Ended December 31, 2012 to the Three Months Ended December 31, 2011

	Three Months Ended December 31,			
	2012	2011	$ Change	% Change
		(In thousands)		
Net Investment Revenue:		(unaudited)		
Investment Revenue	$ 2,834	$ 3,350	$ (516)	(15.4)%
Investment interest expense	(2,347)	(2,821)	474	16.8%
Net Investment Revenue	487	529	(42)	(7.9)%
Other Investment Revenue:				
Gain on sale of receivables and investments	2,534	1,940	594	30.6%
Fee income	254	288	(34)	(11.8)%
Other Investment Revenue	2,788	2,228	560	25.1%
Total Revenue, net of investment interest expense	**3,275**	**2,757**	**518**	**18.8%**
Compensation and benefits	(1,157)	(1,065)	(92)	(8.6)%
General and administrative	(584)	(626)	42	6.7%
Other, net	(137)	(153)	16	10.5%
Loss from equity method investment in affiliate	(448)	(799)	351	43.9%
Other Expenses, net	(2,326)	(2,643)	317	12.0%
Net Income	**$ 949**	**$ 114**	**835**	**732.5%**

Net income increased by $0.8 million to $0.9 million for the three months ended December 31, 2012, compared to $0.1 million for the same period in 2011. This increase was the result of an increase in other investment revenue of $0.5 million and a lower loss from an equity method investment in affiliate of $0.4 million offset by increased compensation cost of $0.1 million.

Net Investment Revenue

Net investment revenue was unchanged at $0.5 million in the three months ended December 31, 2012, compared to the comparable period in 2011. While the monthly average balance of investments in financing receivables increased to $191.7 million in the three months ended December 31, 2012 from $145.0 million in the comparable period in 2011, the average interest rate earned on these assets decreased to 5.91% from 9.24% in three months ended December 31, 2011. The decline in the interest rate earned resulted from the timing of principal repayments and the yield differences on the financing receivables held during the periods. A large project began in late 2010, resulting in higher investment revenue in 2011 and there was a one-time pass through of investment revenue and expense of approximately $0.6 million relating to a partial prepayment of a fixed rate loan in the three months ended December 31, 2011. In addition, due to generally lower interest rates in 2012 as compared to 2011, the interest rates earned on new projects fell as did the cost of new nonrecourse debt. As a result, investment revenue declined by $0.5 million to $2.8 million in the three month period ended December 31, 2012 as compared to $3.3 million in the three month period ended December 31, 2011.

As the projects were match funded, the monthly average nonrecourse debt balance increased in the three months ended December 31, 2012 to $196.3 million compared to $149.4 million in the comparable period in 2011. As a result of the one-time interest expense of $0.6 million in the three months ended December 31, 2011, interest expense decreased to $2.3 million in the three months ended December 31, 2012, compared to $2.8 million in the three month period ended December 31, 2011 and the average debt interest rate fell to 4.78% in the three month period ended December 31, 2012 from 7.55% in the three month period ended December 31, 2011. As a result of the lower interest rate earned on the investments offset partially by the lower interest rate on the nonrecourse debt, the net investment revenue spread fell to 1.13% in the three months ended December 31, 2012 from 1.69% in the comparable period in 2011 and net investment revenue remained unchanged at $0.5 million in the three months ended December 31, 2012, compared to the comparable period in 2011.

Other Investment Revenue

Gain on securitization of receivables increased by $0.6 million to $2.5 million for the three months ended December 31, 2012 compared to $1.9 million in the comparable period in 2011. The increase was the result of an increase of $9.8 million of receivables securitized during the three months ended December 31, 2012 compared to the comparable period in 2011. Fee income was unchanged at $0.3 million.

Total Revenue, Net of Investment Interest Expense

Total revenue, net of investment interest expense increased by $0.5 million to $3.3 million in the three months ended December 31, 2012, compared to $2.8 million in the comparable period in 2011, primarily as a result of an increase in other investment revenue of $0.6 million.

Other Expenses, Net

Other expenses, net decreased by $0.3 million to $2.3 million in the three months ended December 31, 2012, compared to $2.6 million in the comparable period in 2011, primarily as a result of a decrease in the loss from equity method investment in affiliate of approximately $0.4 million to $0.4 million in the three months ended December 31, 2012, compared to $0.8 million in the comparable period in 2011. The decrease in this loss was the result of the Hudson Ranch Power I, LLC (“Hudson Ranch”) plant being placed in operation in 2012 and our lower share of the earnings in the plant as a result of the sale of equity in Hudson Ranch in September 2012. As of December 31, 2012, we had distributed this investment to the Predecessor’s owners.

Net Income

Net income increased by approximately $0.8 million to $0.9 million in the three months ended December 31, 2012, compared to $0.1 million in the comparable period in 2011 due primarily to the increase in other investment revenue and a decrease in the loss from equity method investment in affiliate.

Non-GAAP Financial Measures

We consider the following non-GAAP financial measures useful to investors as key supplemental measures of our performance: (1) core earnings, (2) managed assets and (3) investment income from managed assets. These non-GAAP financial measures should be considered along with, but not as alternatives to, net income or loss as measures of our operating performance. These non-GAAP financial measures, as calculated by us, may not be comparable to similarly named financial measures as reported by other companies that do not define such terms exactly as we define such terms.

Core Earnings

We calculate Core Earnings as U.S. GAAP net income (loss) excludingnon-cash equity compensation expense, non-cash provision for credit losses, amortization of intangibles, one time acquisition related costs, if any and any non-cash tax charges. We also make an adjustment to account for our equity method investment in the wind projects on an effective interest method as described below. In the future, Core Earnings may also exclude one-time events pursuant to changes in U.S. GAAP and certain other non-cash charges as approved by a majority of our independent directors.

Our equity method investment in the wind projects is structured in a typical wind partnership "flip" structure where we, along with a number of other institutional investors, receive a pre-negotiated preferred return consisting of a priority distribution from the project cash flows along with tax attributes. Once this preferred return is achieved, the partnership flips and the project owner receives the majority of the cash flow with the institutional investors retaining an ongoing residual interest. Given this structure, we negotiated our purchase price of this investment based on our assessment of the expected cash flows from this investment discounted back to net present value based on a discount rate that represented an expected yield on the investment. This is similar to how we value the expected cash flows in financing receivables. Under U.S. GAAP, we are required to account for this investment utilizing a hypothetical liquidation at book value method ("HLBV"), in which we recognize income or loss based on the change in the amount each partner would receive if the assets were liquidated at book value, in this case, at the end of the immediately preceding quarter after adjusting for any distributions or contributions made during such quarter. As HLBV incorporates non-cash items, such as depreciation, and because we are entitled to receive a preferred return of cash flows on our investment independent of how profits and losses are allocated, the HLBV allocation does not, in our opinion, reflect the economics of our investment. As a result, and in an attempt to treat these investments in a manner similar to our other investments and our initial valuation, in calculating our Core Earnings for the above periods, we adjusted the income we receive from this investment as if we were recognizing income or loss based on an effective interest methodology. Generally, under this methodology income is recognized over the life of the asset using a constant effective yield. The initial constant effective yield we selected is equal to the discount rate we used in making our investment decision. On at least a quarterly basis, we will review and, if appropriate, adjust this discount rate and the income or loss we receive from this investment for purposes of calculating our Core Earnings in future periods, as necessary, to reflect changes in both actual cash flows received and our estimates of the future cash flows from the projects. We borrowed $115 million on a nonrecourse basis using this $144 million equity method investment as collateral. Included in our U.S. GAAP investment interest expense for the quarterly period is $1.5 million of interest expense related to this loan.

We believe that Core Earnings provides an additional measure of our core operating performance by eliminating the impact of certaimon-cash expenses and facilitating a comparison of our financial results to those of other comparable REITs with fewer or no non-cash charges and comparison of our own operating results from period to period. Our management uses Core Earnings in this way. We believe that our investors also use Core Earnings, or a comparable supplemental performance measure, to evaluate and compare our performance to that of our peers, and as such, we believe that the disclosure of Core Earnings is useful to (and expected by) our investors.

However, Core Earnings does not represent cash generated from operating activities in accordance with U.S. GAAP and should not be considered as an alternative to net income (determined in accordance with U.S. GAAP), or an indication of our cash flow from operating activities (determined in accordance with U.S. GAAP), a measure of our liquidity, or an indication of funds available to fund our cash needs, including our ability to make cash distributions. In addition, our methodology for calculating Core Earnings may differ from the methodologies employed by other REITs to calculate the same or similar supplemental performance measures, and accordingly, our reported Core Earnings may not be comparable to the core earnings reported by other REITs.

We have calculated our Core Earnings for the years ended December 31, 2014 and 2013. We did not use Core Earnings and thus have not calculated it for periods prior to our IPO. The table below provides a reconciliation of our U.S. GAAP net income to Core Earnings:

	For the Years Ended December 31,			
	2014		2013	
	$	Per Share	$	Per Share
	(in thousands, except per share amounts)			
Net income (loss) attributable to controlling shareholders	$ 9,607	$ 0.43	$(10,459)	$ (0.68)
Core Earnings Adjustments				
Equity method investment in Wind Projects	2,376		—	
Non-cash equity-based compensation charge	5,187		7,079	
Non-cash provision for credit losses (1)	—		11,000	
Business combination acquisition costs	2,456		—	
Amortization of real estate intangibles	276		—	
Amortization of other intangibles	203		265	
Non-cash provision (benefit) for taxes	9		(251)	
Current year earnings attributable to minority interest	163		(2,175)	
Pre-IPO losses attributable only to minority interest (2)	—		1,880	
Core Earnings (3)	**$20,277**	**$ 0.93**	**$ 7,339**	**$ 0.43**

(1) For further information on our provision for credit losses, see Note 6 of our audited financial statements in this Annual Report on Form 10-K.
(2) Excludes amount allocated to Predecessor's members prior to the IPO.
(3) Core Earnings per share is based on 21,870,184 and 16,886,041 shares for the years ended December 31, 2014 and 2013, respectively, which represents the weighted average number of fully-diluted shares outstanding including participating securities and the minority interest in our Operating Partnership.

Managed Assets and Investment Income from Managed Assets

As we both consolidate assets on our balance sheet and securitize investments, certain of our financing receivables and other assets are not reflected on our balance sheet where we may have a residual interest in the performance of the investment. Thus, we also calculate both our investments and our investment revenue on a non-GAAP "managed" basis, which assumes that securitized loans are not sold, with the effect that the income from securitized loans is included in our revenue in the same manner as the income from loans that we consolidated on our balance sheet. We believe that our managed basis information is useful to investors because it portrays the results of both on-and off-balance sheet loans that we manage, which enables investors to understand and evaluate the credit performance associated with the portfolio of loans reported on our consolidated balance sheet and our retained interests in securitized loans. Our non-GAAP managed basis measures may not be comparable to similarly titled measures used by other companies.

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The following is a reconciliation of our U.S. GAAP financing receivables and investments to our managed assets as of December 31, 2014, 2013 and 2012, and September 30, 2012 and our U.S. GAAP income from financing receivables to our investment revenue from managed assets for the years ended December 31, 2014, 2013, the three months ended December 31, 2012, and the year ended September 30, 2012:

	As of December 31,			As of September 30,
	2014	2013	2012	2012
	(In thousands)			
Financing receivables (1)	$ 552,706	$ 347,871	$ 191,399	$ 195,582
Investments (1)	27,273	91,964	—	—
Real estate	113,965	—	—	—
Equity method investment in affiliate	143,903	—	—	—
Assets held in securitization trusts	1,709,426	1,617,992	1,431,635	1,412,693
Managed Assets	**$ 2,547,273**	**$ 2,057,827**	**$ 1,623,034**	**$ 1,608,275**

(1) As of December 31, 2014, Managed Assets excludes financing receivables held for sale of $62.3 million. For December 31, 2013, Managed Assets excludes financing receivables held-for-sale of $24.8 million and investments held-for-sale of $3.2 million that were purchased in December 2013 and sold in the three month period ended March 31, 2014.

	Years Ended December 31,		Three Months Ended December 31,	Year Ended September 30,
	2014	2013	2012	2012
	(In thousands)			
Investment Revenue	$ 30,125	$ 17,365	$ 2,834	$ 11,848
Income from assets held in securitization trusts	92,139	86,256	20,670	84,582
Investment Revenue from Managed Assets	**$122,264**	**$103,621**	**$ 23,504**	**$ 96,430**

Other Financial Measures

The following are certain financial measures for the years ended December 31, 2014, 2013 and September 30, 2012.

	Years Ended December 31,		Year Ended September 30,
	2014	2013	2012
Return on assets	1.2%	(3.2)%	1.9%
Return on equity	4.6%	(16.1)%	21.5%
Average equity to average total assets ratio	26.8%	20.0%	8.7%

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potentialshort-term (within one year) and long-term cash requirements, including ongoing commitments to repay borrowings, fund and maintain our current and future assets, make distributions to our stockholders and other general business needs. We will use significant cash to make debt and equity investments, repay principal and interest on our borrowings, make distributions to our stockholders and fund our operations.

We use borrowings as part of our financing strategy to increase potential returns to our stockholders and have available to us a broad range of financing sources. In July 2013, we entered into a $350 million senior secured revolving credit facility with maximum total advances of $700 million. Since that time, we have entered into a number of amendments intended to increase the flexibility and borrowing capability under the credit facility and to extend the maturity date. The facility has been increased to $450 million with maximum total advances of $1.35 billion and the facility was extended an additional year and matures in July 2019.

In addition, in December 2013, we issued a $100 million, 2.79% fixed rate asset backed nonrecourse note that matures in 2019, our first HASI Sustainable Yield Bond (the “Notes”). We believe that this financing was one of the first asset-backed securitizations that provided details on the GHG emissions saved by the technologies that secured the financing. In October 2014, we entered into a $115 million nonrecourse asset-backed loan with a fixed interest rate of 5.74% using our equity investment in the wind projects as collateral for this loan.

Prior to our IPO, we financed our business primarily through fixed rate nonrecourse debt where the debt was match-funded with corresponding fixed rate yielding assets and through the use of securitizations. In our securitization transactions, we transfer the loans or other assets we originate to securitization trusts or other bankruptcy remote special purpose funding vehicles. Large institutional investors, primarily insurance companies and commercial banks, have provided the financing needed for these assets by purchasing the notes issued by the funding vehicle.

We continue to use both of these funding sources and, as of December 31, 2014, we had outstanding approximately $113 million of this match funded debt, all of which was consolidated on to our balance sheet. As of December 31, 2014, the outstanding principal balance of our assets financed through the use of securitizations which are not consolidated on our balance sheet was approximately $1.7 billion. For further information on the revolving credit facility, asset backed nonrecourse notes, and our nonrecourse match funded debt, see Note 8 and Note 9 of our audited financial statements included in this Annual Report on Form 10-K.

We plan to use other fixed and floating rate borrowings in the form of additional bank credit facilities (including term loans and revolving facilities), warehouse facilities, repurchase agreements and public and private equity and debt issuances, including match funded arrangements, as a means of financing our business. We also expect to use both on-balance sheet and non-consolidated securitizations and also believe we will be able to customize securitized tranches to meet investment preferences of different investors.

The decision on how we finance specific assets or groups of assets is largely driven by capital allocations and portfolio management considerations, as well as the overall interest rate environment, prevailing credit spreads and the terms of available financing and market conditions. Over time, as market conditions change, we may use other forms of leverage in addition to these financings arrangements.

We may raise funds through capital market transactions by issuing capital stock. In April 2013, we completed our IPO, raising net proceeds of approximately $160 million. In April 2014 and October 2014, we completed follow on public offerings, raising net proceeds of approximately $70 million and $59 million, respectively. In August 2014, we filed a registration statement with the SEC registering the possible offering and sale of up to $500 million of any combination of our common stock, preferred stock, depositary shares and warrants and rights (collectively referred to as the “securities.”) We may offer the securities directly, through agents, or to or through underwriters. Sales of the securities may be made by means of ordinary brokers’ transactions on the NYSE or otherwise at market prices prevailing at the time of sale or at negotiated prices. The specific terms of the securities offering and the names of any underwriters involved in the sale of the securities will be set forth in the applicable prospectus supplement.

Although we are not restricted by any regulatory requirements to maintain our leverage ratio at or below any particular level, the amount of leverage we may deploy for particular assets will depend upon the availability of particular types of financing and our assessment of the credit, liquidity, price volatility and other risks of those assets, the interest rate environment and the credit quality of our financing counterparties. Prior to our IPO, we primarily financed our transactions with U.S. federal government obligors with more than 95% fixed rate debt.

Since the IPO, we had a leverage target of less than two to one across our overall portfolio. Our debt to equity ratio was approximately 1.9 to 1 as of December 31, 2014. We also have increased the percentage of fixed rate debt from zero at the IPO to approximately 40% as of December 31, 2014. Given our increased level of fixed rate debt, we have decided to increase our leverage target to 2.5 to 1 beginning in March 2015. We calculate both of these ratios exclusive of securitizations that are not consolidated on our balance sheet (where the collateral is typically borrowings with U.S. government obligors) and our on balance sheet match funded nonrecourse debt.

We intend to use leverage for the primary purpose of financing our portfolio and business activities and not for the purpose of speculating on changes in interest rates. While we may temporarily exceed the leverage target, if our board of directors approves a material change to our leverage target, we anticipate advising our stockholders of this change through disclosure in our periodic reports and other filings under the Exchange Act.

While we generally intend to hold our target assets that we do not securitize upon acquisition as long-term investments, certain of our investments may be sold in order to manage our interest rate risk and liquidity needs, to meet other operating objectives and to adapt to market conditions. The timing and impact of future sales of financings, if any, cannot be predicted with any certainty. Since we expect that our assets will generally be financed, we expect that a significant portion of the proceeds from sales of our assets (if any), prepayments and scheduled amortization will be used to repay balances under our financing sources.

We believe these identified sources of liquidity will be adequate for purposes of meeting our short-term and long-term liquidity needs, which include funding future sustainable infrastructure projects, operating costs and distributions to our stockholders. To qualify as a REIT, we must distribute annually at least 90% of our REIT taxable income without regard to the deduction for dividends paid and excluding net capital gains. These dividend requirements limit our ability to retain earnings and thereby replenish or increase capital for growth and our operations.

Sources and Uses of Cash

We had $58.2 million $31.8 million, $8.0 million, $20.9 million of unrestricted cash and cash equivalents as of December 31, 2014, 2013 and 2012, and September 30, 2012, respectively. As a result of our post IPO strategy and our intention to hold more direct economic interests in our assets in the future, we do not believe that our sources and uses of cash for the historical periods as set forth below are comparable to our sources and uses of cash following our IPO.

Cash Generated from Operating Activities

Net cash provided by operating activities was $5.1 million for the year ended December 31, 2014, driven by net income of $9.8 million and $8.5 million of non-cash items, consisting primarily of equity-based compensation and amortization of deferred financing fees. This was offset by gain on sales of financing receivables and investments of $6.0 million which is included in cash flows from investing activities. This was further offset by cash used to pay accounts payable and accrued expenses and other of $3.2 million and noncash gain on sales and payments in kind income of $4.0 million.

Net cash used in operating activities was $10.8 million for the year ended December 31, 2013, driven primarily by operating cash flows used to acquire the financing receivables held for sale of $16.4 million and the net loss of $12.6 million, partially offset by the non-cash provision for credit losses of $11.0 million related to the impairment of a mezzanine debt investment in a geothermal project and non-cash equity-based compensation expense of $7.1 million, which includes a one-time charge of $5.8 million relating to the reallocation between the owners and employees of the equity interest of the Predecessor as part of our IPO and formation transactions.

Net cash used in operating activities was $1.4 million for the three months ended December 31, 2012. In addition to the net income of $0.9 million, there was the non-cash loss from our equity method investment of $0.4 million and depreciation and amortization of $0.1 million. This was offset by the changes in operating assets and liabilities of $2.9 million, primarily resulting from the payment of expenses accrued at September 30, 2012.

Net cash provided by operating activities was $9.7 million for the year ended September 30, 2012. In addition to net income of $3.8 million, there were significant non-cash expenses, including the loss from our equity method investment of $1.3 million and depreciation and amortization of intangibles of $0.4 million for 2012. In addition, changes in operating assets and liabilities, primarily resulting from accrued compensation expense at year-end, provided cash of $3.8 million and the non-cash component of the securitizations increased operating cash by $0.4 million.

Cash Flows Relating to Investing Activities

Net cash used in investing activities was $319.3 million for the year ended December 31, 2014. We added to our Portfolio of investments $153.5 million in real estate assets, including the real estate business acquisitions in 2014 and subsequent purchases of real estate, and $144.0 million in an equity method investment. In addition, we invested $234.8 million in the purchase of financing receivables and investments. These investments in our Portfolio were partially offset by sales of financing receivables and investments and principal collections of $105.6 million and $69.5 million, respectively. In addition, we released $37.9 million of restricted cash during the year ended December 31, 2014.

Net cash used in investing activities was $229.3 million for the year ended December 31, 2013. Cash of $156.0 million and $92.5 million were used to acquire financing receivables and investments, respectively, and $49.8 million was set-aside in restricted cash to be used to pay for future funding obligations associated with the new investments. These cash outlays were offset by $68.5 million of principal collections on financing receivables held on our balance sheet.

Net cash generated from investing activities was $6.0 million for the three months ended December 31, 2012. In the three months ended December 31, 2012, cash used for new investments in finance receivables held on our balance sheet was $2.1 million and principal collections on financing receivables held on our balance sheet were $6.3 million. In the three months ended December 31, 2012, the investment and advances in non-consolidated affiliates, other than the $3.4 million non-cash contribution as part of the spinout of HA EnergySource, were $0.6 million and the distributions from the non-consolidated affiliates were $0.4 million. In addition, the release of restricted cash generated $2.0 million.

Net cash used in investing activities was $40.2 million for the year ended September 30, 2012. In 2012, cash used for new investments in finance receivables held on our balance sheet was $103.3 million and principal collections on financing receivables held on our balance sheet were $51.5 million. For 2012, the investment and advances in non-consolidated affiliates was $3.4 million and the distributions from the non-consolidated affiliates were $14.3 million. In addition, $0.2 million was spent on property and equipment, primarily as the result of our office move and the net proceeds from the sale of marketable securities generated $0.5 million and the release of restricted cash generated $0.3 million.

Cash Flows Relating to Financing Activities

Net cash provided by financing activities was $340.5 million for the year ended December 31, 2014. This includes cash of $310.5 million provided from borrowings under our credit facility to fund our Portfolio growth, $115.3 million provided from nonrecourse borrowings to fund our investment in the wind projects and $129.3 million of net proceeds from the sale of our common stock. These cash receipts were partially offset by payments on our deferred funding obligations of $67.4 million, payments on our credit facility and nonrecourse debt of $72.1 million and $55.6 million, respectively and payments of deferred financing costs of $3.8 million. For the year ended December 31, 2014, dividends and distributions were $13.9 million and we redeemed 131,093 OP units held by our non-controlling interest holders for cash of $1.8 million.

Net cash provided by financing activities was $263.9 million for the year ended December 31, 2013. Our IPO resulted in net proceeds of $160.0 million. Total borrowings were $260.1 million with borrowings from the new credit facility of $131.0 million and nonrecourse borrowings of $129.1 million, including our new private placement of asset-backed nonrecourse notes of $100.0 million. Payments of $65.2 million and $58.0 million were made on nonrecourse debt and on the credit facilities, respectively, and $16.9 million was paid on deferred funding obligations. Dividends and distributions were $7.1 million and $8.7 million was used on deferred transactions costs associated with the new credit facility and the asset-backed nonrecourse notes. The transaction costs will be amortized as a component of interest expense over the term of the agreements.

Net cash used in financing activities was $17.5 million for the three months ended December 31, 2012. During the quarter, $12.7 million was used to fund accrued distributions on and to return capital in respect of the Series A participating preferred units. Total proceeds from nonrecourse debt to fund the origination of financing receivables were $2.2 million versus repayments on the nonrecourse debt of $6.5 million during the period. In addition, principal repayments on our existing credit facility were $0.4 million. Total proceeds from nonrecourse debt to fund the origination of financing receivables were $8.9 million versus repayments on the nonrecourse debt of $6.4 million during the period. In addition, principal repayments on our existing credit facility were $0.6 million.

Net cash from financing activities was $49.8 million for the year ended September 30, 2012. Total proceeds from nonrecourse debt to fund the origination of financing receivables were $104.2 million for 2012 versus repayments on the nonrecourse debt of $52.1 million during such period. In addition, principal repayments on our existing credit facility were $2.3 million.

Credit Facility

In July 2013, we entered into a $350 million senior secured revolving credit facility through newly-created, wholly-owned special purpose subsidiaries (the “Borrowers”). The terms of the credit facility are set forth in the Loan Agreement (G&I) (the “G&I Loan Agreement”) and the Loan Agreement (PF) and related amendments as described below (the “PF Loan Agreement”, and together with the G&I Loan Agreement, the “Loan Agreements”).

Since that time, we have entered into a number of amendments intended to increase the flexibility and borrowing capability of the credit facility as described below:

- November 2013—the PF Loan Agreement was amended to provide us with the flexibility to negotiate an alternative interest rate margin on certain loans with the approval of the administrative agent.
- May 2014—the PF Loan Agreement was amended to increase its overall borrowing capacity by $200 million to $500 million, increase the maximum borrowings allowed at any point in time under the PF Loan Agreement by $100 million to $250 million and expand the collateral eligibility criteria to reflect current market opportunities in distributed energy assets.
- August 2014—we entered into an amended and restated Loan Agreement which a) incorporated the terms of the first two amendments, b) added additional subsidiaries as Borrowers, c) provided for a fixed rate loan option and d) modified the timing of borrowings on certain projects.
- September 2014—the Loan Agreements were amended to reduce the required notice period for advances.
- December 2014—the Loan Agreements were amended to extend the maturity date of the facility to July 19, 2019 and to increase the PF Loan Agreement overall borrowing capacity by $475 million to $975 million and increase the maximum borrowings allowed at any point in time under the PF Loan Agreement by $75 million to $325 million. The G&I Loan Agreement was amended to decrease the G&I Loan Agreement overall borrowing capacity by $25 million to $375 million and decrease the maximum borrowings allowed at any point in time under the G&I Loan Agreement by $75 million to $125 million.

We have guaranteed the obligations of the Borrowers under each of the Loan Agreements pursuant to (x) a Continuing Guaranty, dated July 19, 2013, and (y) a Limited Guaranty, dated July 19, 2013. As part of our August and December 2014 amendments, we entered into amended and restated versions of these guaranties.

The Loan Agreements, as amended, provide for senior secured revolving credit facilities with total maximum advances of $1.35 billion (i) in the case of the G&I Loan Agreement, in the principal amount of $125 million to be used to leverage certain qualifying government and institutional financings entered into by us, with maximum total advances (without giving effect to prepayments or repayments) of $375 million, and (ii) in the case of the PF Loan Agreement, in the principal amount of $325 million to be used to leverage certain qualifying project financings entered into by us, with maximum total advances (without giving effect to prepayments or repayments) of $975 million. The scheduled termination date of each of the Loan Agreements is July 19, 2019. Loans under the G&I Loan Agreement bear interest at a rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.50% or, under certain circumstances, the Federal Funds Rate plus 1.50%. Loans under the PF Loan Agreement bear interest at a rate equal to LIBOR plus 2.50% or, under certain circumstances, the Federal Funds Rate plus 2.50%, or a specifically negotiated rate on certain loans as approved by the administrative agent. Under the PF Loan Agreement, we also have the option to borrow at a fixed rate of interest until the expiration of the credit facility in July 2019. The fixed rate is determined by agreement with the Administrative Agent and is based on the prevailing US SWAP rate of an equivalent term to the average-life of the fixed rate portion of the borrowing plus an agreed upon margin.

Any financing we propose to be included in the borrowing base as collateral under the Loan Agreements is subject to the approval of the administrative agent in its sole discretion. As part of the December 2014 amendment, we agreed to pay a placement fee of $20,000 for each financing added to the borrowing base after the date of the amendment. The amount eligible to be drawn under the Loan Agreements for purposes of financing such investments will be based on a discount to the value of each investment or an applicable valuation percentage. Under the G&I Loan Agreement, the applicable valuation percentage for non-delinquent investments is 80% in the case of a U.S. federal government obligor, 75% in the case of an institutional obligor or a state and local obligor, and with respect to other obligors or in certain circumstances, such other percentage as the administrative agent may prescribe. Under the PF Loan Agreement, the applicable valuation percentage is 67% or such other percentage as the administrative agent may prescribe. The sum of approved financings after taking into account the valuation percentages and any changes in the valuation of the financings in accordance with the Loan Agreements determines the borrowing capacity, subject to the overall facility limits described above.

We had outstanding borrowings under our credit facilities of $315.7 million and $77.1 million as of December 31, 2014 and 2013, respectively. We pledged $422.4 million and $114.3 million of financing receivables as collateral for the credit facility as of December 31, 2014 and 2013, respectively. The weighted average short-term borrowing rate of our credit facilities was 2.4% and 2.6% as of December 31, 2014 and 2013, respectively. We incurred approximately $10.8 million of costs associated with the Loan Agreements that have been capitalized (included in other assets on the consolidated balance sheets) and will be amortized on a straight-line basis over the term of the Loan Agreements. On each monthly payment date, the Borrowers shall also pay to the administrative agent, for the benefit of the lenders, certain availability fees for each Loan Agreement equal to 0.50%, divided by 360, multiplied by the excess of the available borrowing capacity under each Loan Agreement over the actual amount borrowed under such Loan Agreement.

Each Loan Agreement contains terms, conditions, covenants, and representations and warranties that are customary and typical for a transaction of this nature. The Loan Agreements contain various affirmative and negative covenants, and limitations on the incurrence of liens and indebtedness, investments, fundamental organizational changes, dispositions, changes in the nature of business, transactions with affiliates, use of proceeds and stock repurchases.

Each Loan Agreement also includes customary events of default, including the existence of a default in more than 50% of underlying financings. The occurrence of an event of default may result in termination of the

Loan Agreements, acceleration of amounts due under both Loan Agreements, and accrual of default interest at a rate of LIBOR plus 2.50% in the case of the G&I Loan Agreement and at a rate of LIBOR plus 5.00% in the case of the PF Loan Agreement.

The Loan Agreements require that we maintain the following financial covenants:

Covenant	Covenant Threshold
Minimum Liquidity (defined as available borrowings under the Loan Agreements plus unrestricted cash divided by actual borrowings) of greater than:	5%
12 month rolling Net Interest Margin of greater than:	zero
Maximum Debt to Equity Ratio of less than: (1)	4 to 1

(1) Debt is defined as total indebtedness excluding accounts payable and accrued expenses and nonrecourse debt.

We were in compliance with the financial covenants of the Loan Agreements at each reporting date that such covenants were applicable.

We repaid our Predecessor's credit facility and a related interest rate swap and cap in April 2013 from the proceeds of the IPO. The facility had a balance of $4.6 million as of September 30, 2012. Interest paid under the facility was $0.3 million for the year ended September 30, 2012.

Nonrecourse Debt

Asset-Backed Nonrecourse Notes

In December 2013, through certain of our subsidiaries, we issued in a private placement $100 million of nonrecourse asset-backed Notes with a fixed interest rate of 2.79%. The Notes mature in December 2019 and are secured by certain of our financing receivables included on our balance sheet. The holders of the Notes (the "Noteholders") can only look to the cash flows of the pledged financing receivables to satisfy the Notes and we are not liable for nonpayment by the obligor of the financing receivables securing these Notes. As of December 31, 2014 and 2013, we had $91.5 million and $100.1 million, respectively, of Notes outstanding, which were secured by $103.9 million and $109.5 million, respectively, of our financing receivables included on our balance sheet. Upon maturity, the Notes are anticipated to have an outstanding debt balance of approximately $57 million. The Notes may be prepaid prior to December 2018, with a make-whole payment calculated as the present value of remaining principal and interest payments using a discount rate equal to the comparable-maturity treasury yield plus 50 basis points. After December 2018, the Notes may be prepaid at par. At maturity, we will have the option to rollover the remaining debt with a mutually agreed term and rate or repay the outstanding balance.

In October 2014, through certain of our subsidiaries, we entered into a $115 million nonrecourse asset-backed loan agreement (the "ABS Loan Agreement") with a fixed interest rate of 5.74%. The ABS Loan Agreement matures in September 2021. Principal and interest is paid quarterly starting in March 2015 with a minimum principal payment amount equal to one-half percent (0.5%) of the principal amount of the loan plus additional principal payments based on available cash flow and a target debt balance. HAT Holdings II LLC, an indirect TRS subsidiary of our company, has pledged its 100% ownership of the equity in HA Wind LLC which in turn has pledged all of its assets, which consists primarily of a 50% ownership interest in Strong Upwind, as security for the loan. The loan is otherwise non-recourse to the company. The expected remaining debt balance to be repaid at the maturity date is $20.2 million. The ABS Loan Agreement contains terms, conditions, covenants, and representations and warranties from HA Wind LLC that are customary and typical for a transaction of this nature, including limitations on the incurrence of liens and indebtedness, investments, fundamental organizational changes, dispositions, changes in the nature of business, transactions with affiliates, use of proceeds and stock repurchases. The ABS Loan Agreement also includes customary events of default, the occurrence of which may result in termination of the Loan Agreement, acceleration of amounts due, and accrual of default interest at a rate of 7.74%.

We incurred approximately $1.7 million of costs associated with our asset-backed nonrecourse debt that have been capitalized (included in other assets on the consolidated balance sheets) and is being amortized using the effective interest method over the respective term.

Other Nonrecourse Debt

We have other nonrecourse debt that was used to finance certain of our financing receivables for the term of the financing receivable. Amounts due under nonrecourse notes are secured by financing receivables with a carrying value of $108.4 million and $156.4 million as of December 31, 2014 and 2013, respectively, and there is no recourse to our general assets. Debt service payment requirements, in a majority of cases, are equal to or less than the cash flows received from the underlying financing receivables.

General and Administrative Expenses

Our general and administrative expenses include salaries, rent, professional fees and other corporate level expenses, as well as the costs associated with operating as a public company. As of December 31, 2014, we employed 28 people. We intend to hire additional business professionals as needed to assist in the implementation of our new strategy. We also expect to incur additional professional fees to meet the reporting requirements of the Exchange Act and comply with the Sarbanes-Oxley Act. The timing and level of these costs and our ability to pay these costs with cash flow from our operations depends on our execution of our business plan, the number of financings we originate or acquire and our ability to attract qualified individuals to fill these new positions.

Contractual Obligations and Commitments

We lease office space at our headquarters in Annapolis, Maryland under an operating lease entered into in July 2011 and amended in October 2013 to add additional space. The lease provides for operating expense reimbursements and annual escalations that are amortized over the respective lease terms on a straight-line basis. Lease payments under this lease commenced in March 2012 and incremental payments related to the amendment commenced in March 2014. In July 2014, we entered into a 5-year operating lease for office space in a satellite office in San Francisco, California. Lease payments under this lease commenced in August 2014.

The following table provides a summary of our contractual obligations as of December 31, 2014:

	Payment due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1 - 3 Years**	**3 - 5 Years**	**More than 5 years**
			(in thousands)		
Long-Term Debt Obligations (1)	$ 320,771	$ 42,204	$ 68,891	$ 109,859	$ 99,817
Interest on Long-term Debt Obligations (1)	75,032	14,182	23,257	17,248	20,345
Credit Facility	315,748	348	—	315,400	—
Interest on Credit Facility (2)	34,046	7,469	14,938	11,639	—
Deferred Funding Obligations	88,288	73,271	15,017	—	—
Operating Lease Obligations	3,728	504	1,078	1,098	1,048
Total	**$ 837,613**	**$ 137,978**	**$ 123,181**	**$ 455,244**	**$ 121,210**

(1) The Long-Term Debt Obligations are secured by the financing receivables that were financed with no recourse to our general assets. Debt service, in the majority of the cases, is equal to or less than the financing receivables. Interest paid on these obligations was $9.7 million and $8.3 million for the years ended December 31, 2014 and 2013, respectively. Interest paid on the credit facilities was $3.5 million and $0.6 million for the years ended December 31, 2014 and 2013, respectively

(2) Interest is calculated based on the interest rate in effect at December 31, 2014, and includes all interest expense incurred and expected to be incurred in the future based on the current principal balance through the contractual maturity of the credit facility.

Off-Balance Sheet Arrangements

As described under "—Critical Accounting Policies and Use of Estimates," we have relationships withnon-consolidated entities or financial partnerships, such as entities often referred to as structured investment vehicles, or special purpose or variable interest entities, established to facilitate the sale of securitized assets. Other than our securitization assets of $6 million as of December 31, 2014 that may be at risk in the event of defaults in our securitization trusts, we have not guaranteed any obligations of nonconsolidated entities or entered into any commitment or intent to provide additional funding to any such entities. A more detailed description of our relations with non-consolidated entities can be found in Note 2 of our audited financial statements included in this Annual Report on Form 10-K.

Dividends

U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its taxable income. In the event that our board of directors determines to make distributions in excess of the income or cash flow generated from our assets, we may make such distributions from the proceeds of future offerings of equity or debt securities or other forms of debt financing or the sale of assets. To the extent that in respect of any calendar year, cash available for distribution is less than our taxable income, we could be required to sell assets or borrow funds to make cash distributions or make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities. We will generally not be required to make distributions with respect to activities conducted through our domestic TRS.

We anticipate that our distributions generally will be taxable as ordinary income to our stockholders, although a portion of the distributions may be designated by us as qualified dividend income or capital gain or may constitute a return of capital. In addition, a portion of such distributions may be taxable stock dividends payable in our shares. We will furnish annually to each of our stockholders a statement setting forth distributions paid during the preceding year and their characterization as ordinary income, return of capital, qualified dividend income or capital gain.

During 2013 and 2014, we declared the following dividends:

Declaration Date	Record Date	Payment Date	Amount per Share
8/8/13	8/20/13	8/29/13	$0.06
11/7/13	11/18/13	11/22/13	$0.14
12/17/13	12/30/13	1/10/14	$0.22
3/13/14	3/27/14	4/9/14	$0.22
6/17/14	6/27/14	7/10/14	$0.22
9/16/14	9/26/14	10/9/14	$0.22
12/8/14	12/19/14	1/9/15	$0.26

Book Value Considerations

As of December 31, 2014, we carried only our investments available-for-sale and retained assets in securitized receivables at fair value on our balance sheet. As a result, in reviewing our book value, there are a number of important factors and limitations to consider. Other than the $27.3 million in investments available-for-sale and the $5.2 million in residual assets relating to our retained interests in securitized receivables that are on our balance sheet at fair value as of December 31, 2014, the carrying value of our remaining assets and liabilities are calculated as of a particular point in time, which is largely determined at the time such assets and liabilities were added to our balance sheet using a cost basis in accordance with U.S. GAAP. As such, our remaining assets and liabilities do not incorporate other factors that may have a significant impact on their value, most notably any impact of business activities, changes in estimates or changes in general economic conditions or interest rates since the dates the assets or liabilities were initially recorded. Accordingly, our book value does not necessarily represent an estimate of our net realizable value, liquidation value or our market value as a whole.

Inflation

We do not anticipate that inflation will have a significant effect on our results of operations. However, in the event of a significant increase in inflation, interest rates could rise and our projects and investments may be materially adversely affected.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We anticipate that our primary market risks will be related to commodity prices, the credit quality of our counterparties and project companies, market interest rates and the liquidity of our assets. We will seek to manage these risks while, at the same time, seeking to provide an opportunity to stockholders to realize attractive returns through ownership of our common stock.

Credit Risks

While we do not anticipate facing significant credit risk in our transactions related to U.S. federal government energy efficiency projects, we are subject to varying degrees of credit risk in these projects in relation to guarantees provided by ESCOs where payments under energy savings performance contracts are contingent upon energy savings. We are also exposed to credit risk in other projects including those projects we have under long-term lease arrangements that do not depend on funding from the U.S. federal government. We expect to increasingly target such projects as part of our strategy. In the case of various other projects, we are exposed to the credit risk of the obligor of the project’s power purchase agreement or other long-term contractual revenue commitments as well as to the performance of the project. We may also encounter enhanced credit risk as we execute our strategy to increasingly include mezzanine debt or equity investments. We seek to manage credit risk using thorough due diligence and underwriting processes, strong structural protections in our agreements with customers and continual, active asset management and portfolio monitoring.

Interest Rate and Borrowing Risks

Interest rate risk is highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control.

We are subject to interest rate risk in connection with new asset originations and our credit facility, and in the future, will be subject to interest rate risk for any new floating or inverse floating rate assets and credit facilities. Because short-term borrowings are generally short-term commitments of capital, lenders may respond to market conditions, making it more difficult for us to secure continued financing. If we are not able to renew our then existing facilities or arrange for new financing on terms acceptable to us, or if we default on our covenants or are otherwise unable to access funds under any of these facilities, we may have to curtail entering into new transactions and/or dispose of assets. We face particular risk in this regard given that we expect many of our borrowings will have a shorter duration than the assets they finance. Increasing interest rates may reduce the demand for our investments while declining interest rates may increase the demand. Both our current and future credit facilities may be of limited duration and are periodically refinanced at then current market rates. We expect to attempt to reduce interest rate risks and to minimize exposure to interest rate fluctuations through the use of match funded or fixed rate financing structures, when appropriate, whereby we may seek (1) to match the maturities of our debt obligations with the maturities of our assets, (2) to borrow at fixed rates for a period of time, like in our asset backed securitizations, or (3) to match the interest rates on our assets with like-kind debt (i.e., we may finance floating rate assets with floating rate debt and fixed-rate assets with fixed-rate debt), directly or through the use of interest rate swap agreements, interest rate cap agreements or other financial instruments, or through a combination of these strategies. We expect these instruments will allow us to minimize, but not eliminate, the risk that we have to refinance our liabilities before the maturities of our assets and to reduce the impact of changing interest rates on our earnings. In addition to the use of traditional derivative instruments, we also seek to mitigate interest rate risk by using securitizations, syndications and other techniques to construct a portfolio with a staggered maturity profile. We monitor the impact of interest rate changes on the market for new originations and often have the flexibility to increase the term of the project to offset interest rate increases.

All of our nonrecourse debt is at fixed rates and changes in market rates on our fixed debt impact the fair value of the debt but have no impact on our consolidated financial statements. If interest rates rise, and our fixed debt balance remains constant, we expect the fair value of our debt to decrease. As of December 31, 2014 and 2013, the estimated fair value of our fixed rate nonrecourse debt was $335 million and $267 million, respectively, which is based on having the same debt service requirements that could have been borrowed at the date presented, at prevailing current market interest rates.

Our credit facility is a variable rate loan with $315.7 million outstanding as of December 31, 2014. Significant increases in interest rates would result in higher interest expense while decreases in interest rates would result in lower interest expense. As described above, we may use various financing techniques including interest rate swap agreements, interest rate cap agreements or other financial instruments, or a combination of these strategies to mitigate the variable interest nature of this facility. A 50 basis point increase in LIBOR would increase the quarterly interest expense related to the $315.7 million in variable rate debt by $0.4 million. Such hypothetical impact of interest rates on our credit facility does not consider the effect of any change in overall economic activity that could occur in a rising interest rate environment. Further, in the event of such a change in interest rates, we may take actions to further mitigate our exposure to such a change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, this analysis assumes no changes in our financial structure.

We record our retained assets at fair value in our financial statements and any changes in the discount rate would impact the value of these assets. See Note 3 of the audited financial statements in this Annual Report on Form 10-K for more information.

Liquidity and Concentration Risk

The assets that comprise our asset portfolio are not and will not be publicly traded. A portion of these assets may be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly-traded securities. The illiquidity of our assets may make it difficult for us to sell such assets if the need or desire arises, including in response to changes in economic and other conditions. As of December 31, 2014, a significant portion of our assets financings were held in securitization trusts where we retained only residual economic stakes or were held on our balance sheet and secured by nonrecourse debt. Part of our strategy in undertaking our IPO was to selectively retain a larger portion of the economics in the financings we originate. As a consequence, we are subject to concentration risk and could incur significant losses if any of these projects perform poorly or if we are required to write down the value of any these projects. See also "—Credit Risks" above.

Commodity Price Risk

Investments in projects that act as a substitute for an underlying commodity will expose us to volatility in prices of that commodity. As we typically target projects with long-term contracted revenues, often with price escalators based on inflation or other factors, commodity price risk has potentially more of an impact on new originations than on existing projects. However, we may also encounter commodity price risk for any portion of our existing projects that do not have long-term contracted revenues or sell on a spot-market basis. We monitor the market demand for various types of projects based upon a variety of factors including the outlook for the price of the underlying commodity. We also focus on a blend of technologies and projects to limit our exposure to price adjustments of any one commodity. For example, we believe the current low prices in natural gas will increase demand for some types of our projects, such as combined heat and power, but may reduce the demand for other projects like renewable energy which may be a substitute for natural gas. In addition, certain of our projects reduce the use of the commodity so the impact of a reduction in cost of the underlying commodity can often be offset by increasing the term of the financing. Volatility in energy prices may cause building owners and other parties to be reluctant to commit to projects for which repayment is based upon a fixed monetary value for energy savings that would not decline if the price of energy declines so we often blend technologies together that may result in savings of several different commodities.

Risk Management

Our ongoing active asset management and portfolio monitoring processes provide investment oversight and valuable insight into our origination, underwriting and structuring processes. These processes create value through active monitoring of the state of our markets, enforcement of existing contracts and real-time receivables management. Subject to maintaining our qualification as a REIT, and as described above, we engage in a variety of interest rate management techniques that seek to mitigate the economic effect of interest rate changes on the values of, and returns on, some of our assets. While there have been only two incidents of credit loss, amounting to approximately $18.0 million (net of recoveries) on the more than $5.0 billion of transactions we originated since 2000, which represents an aggregate loss of approximately 0.4% on cumulative transactions originated over this time period, there can be no assurance that we will continue to be as successful, particularly as we invest in more credit sensitive assets or more equity positions and engage in increasing numbers of transactions with obligors other than U.S. federal government agencies.

We seek to manage credit risk using thorough due diligence and underwriting processes, strong structural protections in our loan agreements with customers and continual, active asset management and portfolio monitoring.

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Item 8. Financial Statements and Supplementary Data.

Hannon Armstrong Sustainable Infrastructure Capital, Inc., Consolidated Financial Statements, For the Years Ended December 31, 2014 and 2013, Three Months Ended December 31, 2012 and for the Year Ended September 31, 2012

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Hannon Armstrong Sustainable Infrastructure Capital, Inc.

We have audited the accompanying consolidated balance sheets of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for the years ended December 31, 2014 and 2013, the three months ended December 31, 2012 and the year ended September 30, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hannon Armstrong Sustainable Infrastructure Capital, Inc. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for the years ended December 31, 2014 and 2013, the three months ended December 31, 2012 and the year ended September 30, 2012, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

McLean, Virginia
March 9, 2015

HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	December 31, 2014	December 31, 2013
Assets		
Financing receivables	$ 552,706	$ 347,871
Financing receivables held-for-sale	62,275	24,758
Investments available-for-sale	27,273	3,213
Investments held-to-maturity	—	91,964
Real estate	90,907	—
Real estate related intangible assets	23,058	—
Equity method investment in affiliate	143,903	—
Cash and cash equivalents	58,199	31,846
Restricted cash and cash equivalents	11,943	49,865
Other assets	39,993	21,915
Total Assets	**$ 1,010,257**	**$ 571,432**
Liabilities and Equity		
Liabilities:		
Accounts payable, accrued expenses, and other	$ 11,408	$ 9,095
Deferred funding obligations	88,288	74,675
Credit facility	315,748	77,114
Asset-backed nonrecourse notes (secured by assets of $247.8 million and $109.5 million, respectively)	208,246	100,081
Other nonrecourse debt (secured by financing receivables of $108.4 million and $156.4 million, respectively)	112,525	159,843
Total Liabilities	736,215	420,808
Equity:		
Preferred stock, par value $0.01 per share, 50,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, par value $0.01 per share, 450,000,000 shares authorized, 26,377,111 and 15,892,927 shares issued and outstanding, respectively	264	159
Additional paid in capital	293,635	160,120
Retained deficit	(25,006)	(13,864)
Accumulated other comprehensive income	406	110
Non-controlling interest	4,743	4,099
Total Equity	274,042	150,624
Total Liabilities and Equity	**$ 1,010,257**	**$ 571,432**

See accompanying notes.

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HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	Years Ended December 31, 2014	Years Ended December 31, 2013	Three Months Ended December 31, 2012	Year ended September 30, 2012
Net Investment Revenue:				
Interest Income, Financing receivables	$ 23,178	$ 15,468	$ 2,834	$ 11,848
Interest Income, Investments	3,772	1,897	—	—
Rental Income	3,175	—	—	—
Investment Revenue	**30,125**	**17,365**	**2,834**	**11,848**
Investment interest expense	(16,655)	(9,815)	(2,347)	(9,852)
Net Investment Revenue	13,470	7,550	487	1,996
Provision for credit losses	—	(11,000)	—	—
Net Investment Revenue, net of provision for credit losses	**13,470**	**(3,450)**	**487**	**1,996**
Other Investment Revenue:				
Gain on sale of receivables and investments	13,250	5,597	2,534	3,912
Fee income	1,900	1,483	254	11,380
Other Investment Revenue	**15,150**	**7,080**	**2,788**	**15,292**
Total Revenue, net of investment interest expense and provision	**28,620**	**3,630**	**3,275**	**17,288**
Compensation and benefits	(10,518)	(12,312)	(1,157)	(7,697)
General and administrative	(5,550)	(3,844)	(584)	(3,901)
Acquisition costs	(2,456)	—	—	—
Other, net	(300)	(359)	(137)	(602)
Loss from equity method investment in affiliate	—	—	(448)	(1,284)
Other Expenses, net	(18,824)	(16,515)	(2,326)	(13,484)
Net income (loss) before income taxes	9,796	(12,885)	949	3,804
Income tax (expense) benefit	(26)	251	—	—
Net Income (Loss)	**$ 9,770**	**$ (12,634)**	**$ 949**	**$ 3,804**
Net income (loss) attributable to non-controlling interest holders	163	(2,175)		
Net Income (Loss) attributable to controlling shareholders	**$ 9,607**	**$ (10,459)**		
Basic earnings per common share	$ 0.43	$ (0.68)		
Diluted earnings per common share	$ 0.43	$ (0.68)		
Weighted average common shares outstanding—basic	20,656,826	15,716,250		
Weighted average common shares outstanding—diluted	20,656,826	15,716,250		

See accompanying notes.

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HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(AMOUNTS IN THOUSANDS)

	Years Ended December 31, 2014	Years Ended December 31, 2013	Three Months Ended December 31, 2012	Year Ended September 30, 2012
Net Income (Loss)	$ 9,770	$(12,634)	$ 949	$ 3,804
Unrealized gain (loss) on available-for-sale securities, net of tax provision (benefit) of $0.2 million in 2014	300	(159)	19	217
Comprehensive income (loss)	$10,070	$(12,793)	$ 968	$ 4,021
Less: Comprehensive income (loss) attributable to non-controlling interests holders	167	(2,350)		
Comprehensive income (loss) attributable to controlling shareholders	**$ 9,903**	**$(10,443)**		

See accompanying notes.

HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(AMOUNTS IN THOUSANDS)

	Series A Participating Preferred Units	Common Stock Shares	Common Stock Amount	Class A Common Units	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total
Balance at September 30, 2011	**$ 10,401**	**—**	**$ —**	**$ 52**	**$ —**	**$ 5,796**	**$ 36**	**$ —**	**$ 16,285**
Net income						3,804			**3,804**
Unrealized gain on residual assets							217	—	**217**
Equity-based compensation				15					**15**
Distributions						(1,159)			**(1,159)**
Balance at September 30, 2012	**10,401**	**—**	**—**	**67**	**—**	**8,441**	**253**	**—**	**19,162**
Net income						949			**949**
Unrealized gain on residual assets							19	—	**19**
Return of capital on preferred units	(10,401)					—			**(10,401)**
Equity-based compensation				2					**2**
Distributions						(3,880)			**(3,880)**
Balance at December 31, 2012	**—**	**—**	**—**	**69**	**—**	**5,510**	**272**	**—**	**5,851**
Net loss						(10,459)	—	(2,175)	**(12,634)**
Unrealized (loss) on residual assets							16	(175)	**(159)**
Issue shares of common stock		15,795	158	(69)	157,892	—	—	—	**157,981**
Equity-based compensation				—	6,885	—		194	**7,079**
Establishment of non-controlling interest					(4,300)	(1,981)	(178)	6,459	**—**
Issuance (repurchase) of vested equity-based compensation shares		98	1		(357)			(10)	**(366)**
Dividends and distributions						(6,934)		(194)	**(7,128)**
Balance at December 31, 2013	**—**	**15,893**	**159**	**—**	**160,120**	**(13,864)**	**110**	**4,099**	**150,624**
Net income						9,607		163	**9,770**
Unrealized gain on securities							296	4	**300**
Issue shares of common stock		10,350	104		129,247	—			**129,351**
Equity-based compensation					5,106	—		81	**5,187**
Issuance (repurchase) of vested equity-based compensation shares		134	1		(206)				**(205)**
Redemption of OP units					(618)			(1,164)	**(1,782)**
Redemption value change for non-controlling interest redeemable for cash					(1,833)			1,833	**—**
Tax basis difference on contributed asset					1,819			39	**1,858**
Dividends and distributions						(20,749)		(312)	**(21,061)**
Balance at December 31, 2014	**$ —**	**26,377**	**$ 264**	**$ —**	**$293,635**	**$(25,006)**	**$ 406**	**$ 4,743**	**$274,042**

See accompanying notes.

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HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(AMOUNTS IN THOUSANDS)

	Years Ended December 31, 2014	Years Ended December 31, 2013	Three Months Ended December 31, 2012	Year Ended September 30, 2012
Cash flows from operating activities				
Net income (loss)	$ 9,770	$ (12,634)	$ 949	$ 3,804
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization of intangibles	522	340	105	440
Undistributed loss from equity method investment in affiliate	—	—	448	1,284
Equity-based compensation	5,187	7,079	2	15
Provision for credit losses	—	11,000	—	—
Amortization of deferred financing fees and other	2,785	1,078	157	480
Gain on sale of financing receivables and investments	(6,063)	—	—	—
Noncash gain on sales and payment in kind income	(3,928)	(390)	(136)	(53)
Changes in financing receivables held-for-sale and investments available-for-sale	25	(16,444)	—	—
Changes in accounts payable and accrued expenses	(3,201)	498	(2,638)	4,097
Other	26	(1,279)	(334)	(332)
Net cash provided by (used in) by operating activities	5,123	(10,752)	(1,447)	9,735
Cash flows from investing activities				
Purchases of financing receivables	(227,075)	(155,992)	(2,102)	(103,284)
Principal collections from financing receivables	67,815	68,537	6,285	51,478
Proceeds from sales of financing receivables	30,433	—	—	—
Purchases of investments	(7,753)	(92,522)	—	(254)
Principal collections from investments	1,784	558	—	760
Proceeds from sales of investments	75,179	—	—	—
Acquisition of businesses, net of cash	(125,925)	—	—	—
Purchases of real estate	(27,624)	—	—	—
Investment in equity method affiliate	(144,770)	—	(584)	(3,337)
Distribution received from equity method affiliate	867	—	443	14,294
Change in restricted cash	37,922	(49,810)	1,980	265
Other	(134)	(65)	8	(152)
Net cash provided by (used in) investing activities	(319,281)	(229,294)	6,030	(40,230)
Cash flows from financing activities				
Proceeds from credit facility	310,501	131,000	—	—
Principal payments on credit facility	(72,100)	(57,974)	(430)	(2,296)
Proceeds from nonrecourse notes	115,316	129,122	2,181	104,224
Principal payments on nonrecourse notes	(55,570)	(65,231)	(6,511)	(52,118)
Payments on deferred funding obligations	(67,354)	(16,874)	—	—
Payment of deferred financing costs	(3,782)	(8,712)	—	—
Net proceeds from common stock issuances	129,351	160,031	—	—
Repurchase of common stock	(205)	(366)	—	—
Redemption of Op units	(1,782)	—	—	—
Payment of dividends	(13,639)	(6,934)	—	—
Distributions to non-controlling interest holders	(225)	(194)	—	—
Distributions on Series A Participating Preferred Units	—	—	(12,747)	—
Net cash provided by (used in) financing activities	340,511	263,868	(17,507)	49,810
Increase (decrease) in cash and cash equivalents	26,353	23,822	(12,924)	19,315
Cash and cash equivalents at beginning of period	31,846	8,024	20,948	1,633
Cash and cash equivalents at end of period	**$ 58,199**	**$ 31,846**	**$ 8,024**	**$ 20,948**
Interest paid	**$ 13,213**	**$ 8,864**	**$ 2,051**	**$ 9,201**

See accompanying notes.

HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

1. **The Company**

Hannon Armstrong Sustainable Infrastructure Capital, Inc. ("The Company") provides debt and equity to the energy efficiency and renewable energy markets. The Company and its subsidiaries are hereafter referred to as "we," "us," or "our." We refer to the financings that we hold on our balance sheet as our "Portfolio." Our Portfolio may include:

- Financing Receivables, such as project loans, receivables and direct financing leases,
- Investments, such as debt and equity securities,
- Real Estate, such as land or other physical assets and related intangible assets used in sustainable infrastructure projects, and
- Equity Investments in unconsolidated affiliates, such as projects where we hold a non consolidated equity interest in a project.

We finance our business through cash on hand, borrowings under our credit facility, and various asset-backed securitization transactions and equity issuances. We also generate fee income through asset-backed securitizations, by providing broker/dealer services and by servicing assets owned by third parties. Some of our subsidiaries are special purpose entities that are formed for specific operations associated with financing sustainable infrastructure receivables for specific long-term contracts.

On April 23, 2013, we completed our initial public offering ("IPO"). We sold a total of 14.2 million shares and raised net proceeds of approximately $160 million including the exercise by the underwriters of their option to purchase an additional 0.8 million shares on May 23, 2013.

Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "HASI." Concurrently with the IPO, we completed a series of transactions, which are referred to as the formation transactions, that resulted in Hannon Armstrong Capital, LLC (the "Predecessor"), the entity that operated the historical business prior to the consummation of the IPO, becoming our subsidiary.

On April 29, 2014, we completed a follow-on public offering in which we sold 5,750,000 shares of common stock (including 750,000 shares sold pursuant to the full exercise of the underwriters' option to purchase additional shares) at $13.00 per share, less the underwriting discount and estimated expenses, for net proceeds of $70.4 million.

On October 31, 2014, we completed a follow-on public offering in which we sold 4,600,000 shares of common stock (including 600,000 shares sold pursuant to the full exercise of the underwriters' option to purchase additional shares) at $13.60 per share, less the underwriting discount and estimated expenses, for net proceeds of $58.9 million.

We elected and qualified as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2013. We generally will not be subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute all of our taxable income to stockholders and maintain our qualification as a REIT. We operate our business through, and serve as the sole general partner of, our Operating Partnership subsidiary, Hannon Armstrong Sustainable Infrastructure, L.P, (the "Operating Partnership") which was formed to acquire and directly or indirectly own the Company's assets. We also intend to operate our business in a manner that will continue to permit us to maintain our exception from registration as an investment company under the 1940 Act.

To the extent any of the financial data included in this report is as of or from a period prior to April 23, 2013, such financial data is that of the Predecessor. The financial data for the Predecessor for such periods do not reflect the material changes to our business as a result of the capital raised in the IPO, including the broadened scope of projects targeted for financing, our enhanced financial structuring flexibility and our ability to retain a larger share of the economics from our origination activities. Accordingly, the financial data for the Predecessor is not necessarily indicative of the Company's results of operations, cash flows or financial position following the completion of the IPO and formation transactions.

Recent Acquisition

In May 2014, we entered into a Unit Purchase Agreement (the "Purchase Agreement") to acquire all of the outstanding member interests in American Wind Capital Company, LLC ("AWCC") from Northwharf Nominees Limited, DBD AWCC LLC, NGP Energy Technology Partners II, L.P. and C.C. Hinckley Company, LLC in exchange for approximately $106.7 million (the "Purchase Price"), which we funded from the use of our cash on hand and our existing credit facilities. During the year ended December 31, 2014, we agreed to a working capital adjustment of approximately $0.2 million, which reduced the Purchase Price and net working capital amounts.

The unaudited pro forma summary for the years ended December 31, 2014 and 2013 presents the consolidated results as if the acquisition was completed on January 1, 2013. The pro forma information is not necessarily indicative of what our actual results of operations would have been for the period indicated, nor does it purport to represent our estimate of future results of operations.

	For the year ended December 31, 2014	2013
	(amounts in millions, unaudited)	
Pro forma net investment revenue	$ 31.9	$ 21.4
Pro forma net income	$ 11.8	$ (11.8)

Since the AWCC transaction, we have completed several smaller transactions for a total consideration of $19.4 million, which we funded from the use of our cash on hand and our existing credit facilities. We did not assume any indebtedness in connection with these transactions.

Through these acquisitions, we expanded our portfolio of assets, including acquiring more than 10,500 acres of land with in-place land leases to 20 solar projects, which we have recorded in our financial statements as real estate, and the rights to payments from land leases for a diversified portfolio of 57 wind projects, which we have recorded in our financial statements as financing receivables.

We accounted for these acquisitions as business combinations and incurred approximately $2.5 million of acquisition related costs, which we have expensed as acquisition costs in our consolidated statement of operations. We recorded the acquired assets (including real estate related intangibles) at fair value. We used a qualified appraiser to assist us with the determination of the fair value estimates for the majority of these assets. We expect to finalize the purchase price allocation for one of our small acquisitions during the first half of 2015. There were no liabilities assumed in connection with these acquisitions.

The purchase price allocation for these transactions, which reflects our estimates of the fair value of the assets acquired, is as follows:

	As of December 31, 2014
	(amounts in millions)
Financing receivables	$ 37.2
Real estate	66.6
Real estate related intangibles	20.0
Goodwill	2.1
Net working capital	0.1
Purchase Price	**$ 126.0**

As a result of these acquisitions, we have recorded rental income of $3.2 million and interest income of $1.5 million for the year ended December 31, 2014, in our consolidated statement of operations.

Investment in Equity Method Affiliate

In October 2014, we made a $144 million investment in Strong Upwind Holdings LLC ("Strong Upwind"), a newly formed joint venture that we own with an affiliate of JPMorgan Chase & Co ("JPMorgan"). Strong Upwind purchased JPMorgan's minority interest in four limited liability holding companies that own ten operating wind projects across five states. Each of the four holding companies is controlled and operated by a large wind energy company. The minority ownership interests in the holding companies are structured in a typical wind partnership flip structure where Strong Upwind, along with a number of other large institutional investors receive a pre-negotiated preferred return consisting of a priority distribution of the project cash flows along with tax attributes. Once this preferred return is achieved, the partnership "flips" and the holding company receives the majority of the cash flow and the institutional investors will have an on-going residual interest. We share in the cash flow and tax attributes of Strong Upwind according to a negotiated schedule. After factoring in the various ownership interests, we own between 4% and 17.5% of the holding companies based on voting percentage. We have determined that we do not have a controlling voting interest in Strong Upwind and therefore we account for our investment using the equity method. See footnote 15 for additional information.

Change in Year End

Our fiscal year-end changed from September 30 to December 31, effective January 1, 2013. As a result, our current fiscal year consists of the twelve months ended December 31, 2014 and previous fiscal year consisted of the twelve months ended December 31, 2013. The prior fiscal year ended September 30, 2012 and we have included results for the three-month transition period ended December 31, 2012 in the results of operations, comprehensive income (loss), stockholders' equity and cash flows (including the related notes.)

2. **Summary of Significant Accounting Policies**

Basis of Presentation

The consolidated financial statements reflect all normal and recurring adjustments that, in the opinion of management, are necessary for a fair presentation of the financial position, results of operations, comprehensive income (loss) and cash flows for the periods presented. The preparation of financial statements in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Certain amounts in the prior year have been reclassified to conform to the current year presentation.

The consolidated financial statements include the accounts of the Company and its controlled subsidiaries, including the Operating Partnership. All significant intercompany transactions and balances have been eliminated in consolidation.

Following the guidance for non-controlling interests in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, *Consolidation*, references in this report to our earnings per share and our net income and shareholders' equity attributable to common shareholders do not include amounts attributable to non-controlling interests.

Financing Receivables

Financing receivables include financing sustainable infrastructure project loans, receivables and direct financing leases.

Unless otherwise noted, we generally have the ability and intent to hold our financing receivables for the foreseeable future and thus they are classified as held for investment. Our ability and intent to hold certain financing receivables may change from time to time depending on a number of factors, including economic, liquidity and capital conditions. The carrying value of financing receivables held for investment represents the present value of the note, lease or other payments, net of any unearned fee income, which is recognized as income over the term of the note or lease using the effective interest method. Financing receivables that are held for investment are carried, unless deemed impaired, at cost, net of any unamortized acquisition premiums or discounts and including origination and acquisition costs, as applicable. Financing receivables that we intend to sell in the short-term are classified as held-for-sale and are carried at the lower of amortized cost or fair value on our balance sheet. The proceeds from sales are recorded as an operating activity in our statement of cash flows. We may secure nonrecourse debt with the proceeds from our financing receivables.

We evaluate our financing receivables for potential delinquency or impairment on at least a quarterly basis and more frequently when economic or other conditions warrant such an evaluation. When a financing receivable becomes 90 days or more past due, and if we otherwise do not expect the debtor to be able to service all of its debt or other obligations, we will generally consider the financing receivable delinquent or impaired and place the financing receivable on non-accrual status and cease recognizing income from that financing receivable until the borrower has demonstrated the ability and intent to pay contractual amounts due. If a financing receivable's status significantly improves regarding the debtor's ability to service the debt or other obligations, we will remove it from non-accrual status.

A financing receivable is also considered impaired as of the date when, based on current information and events, it is determined that it is probable that we will be unable to collect all amounts due in accordance with the original contracted terms. Many of our financing receivables are secured by sustainable infrastructure projects. Accordingly, we regularly evaluate the extent and impact of any credit deterioration associated with the performance and value of the underlying project, as well as the financial and operating capability of the borrower, its sponsors or the obligor as well as any guarantors. We consider a number of qualitative and quantitative factors in our assessment, including, as appropriate, a project's operating results, loan-to-value ratios and any cash reserves, the ability of expected cash from operations to cover the cash flow requirements currently and into the future, key terms of the transaction, the ability of the borrower to refinance the transaction, other credit support from the sponsor or guarantor and the project's collateral value. In addition, we consider the overall economic environment, the sustainable infrastructure sector, the effect of local, industry, and broader economic factors, the impact of any variation in weather and the historical and anticipated trends in interest rates, defaults and loss severities for similar transactions.

If a financing receivable is considered to be impaired, we record an allowance to reduce the carrying value of the financing receivable to the present value of expected future cash flows discounted at the financing receivable's contractual effective rate or the amount realizable from other contractual terms such as the currently estimated fair market value of the collateral less estimated selling costs, if repayment is expected solely from the collateral. We charge off financing receivables against the allowance when we determine the unpaid principal balance is uncollectible, net of recovered amounts.

Investments

Investments include debt securities that meet the criteria of ASC 320,*Investments—Debt and Equity Securities*. As a result of the sale of certain debt securities previously designated as held-to-maturity in 2014, we have designated our debt securities as available-for-sale and will carry these securities at fair value on our balance sheet from that date. Unrealized gains and losses, to the extent not considered other than temporary impairment ("OTTI"), on available-for-sale debt securities are recorded as a component of accumulated other comprehensive income (loss) ("OCI") in equity on our balance sheet. Previously, we recorded our debt securities as held-to-maturity and thus had carried these securities on the balance sheet at amortized cost, which was initially at cost plus any premiums or less any discounts that are amortized or accreted from or into investment interest income using the effective interest method.

We evaluate our investments for OTTI on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. Our OTTI assessment is a subjective process requiring the use of judgments and assumptions. Accordingly, we regularly evaluate the extent and impact of any credit deterioration associated with the financial and operating performance and value of the underlying project. We consider a number of qualitative and quantitative factors in our assessment. We first consider the current fair value of the security and the duration of any unrealized loss. Other factors considered include changes in the credit rating, performance of the underlying project, key terms of the transaction and support provided by the sponsor or guarantor.

To the extent that we have identified an OTTI for a security and intend to hold the investment to maturity and we do not expect that we will be required to sell the security prior to recovery of the amortized cost basis, we recognize only the credit component of OTTI in earnings. We determine the credit component using the difference between the securities' amortized cost basis and the present value of its expected future cash flows, discounted using the effective interest method or its estimated collateral value. Any remaining unrealized loss due to factors other than credit, or the non-credit component, is recorded in accumulated OCI.

To the extent we hold investments with an OTTI and if we have made the decision to sell the security or it is more likely than not that we will be required to sell the security prior to recovery of its amortized cost basis, we recognize the entire portion of the impairment in earnings.

Premiums or discounts on investment securities are amortized or accreted into investment interest income using the effective interest method.

Real Estate

Real estate reflects land or other real estate held on our balance sheet. Real estate intangibles reflect the value of associated lease intangibles, net of any amortization. In accordance with ASC 805, *Business Combinations*, the fair value of the real estate acquired in a business combination with in-place leases is allocated to (i) the acquired tangible assets, consisting of land or other real property such as buildings, and (ii) the identified intangible assets and liabilities, consisting of the value of above-market and below-market leases and the value of other acquired intangible assets, based in each case on their fair values.

The fair value of the tangible assets of an acquired leased property is determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land, building and tenant improvements, if any, based on the determination of the fair values of these assets. The as-if-vacant fair value of a property was determined by management based on an appraisal of the property by a qualified appraiser.

In allocating the fair value of the identified intangible assets and liabilities of an acquired property, above-market and below-market in-place lease values are recorded as intangible assets based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases, and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining term of the lease, including renewal periods reasonably assured of being exercised by the lessee. The capitalized above-market lease values are amortized as a reduction of rental income and the capitalized below-market lease values are amortized as an increase to rental income. We also record, as appropriate, an intangible asset for in-place leases. The value of the leases in place at the time of the transaction is equal to the potential revenue (rent and expenses) lost if the leases were not in place (during downtime) and that would be incurred to obtain the lease. The amortization is calculated over the initial term unless management believes that it is reasonably assured that the tenant would exercise the renewal option, whereby we would amortize the value attributable to the renewal over the renewal period. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be written off.

We record the purchases of real estate, other than in a business combination (i.e. real estate with no in-places leases), at cost, including acquisition and closing costs.

Our real estate is generally leased to tenants on a net lease basis, whereby the tenant is responsible for all operating expenses relating to the property, generally including property taxes, insurance, maintenance, repairs and capital expenditures. Revenue is recognized as rentals are earned and expenses (if any) are charged to operations as incurred. When scheduled rental revenue varies during the lease term, income is recognized on a straight-line basis, unless there is considerable risk as to collectability, so as to produce a constant periodic rent over the term of the lease. Accrued rental income is the aggregate difference between the scheduled rents which vary during the lease term and the income recognized on a straight-line basis and is recorded in other assets.

Securitization of Receivables

We have established various special purpose entities or securitization trusts for the purpose of securitizing certain financing receivables or other debt investments. We determined that the trusts used in securitizations are variable interest entities, as defined in ASC 810, *Consolidation*. We typically serve as primary or master servicer of these trusts; however, as the servicer, we do not have the power to make significant decisions impacting the performance of the trusts. Based on an analysis of the structure of the trusts, under U.S. GAAP, we have concluded that we are not the primary beneficiary of the trusts as we do not have power over the trusts' significant activities. Therefore, we do not consolidate these trusts in our consolidated financial statements.

We account for transfers of financing receivables to these securitization trusts as sales pursuant to ASC 860,*Transfers and Servicing*, as the transferred receivables have been isolated from the transferor (i.e., put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership) and we have surrendered control over the transferred receivables. When we sell receivables in securitizations, we generally retain minor interests in the form of servicing rights and residual assets, which we refer to as securitization assets.

Gain or loss on the sale of receivables is calculated based on the excess of the proceeds received from the securitization (less any transaction costs) plus any retained interests obtained over the cost basis of the receivables sold. For retained interests, we generally estimate fair value based on the present value of future expected cash flows using our best estimates of the key assumptions of anticipated losses, prepayment rates, and current market discount rates commensurate with the risks involved.

We initially account for all separately recognized servicing assets and servicing liabilities at fair value and subsequently measure such servicing assets and liabilities using the amortization method. We assess servicing assets for impairment at each reporting date. If the amortized cost of servicing assets is greater than the estimated fair value, we will recognize the impairment in net income.

Servicing income is recognized as earned. Servicing assets and liabilities are amortized in proportion to, and over the period of, estimated net servicing income, and are periodically (including at December 31, 2014 and 2013) assessed for impairment.

Our other retained interest in securitized assets, the residual assets, are classified as available-for-sale securities and carried at fair value on the consolidated balance sheets in Other Assets. We generally do not sell our residual assets. If we make an assessment that (i) we do not intend to sell our residual assets or (ii) it is not likely we will be required to sell our residual assets before their anticipated recovery, changes in fair value, such as those resulting from changes in market interest yield requirements, are reported as a component of accumulated OCI. However, in the case where we do intend to sell our residual assets or if the fair value of our residual assets is below the current carrying amount and we determine that the decline is OTTI, any impairment charge would be recorded in net income. An OTTI is considered to have occurred when, based on current information and events, there has been an adverse change in the timing or amount of cash flows expected to be collected. The impairment is equal to the difference between the residual asset's amortized cost basis and its fair value at the balance sheet date. In the case where there is any expected decline in the forecasted cash flows, such decline would be unlikely to reverse during the holding period of the retained assets and thus would be considered OTTI.

Interest income related to the residual assets is recognized using the effective interest rate method. If there is a change in expected cash flows related to the residual assets, we calculate a new yield based on the current amortized cost of the residual assets and the revised expected cash flows. This yield is used prospectively to recognize interest income.

Modifications to Debt

We evaluate any modifications to our debt in accordance with the applicable guidance in ASC 470-50, *Debt—Modifications and Extinguishments*. If the debt instruments are substantially modified, the modification is accounted for in the same manner as a debt extinguishment (i.e., a major modification) and the fees paid are recognized as expense at the time of the modification. Otherwise, such fees are deferred and amortized as an adjustment of interest expense over the remaining term of the modified debt instrument using the interest method.

Cash and Cash Equivalents

Cash and cash equivalents include short-term government securities, certificates of deposit and money market funds, all of which had an original maturity of three months or less at the date of purchase. These securities are carried at their purchase price, which approximates fair value.

Restricted Cash

Restricted cash at December 31, 2014 and 2013 includes $11.9 million and $49.9 million, respectively, of cash and cash equivalents set aside with certain lenders primarily to support deferred funding and other obligations outstanding at the balance sheet dates.

Intangible Assets and Goodwill

Intangible assets are amortized using the straight-line method over the remaining estimated life, generally ranging from three to 15 years. The carrying amounts of intangible assets are reviewed for impairment when indicators of impairment are identified. If the carrying amount of the asset exceeds the undiscounted expected cash flows that are directly associated with the use and eventual disposition of the asset, an impairment charge is recognized to the extent the carrying amount of the asset exceeds the fair value.

Goodwill represents the costs of business acquisitions in excess of the fair value of identifiable net assets acquired. We evaluate goodwill for potential impairment annually on September 30, or whenever impairment indicators are present. We perform a two-step goodwill impairment test to identify potential goodwill impairment and measure the amount of goodwill impairment to be recognized, if any. First, we compare our fair value using our market capitalization based on the average market price relative to our current carrying value, including goodwill. If our fair value is in excess of the carrying value, the related goodwill is not considered impaired and no further analysis is necessary. If, however, our carrying value exceeds our fair value, there is an indication of potential impairment and a second step of testing is performed to measure the amount of impairment, if any. If our estimated fair value were to be less than our book value, the second step of the review process is performed to calculate the implied fair value of our goodwill in order to determine whether any impairment of goodwill is required. The implied fair value of the goodwill is calculated by allocating our estimated fair value to all of our assets and liabilities (including any unrecognized intangible assets) as if we had been acquired in a business combination. If the carrying value of the goodwill exceeds the implied fair value of the goodwill, we recognize an impairment loss for that excess amount. We did not recognize any goodwill impairments in 2014, 2013, or 2012.

Variable Interest Entities and Equity Method Investment in Affiliate

We account for our investment in entities that are considered variable interest entities under ASC 810. We perform an ongoing assessment to determine the primary beneficiary of each entity as required by ASC 810. See *Securitization of Receivables* above.

Substantially all of the activities of the special purpose entities that are formed for the purpose of holding our financing receivables and investments on our balance sheet are closely associated with our activities. Based on our assessment, we determined that we have power over and receive the benefits of these special purpose entities; hence, we are the primary beneficiary and should consolidate these entities under the provisions of ASC 810.

As described in Note 1, in October 2014, we made a $144 million investment in Strong Upwind that is jointly owned with an affiliate of JPMorgan. We own 50% of the voting stock of Strong Upwind. Based on our assessment, we have determined that Strong Upwind is a voting interest entity and that we have the ability to exercise influence over its operating and financial policies and as such we account for the investment using the equity method. We share in the cash flow and tax attributes of Strong Upwind according to a negotiated schedule.

Strong Upwind purchased JPMorgan's minority interest in four limited liability holding companies that own ten operating wind projects across five states. Each of the four holding companies is majority owned and operated by a large wind energy company. Based on our assessment, we have determined that each of the holding companies are a variable interest entity and that we have the ability to exercise influence over operating and financial policies of the holding companies, but we are not the primary beneficiary as we do not have the power to direct the most important decisions related to the most significant activities of the investment. After factoring in the various ownership interests, we own between 4% and 17.5% of the holding companies based on voting percentage. Thus we do not consolidate either Strong Upwind or the holding companies, but account for them using the equity method of accounting as described below.

Prior to December 2012, the Predecessor had an equity method investment in affiliate that was accounted for using the equity method of accounting. The Predecessor determined this investment was a variable interest entity under ASC 810 over which it had the ability to exercise influence over operating and financial policies of the investee, but it was not the primary beneficiary as it did not have the power to direct the most important decisions related to the most significant activities of the investment.

Under the equity method of accounting, the carrying value of our equity method investments is determined based on amounts we invested, adjusted for the equity in earnings or losses of investee allocated based on the partnership agreement, less distributions received. Because the partnership agreements contain preferences with regard to cash flows from operations, capital events and liquidation, we reflect our share of profits and losses by determining the difference between our "claim on the investee's book value" at the end and the beginning of the period. This claim is calculated as the amount we would receive (or be obligated to pay) if the investee were to liquidate all of its assets at recorded amounts determined in accordance with U.S. GAAP and distribute the resulting cash to creditors and investors in accordance with their respective priorities. This method is commonly referred to as the hypothetical liquidation at book value method. Intra-company gains and losses are eliminated for an amount equal to our interest and are reflected in the share in loss from equity method investment in affiliate in the consolidated statements of operations.

We evaluate the realization of our investment accounted for using the equity method if circumstances indicate that our investment is OTTI. OTTI impairment occurs when the estimated fair value of an investment is below the carrying value and the difference is determined to not be recoverable. This evaluation requires significant judgment regarding, but not limited to, the severity and duration of the impairment; the ability and intent to hold the securities until recovery; financial condition, liquidity, and near-term prospects of the issuer; specific events; and other factors. Based on an evaluation of our equity method investment, we determined that no impairment had occurred for 2014, 2013, or 2012.

Income Taxes

We elected and qualified to be taxed as a REIT for U.S. federal income tax purposes, commencing with our taxable year ended December 31, 2013. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we currently distribute at least 90% of our net taxable income, excluding capital gains, to our shareholders. We intend to continue to meet the requirements for qualification as a REIT. As a REIT, we are not subject to U.S. federal corporate income tax on that portion of net income that is currently distributed to our owners. However, our taxable REIT subsidiaries ("TRS") will generally be subject to U.S. federal, state, and local income taxes as well as taxes of foreign jurisdictions, if any.

We account for income taxes of our TRS using the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in earnings in the period when the new rate is enacted.

Prior to the completion of the IPO, the Predecessor was taxed as a partnership for U.S. federal income tax purposes. No provision for federal or state income taxes has been made for the three months ended December 31, 2012 or for the year ended September 30, 2012 in the accompanying consolidated financial statements, since our profits and losses were reported on the Predecessor's members' tax returns.

We apply accounting guidance with respect to how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. This guidance requires the accounting and disclosure of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are "more likely than not" to be sustained by the applicable tax authority. We are required to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, which include U.S. federal and certain states. We have no examinations in progress, none are expected at this time, and years 2010 through 2013 are open. As of December 31, 2014 and 2013, we had no uncertain tax positions. Our policy is to recognize interest expense and penalties related to income tax matters as a component of other expense. There was no accrued interest and penalties as of December 31, 2014 and 2013, and no interest and penalties were recognized during 2014, 2013, or 2012.

Equity-Based Compensation

We record compensation expense for stock awards in accordance with ASC 718,*Compensation—Stock Compensation*, which requires that all equity-based payments to employees be recognized in the consolidated statements of operations, based on their grant date fair values with the expense being recognized over the requisite service period.

At the time of completion of our IPO, we adopted our 2013 Equity Incentive Plan (the "2013 Plan"), which provides for grants of stock options, stock appreciation rights, restricted stock units, shares of restricted common stock, phantom shares, dividend equivalent rights, long-term incentive-plan units ("LTIP units") and other restricted limited partnership units issued by our Operating Partnership and other equity-based awards. From time to time, we may award unvested restricted shares as compensation to members of our senior management team, our independent directors, employees, advisors, consultants and other personnel under our 2013 Plan. Under the 2013 Plan, we have granted service based awards to certain employees and directors that vest over a period of time as determined by the board of directors at the date of grant. We recognize compensation expense for unvested shares that vest solely based on service conditions on a straight-line basis over the requisite service period, based upon the fair market value of the shares on the date of grant, adjusted for forfeitures.

Under the 2013 Plan, we also granted performance based restricted stock awards to certain employees. The fair value of the performance based awards is measured by the market price of our common stock on the date of the grant. The vesting of these awards is contingent upon achievement of certain performance targets at the end of specified performance periods and the employees' continued employment. The performance conditions affect the number of shares that will ultimately be awarded. The range shares earned is generally between 0% and 150% of the initial target, depending on the extent to which the performance target are met. If minimum performance targets are not attained, no awards will be awarded. Compensation expense related to these awards is recognized based upon the fair market value of the shares on the date of grant over the requisite service period and based on our estimate of the achievement of the various performance targets, adjusted for estimated forfeitures.

Earnings Per Share

We compute earnings per share of common stock in accordance with ASC 260,*Earnings Per Share*. Basic earnings per share is calculated by dividing net income attributable to controlling stockholders (after consideration of the earnings allocated to unvested shares of restricted common stock or restricted stock units) by the weighted-average number of shares of common stock outstanding during the period excluding the weighted average number of unvested shares of restricted common stock or restricted stock units ("participating securities" as defined in Note 14). Diluted earnings per share is calculated by dividing net income attributable to controlling stockholders by the weighted-average number of shares of common stock outstanding during the period plus other potentially dilutive securities. No adjustment is made for shares that are anti-dilutive during a period.

Due to the capital structure of the Predecessor, earnings per share of common stock information has not been presented for historical periods prior to the IPO.

Segment Reporting

We provide and arrange debt and equity financing for sustainable infrastructure projects and report all of our activities as one business segment.

Recently Issued Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09,*Revenue from Contracts with Customers*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. The updated standard becomes effective for us beginning in the quarter ending March 31, 2017. We have not yet selected a transition method, and we are currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

Compensation—Stock Compensation

In June 2014, the FASB issued ASU No. 2014-12,*Compensation—Stock Compensation*, which amends and updates the guidance in ASC 718, as it relates to the accounting for awards with performance conditions that affect vesting after the service. The amendment provides explicit accounting guidance for when an employee is eligible to retire or otherwise terminate employment before the end of the period in which a performance target (for example, an initial public offering or a profitability target) could be achieved and still be eligible to vest in the award if and when the performance target is achieved. The amendment is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period and is to be applied either retrospectively to all existing performance targets outstanding or prospectively for all awards granted or modified after the effective date, with early application permitted. We are evaluating the new standard, but do not at this time expect this standard to have a material impact on our consolidated financial statements.

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3. **Fair Value Measurements**

Fair value is defined as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value accounting guidance provides a three-level hierarchy for classifying financial instruments. The levels of inputs used to determine the fair value of our financial assets and liabilities carried on the balance sheet at fair value and for those which only disclosure of fair value is required are characterized in accordance with the fair value hierarchy established by ASC 820, *Fair Value Measurement.* Where inputs for a financial asset or liability fall in more than one level in the fair value hierarchy, the financial asset or liability is classified in its entirety based on the lowest level input that is significant to the fair value measurement of that financial asset or liability. We use our judgment and consider factors specific to the financial assets and liabilities in determining the significance of an input to the fair value measurements. At December 31, 2014 and 2013, only our residual assets, financing receivables held-for-sale and investments available-for-sale, if any, were carried at fair value on the consolidated balance sheets on a recurring basis. The three levels of the fair value hierarchy are described below:

- Level 1—Quoted prices (unadjusted) in active markets that are accessible at the measurement date.
- Level 2—Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.
- Level 3—Unobservable inputs that are used when little or no market data is available.

	As of December 31, 2014		
	Fair Value	**Carrying Value**	**Level**
	(amounts in millions)		
Assets			
Financing receivables (1)	$597.5	$ 552.7	Level 3
Financing receivables held-for-sale	62.3	62.3	Level 3
Investments available-for-sale (2)	27.3	27.3	Level 3
Residual assets	5.2	5.2	Level 3
Liabilities			
Credit facility	$315.7	$ 315.7	Level 3
Nonrecourse debt	127.4	112.5	Level 3
Asset-backed nonrecourse notes	207.8	208.2	Level 3

(1) Financing receivables includes $0.8 million, which represents the net fair value of collateral related to an impaired loan. The allowance for loan losses included in the carrying value of the financing receivables was $1.2 million as of December 31, 2014.
(2) The amortized costs of our investments available-for-sale as of December 31, 2014, was $26.9 million.

	As of December 31, 2013		
	Fair Value	**Carrying Value**	**Level**
	(amounts in millions)		
Assets			
Financing receivables (1)	$ 346.4	$ 347.9	Level 3
Investments	92.0	92.0	Level 3
Financing receivables held-for-sale	24.8	24.8	Level 3
Investments available-for-sale	3.2	3.2	Level 3
Residual assets	4.9	4.9	Level 3
Liabilities			
Credit facility	$ 77.1	$ 77.1	Level 3
Nonrecourse debt	167.1	159.8	Level 3
Asset-backed nonrecourse notes	99.8	100.0	Level 3

(1) Financing receivables includes $0.8 million, which represents the net fair value of collateral related to an impaired loan. The allowance for loan losses included in the carrying value of the financing receivables was $11.0 million as of December 31, 2013.

Financing Receivables and Investments

The fair value of financing receivables and investments is measured using a discounted cash flow model, contractual terms and Level 3 unobservable inputs. The significant unobservable inputs used in the fair value determination of our financing receivables and investments are discount rates and interest rates in recent comparable transactions. For investments held at fair value, we used a range of interest rate spreads of 2.0% to 4.5%. Significant increases in discount rates and recent comparable transactions would result in a significantly lower fair value. Significant decreases in discount rates and recent comparable transactions in isolation would result in a significantly higher fair value.

During 2014 as part of our portfolio management process, we sold an investment designated as held-to-maturity. As a result, we have transferred all of our remaining investments in debt securities to investments available-for-sale at fair value. After the transfer of our debt securities to available-for-sale, we sold additional debt securities with a fair value of $59.6 million and a cost of $56.3 million based on the specific identification method and realized a gain on sale of these investments of $3.3 million. In December 2014, we sold a financing receivable for $12.9 million that settled in the first quarter of 2015. As of December 31, 2014, a receivable for $12.9 million is included in other assets on the consolidated balance sheet. The following table reconciles the beginning and ending balances for our Level 3 investments that are carried at fair value following the transfer of our investments to available-for-sale:

	For the year ended December 31,	
	2014	2013
	(amounts in millions)	
Balance, beginning of period	$ —	$ —
Transfers to / purchases of available-for-sale debt securities.	83.2	—
Sale of available-for-sale debt securities	(59.6)	—
Unrealized gain on debt securities transferred to available for sale	5.0	—
Unrealized loss on debt securities	(1.3)	—
Balance, end of Period	**$ 27.3**	**$ —**

Servicing and Residual Assets

In connection with securitization transactions, we typically retain servicing responsibilities and residual assets. As of December 31, 2014 and 2013, included in other assets in the consolidated balance sheets, were servicing assets which are carried at amortized cost and residual assets which are carried at fair value. Due to the lack of actively traded market data, the fair value of these assets was based on Level 3 unobservable inputs. The significant unobservable inputs used in the fair value measurement of our residual assets are estimated securitization cash flows, potential default rates and comparable transactions in related assets of public companies. The observable inputs include published U.S government interest rates. The discount rates considered, based on observations of market participants on other government-issued securitization transactions, range from 7% to 15%. Based on the high credit quality of the obligors under our underlying assets and our estimates of potential default and prepayment rates, we used a discount rate of 8% in 2014 to determine the fair market value of our residual assets. Significant increases in U.S. Treasury rates or default and prepayment rates would, in isolation, result in a significantly lower fair value measurement.

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As of December 31, 2014 and 2013, the fair values of retained assets, including the discount rates used in valuing those assets and the sensitivity to an increase in the discount rates of 5% and 10% were as follows:

	December 31, 2014	
	Servicing	Residual Assets
	(amounts in millions)	
Amortized cost basis	$ 1.0	$ 5.1
Fair value	$ 1.2	$ 5.2
Weighted-average life in years	9	7 to 19
Discount rate	8%	8%
Fair value that would be decreased based on hypothetical adverse changes in discount rates:		
5% change in discount rate	$ 0.2	$ 1.5
10% change in discount rate	$ 0.4	$ 2.3

	December 31, 2013	
	Servicing	Residual Assets
	(amounts in millions)	
Amortized cost basis	$ 1.3	$ 4.8
Fair value	$ 1.4	$ 4.9
Weighted-average life in years	8	6 to 19
Discount rate	8%	8% to 10%
Fair value that would be decreased based on hypothetical adverse changes in discount rates:		
5% change in discount rate	$ 0.3	$ 1.2
10% change in discount rate	$ 0.4	$ 1.8

For the years ended December 31, 2014 and 2013, additions, collections, and accretion relating to residual assets were all less than $1.0 million, resulting in a net change of $0.3 million in the balance of residual assets for each year.

The financing receivables held for sale are carried at cost, which approximates fair value.

Credit Facility

The fair values of the credit facility are determined using a discounted cash flow model and Level 3 unobservable inputs. The significant unobservable inputs used in the fair value determination of our credit facility are discount rates. Significant increases in discount rates would result in a significantly lower fair value. Significant decreases in discount rates in isolation would result in a significantly higher fair value.

Asset-Backed Nonrecourse Notes and Other Nonrecourse Debt

The fair values of our nonrecourse debt are determined using a discounted cash flow model and Level 3 inputs. The significant unobservable inputs used in the fair value determination of our nonrecourse debt are discount rates and interest rates in recent comparable transactions. Significant increases in discount rates and interest rates would result in a significantly lower fair value. Significant decreases in discount rates and interest rates in recent comparable transactions in isolation would result in a significantly higher fair value.

Non-recurring Fair Value Measurements

In connection with our recent acquisitions described in Note 1, the assets acquired were recorded at their fair value. We used a third party valuation firm to assist us with developing our estimates of fair value. The fair value of land was based on comparable land sales and the fair value of the financial assets was based on a comparison of market yields for similar assets. The valuations were prepared using Level 3 inputs.

Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk are principally cash and cash equivalents. At December 31, 2014 and 2013, we had cash deposits held in U.S. banks of $70.1 million and $81.7 million, respectively. Included in these balances are $66.2 million and $80.8 million in bank deposits, respectively, in excess of amounts federally insured.

Financing receivables, investments and leases consist of primarily U.S. federal government-backed receivables, investment grade state and local government receivables and receivables from various sustainable infrastructure projects and do not, in our view, represent a significant concentration of credit risk. See Note 6 for an analysis by type of obligor.

4. **Non-Controlling Interest**

Non-Controlling Interest in Consolidated Entities

Units of limited partnership interests in the Operating Partnership ("OP units") that are owned by other limited partners are included in non-controlling interest on our consolidated balance sheets. As of December 31, 2014, the Operating Partnership had 27,673,213 OP units outstanding; of which we owned 98.8% and other limited partners owned 1.2%. The outstanding OP units held by outside limited partners are redeemable for cash, or at our option, for a like number of shares of our common stock.

In January 2014, we agreed to not exercise our right under the Operating Partnership agreement to deliver shares of our common stock in lieu of cash upon a request for redemption of OP units held by our limited partners and instead agreed to redeem such OP units for cash until such time that we had an effective registration statement covering the resale of shares of our common stock issuable upon exchange of OP units held by such limited partners. As a result of this agreement, we classified the non-controlling interest covered by this agreement as outside of equity. In August 2014, the required registration statement became effective and thus, we now have the ability to exercise our right to deliver shares in the event of an OP unit redemption request. Therefore, we are reporting our non-controlling interest within equity as of December 31, 2014.

For the year ended December 31, 2014, we redeemed 131,093 OP units held by our non-controlling interest holders for cash of $1.8 million. Our non-controlling interest holders continued to hold 331,282 OP units as of December 31, 2014. No OP units were redeemed in 2013.

The following is an analysis of the controlling and non-controlling interest from December 31, 2013 to December 31, 2014:

	Controlling Interest	Non-Controlling Interest Holders	Total
		(amounts in million)	
Total Equity by Interest Holders— December 31, 2013	$ 146.5	$ 4.1	$150.6
Net income attributable to interest holders	9.6	0.2	9.8
Issuance of common stock	129.4	—	129.4
Redemption of OP units	(0.6)	(1.2)	(1.8)
Repurchase of common stock	(0.2)	—	(0.2)
Equity-based compensation	5.1	0.1	5.2
Distributions	(20.8)	(0.3)	(21.1)
Change in accumulated other comprehensive income	0.3	—	0.3
Tax basis difference on contributed asset	1.8		1.8
Redemption value change for non-controlling interest redeemable for cash	(1.8)	1.8	—
Total Equity by Interest Holders— December 31, 2014	$ 269.3	$ 4.7	$274.0

The following is an analysis of the controlling and non-controlling interest from April 23, 2013, the date of our IPO, to December 31, 2013:

	Controlling Interest	Non-Controlling Interest Holders	Total
		(amounts in millions)	
Equity immediately after IPO (1)	$ 161.8	$ —	$161.8
Establishment of non-controlling interest during formation transaction	(4.4)	4.4	—
Net loss attributable to interest holders	(10.5)	(0.3)	(10.8)
Equity-based compensation	6.9	0.2	7.1
Distributions	(6.9)	(0.2)	(7.1)
Issuance (repurchase) of vested equity-based shares and other adjustments post IPO	(0.4)	—	(0.4)
Change in accumulated other comprehensive income	—	—	—
Total Equity by Interest Holders— December 31, 2013	$ 146.5	$ 4.1	$150.6

(1) Amount includes net proceeds of approximately $9.5 million received by us upon the exercise by the underwriters of their option to purchase an additional 818,356 shares of common stock on May 23, 2013.

Allocation of Profit and Loss and Cash Distributions prior to our IPO

Prior to the IPO, All profits, losses and cash distributions of the Predecessor were allocated based on the percentages as follows:

	Prior to April 23, 2013	Three months ended December 31, 2012	Year ended September 30, 2012
MissionPoint HA Parallel Fund, L.P.	70%	70%	75%
Jeffrey W. Eckel, Chief Executive Officer	18%	18%	20%
Other management and employees of the Predecessor	12%	12%	5%

Upon the completion of the IPO, the Preferred Units and Common Units in the Predecessor were exchanged for shares of our common stock or OP units in the Operating Partnership, or for certain unit holders in the Predecessor, were redeemed for cash.

5. **Securitization of Receivables**

We securitized financing receivables, recognizing gains of $8.5 million for the year ended December 31, 2014, as compared to $5.6 million and $3.9 million for the years ended December 31, 2013 and September 30, 2012, respectively. For the three months ended December 31, 2012, we securitized financing receivables and recognized a gain of $2.5 million. In connection with securitization transactions, we typically retain servicing responsibilities and residual assets. In certain instances, we receive annual servicing fees ranging from 0.05% to 0.20% of the outstanding balance. The investors and the securitization trusts have no recourse to our other assets for failure of debtors to pay when due. Our residual assets of $5.2 million and $4.9 million as of December 31, 2014 and 2013, respectively, are subordinate to investors' interests, and their values are subject to credit, prepayment and interest rate risks on the transferred financial assets.

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In computing gains and losses on securitizations, the discount rates were consistent with the discount rates presented in Note 3. Based on the nature of the receivables and experience-to-date, we do not currently expect to incur any credit losses on the receivables sold.

The following is an analysis of certain cash flows between us and the securitization trusts:

	Year ended December 31, 2014	Year ended December 31, 2013	Three months ended December 31, 2012	Year ended September 30, 2012
	(amounts in millions)			
Purchase of receivables securitized	$ 248.7	$ 260.1	$ 57.1	$ 142.0
Proceeds from securitizations	$ 257.2	$ 265.7	$ 59.6	$ 146.0
Servicing fees received	$ 0.6	$ 0.6	$ 0.1	$ 0.7
Cash received from residual assets	$ 0.9	$ 0.5	$ 0.2	$ 0.6

As of December 31, 2014 and 2013, our managed assets totaled $2.5 billion and $2.1 billion, of which $1.7 billion and $1.6 billion were securitized, respectively. There were no securitization credit losses in 2014, 2013, or 2012, and no material securitization delinquencies as of December 31, 2014 and 2013.

6. **Our Portfolio—Financing Receivables, Investments, Real Estate and Equity Method Investments**

As of December 31, 2014, our Portfolio included approximately $900 million of financing receivables, investments, real estate and equity method investments on our balance sheet. The financing receivables and investments are typically collateralized contractually committed debt obligations of government entities or private high credit quality obligors and are often supported by additional forms of credit enhancement, including security interests and supplier guaranties. The real estate is typically land and related lease intangibles for long-term leases to sustainable infrastructure projects with high credit quality obligors. The equity method investment represents our investment in a partnership that holds minority equity investments in wind projects.

The following is an analysis of our Portfolio by type of obligor and credit quality as of December 31, 2014, with 98% of the debt and real estate portion of our Portfolio rated investment grade as shown below:

	Investment Grade: Government (1)	Investment Grade: Commercial Investment Grade (2)	Commercial Non-Investment Grade (3)	Subtotal, Debt and Real Estate	Equity Method Investment (4)	Total
			(dollar amounts in millions)			
Financing receivables	$ 284	$ 268	$ 1	$ 553	$ —	$ 553
Financing receivables held-for-sale	62	—	—	62	—	62
Investments	—	13	14	27	—	27
Real estate (5)	—	114	—	114	—	114
Equity method investment	—	—	—	—	144	144
Total	$ 346	$ 395	$ 15	$ 756	$ 144	$ 900
% of Debt and Real Estate Portfolio	46%	52%	2%	100%	N/A	N/A
Average Remaining Balance (6)	$ 11	$ 9	$ 14	$ 10	$ 14	$ 11

(1) Transactions where the ultimate obligor is the U.S. federal government or state or local governments where the obligors are rated investment grade (either by an independent rating agency or based upon our internal credit analysis). This amount includes $263 million of U.S. federal government transactions and $83 million of transactions where the ultimate obligors are state or local governments. Transactions may have guaranties of energy savings from third party service providers, the majority of which are entities rated investment grade by an independent rating agency.

(2) Transactions where the projects or the ultimate obligors are commercial entities, including institutions such as hospitals or universities, that have been rated investment grade (either by an independent rating agency or based on our internal credit analysis). Of this total, $56 million of the transactions have been rated investment grade by an independent rating agency.
(3) Transactions where the projects or the ultimate obligors are commercial entities, including institutions such as hospitals or universities, that have ratings below investment grade either by an independent rating agency or using our internal credit analysis. Financing receivables are net of an allowance for credit losses of $1.2 million.
(4) Consists of minority ownership interest in operating wind projects in which we earn a preferred return.
(5) Includes the real estate and the lease intangible assets through which we receive scheduled lease payments, typically under long-term triple net lease agreements.
(6) Average Remaining Balance excludes 75 transactions each with outstanding balances that are less than $1.0 million and that in the aggregate total $21.0 million.

The components of financing receivables of December 31, 2014 and 2013 were as follows:

	December 31, 2014	December 31, 2013
	(amounts in millions)	
Financing receivables		
Financing or minimum lease payments (1)	$ 723.1	$ 504.7
Unearned interest income	(166.0)	(142.3)
Allowance for credit losses	(1.2)	(11.0)
Unearned fee income, net of initial direct costs	(3.2)	(3.5)
Financing receivables (1)	**$ 552.7**	**$ 347.9**

(1) Excludes $62.3 million and $24.8 million in financing receivables held-for-sale at December 31, 2014 and 2013, respectively.

In accordance with the terms of certain financing receivables purchase agreements, payments of the purchase price is scheduled to be made over time, generally within twelve months of entering into the transaction, and as a result, we have recorded deferred funding obligations of $88.3 million and $74.7 million as of December 31, 2014 and 2013, respectively. Under the terms of certain of these arrangements, we have $3.0 million and $49.9 million in restricted cash as of December 31, 2014 and 2013, respectively, which will be used to pay these funding obligations.

As of December 31, 2013, investments consisted of debt securities that were classified as held-to-maturity and thus recorded at their amortized cost. During the first quarter ended March 31, 2014, we sold a debt security of $3.2 million that was recorded at fair value and classified as available-for-sale as of December 31, 2013. The fair value of that debt security approximated its carrying value as of December 31, 2013. During the three months ended June 30, 2014, as part of our portfolio management process, we sold certain investments classified as held-to-maturity for $15.5 million with a carrying value of $14.7 million and realized a gain of $0.8 million. As a result, we transferred all of our remaining investments in debt securities to investments available-for-sale at the fair value of such securities on the transfer date. From the date of this transfer through December 31 2014, we sold certain available-for-sale debt securities with a fair value of $59.6 million and a cost of $56.3 million and realized a gain of $3.3 million. As of December 31, 2014, all of our investments in debt securities are classified as investments available-for-sale and we are carrying them on our balance sheet at fair value. There were no investments in an unrealized loss position as of December 31, 2014 or 2013.

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The following table provides a summary of our anticipated maturity dates of our financing receivables and investments and the weighted average yield for each range of maturities as of December 31, 2014:

	Total	Less than 1 year	1-5 years	5-10 years	More than 10 years
Financing Receivables (1)					
Payment due by period	$552.7	$ 14.0	$ 46.8	$ 46.9	$ 445.0
Weighted average yield by period (2)	5.47%	5.88%	7.67%	5.73%	5.20%
Investments					
Payment due by period	$ 27.3	$ —	$ 14.1	$ —	$ 13.2
Weighted average yield by period	5.57%	— %	5.76%	— %	5.37%

(1) Excludes financing receivables held-for-sale of $62.3 million and the allowance for credit losses of $1.2 million.
(2) Excludes yield on remaining $0.8 million loan balance that is on non-accrual status after the $1.2 million allowance for loan loss recorded as of December 2014.

The components of our real estate portfolio as of December 31, 2014 and 2013 were as follows:

	December 31, 2014	December 31, 2013
	(amounts in million)	
Real Estate		
Land	$ 90.9	$ —
Real estate related intangibles	23.3	—
Accumulated amortization of real estate intangibles	(0.2)	—
Real Estate	**$ 114.0**	**$ —**

The real estate related intangible assets will be amortized on a straight-line basis over the lease terms with expirations dates that range between the years 2047 and 2061 assuming expected extensions. There is a conservation easement agreement covering one of our properties acquired that limits the use of the property at the expiration of the lease that is expected to be in 2061. As of December 31, 2014, the future amortization expense to be recognized related to these intangible assets was:

	(amounts in millions)
Year Ending December 31,	
2015	$ 0.6
2016	0.6
2017	0.6
2018	0.6
2019	0.6
Thereafter	20.1
Total	**$ 23.1**

Our real estate is rented under long-term land lease agreements with expiration dates that range between the years 2033 and 2044 under the initial terms and 2047 and 2061 assuming anticipated extensions by the lessees. As of December 31, 2014, the future minimum rental income under our land lease agreements was as follows:

	(amounts in millions)
Year Ending December 31,	
2015	$ 8.7
2016	8.7
2017	8.7
2018	8.7
2019	8.7
Thereafter	293.5
Total	**$ 337.0**

In December 2013, we recorded an allowance of $11.0 million on the remaining $11.8 million balance of a $24 million loan made in May 2013 to a wholly owned subsidiary of EnergySource LLC ("EnergySource") to be used for a geothermal project. In November 2014, we entered into a Forbearance and Mutual Release Agreement with EnergySource under which in full satisfaction of the remaining balance of our loan, we would realize a portion of the proceeds from the sale of land held by EnergySource. We expect our recovery from the land sale to equal the net balance of $0.8 million and have agreed to cap the recovery at $2.0 million. However, there can be no assurance as to the actual timing or ultimate recovery from any land sale or whether any land sale will in fact occur. As a result of this agreement, we charged off $9.8 million of the receivable against the allowance, resulting in a remaining allowance of $1.2 million. The project is considered a variable interest entity and the maximum exposure to loss is the net balance of $0.8 million, which represents our current estimate of the realizable sale value of assets and was the average balance for the year, net of the allowance. No interest income was accrued or collected in cash on the loan for the year ended December 31, 2014. For the year ended December 31, 2013, the loan had an average balance of $24.7 million and we recorded and collected interest income on the loan of $2.4 million. Certain of our executive officers and directors own an indirect minority interest in EnergySource following the distribution of the Predecessor's ownership interest prior to our IPO.

We had no other financing receivables, investments or leases on nonaccrual status at December 31, 2014 or 2013. There was no allowance for credit losses as of September 30, 2012, or provision for credit losses for the three months ended December 31, 2012 or for the year ended September 30, 2012. We evaluate any modifications to our financing receivables in accordance with the guidance in ASC 310, Receivables. We evaluate modifications of financing receivables to determine if the modification is more than minor, whereby any related fees, such as prepayment fees, would be recognized as income at the time of the modification. We did not have any loan modifications that qualify as trouble debt restructurings for the years ended December 31, 2014, 2013, and September 30, 2012, or for the three months ended December 31, 2012.

7. **Intangible Assets and Goodwill**

During the year ended December 31, 2014, we recorded goodwill of $2.1 million related to the real estate acquisitions described in Note 1. We also recorded real estate related lease intangibles that are described in Note 6. In connection with a business purchase combination, which occurred in May 2007, we recorded intangible assets of $5.1 million to be amortized over their estimated useful life and goodwill of $3.8 million. Management tests our goodwill annually and has determined that at December 2014 and 2013, goodwill is not impaired. Intangible assets and goodwill are included in the other assets line item in the consolidated balance sheets.

At December 31, 2014 and 2013, the non real estate related intangible assets and goodwill consisted of:

	December 31, 2014	December 31, 2013
	(amounts in millions)	
Amortizable intangible assets:		
Trade names and securitization structuring costs (15 year estimated life)	$ 3.1	$ 3.1
Other fully amortized intangibles	2.0	2.0
Total amortizable intangible assets (at initial value)	5.1	5.1
Accumulated amortization	(3.6)	(3.4)
Net intangible assets	**$ 1.5**	**$ 1.7**
Goodwill	**$ 5.9**	**$ 3.8**

Future amortization expenses related to non real estate related amortizable intangible assets at December 31, 2014 will be approximately $0.2 million annually through the year ending December 31, 2021.

8. **Credit Facilities**

In July 2013, we entered into a $350 million senior secured revolving credit facility through newly-created, wholly-owned special purpose subsidiaries (the "Borrowers"). The terms of the credit facility are set forth in the Loan Agreement (G&I) (the "G&I Loan Agreement") and the Loan Agreement (PF) and related amendments as described below (the "PF Loan Agreement", and together with the G&I Loan Agreement, the "Loan Agreements").

Since that time, we have entered into a number of amendments intended to increase the flexibility and borrowing capability of the credit facility as described below:

- November 2013—the PF Loan Agreement was amended to provide us with the flexibility to negotiate an alternative interest rate margin on certain loans with the approval of the administrative agent.
- May 2014—the PF Loan Agreement was amended to increase its overall borrowing capacity by $200 million to $500 million, increase the maximum borrowings allowed at any point in time under the PF Loan Agreement by $100 million to $250 million and expand the collateral eligibility criteria to reflect current market opportunities in distributed energy assets.
- August 2014—we entered into an amended and restated Loan Agreement which a) incorporated the terms of the first two amendments, b) added additional subsidiaries as Borrowers, c) provided for a fixed rate loan option and d) modified the timing of borrowings on certain projects.
- September 2014—the Loan Agreements were amended to reduce the required notice period for advances.
- December 2014—the Loan Agreements were amended to extend the maturity date of the facility to July 19, 2019 and to increase the PF Loan Agreement overall borrowing capacity by $475 million to $975 million and increase the maximum borrowings allowed at any point in time under the PF Loan Agreement by $75 million to $325 million. The G&I Loan Agreement was amended to decrease the G&I Loan Agreement overall borrowing capacity by $25 million to $375 million and decrease the maximum borrowings allowed at any point in time under the G&I Loan Agreement by $75 million to $125 million.

We have guaranteed the obligations of the Borrowers under each of the Loan Agreements pursuant to (x) a Continuing Guaranty, dated July 19, 2013, and (y) a Limited Guaranty, dated July 19, 2013. As part of our August and December 2014 amendments, we entered into amended and restated versions of these guaranties.

The Loan Agreements, as amended, provide for senior secured revolving credit facilities with total maximum advances of $1.35 billion (i) in the case of the G&I Loan Agreement, in the principal amount of $125 million to be used to leverage certain qualifying government and institutional financings entered into by us, with maximum total advances (without giving effect to prepayments or repayments) of $375 million, and (ii) in the case of the PF Loan Agreement, in the principal amount of $325 million to be used to leverage certain qualifying project financings entered into by us, with maximum total advances (without giving effect to prepayments or repayments) of $975 million. The scheduled termination date of each of the Loan Agreements is July 19, 2019. Loans under the G&I Loan Agreement bear interest at a rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.50% or, under certain circumstances, the Federal Funds Rate plus 1.50%. Loans under the PF Loan Agreement bear interest at a rate equal to LIBOR plus 2.50% or, under certain circumstances, the Federal Funds Rate plus 2.50%, or a specifically negotiated rate on certain loans as approved by the administrative agent. Under the PF Loan Agreement, we also have the option to borrow at a fixed rate of interest until the expiration of the credit facility in July 2019. The fixed rate is determined by agreement with the Administrative Agent and is based on the prevailing US SWAP rate of an equivalent term to the average-life of the fixed rate portion of the borrowing plus an agreed upon margin.

Any financing we propose to be included in the borrowing base as collateral under the Loan Agreements is subject to the approval of the administrative agent in its sole discretion. As part of the December 2014 amendment, we agreed to pay a placement fee of $20,000 for each financing added to the borrowing base after the date of the amendment. The amount eligible to be drawn under the Loan Agreements for purposes of financing such investments will be based on a discount to the value of each investment or an applicable valuation percentage. Under the G&I Loan Agreement, the applicable valuation percentage for non-delinquent investments is 80% in the case of a U.S. federal government obligor, 75% in the case of an institutional obligor or a state and local obligor, and with respect to other obligors or in certain circumstances, such other percentage as the administrative agent may prescribe. Under the PF Loan Agreement, the applicable valuation percentage is 67% or such other percentage as the administrative agent may prescribe. The sum of approved financings after taking into account the valuation percentages and any changes in the valuation of the financings in accordance with the Loan Agreements determines the borrowing capacity, subject to the overall facility limits described above.

We had outstanding borrowings under our credit facilities of $315.7 million and $77.1 million as of December 31, 2014 and 2013, respectively. We pledged $422.4 million and $114.3 million of financing receivables as collateral for the credit facility as of December 31, 2014 and 2013, respectively. The weighted average short-term borrowing rate of our credit facilities was 2.4% and 2.6% as of December 31, 2014 and 2013, respectively. We incurred approximately $10.8 million of costs associated with the Loan Agreements that have been capitalized (included in other assets on the consolidated balance sheets) and will be amortized on a straight-line basis over the term of the Loan Agreements. On each monthly payment date, the Borrowers shall also pay to the administrative agent, for the benefit of the lenders, certain availability fees for each Loan Agreement equal to 0.50%, divided by 360, multiplied by the excess of the available borrowing capacity under each Loan Agreement over the actual amount borrowed under such Loan Agreement.

Each Loan Agreement contains terms, conditions, covenants, and representations and warranties that are customary and typical for a transaction of this nature. The Loan Agreements contain various affirmative and negative covenants, and limitations on the incurrence of liens and indebtedness, investments, fundamental organizational changes, dispositions, changes in the nature of business, transactions with affiliates, use of proceeds and stock repurchases.

Each Loan Agreement also includes customary events of default, including the existence of a default in more than 50% of underlying financings. The occurrence of an event of default may result in termination of the Loan Agreements, acceleration of amounts due under both Loan Agreements, and accrual of default interest at a rate of LIBOR plus 2.50% in the case of the G&I Loan Agreement and at a rate of LIBOR plus 5.00% in the case of the PF Loan Agreement.

The Loan Agreements require that we maintain the following financial covenants:

Covenant	Covenant Threshold
Minimum Liquidity (defined as available borrowings under the Loan Agreements plus unrestricted cash divided by actual borrowings) of greater than:	5%
12 month rolling Net Interest Margin of greater than:	zero
Maximum Debt to Equity Ratio of less than: (1)	4 to 1

(1) Debt is defined as total indebtedness excluding accounts payable and accrued expenses and nonrecourse debt.

We were in compliance with the financial covenants of the Loan Agreements at each reporting date that such covenants were applicable.

We repaid our Predecessor's credit facility and a related interest rate swap and cap in April 2013 from the proceeds of the IPO. The facility had a balance of $4.6 million as of September 30, 2012. Interest paid under the facility was $0.3 million for the year ended September 30, 2012.

9. **Nonrecourse Debt**

Asset-Backed Nonrecourse Notes

In December 2013, through certain of our subsidiaries, we issued in a private placement $100 million of nonrecourse asset-backed Notes (the "Notes") with a fixed interest rate of 2.79%. The Notes mature in December 2019 and are secured by certain of our financing receivables included on our balance sheet. The Noteholders can only look to the cash flows of the pledged financing receivables to satisfy the Notes and we are not liable for nonpayment by the obligor of the financing receivables securing these Notes. As of December 31, 2014 and 2013, we had $91.5 million and $100.1 million, respectively, of Notes outstanding, which were secured by $103.9 million and $109.5 million, respectively, of our financing receivables included on our balance sheet. Upon maturity, the Notes are anticipated to have an outstanding debt balance of approximately $57 million. The Notes may be prepaid prior to December 2018, with a make-whole payment calculated as the present value of remaining principal and interest payments using a discount rate equal to the comparable-maturity treasury yield plus 50 basis points. After December 2018, the Notes may be prepaid at par. At maturity, we will have the option to rollover the remaining debt with a mutually agreed term and rate or repay the outstanding balance.

In October 2014, through certain of our subsidiaries, we entered into a $115 million nonrecourse asset-backed loan agreement (the "ABS Loan Agreement") with a fixed interest rate of 5.74%. The ABS Loan Agreement matures in September 2021. Principal and interest is paid quarterly starting in March 2015 with a minimum principal payment amount equal to one-half percent (0.5%) of the principal amount of the loan plus additional principal payments based on available cash flow and a target debt balance. HAT Holdings II LLC, an indirect TRS subsidiary of the Company, has pledged its 100% ownership of the equity in HA Wind LLC which in turn has pledged all of its assets, which consists primarily of a 50% ownership interest in Strong Upwind, as security for the loan. The loan is otherwise non-recourse to the Company. The expected remaining debt balance to be repaid at the maturity date is $20.2 million. The ABS Loan Agreement contains terms, conditions, covenants, and representations and warranties from HA Wind LLC that are customary and typical for a transaction of this nature, including limitations on the incurrence of liens and indebtedness, investments, fundamental organizational changes, dispositions, changes in the nature of business, transactions with affiliates, use of proceeds and stock repurchases. The ABS Loan Agreement also includes customary events of default, the occurrence of which may result in termination of the Loan Agreement, acceleration of amounts due, and accrual of default interest at a rate of 7.74%.

We incurred approximately $1.7 million of costs associated with our asset-backed nonrecourse debt that have been capitalized (included in other assets on the consolidated balance sheets) and is being amortized using the effective interest method over the respective term.

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Other Nonrecourse Debt

We have other nonrecourse debt that was used to finance certain of our financing receivables for the term of the financing receivable. Amounts due under nonrecourse notes are secured by financing receivables with a carrying value of $108.4 million and $156.4 million as of December 31, 2014 and 2013, respectively, and there is no recourse to our general assets. Debt service payment requirements, in a majority of cases, are equal to or less than the cash flows received from the underlying financing receivables.

An analysis of other nonrecourse debt by interest rate as of December 31, 2014 and 2013 is as follows:

As of December 31, 2014	Balance	Maturity
	(amounts in million)	
Fixed-rate promissory notes, interest rates from 2.06% to 5.00% per annum	$ 31.8	2015 to 2032
Fixed-rate promissory notes, interest rates from 5.01% to 6.50% per annum	57.5	2015 to 2031
Fixed-rate promissory notes, interest rates from 6.51% to 8.00% per annum	23.2	2015 to 2031
Other nonrecourse debt	**$ 112.5**	

As of December 31, 2013	Balance	Maturity
	(amounts in millions)	
Fixed-rate promissory notes, interest rates from 2.06% to 5.00% per annum	$ 66.1	2014 to 2032
Fixed-rate promissory notes, interest rates from 5.01% to 6.50% per annum	68.8	2014 to 2031
Fixed-rate promissory notes, interest rates from 6.51% to 8.00% per annum	24.9	2015 to 2031
Other nonrecourse debt	**$ 159.8**	

The stated minimum maturities of nonrecourse debt as of at December 31, 2014 were as follows:

	Nonrecourse Debt		
As of December 31, 2014	Asset Backed Nonrecourse Notes	Other Nonrecourse Debt	Total
	(amounts in millions)		
2015	$ 17.1	$ 25.1	$ 42.2
2016	19.2	15.1	34.3
2017	21.1	13.5	34.6
2018	19.7	6.8	26.5
2019	79.8	3.5	83.3
Thereafter	51.3	48.5	99.8
	$ 208.2	**$ 112.5**	**$320.7**

10. **Defined Contribution Plan**

We administer a 401(k) savings plan, a defined contribution plan covering substantially all of our employees. Employees in the plan may contribute up to the maximum annual IRS limit before taxes via payroll deduction. Under the plan, we provide a dollar for dollar match for the first 3% of the employee’s contributions and a $0.50 per dollar match for the next 2% of employee contributions. We contributed $0.2 million, $0.2 million, and $0.1 million under the plan for the years ended December 31, 2014, 2013, and September 30, 2012, respectively.

11. **Commitments and Contingencies**

Leases

We lease office space at our headquarters in Annapolis, Maryland under an operating lease entered into in July 2011 and amended in October 2013 to add additional space. The lease provides for operating expense reimbursements and annual escalations that are amortized over the respective lease terms on a straight-line basis. Lease payments under this lease commenced in March 2012 and incremental payments related to the amendment commenced in March 2014. In July 2014, we entered into a 5-year operating lease for office space in a satellite office in San Francisco, California. Lease payments under this lease commenced in August 2014.

Rent expense was $0.5 million, $0.3 million, and $0.3 million for the years ended December 31, 2014, 2013, and September 30, 2012, respectively. For the three months ended December 31, 2012, rent expense was $0.1 million.

Future gross minimum lease payments are as follows:

Year Ending December 31,	(amounts in millions)	
2015	$	0.5
2016		0.5
2017		0.5
2018		0.6
2019		0.5
Thereafter		1.1
	$	**3.7**

Litigation

We are not currently subject to any legal proceedings that are probable of having a material adverse effect on our financial position, results of operations or cash flows.

12. **Income Tax**

We elected and qualified to be taxed as a REIT commencing with our taxable year ending December 31, 2013. As a REIT, we are not subject to federal corporate income tax on that portion of net income that is currently distributed to our owners. However, our TRSs will generally be subject to federal, state, and local income taxes, as well as taxes of foreign jurisdictions, if any. Prior to the completion of the IPO, the Predecessor was taxed as a partnership for U.S. federal income tax purposes.

We account for income taxes of our TRS using the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in earnings in the period when the new rate is enacted.

During the three months ended March 31, 2014, we transferred an asset to our TRS that had a tax basis in excess of its book basis. We recognized a deferred tax asset for the amount we expect to be realizable. Because the transfer was done amongst entities under common control, we recorded the $1.9 million impact of the transaction to additional paid in capital. During the three months ended March 31, 2014, we established a $2.5 million valuation allowance against our deferred tax asset. As of December 31, 2014 and 2013, we had no valuation allowance against our deferred tax assets.

We recorded a tax (expense)/benefit of ($0.0) million and $0.3 million for the years ended December 31, 2014 and 2013, respectively, related to the activities of our TRS. The income tax expense and benefits recorded were determined using a federal rate of 35% and a combined state rate, net of federal benefit, of 5%. The effective tax rate for the TRS for the year ended December 31, 2014, was 0%, which is below the combined statutory tax rate of 40% primarily as a result of the release of a valuation allowance of approximately $2.5 million.

The components of the income tax benefit for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
	(amounts in million)	
Federal	$ (0.0)	$ 0.2
State	—	0.1
Total net tax (expense) benefit	**$ (0.0)**	**$ 0.3**

We recorded a deferred tax liability of $0.1 million and $1.8 million as of December 31, 2014 and 2013, respectively, related to the activities of our TRS. Our deferred tax liability is included in Accounts payable, accrued expenses and other on our consolidated balance sheet. Deferred income taxes represent the tax effect from continuing operations of the differences between the book and tax basis of assets and liabilities, and for equity-based compensation it represents the impact of the vesting of restricted stock. Deferred tax assets (liabilities) include the following as of December 31:

	2014	2013
	(amounts in million)	
Financing receivable basis difference	$ (5.6)	$ (3.0)
Other	(0.2)	—
Gross deferred tax liabilities	**(5.8)**	**(3.0)**
Net operating loss (NOL) carryforwards	4.4	1.0
Equity-based compensation	0.8	0.2
Other	0.5	—
Gross deferred tax assets	**5.7**	**1.2**
Net deferred tax liabilities	**$ (0.1)**	**$ (1.8)**

The ability to carryforward the NOL of approximately $4.4 million will begin to expire in 2034 for federal and state tax purposes if not utilized. If our TRS entities were to experience a change in control as defined in Section 382 of the Internal Revenue Code, the TRS's ability to utilize NOL in the years after the change in control would be limited.

No provision for federal or state income taxes has been made for the three months ended December 31, 2012, or for the year ended September 30, 2012, in the accompanying consolidated financial statements, since our profits and losses were reported on the Predecessor's members' tax returns.

For federal income tax purposes, the cash dividends paid for the years ended December 31, 2014 and 2013 are characterized as follows:

	2014	2013
Common distributions		
Ordinary income	5.4%	63.7%
Return of capital	94.6%	36.3%
	100.0%	**100.0%**

As our aggregate distributions paid in 2014 and 2013 exceeded our taxable earnings and profits for such year:

- the January 2015 distribution declared in the fourth quarter of 2014, and payable to shareholders of record as of December 19, 2014 will be treated as a 2015 distribution for federal income tax purposes and is not included in the 2014 tax characterization shown above, and
- the January 2014 distribution declared in the fourth quarter of 2013, and payable to shareholders of record as of December 30, 2013 was treated as a 2014 distribution for federal income tax purposes and was not included in the 2013 tax characterization shown above.

13. Equity

Dividends and Distributions

Our board of directors declared the following dividends in 2013 and 2014:

Announced Date	Record Date	Pay Date	Amount per share
8/8/13	8/20/13	8/29/13	$ 0.06
11/7/13	11/18/13	11/22/13	$ 0.14
12/17/13	12/30/13	1/10/14	$ 0.22
3/13/14	3/27/14	4/9/14	$ 0.22
6/17/14	6/27/14	7/10/14	$ 0.22
9/16/14	9/26/14	10/9/14	$ 0.22
12/8/14	12/19/14	1/9/15	$ 0.26

We completed the following public offerings of common stock[1]:

Closing Date	Shares Issued	Price Per Share	Net Proceeds [2]
	(Amounts in millions, except per share amounts)		
4/23/13	14.2	$ 12.50	$ 160.0
4/29/14	5.8	$ 13.00	$ 70.4
10/31/14	4.6	$ 13.60	$ 58.9

1 Includes shares issued in connection with the exercise of the underwriters' option to purchase additional shares.
2 Net proceeds from the offerings is shown after deducting underwriting discounts, commissions, other offering costs and, in the case of our initial public offering, formation transaction costs.

Registration Statements

Resale Shelf Registration Statement

In August 2014, we filed a registration statement with the SEC registering the resale, from time to time, by certain persons of up to 3,178,410 shares of common stock, comprised of: (1) 1,741,238 shares of common stock issued in connection with our formation transactions at the time of our IPO, (2) 331,282 shares of common stock issuable upon exchange of OP units issued in connection with our formation transactions, which are exchangeable on a one-for-one basis, into cash or, at our option, shares of our common stock and (3) 1,105,890 shares of common stock granted under the 2013 Plan to our directors, officers and other employees.

The registration of the resale of these shares does not necessarily mean that all or any of these shares will be offered or sold by the holders. We have not and will not receive any proceeds from the sale of these shares by the selling stockholders. In accordance with our registration rights agreement, we incurred the costs of approximately $0.1 million to register the resale of these shares of common stock. Brokerage commissions and similar costs related to the future sale of these shares, if any, will be borne by the selling stockholders.

Company Shelf Registration Statement

In August 2014, we filed a registration statement with the SEC registering the possible offering and sale of up to $500 million of any combination of our common stock, preferred stock, depositary shares, and warrants and rights (collectively referred to as the "securities"). We may offer the securities directly, through agents, or to or through underwriters. Sales of the securities may be made by means of ordinary brokers' transactions on the NYSE or otherwise at market prices prevailing at the time of sale or at negotiated prices. The specific terms of the securities offering and the names of any underwriters involved in the sale of the securities will be set forth in the applicable prospectus supplement. In October 2014, we completed a follow-on public offering using this shelf registration in which we sold 4,600,000 shares of common stock (including 600,000 shares sold pursuant to the full exercise of the underwriters' option to purchase additional shares) at $13.60 per share, less the underwriting discount and estimated expenses, for net proceeds of $58.9 million.

Equity Incentive Plan

At the time of completion of our IPO, we adopted our 2013 Plan, which provides for grants of stock options, stock appreciation rights, restricted stock units, shares of restricted common stock, phantom shares, dividend equivalent rights, LTIP units and other restricted limited partnership units issued by our Operating Partnership and other equity-based awards. From time to time, we may award unvested restricted shares as compensation to members of our senior management team, our independent directors, employees, advisors, consultants and other personnel under our 2013 Plan. The shares issued under this plan vest over a period of time as determined by the board of directors at the date of grant.

Reallocation of the Predecessor's Membership Units

Concurrently with the IPO, the existing owners of the Predecessor reallocated and distributed a portion of their equity ownership to the employees of the Predecessor and the employees received 202,826 shares of common stock, 128,348 restricted stock units and 135,938 OP units. This reallocation was accounted for as equity-based compensation in accordance with ASC 718, *Compensation—Stock Compensation*, with equity award valuations based on the IPO price of $12.50 per share. As the shares of common stock, restricted stock units and OP units were immediately vested, we recorded compensation expense related to these awards of $5.8 million on April 23, 2013. No tax benefits have been recorded related to this reallocation. The restricted stock units, net of applicable federal and state taxes withheld, were converted to common shares in November 2013.

Awards of Shares of Restricted Common Stock under our 2013 Plan

Under the 2013 Plan, we issued both awards with service conditions and awards with performance conditions. The fair value of awards of restricted stock is based on the fair value of our common stock shares on the grant date. On April 23, 2013, our board of directors granted, under the 2013 Plan, 606,415 shares of restricted common stock, which vest each anniversary in equal annual installments over a four-year period. No equity-based compensation shares vested in 2013. During the year ended December 31, 2014, our board of directors awarded employees and directors 149,359 shares of restricted common stock that vest in 2015 through 2018 and 379,741 shares of restricted common stock to certain employees that vest upon the later of the achievement of certain dividend growth targets and December 31, 2015.

We recognize compensation expense for unvested shares that vest solely based on service conditions on a straight-line basis over the vesting period, adjusted for forfeitures. Compensation expense related to our awards with performance conditions is recognized over the requisite service period based on our estimate of the achievement of the various performance targets, adjusted for forfeitures. The calculation of the compensation expense assumes a forfeiture rate up to 5%.

For the year ended December 31, 2014, we recorded $5.2 million of equity-based compensation expense. For the period from April 23, 2013 through December 31, 2013, we recorded $7.1 million of equity-based

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compensation expense, including the compensation expense associated with the reallocation of the Predecessor's membership units described above. The total unrecognized compensation expense related to awards of shares of restricted common stock subject to a vesting schedule, considering estimated forfeitures, is $8.9 million as of December 31, 2014, which is expected to be recognized over a weighted-average term of approximately two years.

A summary of the unvested shares of restricted common stock that have been issued from April 23, 2013 to December 31, 2014 is as follows:

	Restricted Shares of Common Stock	Weighted Average Share Price	Value (in millions)
Beginning Balance—April 23, 2013	606,415	$ 12.50	$ 7.6
Granted	10,800	12.37	0.1
Vested	—	—	—
Forfeited	(18,400)	12.50	(0.2)
Balance—December 31, 2013	**598,815**	**12.50**	**7.5**
Granted	529,100	14.18	7.5
Vested	(149,709)	12.50	(1.9)
Forfeited	(13,386)	12.99	(0.2)
Ending Balance—December 31, 2014	**964,820**	**13.41**	**$ 12.9**

14. **Earnings per Share of Common Stock**

Net income or loss figures are presented net of income or loss attributable to the non-controlling OP units in the earnings per share calculations. The non-controlling limited partners' outstanding OP units have also been excluded from the diluted earnings per share calculation attributable to common stockholders as there would be no effect on the amounts since the limited partners' share of income would also be added back to net income. The weighted average number of OP units held by the non-controlling interest was 342,648 and 461,614 for the years ended December 31, 2014 and 2013, respectively.

Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of earnings per share pursuant to the two-class method. Any shares of common stock which, if included in the diluted earnings per share calculation, would have an anti-dilutive effect have been excluded from the diluted earnings per share calculation. At December 31, 2014 and 2013, there were 964,820 and 598,815 shares of unvested restricted common stock outstanding, respectively.

The computation of basic and diluted earnings per common share is as follows (in millions, except share and per share data):

	Year ended December 31,	
Numerator:	**2014**	**2013**
Net income (loss) attributable to controlling shareholders and participating securities	$ 9.6	$(10.5)
Less: Dividends paid on participating securities	(0.8)	(0.3)
Undistributed earnings attributable to participating securities	—	—
Net income (loss) attributable to controlling shareholders	**$ 8.8**	**$(10.8)**

Denominator:		
Weighted-average number of common shares—basic	20,656,826	15,716,250
Weighted-average number of common shares—diluted	20,656,826	15,716,250
Basic earnings per common share	$ 0.43	$ (0.68)
Diluted earnings per common share	$ 0.43	$ (0.68)

15. **Equity Method Investment in Affiliate**

Strong Upwind

As described in Notes 1 and 2, on October 20, 2014, we made a $144 million investment in Strong Upwind that is jointly owned and operated with an affiliate of JPMorgan. We account for our investment using the equity method of accounting. As is consistent with the equity method of accounting, we have elected to record the financial results for U.S. GAAP one quarter in arrears to allow for the receipt of financial information. Thus, we have not recorded any income or loss from our equity method investment in 2014.

The following is a summary of the consolidated financial position and results of operations of the holding companies, accounted for using the equity method:

	As of and for the nine months ended September 30, 2014	As of and for the year ended December 31, 2013
	(in millions, unaudited)	
Current Assets	$ 40.5	$ 45.7
Total Assets	$ 1,496.7	$ 1,579.9
Current Liabilities	$ 13.8	$ 16.1
Total Liabilities	$ 64.1	$ 69.5
Members' Equity	$ 1,432.6	$ 1,510.4
Revenue	$ 112.4	$ 142.4
Income from Continuing Operations	$ 26.8	$ 16.4
Net Income	$ 26.8	$ 16.4

HA EnergySource

In December 2012, the Predecessor's board of directors approved the distribution of our entire equity interest in HA EnergySource Holdings LLC ("HA EnergySource") to the Predecessor's stockholders effective December 31, 2012 along with a $3.4 million capital commitment that was paid in 2013 to HA EnergySource to be used for general corporate purposes, future investments or dividends to HA EnergySource owners. HA EnergySource's only asset is an equity interest in EnergySource that develops and operates geothermal projects in California including Hudson Ranch Power I, LLC ("Hudson Ranch").

In August 2012, HA EnergySource made distributions to the Predecessor's members and redeemed all outside interests in HA EnergySource not previously owned by the Predecessor. After the redemption, HA EnergySource became a wholly owned and consolidated subsidiary of the Predecessor. As both the Predecessor and HA EnergySource were under the common control of MissionPoint HA Parallel Fund, L.P., it was determined that this was a common control transaction (i.e., the transaction did not result in a change in control at the ultimate controlling stockholder level). Accordingly, under ASC 810, the Predecessor did not account for the consolidation at fair value, but rather, accounted for the transaction at the carrying amount of the net assets consolidated (i.e., HA EnergySource's investment in EnergySource).

Prior to the distribution and redemption transaction, based on an assessment of HA EnergySource, it was determined that HA EnergySource was a variable interest entity under ASC 810. Additionally, it was determined that the Predecessor was not the primary beneficiary of HA EnergySource as it did not have the power to direct the most important decisions related to the most significant activities of HA EnergySource and thus the Predecessor did not consolidate HA EnergySource.

The distribution and redemption transaction did not impact the determination that the Predecessor and HA EnergySource were not the primary beneficiary of EnergySource and EnergySource was not the primary beneficiary of Hudson Ranch. While both EnergySource and Hudson Ranch were determined to be variable interest entities under ASC 810, the Predecessor and HA EnergySource were not the primary beneficiaries of these entities as neither the Predecessor nor HA EnergySource had the power to direct the most important decision making related to the most significant activities of the respective entities and thus they were not consolidated

Accordingly, the Predecessor accounted for its investment in HA EnergySource under the equity method of accounting prior to it becoming a wholly owned subsidiary. HA EnergySource accounted for its investment in EnergySource under the equity method and EnergySource accounted for its investment in Hudson Ranch under the equity method.

For the year ended December 31, 2013, we did not have an equity method investment in an affiliate. For the year ended September 30, 2012, the Predecessor recognized its share in the loss from equity method investment in affiliate of $1.3 million. For the three months ended December 31, 2012, the Predecessor recorded a loss from equity method investments in affiliate of $0.5 million. During the year ended September 30, 2012, EnergySource made cash distributions of excess financing proceeds to us totaling $12.6 million and deemed distributions totaling $1.7 million. The deemed distributions were reinvested as capital contributions to EnergySource. Our investment and maximum exposure to loss in HA EnergySource as of September 30, 2012, was $0.8 million.

We provided investment banking and management services to EnergySource. In addition to the interest on our loan as described in Note 6, for the years ended December 31, 2013, and September 30, 2012, we recorded income of $0.5 million, and $8.8 million, respectively. For the three months ended December 31, 2012, we recorded income of $0.1 million. We did not record any income for services to EnergySource for the year ended December 31, 2014.

16. **Selected Quarterly Financial Data (Unaudited)**

The following table summarizes our quarterly financial data which, in the opinion of management, reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of our results of operations (in thousands):

	For the Three-Months Ended			
	March 31, 2014	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014
For the year ended December 31, 2014				
Net Investment Revenue, net of provision	2,382	$ 3,093	$ 4,269	$ 3,726
Other Investment Revenue	3,317	4,479	3,544	3,810
Total Revenue, net of investment interest expense and provision	5,699	7,572	7,813	7,536
Other Expenses, net	(2,826)	(5,527)	(4,604)	(5,867)
Net income (loss) before income tax	$ 2,873	$ 2,045	$ 3,209	$ 1,669
Income tax (expense) benefit	(60)	830	(607)	(189)
Net Income (Loss)	$ 2,813	$ 2,875	$ 2,602	$ 1,480
Net Income (Loss) attributable to controlling shareholders	**$ 2,753**	**$ 2,828**	**$ 2,564**	**$ 1,462**
Basic earnings per common share (a)	**$ 0.17**	**$ 0.13**	**$ 0.11**	**$ 0.05**
Diluted earnings per common share (a)	**$ 0.17**	**$ 0.13**	**$ 0.11**	**$ 0.05**

	For the Three-Months Ended			
	March 31, 2013	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013
For the year ended December 31, 2013				
Net Investment Revenue, net of provision	475	$ 1,332	$ 2,590	$ (7,847)
Other Investment Revenue	281	1,532	2,206	3,061
Total Revenue, net of investment interest expense and provision	756	2,864	4,796	(4,786)
Other Expenses, net	(1,975)	(8,638)	(2,902)	(3,000)
Net (loss) income before income tax	$ (1,219)	$ (5,774)	$ 1,894	$ (7,786)
Income tax benefit (expense)	—	—	—	251
Net (loss) income	$ (1,219)	$ (5,774)	$ 1,894	$ (7,535)
Net (loss) income attributable to controlling shareholders		**$ (4,971)**	**$ 1,842**	**$ (7,330)**
Basic earnings per common share (a)		**$ (0.32)**	**$ 0.11**	**$ (0.48)**
Diluted earnings per common share (a)		**$ (0.32)**	**$ 0.11**	**$ (0.48)**

(a) Amounts for the individual quarters when aggregated may not agree to the earnings per share for the full year due to rounding.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

A review and evaluation was performed by our management, including our Chief Executive Officer (the “CEO”) and Chief Financial Officer (the “CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is 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 on Form 10-K. Based on that review and evaluation, the CEO and CFO have concluded that our current disclosure controls and procedures, as designed and implemented, were effective. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within our company to disclose material information otherwise required to be set forth in our periodic reports.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our 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 U.S. GAAP and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of our company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. 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 the 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 risks 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, 2014. In making this assessment, our management used criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013 Framework).

Based on this assessment, our management believes that, as of December 31, 2014, our internal control over financial reporting was effective based on those criteria.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting pursuant to rules of the SEC that permit our company to provide only management’s report in this annual report.

Item 9B. Other Information.

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information regarding our directors, executive officers and certain other matters required by Item 401 of Regulation S-K is incorporated herein by reference to our definitive proxy statement relating to our annual meeting of stockholders (the "Proxy Statement"), to be filed with the SEC within 120 days after December 31, 2014.

The information regarding compliance with Section 16(a) of the Exchange Act required by Item 405 of Regulation S-K is incorporated herein by reference to the Proxy Statement to be filed with the SEC within 120 days after December 31, 2014.

The information regarding our Code of Business Conduct and Ethics required by Item 406 of Regulation S-K is incorporated herein by reference to the Proxy Statement to be filed with the SEC within 120 days after December 31, 2014.

The information regarding certain matters pertaining to our corporate governance required by Item 407(c)(3), (d)(4) and (d)(5) of Regulation S-K is incorporated by reference to the Proxy Statement to be filed with the SEC within 120 days after December 31, 2014.

Item 11. Executive Compensation.

The information regarding executive compensation and other compensation related matters required by Items 402 and 407(e)(4) and (e)(5) of Regulation S-K is incorporated herein by reference to the Proxy Statement to be filed with the SEC within 120 days after December 31, 2014.

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

The tables on equity compensation plan information and beneficial ownership of our Company required by Items 201(d) and 403 of Regulation S-K are incorporated herein by reference to the Proxy Statement to be filed with the SEC within 120 days after December 31, 2014.

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

The information regarding transactions with related persons, promoters and certain control persons and director independence required by Items 404 and 407(a) of Regulation S-K is incorporated herein by reference to the Proxy Statement to be filed with the SEC within 120 days after December 31, 2014.

Item 14. Principal Accountant Fees and Services.

The information concerning principal accounting fees and services and the Audit Committee's pre-approval policies and procedures required by Item 14 is incorporated herein by reference to the Proxy Statement to be filed with the SEC within 120 days after December 31, 2014.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

Documents filed as part of the report

The following documents are filed as part of this Annual Report on Form10-K in Part II, Item 8 and are incorporated by reference:

(a)(1) Financial Statements:

See index in Item 8—"Financial Statements and Supplementary Data," filed herewith for a list of financial statements.

(c) The financial statements, including the notes thereto, of our subsidiary, HA EnergySource Holdings LLC as of September 30, 2012 and 2011 and for the years then ended, and equity method investments, EnergySource LLC as of December 31, 2012 and 2011 and for the years then ended and Hudson Ranch I Holdings, LLC as of December 31, 2012 and 2011 and for the years then ended, are attached as Exhibits 99.1, 99.2 and 99.3, respectively.

(3) Exhibits Files:

Exhibit number	Exhibit description
3.1	Articles of Amendment and Restatement of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)
3.2	Bylaws of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)
3.3	Amended and Restated Agreement of Limited Partnership of Hannon Armstrong Sustainable Infrastructure, L.P. (incorporated by reference to Exhibit 3.3 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)
4.1	Specimen Common Stock Certificate of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (incorporated by reference to Exhibit 4.1 to the Registrant's Form S-11 (No. 333-186711), filed on April 12, 2013)
10.1	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.5 to the Registrant's FormS-11 (No. 333-186711), filed on April 12, 2013)
10.2	2013 Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No.001-35877), filed on August 9, 2013)
10.3	Restricted Stock Award Agreement dated April 23, 2013 between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Jeffrey W. Eckel (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No.001-35877), filed on August 9, 2013)
10.4	Form of Restricted Stock Award Agreement (Executive Officers) (incorporated by reference to Exhibit 10.3 to the Registrant's Form10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)
10.5	Form of Restricted Stock Award Agreement (Non-employee Directors) (incorporated by reference to Exhibit 10.4 to the Registrant's Form10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)

10.6	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.5 to the Registrant's Form10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)
10.7	Registration Rights Agreement, dated April 23, 2013, by and among Hannon Armstrong Sustainable Infrastructure Capital, Inc. and the parties listed on Schedule I thereto (incorporated by reference to Exhibit 10.6 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)
10.8	Employment Agreement, dated April 17, 2013, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Jeffrey Eckel (incorporated by reference to Exhibit 10.7 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No.001-35877), filed on August 9, 2013)
10.9	Employment Agreement, dated April 17, 2013, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and J. Brendan Herron, Jr. (incorporated by reference to Exhibit 10.8 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No.001-35877), filed on August 9, 2013)
10.10	Employment Agreement, dated April 17, 2013, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Steven L. Chuslo (incorporated by reference to Exhibit 10.9 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No.001-35877), filed on August 9, 2013)
10.11	Employment Agreement, dated April 17, 2013, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Nathaniel J. Rose (incorporated by reference to Exhibit 10.10 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No.001-35877), filed on August 9, 2013)
10.12	Employment Agreement, dated April 17, 2013, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Marvin R. Wooten (incorporated by reference to Exhibit 10.11 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No.001-35877), filed on August 9, 2013)
10.13	Agreement and Plan of Merger, dated as of April 23, 2013, by and among Hannon Armstrong Sustainable Infrastructure Capital, Inc., HA Merger Sub I LLC, HA Merger Sub III LLC, MissionPoint HA Parallel Fund, LLC, MissionPoint ES Parallel Fund I, L.P., MissionPoint HA Parallel Fund I Corp. and MissionPoint HA Parallel Fund, L.P. (incorporated by reference to Exhibit 10.12 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)
10.14	Agreement and Plan of Merger, dated as of April 23, 2013, by and among Hannon Armstrong Sustainable Infrastructure Capital, Inc., HA Merger Sub II LLC, HA Merger Sub III LLC, MissionPoint HA Parallel Fund II, LLC, MissionPoint ES Parallel Fund II, L.P. MissionPoint HA Parallel Fund II Corp. and MissionPoint HA Parallel Fund, L.P. (incorporated by reference to Exhibit 10.13 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)
10.15	Agreement and Plan of Merger, dated as of April 23, 2013, by and among Hannon Armstrong Sustainable Infrastructure Capital, Inc., HA Merger Sub III LLC, each of the individuals listed on Exhibit A attached thereto and each of the entities listed on Exhibit A attached thereto (incorporated by reference to Exhibit 10.14 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No.001-35877), filed on August 9, 2013)
10.16	Contribution Agreement, dated as of April 23, 2013, by and among Hannon Armstrong Sustainable Infrastructure Capital, Inc., Hannon Armstrong Sustainable Infrastructure, L.P., MissionPoint HA Parallel Fund III, LLC and MissionPoint HA Parallel Fund, L.P. (incorporated by reference to Exhibit 10.15 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No.001-35877), filed on August 9, 2013)

10.17	Trust Agreement relating to HASI SYB2013-1 Trust, dated as of December 20, 2013, among HASI SYB2013-1 Trust, HASI SYB I LLC, HAT SYB I LLC, The Bank of New York Mellon as Trustee and Hannon Armstrong Sustainable Infrastructure Capital, Inc. (incorporated by reference to Exhibit 10.26 to the Registrant's Form 10-K for the year ended December 31, 2013 (No.001-35877), filed on March 18, 2014)
10.18	Note Purchase Agreement, dated as of December 20, 2013, among HASI SYB2013-1 Trust, HASI SYB I LLC, HAT SYB I LLC, The Bank of New York Mellon as Trustee and the purchaser of the notes thereunder (incorporated by reference to Exhibit 10.27 to the Registrant's Form 10-K for the year ended December 31, 2013 (No. 001-35877), filed on March 18, 2014)
10.19	Unit Purchase Agreement, dated as of May 28, 2014, by and among Hannon Armstrong Sustainable Infrastructure Capital, Inc., American Wind Capital Company, LLC, Northwharf Nominees Limited, DBD AWCC LLC, NGP Energy Technology Partners II, L.P. and C.C. Hinckley Company, LLC (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q for the quarter ended June 30, 2014 (No.001-35877), filed on August 14, 2014)
10.20	Agreement for Professional Services, dated as of May 28, 2014, by and among Hannon Armstrong Capital, LLC and AWCC Capital, LLC (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q for the quarter ended June 30, 2014 (No.001-35877), filed on August 14, 2014)
10.21	First Amendment to the Registration Rights Agreement of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (No. 001-35877), filed on June 20, 2014)
10.22	Amendment No. 2 to PF Loan Agreement and Amendment No. 1 to Intercreditor Agreement dated as of May 28, 2014, by and among HASI CF I Borrower LLC, and HAT CF I Borrower LLC and Bank of America, N.A. (incorporated by reference to Exhibit 1.1 to the Registrant's Form 8-K (No. 001-35877), filed on June 3, 2014)
10.23	Amended and Restated PF Loan Agreement, dated as of August 12, 2014, by and among HASI CF I Borrower LLC, HAT CF I Borrower LLC, HAT CF II Borrower LLC each lender from time to time party thereto and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q for the quarter ended September 30, 2014 (No.001-35877), filed on November 7, 2014)
10.24	Amended and Restated PF Continuing Guaranty, dated as of August 12, 2014, by and among Hannon Armstrong Sustainable Infrastructure Capital, Inc., Hannon Armstrong Sustainable Infrastructure, LP, and Hannon Armstrong Capital, LLC (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q for the quarter ended September 30, 2014 (No.001-35877), filed on November 7, 2014)
10.25	Amended and Restated PF Limited Guaranty, dated as of August 12, 2014, by HAT Holdings I LLC (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q for the quarter ended September 30, 2014 (No.001-35877), filed on November 7, 2014)
10.26	PF Limited Guaranty, dated as of August 12, 2014, by HAT Holdings II LLC (incorporated by reference to Exhibit 10.4 to the Registrant's Form10-Q for the quarter ended September 30, 2014 (No. 001-35877), filed on November 7, 2014)
10.27	Amended and Restated G&I Loan Agreement, dated as of August 12, 2014, by and among HASI CF I Borrower LLC, HAT CF I Borrower LLC, HAT CF II Borrower LLC each lender from time to time party thereto and Bank of America, N.A. (incorporated by reference to Exhibit 10.5 to the Registrant's Form 10-Q for the quarter ended September 30, 2014 (No.001-35877), filed on November 7, 2014)

10.28	Amended and Restated G&I Continuing Guaranty, dated as of August 12, 2014, by and among Hannon Armstrong Sustainable Infrastructure Capital, Inc., Hannon Armstrong Sustainable Infrastructure, LP, and Hannon Armstrong Capital, LLC (incorporated by reference to Exhibit 10.6 to the Registrant's Form 10-Q for the quarter ended September 30, 2014 (No.001-35877), filed on November 7, 2014)
10.29	Amended and Restated G&I Limited Guaranty, dated as of August 12, 2014, by HAT Holdings I LLC (incorporated by reference to Exhibit 10.7 to the Registrant's Form 10-Q for the quarter ended September 30, 2014 (No.001-35877), filed on November 7, 2014)
10.30	G&I Limited Guaranty, dated as of August 12, 2014, by HAT Holdings II LLC (incorporated by reference to Exhibit 10.8 to the Registrant's Form10-Q for the quarter ended September 30, 2014 (No. 001-35877), filed on November 7, 2014)
10.31	Form of Amended and Restated PF and G&I Security Agreement, dated as of August 12, 2014, by and among HASI CF I Borrower LLC, HAT CF I Borrower LLC, HAT CF II Borrower LLC and Bank of New York Mellon (incorporated by reference to Exhibit 10.9 to the Registrant's Form 10-Q for the quarter ended September 30, 2014 (No. 001-35877), filed on November 7, 2014)
10.32	Form of Amended and Restated PF and G&I Pledge and Security Agreement, dated as of August 12, 2014 (incorporated by reference to Exhibit 10.10 to the Registrant's Form 10-Q for the quarter ended September 30, 2014 (No.001-35877), filed on November 7, 2014)
10.33	Amendment No. 1 to Amended and Restated PF Loan Agreement, dated as of September 22, 2014, by and among HASI CF I Borrower LLC, HAT CF I Borrower LLC, HAT CF II Borrower LLC, each lender from time to time party thereto and Bank of America, N.A. (incorporated by reference to Exhibit 10.11 to the Registrant's Form 10-Q for the quarter ended September 30, 2014 (No.001-35877), filed on November 7, 2014)
10.34	Amendment No. 1 to Amended and Restated G&I Loan Agreement, dated as of September 22, 2014, by and among HASI CF I Borrower LLC, HAT CF I Borrower LLC, HAT CF II Borrower LLC, each lender from time to time party thereto and Bank of America, N.A. (incorporated by reference to Exhibit 10.12 to the Registrant's Form 10-Q for the quarter ended September 30, 2014 (No.001-35877), filed on November 7, 2014)
10.35	Amendment No. 2 to Amended and Restated Loan Agreement (PF) and Amendment No. 1 to Amended & Restated Intercreditor Agreement, dated December 22, 2014 (incorporated by reference to Exhibit 1.1 to the Registrant's Form 8-K (No. 001-35877), filed on December 22, 2014)
10.36	Amendment No. 2 to Amended and Restated Loan Agreement (G&I) and Amendment No. 1 to Amended & Restated Intercreditor Agreement, dated December 22, 2014 (incorporated by reference to Exhibit 1.2 to the Registrant's Form 8-K (No. 001-35877), filed on December 22, 2014)
10.37	Amendment No. 1 and Reaffirmation of Guaranty to the Amended & Restated Continuing Guaranty (PF), dated December 22, 2014 (incorporated by reference to Exhibit 1.3 to the Registrant's Form 8-K (No. 001-35877), filed on December 22, 2014)
10.38	Amendment No. 1 and Reaffirmation of Guaranty to the Amended & Restated Continuing Guaranty (G&I), dated December 22, 2014 (incorporated by reference to Exhibit 1.3 to the Registrant's Form 8-K (No. 001-35877), filed on December 22, 2014)
10.39*	Credit Agreement dated as of October 15, 2014, among HA WIND I LLC, as the Borrower, The Financial Institutions and Other Persons From Time To Time Parties Hereto, as the Lenders and Bank of America, N.A., as Administrative Agent and Collateral Agent

21.1*	List of subsidiaries of Hannon Armstrong Sustainable Infrastructure Capital, Inc.
23.1*	Consent of Ernst & Young LLP for Hannon Armstrong Sustainable Infrastructure Capital, Inc. and HA EnergySource Holdings LLC
23.2*	Consent of Ernst & Young LLP for EnergySource LLC and Hudson Ranch I Holding, LLC
24.1*	Power of Attorney (included on signature page)
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to section 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes—Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to section 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes—Oxley Act of 2002
99.1*	HA EnergySource Holdings LLC, Financial Statements as of September 30, 2012 and 2011 and for the years then ended
99.2*	EnergySource LLC, Consolidated Financial Statements as of December 31, 2012 and 2011 and for the years then ended
99.3*	Hudson Ranch I Holdings, LLC, Financial Statements as of December 31, 2012 and 2011 and for the years then ended
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase
101.DEF**	XBRL Taxonomy Extension Definition Linkbase
101.LAB**	XBRL Taxonomy Extension Label Linkbase
101 PRE**	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.

** Furnished with this report. In accordance with Rule 406T of Regulation S-T, the information in these exhibits is furnished and deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under such section.

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.

HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.

By:	/s/ Jeffrey W. Eckel
Name:	Jeffrey W. Eckel
Title:	Chairman, Chief Executive Officer and President
By:	/s/ J. Brendan Herron
Name:	J. Brendan Herron
Title:	Chief Financial Officer and Executive Vice President (Duly Authorized Officer and Chief Accounting Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jeffrey W. Eckel and J. Brendan Herron, and each of them, with full power to act without the other, such person's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign this Form 10-K and any and all amendments thereto, and to file the same, with exhibits and schedules thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary or desirable to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures		Title	
By:	/s/ Jeffrey W. Eckel Jeffrey W. Eckel	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	March 9, 2015
By:	/s/ J. Brendan Herron J. Brendan Herron	Chief Financial Officer and Executive Vice President (Principal Accounting and Financial Officer)	March 9, 2015
By:	/s/ Mark J. Cirilli Mark J. Cirilli		March 9, 2015
By:	/s/ Charles M. O'Neil Charles M. O'Neil		March 9, 2015
By:	/s/ Richard J. Osborne Richard J. Osborne		March 9, 2015
By:	/s/ Jackalyne Pfannenstiel Jackalyne Pfannenstiel		March 9, 2015
By:	/s/ Steven G. Osgood Steven G. Osgood		March 9, 2015

Exhibit 10.39

EXECUTION VERSION

CREDIT AGREEMENT

dated as of October 15, 2014,

among

HA WIND I LLC,

as the Borrower,

THE FINANCIAL INSTITUTIONS AND OTHER PERSONS FROM TIME TO TIME PARTIES HERETO,

as the Lenders

and

BANK OF AMERICA, N.A.,
as Administrative Agent and Collateral Agent

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT, dated as of October 15, 2014 (this "Agreement"), is made by and among HA WIND I LLC, a Delaware limited liability company (the "Borrower"), the various financial institutions and other Persons (as defined below) from time to time parties hereto as lenders (the "Lenders"), and BANK OF AMERICA, N.A., as collateral agent (in such capacity, together with its successors and assigns in such capacity, the "Collateral Agent") and as Administrative Agent (in such capacity, together with its successors and assigns in such capacity, the "Administrative Agent").

W I T N E S S E T H:

WHEREAS, HAT Holdings II LLC (the "Parent") is the direct owner of 100% of the Capital Stock of the Borrower, which is the direct owner of Capital Stock in Portfolio, which is the direct owner of Capital Stock in the Holding Companies; and

WHEREAS, the Borrower has requested that the Lenders make a term loan to the Borrower;

NOW, THEREFORE, the Lenders are willing to make a term loan to the Borrower on the terms and subject to the conditions set forth herein. Accordingly, the parties hereto agree as follows.

ARTICLE I.
DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01 Defined Terms. The following terms when used in this Agreement, including its preamble and recitals, shall, except where the context otherwise requires, have the following meanings:

"Accounts" means the accounts established under the Depositary Agreement, including the Revenue Account, the Debt Payment Account, the Debt Reserve Account, and the Distribution Account.

"Additional Principal Payment Amount" is defined in Section 3.01.

"Additional Project Document" means any contract or agreement entered into on or after the Closing Date in respect of the ownership, construction, operation, maintenance or modification of a Project (including any Power Purchase Agreement, but excluding any Financing Document) the execution of which requires prior written consent of the Borrower or Portfolio, as applicable, in accordance with the terms of the applicable Holding Company LLC Agreement.

"Administrative Agent" is defined in the preamble and includes each other Person appointed as the successor Administrative Agent pursuant to Section 11.06.

"Administrative Agent's Account" means the account of the Administrative Agent specified by the Administrative Agent in writing to the Lenders from time to time.

"Administrative Questionnaire" means an Administrative Questionnaire in substantially the form of Exhibit B or any other form approved by the Administrative Agent.

"Affected Lender" is defined in Section 12.11(m).

"Affiliate" means, with respect to a Person, any other Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such first Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Affiliate Transaction" is defined in Section 9.06.

"Agents" means the Administrative Agent and the Collateral Agent.

"Agreement" is defined in the preamble.

"Applicable Law" means any constitution, statute, law, rule, regulation, ordinance, judgment, order, decree or Governmental Approval, or any published directive or requirement that has the force of law, or other governmental restriction that has the force of law, or any determination by, or interpretation of any of the foregoing by, any judicial authority, applicable to and/or binding on a given Person or any Project, as the context may require, whether in effect as of the Closing Date or thereafter and in each case as amended.

"Applicable Lending Office" means the office of a Lender designated as its "Applicable Lending Office" on Schedule I or in a Lender Assignment Agreement, or such other office of such Lender (or of an Affiliate of such Lender) as may be designated from time to time by notice from such Lender to the Administrative Agent and the Borrower.

"Approved Fund" means any Person (other than a natural Person) that (a) is or will be engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business, and (b) is administered or managed by a Lender, an Affiliate of a Lender or a Person or an Affiliate of a Person that administers or manages a Lender.

"Asset Sale" is defined in Section 9.04(e).

"Authorized Officer" of any Person means the chief executive officer, president, chief financial officer, principal accounting officer, treasurer, assistant treasurer or any vice president or other Person authorized to act on behalf of such Person as designated from time to time in a certificate of such Person delivered to the Administrative Agent, the Collateral Agent and the Depositary (including the certificate delivered pursuant to Section 5.01(b)(C)(4)).

"BANA" means Bank of America, N.A.

"Base Case Financial Model" is defined in Section 5.01(n).

“Board” means the Board of Governors of the Federal Reserve System of the United States.

“Board of Directors” means:

(a) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(b) with respect to a partnership, the board of directors of the general partner of the partnership or any committee duly authorized and empowered to take action on behalf of such partnership by the partnership agreement of such partnership;

(c) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and with respect to any other Person, the board or committee of such Person serving a similar function.

“Borrower” is defined in the preamble.

“Borrower’s Account” means the account of the Borrower specified by the Borrower in writing to the Administrative Agent from time to time.

“Borrowing” is defined in Section 2.01.

“Business Day” means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City, New York are authorized or required by law to remain closed.

“Capital Expenditures” means any expenses that are capitalized on the Borrower’s or any Portfolio Company’s, as applicable, balance sheet in accordance with GAAP.

“Capital Stock” means:

(a) in the case of a corporation, corporate stock;

(b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(c) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, including all warrants, options or other rights to acquire any of the foregoing, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

“Change in Law” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Change of Control" means the occurrence, after the date of this Agreement, of either of the following: (i) Sponsor ceases to own and control, beneficially and of record, directly or indirectly at least fifty and one-tenth percent (50.1%) of the aggregate issued and outstanding Capital Stock of the Parent or (ii) the Parent ceases to own and control, beneficially and of record, 100% of the aggregate issued and outstanding Capital Stock of the Borrower.

"Closing Date" means the date on which the conditions set forth in Section 5.01 of this Agreement shall have been satisfied or waived.

"Code" means the Internal Revenue Code of 1986, and the regulations promulgated thereunder, in each case as amended, reformed or otherwise modified from time to time.

"Collateral" means all collateral pledged, or in respect of which a lien is granted, pursuant to the Security Documents.

"Collateral Agent" is defined in the preamble.

"Communications" is defined in Section 11.11(a).

"Connection Income Taxes" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"Contractual Obligation" means, as applied to any Person, any provision of any indenture, mortgage, deed of trust, credit agreement, contract, undertaking or other agreement or instrument to which such Person is a party or to which such Person or any of its assets is subject.

"Contribution Agreement" means the Capital Contribution Agreement dated as of October 15, 2014 between JPMCC and the Borrower.

"Conversion Notice" has the meaning set forth in Section 3.02(a)(i).

"Credit Parties" means, collectively, the Lenders, the Collateral Agent and the Administrative Agent and each of their respective successors, transferees and assigns.

"Dataroom" means that certain Compact Disc delivered by the Borrower to the Administrative Agent, which includes documents, Written Notices, financial models, the table of contents of such dataroom is attached hereto as Schedule 6.08.

"Debt Payment Account" is defined in the Depositary Agreement.

"Debt Reserve Account" is defined in the Depositary Agreement.

"Debtor Relief Laws" means title 11 of the United States Code, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect.

"Default" means any Event of Default or any condition, occurrence or event that, after notice or lapse of time or both, would constitute an Event of Default.

"Depositary" means BANA, as Depositary under the Depositary Agreement, together with its successors in such capacity.

"Depositary Agreement" means the Depositary Agreement, dated as of the date hereof, among the Borrower, the Collateral Agent and the Depositary.

"Designated Jurisdiction" means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

"Distribution Account" is defined in the Depositary Agreement.

"Distribution Conditions" is defined in the Depositary Agreement.

"Dollar" and the sign "$" mean lawful money of the United States.

"Eligible Assignee" means (a) a Lender, (b) an Affiliate of a Lender, (c) an Approved Fund or (d) any other Person (other than an Ineligible Assignee) that is a bank or life insurance company or other financial institution that, in the case of this clause (d), is approved by the Borrower (which approval shall not be unreasonably withheld or delayed), provided that no such approval by the Borrower shall be required if an Event of Default has occurred and is continuing.

"Eminent Domain Proceeds" means all amounts and proceeds (including instruments) received by the Borrower in respect of any Event of Eminent Domain (net of (a) all reasonable and customary collection expenses thereof and (b) all taxes applied or estimated (as determined in good faith by the Borrower)) to be required to be paid or that become due within the following twelve (12) months as a result of an Event of Eminent Domain.

"Environmental Laws" means any applicable and legally binding national, regional or local law, statute, ordinance, rule, regulation, code, principle of common law, license, permit, authorization, approval, consent, order, judgment, decree, injunction, enforceable requirement or agreement with any Governmental Authority relating to the environment (including air, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource) or, to the extent related to exposure to Hazardous Materials, to human health or safety, including statutes, regulations, and rules of common law regulating or imposing liability or standards of conduct with respect to (a) emissions, discharges, releases or threatened releases of pollutants, contaminants, or Hazardous Materials or regulated wastes into the environment, or (b) the exposure to, or use, storage, recycling, treatment, generation, manufacturing, transportation, processing, handling, labeling, production, release or disposal of any Hazardous Materials, in each case as amended and as now in effect.

"Environmental Liabilities and Costs" means, all liabilities, obligations, responsibilities, losses, damages, punitive damages, consequential damages, treble damages, costs and expenses (including all reasonable fees, disbursements and expenses of counsel, experts and consultants and costs of investigation and feasibility studies), fines, penalties, sanctions and interest, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute, arising under any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of ERISA also refer to any successor sections thereto.

"ERISA Event" means (a) the occurrence of any "reportable event" as defined in Section 4043(c) of ERISA or the regulations issued thereunder, other than those events as to which the 30-day notice period has been waived, with respect to a Pension Plan; (b) the failure by any Pension Plan to satisfy the minimum funding standard (within the meaning of Sections 412 and 430 of the Code or Sections 302 and 303 of ERISA) applicable to such Pension Plan, in each case, whether or not waived; (c) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Pension Plan, the failure to make by its due date a required installment under Sections 412 or 430 of the Code with respect to any Pension Plan or the failure to make any required contribution to a Multiemployer Plan; (d) a determination that any Pension Plan is, or is expected to be, in "at risk" status (as defined in Section 303(i)(4) of ERISA or Section 430(i)(4) of the Code); (e) the incurrence by the Borrower or any member of the ERISA Group of any liability under Title IV of ERISA with respect to the termination of any Pension Plan; (f) the receipt by the Borrower or any member of the ERISA Group from the PBGC or a plan administrator of any notice relating to an intention to terminate any Pension Plan or to appoint a trustee to administer any Pension Plan under Sections 4041 and 4042 of ERISA, respectively, or the occurrence of any event or condition that could reasonably be expected to constitute grounds under ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan; (g) the incurrence by the Borrower or any member of the ERISA Group of any liability with respect to the withdrawal or partial withdrawal from any Multiemployer Plan or liability under Section 4063 of ERISA with respect to a Pension Plan; (h) the receipt by the Borrower or any member of the ERISA Group of any notice, or the receipt by any Multiemployer Plan from the Borrower or any member of the ERISA Group of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, in "critical" or "endangered" status, within the meaning of Section 432 of the Code or Section 305 of ERISA; or (i) the occurrence of a non-exempt "prohibited transaction" (within the meaning of Section 4975 of the Code or Section 406 of ERISA) that could reasonably be expected to result in material liability to the Borrower or any of its Subsidiaries.

"ERISA Group" means the Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control that, together with the Borrower, are treated as a single employer under Section 414(b), (c), (m) or (o) of the Code.

"Event of Abandonment" means, with respect to a Project, the suspension, decommissioning or cessation for a period of at least 120 consecutive days of all or substantially all of the operational and maintenance activities at such Project; provided, however, that any such suspension, decommissioning or cessation that arises from an Event of Loss, a requirement of law, an event of force majeure, curtailment or failure to be dispatched, or other *bona fide* business reasons shall not constitute an Event of Abandonment, in each case, so long as the Borrower is taking Relevant Member Action to overcome or mitigate the effects of the cause of suspension, decommissioning or cessation so that maintenance and/or operations, as the case may be, can be resumed. Any period of suspension, decommissioning or cessation shall end on the date that operation and maintenance activities of a substantial nature are resumed.

"Event of Default" is defined in Section 10.01.

"Event of Eminent Domain" means any compulsory transfer or taking, or transfer under threat of compulsory transfer, or taking of any material part of a Project by any Governmental Authority.

"Event of Loss" means an event that causes all or a portion of a Project to be damaged, destroyed or rendered unfit for normal use for any reason whatsoever, other than an Event of Eminent Domain.

"Excluded Taxes" means any of the following Taxes imposed on or with respect to any Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment or (ii) such Lender changes its Lending Office, except in each case to the extent that, pursuant to Section 4.02(a)(ii), (a)(iii) or (c), amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its Lending Office, (c) Taxes attributable to such Recipient's failure to comply with Section 4.02(e) and (d) any U.S. federal withholding Taxes imposed pursuant to FATCA.

"Exemption Certificate" is defined in Section 4.02(e)(ii).

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

"Federal Funds Effective Rate" means, for any period, a fluctuating interest rate equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent and from three Federal funds brokers of recognized standing selected by the Administrative Agent.

"FERC" means the Federal Energy Regulatory Commission.

"Filing Statements" means all UCC financing statements (Form UCC-1) or other similar financing statements and UCC termination statements (Form UCC-3) required pursuant to the Financing Documents.

"Final Maturity Date" means the earlier of (a) September 30, 2021 (or if such date is not a Business Day, the next preceding Business Day), and (b) the date, if any, on which the full unpaid amount of Obligations are declared due and payable pursuant to Section 10.02.

"Financial Officer" of the Borrower means the president, the chief financial officer, treasurer or assistant treasurer.

"Financing Documents" means this Agreement, the Term Loan Notes and the Security Documents.

"Fiscal Quarter" means a quarter ending on the last day of March, June, September or December.

"Fiscal Year" means any period of twelve consecutive calendar months ending on December 31; references to a Fiscal Year with a number corresponding to any calendar year (e.g., the "2014 Fiscal Year") refer to the Fiscal Year ending on December 31 of such calendar year.

"FPA" means the Federal Power Act, as amended.

"Foreign Lender" means (a) if the Borrower is a U.S. Person, a Lender that is not a U.S. Person, and (b) if the Borrower is not a U.S. Person, a Lender that is resident or organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

“GAAP” means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

“Governmental Approvals” means, with respect to any Person (a) any authorization, consent, approval, license, ruling, permit, certification, exemption, filing, variance, order, judgment, decree or publication of, by or with, (b) any notice to, (c) any declaration of, by or with or (d) any registration by or with, any Governmental Authority required to be obtained or made by such Person.

“Governmental Authority” means the government of the United States, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to such government.

“Granting Lender” is defined in Section 12.11(k).

“Hazardous Material” means any substance, material or waste listed, defined, designated or classified as hazardous, toxic, radioactive, biohazardous, infectious or dangerous, or otherwise regulated as such under any Environmental Law, including petroleum, petroleum by-products and asbestos-containing materials.

“Hedging Obligations” means, with respect to any specified Person, the obligations of such Person under: interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements; other agreements or arrangements designed to manage interest rates or interest rate risks; and other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

“Holding Company” means each of (a) Oasis Power Partners LLC, a Delaware limited liability company, (b) 2007 Vento I, LLC, a Delaware limited liability company, (c) Sand Bluff WF Holdco, LLC (f/k/a Airtricity Sand Bluff WF HoldCo, LLC), a Delaware limited liability company and (d) Scurry County Wind LP LLC, a Delaware limited liability company.

“Holding Company Buyout Event” means the acquisition of Portfolio’s membership interests in any Holding company by the applicable “Sponsor” (as defined in the Portfolio LLC Agreement) pursuant to the applicable Holding Company LLC Agreement.

“Holding Company LLC Agreement” means, with respect to each Holding Company, the limited liability company agreement of such Holding Company between the members thereof.

“Indebtedness” of any Person means, at any date, without duplication: all obligations of such Person for borrowed money, whether or not for cash and by whatever means; all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments (excluding “deposit only” endorsements on checks payable to the order of such Person); all obligations of such Person to pay the deferred purchase price of property or services (except, in respect of the Project Companies only, accounts payable and similar obligations arising in the ordinary course of business shall not be included herein); all obligations of such Person as lessee under capital leases to the extent required to be capitalized on the books of such Person in accordance with GAAP; all obligations of such Person under conditional sale or other title retention agreements relating to property or assets purchased by such Person; all Indebtedness of others secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed; all net liabilities of such Person in respect of Hedging Obligations; all obligations of such Person as an account party in respect of letters of credit and bankers' acceptances; and all obligations of others of the type referred to in clauses (a) through (h) above guaranteed by such Person, whether or not secured by a Lien or other security interest on any asset of such Person.

"Indemnified Liabilities" is defined in Section 12.04.

"Indemnified Parties" is defined in Section 12.04.

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower under any Financing Document and (b) to the extent not otherwise described in (a), Other Taxes.

"Independent Engineer" means DNV GL-GH or another widely recognized independent engineering firm that is mutually agreed upon by the Lenders.

"Ineligible Assignee" means a natural Person, the Borrower, any Affiliate of the Borrower or any other Person taking direction from, or working in concert with, the Borrower or any of the Borrower's Affiliates.

"Interconnection Agreements" means the interconnection agreement for any Project.

"Investments" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Capital Stock or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP.

"JPMCC" means JPM Capital Corporation, a Delaware corporation.

"Knowledge" means, with respect to any Person, the actual knowledge of any such Person or any knowledge that should have been obtained by such Person upon reasonable review of all files in the possession of or within the control of such Person and reasonable inquiry of the relevant officers and employees of such Person (including, with respect to the Borrower, any information included in any Written Notice delivered to the Borrower, the Parent or Sponsor relating to any Portfolio Company or any Project), provided, however, that with respect to any representation and warranty of the Borrower set forth in Article 6 of this Agreement and made on the Closing Date, to the extent such representation relates to any Holding Company or Project Company or any Project Document, "Knowledge" of the Borrower is limited to the actual knowledge of the Borrower that should have been obtained by the Borrower upon reasonable review of all files available in the Dataroom as of the Closing Date.

"Lender Assignment Agreement" means an assignment agreement substantially in the form of Exhibit B hereto.

"Lenders" is defined in the preamble and includes any Person that becomes a Lender pursuant to Section 12.11.

"Lender's Environmental Liability" means any and all losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, costs, judgments, suits, proceedings, damages (including consequential damages), disbursements or expenses of any kind or nature whatsoever (including reasonable attorneys' fees at trial and appellate levels and experts' fees and disbursements and expenses incurred in investigating, defending against or prosecuting any litigation, claim or proceeding) that may at any time be imposed upon, or asserted or awarded against, any Credit Party or any of such Person's Affiliates, shareholders, directors, officers, employees, and agents in connection with or arising from: any Hazardous Material on, in, under or affecting all or any portion of any property of the Borrower or any of the Portfolio Companies, the groundwater thereunder, or any surrounding areas thereof to the extent caused by Releases by the Borrower or any of the Portfolio Companies at, on or from the Borrower's or any of the Portfolio Companies' properties; any investigation, claim, litigation or proceeding related to personal injury arising from exposure or alleged exposure to Hazardous Materials caused by the Borrower or any of the Portfolio Companies; any misrepresentation, inaccuracy or breach of any warranty, contained or referred to in Section 6.04 (in the case of clause (a) thereof, to the extent related to Environmental Laws); any violation or claim of violation by the Borrower or any of the Portfolio Companies of any Environmental Laws; or the imposition of any Lien imposed on any real property owned by the Borrower or any of the Portfolio Companies related to the recovery of any costs for the cleanup, release or threatened release of Hazardous Material at such property.

"LIBOR Daily Floating Rate" means the fluctuating rate of interest, which shall change on each Business Day, equal to the London Interbank Offered Rate, or a comparable or successor rate which rate is approved by the Administrative Agent, as published on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time) at or about 11:00 a.m., London time, two (2) Business Days prior to the date in question, for Dollar deposits with a term equivalent to a one (1) month term beginning on that date; provided that: (i) to the extent a comparable or successor rate is approved by the Administrative Agent in connection herewith, the approved rate shall be applied in a manner consistent with market practice; provided, further that to the extent such market practice is not administratively feasible for the Administrative Agent, such approved rate shall be applied in a manner as otherwise reasonably determined by the Administrative Agent and (ii) if the LIBOR Daily Floating Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement.

"Lien" means any mortgage, pledge, hypothecation, assignment, mandatory deposit arrangement, encumbrance, security interest, charge, lien (statutory or other), preference, priority or other collateral agency agreement of any kind or nature whatsoever that has the effect of constituting a security interest, including any conditional sale or other title retention agreement, any financing lease having substantially the same effect as any of the foregoing and the filing of any financing statement or similar instrument under the UCC or comparable law of any jurisdiction, domestic or foreign.

"Loans" means the Term Loans.

"Loss Proceeds" means all amounts and proceeds from an Event of Loss received by the Borrower or any of its Subsidiaries, including insurance proceeds or other amounts actually received, except proceeds of business interruption insurance (net of (a) all reasonable and customary collection expenses thereof and (b) all taxes applied or estimated (as determined in good faith by the Borrower) to be required to be paid or that become due within the following twelve (12) months as a result of an Event of Loss).

"Major Project Document Termination Event" means any Major Project Document has been terminated or has ceased to be valid and in full force and effect prior to its stated maturity date, unless (i) the applicable Portfolio Company shall have entered into a Replacement Project Document in respect thereof, (ii) the Independent Engineer shall have certified in writing, with supporting evidence reasonably satisfactory to the Lenders, or the Lenders shall otherwise have agreed, that such termination shall not have a Material Adverse Change on the Borrower's ability to satisfy its payment obligations under the Loans as they become due, or (iii) the Borrower shall have made a prepayment of the Loans in an amount that each of the Lenders and the Borrower determines is sufficient to remedy any adverse impacts to the Lenders that the Lenders reasonably expect to incur as a result of such revocation/termination.

"Major Project Documents" means (i) the Organic Documents for each Portfolio Company and the Borrower, (ii) the Power Purchase Agreements identified as item 3 on Schedule 6.08, (iii) the Interconnection Agreements (except for the Interconnection Agreement identified as item 4 on Schedule 6.08) and (iv) all material Governmental Approvals of the Borrower and each Portfolio Company.

"Margin Stock" has the meaning assigned to such term in Regulation U.

"Material Adverse Change" means any event, development or circumstance (a) (i) that has had or could reasonably be expected to have a material adverse effect on (x) the business, assets, property or condition (financial or otherwise) of the Borrower, any Portfolio Company or any of the Projects or (y) the validity or enforceability of, or the ability of any Portfolio Company to perform any of its obligations under, any of the Major Project Documents (other than the Holding Company LLC Agreements) to which it is a party, and (ii) result in, together with all other events, developments of circumstances of the type described in clause (i) that do not individually satisfy this clause (ii), a reduction (on a net present value basis) of available cash flow of the Borrower of $1,500,000 or greater over the period beginning on such date and ending December 31, 2029, or (b) that has had or could reasonably be expected to have a material adverse effect on the validity or enforceability of, or the ability of the Borrower or Portfolio to perform any of its obligations under, any of the Financing Documents, the Holding Company LLC Agreements or the Portfolio Transaction Documents to which it is a party or the rights or remedies of any of the Credit Parties thereunder.

"Minimum Principal Payment Amount" means, in respect of each Payment Date, an amount equal to one-half percent (0.5%) of the principal amount of the Loans on the Closing Date; provided that with respect to the Payment Date occurring on March 31, 2015, the Minimum Principal Payment Amount will be an amount equal to (a) one-half percent (0.5%) of the principal amount of the Loans on the Closing Date plus (b) a fraction, the numerator of which is the number of days from and including the Closing Date through December 31, 2014 and the denominator of which is 365, multiplied by two percent (2.0%) of the principal amount of the Loans on the Closing Date.

"Minor Project Document Termination Event" means any Minor Project Document has been terminated or has ceased to be valid and in full force and effect prior to its stated maturity date and such event could reasonably be expected to cause a Material Adverse Change, unless (i) the applicable Portfolio Company shall have entered into a Replacement Project Document in respect thereof, (ii) the Independent Engineer shall have certified in writing, with supporting evidence reasonably satisfactory to the Lenders, or the Lenders shall otherwise have agreed, that such event shall not cause a Material Adverse Change, or (iii) the Borrower shall have made a prepayment of the Loans in an amount that each of the Lenders and the Borrower determines is sufficient to remedy any adverse impacts to the Lenders that the Lenders reasonably expect to incur as a result of such revocation/termination.

"Minor Project Documents" means (i) each master engineering, procurement and construction contract, turbine supply agreement, balance of plant construction contract, warranty agreement, parts agreement, service agreement and other related agreements, if any, to the extent any warranty or other material obligation thereunder remains in effect, with respect to any counterparty of any Project Company, (ii) each operating and maintenance agreement, whether for turbines or balance of plant, for each Project Company, (iii) each administrative services agreement or other management or other administration agreement for each Project Company and (iv) each Power Purchase Agreement or Interconnection Agreement that does not constitute a Major Project Document.

"Multiemployer Plan" means an employee pension benefit plan within the meaning of Section 3(37) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has any liability.

"Necessary Capital Expenditures" means any Capital Expenditures that are certified in an Officer's Certificate as being necessary for the continued operation or maintenance of a Project, or are required by Applicable Law or any Project Document; provided that any such Project Document (a) was in effect as of the Closing Date and has not been amended thereafter to provide for additional Capital Expenditures or (b) replaces a Project Document that was in existence as of the Closing Date and that, during the remaining term of the existing Project Document that it replaces, does not require Capital Expenditures during such remaining term in excess of the Capital Expenditures required and not yet made under such existing Project Documents. Necessary Capital Expenditures shall not include any Capital Expenditure undertaken primarily to increase the efficiency of or expand any Project or Capital Expenditures for environmental purposes that are not required by Applicable Law (provided that, if an Applicable Law requires compliance by a specified date, such expenditure will be considered a "Necessary Capital Expenditure" even if made, or such Project is completed, prior to such date) or the Project Documents; provided that any such Project Document (i) was in effect as of the Closing Date and has not been amended thereafter to provide for additional Capital Expenditures or (ii) replaces a Project Document that was in existence as of the Closing Date and that, during the remaining term of the existing Project Document that it replaces, does not require Capital Expenditures during such remaining term in excess of the Capital Expenditures required and not yet made under such existing Project Documents.

"Non-Recourse Parties" is defined in Section 12.12(a).

"Notice of Borrowing" is defined in Section 2.03(a).

"Oasis ROFO Notice" means a notice in the form attached hereto as Exhibit F-2.

"Obligations" means the unpaid principal of and interest on (including interest accruing after the maturity of the Loans and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) and all other obligations and liabilities of the Borrower to any Secured Party, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, that may arise under, out of, or in connection with, this Agreement, any other Financing Document, or any other document made, delivered or executed by any Lender in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including all fees, charges and disbursements of counsel to the Administrative Agent, the Collateral Agent or to any Lender that are required to be paid by the Borrower pursuant hereto) or otherwise.

"OFAC" means the Office of Foreign Assets Control of the United States Department of the Treasury.

"Officer's Certificate" means a certificate signed on behalf of the Borrower by an Authorized Officer of the Borrower.

"Organic Document" means, relative to any non-natural Person, as applicable, its certificate of incorporation, by-laws, certificate of partnership, partnership agreement, certificate of formation, limited liability company agreement and all shareholder agreements, voting trusts and similar arrangements applicable to any of such Person's partnership interests, limited liability company interests or authorized shares of Capital Stock.

"Other Connection Taxes" means, with respect to any Person, Taxes imposed as a result of a present or former connection between such Person and the jurisdiction imposing such Tax (other than connections arising from such Person having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Financing Document, or sold or assigned an interest in any Loans or Financing Document)

"Other Taxes" means any and all stamp or documentary or substantially similar taxes, or any other excise, transfer or property taxes or similar levies that arise on account of any payment made or required to be made under any Financing Document or from the execution, delivery, registration, recording or enforcement of, or otherwise with respect to, any Financing Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 4.06).

"Parent" is defined in the recitals.

"Participant" is defined in Section 12.11(d).

"Participant Register" is defined in Section 12.11(d).

"Patriot Act" means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as amended and supplemented from time to time.

"Patriot Act Disclosures" means all documentation and other information that any Credit Party reasonably believes is required and requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Patriot Act.

"Payment Date" means the last Business Day of each March, June, September and December, commencing March 31, 2015.

"PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Pension Plan" means any single employer "employee pension benefit plan" within the meaning of Section 3(2) of ERISA that is maintained, contributed to or sponsored in whole or in part by the Borrower or any member of the ERISA Group.

"Permitted Business" means the business that the Borrower and Portfolio, respectively, are engaged in on the Closing Date, which consists of (i) entering into the Financing Documents and the Portfolio Transaction Documents and performing the activities contemplated thereby and (ii) the holding, directly or indirectly, of Capital Stock of the other Portfolio Companies.

"Permitted Investments" is defined in the Depositary Agreement.

"Permitted Liens" means:

(a) the rights and interests of the Collateral Agent and any other Secured Party as provided in the Financing Documents;

(b) Liens for any tax, assessment or other governmental charge not yet due or being contested in good faith and by appropriate proceedings, so long as adequate reserves have been provided therefor to the extent required by and in accordance with GAAP;

(c) Liens arising out of judgments or awards so long as enforcement of such Lien has been stayed and an appeal or proceeding for review is being prosecuted in good faith and for the payment of which adequate reserves, bonds or other reasonable security have been provided or are fully covered by insurance; and

(d) any Lien disclosed in the financial statements issued prior to the Closing Date in respect of any Holding Company or Project Company, or permitted under the Organic Documents of any Holding Company or Project Company.

“Person” means any individual, sole proprietorship, corporation, partnership, joint venture, limited liability partnership, limited liability company, trust, unincorporated association, institution, Governmental Authority or any other entity.

“Plan” means any “employee benefit plan” within the meaning of Section 3(3) of ERISA (a) that is maintained in whole or in part by the Borrower or any member of the ERISA Group, or (b) with respect to which the Borrower or any member of the ERISA Group has a direct or indirect, actual or contingent liability including any Multiemployer Plan.

“Pledge Agreement” means the pledge agreement, dated as of the Closing Date, pursuant to which the Parent granted a first priority security interest to the Collateral Agent (for the benefit of the Secured Parties) in the Capital Stock of the Borrower.

“Platform” is defined in Section 11.11(b).

“Portfolio” means Strong Upwind Holdings LLC, a Delaware limited liability company.

“Portfolio Company” means each of Portfolio, each Holding Company and each Project Company.

“Portfolio LLC Agreement” means the Limited Liability Company Agreement of Portfolio, dated October 15, 2014.

“Portfolio Transaction Documents” means the Contribution Agreement, the Purchase Agreements and the Portfolio LLC Agreement.

“Power Purchase Agreements” means each power purchase agreement or other offtake agreements (including energy hedges, whether or not energy is sold thereunder), and REC sales agreements for any Project.

“Project Company” means the Person that directly owns the assets comprising any Project.

“Project Documents” means, collectively, the Major Project Documents, Minor Project Documents, the Additional Project Documents, the Holding Company LLC Agreements and any other agreement that is material to any Project or Portfolio Company, and “Project Document” means each of them individually.

“Project Revenues” is defined in the Depositary Agreement.

“Projects” means, collectively, the following wind farms, and “Project” means each of them individually: (a) Project Oasis, Mojave located in Kern County, California, (b) Sand Bluff located in Sterling City, Texas, (c) Blue Canyon 2 located in Carnegie, Oklahoma, (d) Lone Star Wind Farm located in Shackleford County, Texas, (e) Twin Groves located in Ellsworth, Illinois,

(f) Maple Ridge 1b located in Lewis County, New York, (g) Maple Ridge 2 located in Lewis County, New York, (h) Madison located in Syracuse, Madison County, New York, (i) Camp Springs I located in Snyder, Texas and (j) Camp Springs II located in Snyder, Texas.

"Prudent Industry Practice" means the practices, methods and acts engaged in or approved by a significant portion of the independent wind power project industry in the United States applicable to wind power projects similar to the Projects during the relevant time period, which practices, methods, and acts, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been reasonably expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Prudent Industry Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather is intended to include prudent practices, methods, and acts generally accepted in the United States.

"PUHCA" means the Public Utility Holding Company Act of 2005.

"Purchase Agreements" has the meaning set forth in the Contribution Agreement as in effect on the date hereof.

"Real Property" means, for each of the Projects, any real property interest (fee, leasehold, or otherwise) owned or leased by the applicable Project Company.

"Recipient" means the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder.

"Register" is defined in Section 12.11(c).

"Regulation T", "Regulation U" or "Regulation X" means Regulation T, U or X, as the case may be, of the Board, as in effect from time to time.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person's Affiliates.

"Release" means any release, spill, emission, leaking, pumping, pouring, emptying, escaping, dumping, injection, deposit, disposal, discharge, dispersal, leaching or migration of any Hazardous Material, into the indoor or outdoor environment including the movement of Hazardous Materials through or in the air, soil, surface water, ground water or property.

"Relevant Member Action" means, with respect to any matter relating to a Project or a Portfolio Company with respect to which the Organic Documents of such Portfolio Company (or any other contract or agreement, or instrument) grant voting, approval or consent rights to the Borrower, or otherwise provide the Borrower with the ability to cause any Portfolio Company to take, or restrict any Portfolio Company from taking, any action, the exercise by the Borrower of such voting, approval, consent or other rights in conformity with the applicable Organic Documents and the Borrower's fiduciary duties, if any, as such exercise may be limited by Applicable Law.

“Remedial Action” means all actions required under applicable Environmental Law to (a) clean up, remove, remedy, treat or in any other way address Hazardous Materials in the indoor or outdoor environment, (b) prevent any imminently threatened Release or minimize the further Release of Hazardous Materials so they do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment, or (c) perform pre-remedial studies and investigations and post-remedial monitoring and care.

“Removal Effective Date” is defined in Section 11.06(b).

“Replacement Project Document” means any project document entered into after the Closing Date in replacement of a Major Project Document or a Minor Project Document (a) that has economic terms (including pricing, payment provisions and term thereof) and other material terms (including scope of services, performance standards, performance assurance, indemnities, warranties, termination rights and obligations) each of which is substantially similar to or more favorable to the Project Company, and substantially similar or more favorable non-economic terms (taken as a whole) as the Major Project Document or Minor Project Document being replaced and (b) the counterparty under which (or the guarantor of such counterparty’s obligations) has substantially similar or better creditworthiness and experience as the counterparty to the Major Project Document or the Minor Project Document being replaced. Each Replacement Project Document shall be deemed to be a Major Project Document or a Minor Project Document, as applicable.

“Required Lenders” means, at any time, Lenders having Term Loans outstanding, that taken together represent more than sixty-six percent (66%) of the aggregate principal amount of the Term Loans outstanding.

“Resignation Effective Date” is defined in Section 11.06(a).

“Restricted Payment” means, with respect to the Borrower or Portfolio, (a) the declaration and payment of distributions, dividends or any other payment made in cash, property, obligations or other notes on account of the Capital Stock of the Borrower or Portfolio, (b) any payment of the principal of, or interest or premium, if any, on, any subordinated Indebtedness of the Borrower, (c) the making of any loans or advances to any Affiliate of the Borrower (other than Permitted Investments), (d) any purchase, redemption, acquisition or retirement for value (including in connection with any merger or consolidation of the Borrower) of any of the Borrower’s or Portfolio’s Capital Stock or (e) any Investment in any Person (other than a Permitted Investment); provided, however, that the term “Restricted Payments” shall not include any payments contemplated hereby and by the other Financing Documents.

“Revenue Account” is defined in the Depositary Agreement.

“Sanction(s)” means any sanction administered or enforced by the United States Government, including OFAC, the United Nations Security Council, the European Union, Her Majesty’s Treasury or other relevant sanctions authority.

“Sand Bluff ROFO Notice” means a notice in the form attached hereto as Exhibit F-3.

“Scurry County ROFO Notices” means the notices in the form attached hereto as Exhibit F-4A and Exhibit F-4B.

“SEC” means the United States Securities and Exchange Commission.

“Secured Parties” means, collectively, the Lenders, the Depositary, the Administrative Agent and the Collateral Agent.

“Security Agreement” means that certain pledge and security agreement, dated as of the Closing Date, between the Borrower and Collateral Agent, granting to the Collateral Agent (for the benefit of the Secured Parties) a security interest in the Collateral described therein, including the Capital Stock of Portfolio held by the Borrower.

“Security Documents” means, collectively, the Depositary Agreement, the Pledge Agreement, the Security Agreement, and any other document providing for any lien, pledge, encumbrance, mortgage or security interest for the benefit of the Secured Parties on any or all of the Borrower’s Capital Stock, the Borrower’s assets or the ownership interests thereof or the Borrower’s ownership interests in Portfolio.

“Solvent” means, with respect to any Person, that, as of any date of determination, (a) the amount of the fair saleable value of the assets of such Person will, as of such date, exceed the value of all liabilities of such Person (including net contingent liabilities) as of such date, (b) such Person will not have, as of such date, an unreasonably small amount of capital for the operation of the businesses in which it is engaged or proposes to be engaged following such date, and (c) such Person will be able to pay its liabilities, including contingent and other liabilities, as they mature. For purposes of the foregoing, the amount of contingent liabilities at any time shall be computed as the amount that, in light of all the facts and circumstances existing at such time, can reasonably be expected to become an actual or matured liability.

“SPC” is defined in Section 12.11(k).

“Sponsor” means Hannon Armstrong Sustainable Infrastructure Capital, Inc.

“Subsidiary” means, with respect to any specified Person: any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders’ agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and any partnership (i) the sole general partner of which is such Person or a Subsidiary of such Person or (ii) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

“Target Debt Balance” means, with respect to each Payment Date, the amount listed on Schedule 3.01 for such Payment Date less the sum of (i) mandatory prepayments made pursuant to Section 3.01(d) and optional prepayment made pursuant to clause (iii) of the definition of Major Project Document Termination Event, clause (iii) of the definition of Minor Project Document Termination Event, Section 10.01(f), Section 10.01(g), Section 10.01(h) or Section 10.01(k), in each case prior to such Payment Date.

"Taxes" means any and all income, stamp or other taxes, duties, levies, imposts, charges, assessments, fees, deductions or withholdings (including backup withholding), now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, and all interest, penalties or similar liabilities with respect thereto.

"Term Loan Commitment" means, relative to any Lender, such Lender's obligation to make a Term Loan pursuant to Section 2.01 in an amount up to but not exceeding its Term Loan Percentage of the Term Loan Commitment Amount.

"Term Loan Commitment Amount" means $115,316,208.00.

"Term Loan Note" means a promissory note of the Borrower payable to any Lender, in the form of Exhibit D hereto (as such promissory note may be amended, endorsed or otherwise modified from time to time), evidencing the aggregate Indebtedness of the Borrower to such Lender resulting from such Lender's outstanding Term Loan, and also means all other promissory notes accepted from time to time in substitution therefor or renewal thereof.

"Term Loan Percentage" means, relative to any Lender, the applicable percentage set forth opposite its name on Schedule I under the Term Loan Percentage column or set forth in a Lender Assignment Agreement under the column titled "Term Loan Amount", as such percentage may be adjusted from time to time pursuant to Lender Assignment Agreements executed by such Lender and its assignee Lender and delivered pursuant to Section 12.11.

"Term Loans" is defined in Section 2.01.

"Termination Date" means the date on which all Obligations have been paid in full (other than indemnity obligations not yet due and payable) in cash.

"Terrorism Laws" means any of the following (a) Executive Order 13224 issued by the President of the United States, (b) the Terrorism Sanctions Regulations (Title 31 Part 595 of the U.S. Code of Federal Regulations), (c) the Terrorism List Governments Sanctions Regulations (Title 31 Part 596 of the U.S. Code of Federal Regulations), (d) the Foreign Terrorist Organizations Sanctions Regulations (Title 31 Part 597 of the U.S. Code of Federal Regulations), (e) the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001 (as it may be subsequently codified), and (f) any regulations promulgated pursuant thereto or pursuant to any legal requirements of any Governmental Authority governing terrorist acts and acts of war.

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of New York; provided that if, with respect to any Filing Statement or by reason of any provisions of law, the perfection or the effect of perfection or non-perfection of the security interests granted to the Collateral Agent pursuant to the applicable Financing Document is governed by the Uniform Commercial Code as in effect in a jurisdiction of the United States other than New York, UCC means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions of each Financing Document and any Filing Statement relating to such perfection or effect of perfection or non-perfection.

"United States" or "U.S." means the United States of America, its fifty states and the District of Columbia.

"U.S. Person" means any Person that is a "United States Person" as defined in Section 7701(a)(30) of the Code.

"U.S. Tax Compliance Certificate" has the meaning specified in Section 4.02(e)(ii)(B)(III).

"Vento I ROFO Notice" means a notice in the form attached hereto as Exhibit F-1.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

"Written Notice" means any written offer, report, filing, acceptance, election, approval, consent, certification, request, waiver, notice or other document or written communication delivered with respect to a Project or Portfolio Company, excluding communications relating to administrative matters.

SECTION 1.02 Certain Principles of Interpretation. In this Agreement, unless otherwise indicated, the singular includes the plural and plural the singular; words importing any gender include the other gender; references to statutes or regulations are to be construed as including all statutory or regulatory provisions consolidating, amending or replacing the statute or regulation referred to; references to "writing" include printing, typing, lithography and other means of reproducing words in a tangible visible form; the words "including," "includes" and "include" shall be deemed to be followed in each instance by the words "without limitation"; references to articles, sections (or subdivisions of sections), exhibits, annexes or schedules are to this Agreement (unless otherwise specified); references to agreements and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions and other modifications, replacements and substitutions thereof (including by change orders where applicable) (without, however, limiting any prohibition on any such amendments, extensions and other modifications, replacements and substitutions by the terms of this Agreement); and references to Persons include their respective permitted successors and assigns and, in the case of Governmental Authorities, Persons succeeding to their respective functions and capacities.

SECTION 1.03 Accounting Terms. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP, except as otherwise specifically prescribed herein.

SECTION 1.04 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

SECTION 1.05 Timing of Payment or Performance. When the payment of any obligation or the performance of any covenant, duty or obligation is stated to be due or performance required on a day which is not a Business Day, the date of such payment or performance shall extend to the immediately succeeding Business Day, and in the case of payments, such extension of time shall be included in the computation of interest or fees, as the case may be, without duplication of any interest or fees so paid in the next subsequent calculation of interest or fees payable.

ARTICLE II.
TERM LOAN COMMITMENTS AND TERM LOAN BORROWINGS

SECTION 2.01 Term Loan Commitments. Subject to the terms and the conditions of this Agreement, each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make a term loan (each a "Term Loan" and collectively, the "Term Loans") to the Borrower on the Closing Date. The borrowing of such Term Loans shall consist of Term Loans made simultaneously by the Lenders on the Closing Date ratably in proportion to their respective Term Loan Percentages of the Term Loan Commitment Amount (the "Borrowing"). After the making of the Term Loans, the Term Loan Commitments shall terminate.

SECTION 2.02 Nature of Loans. The Term Loans are not revolving in nature and amounts repaid or prepaid in respect thereof may not be reborrowed.

SECTION 2.03 Borrowing Procedures. In order to request a Borrowing hereunder, the Borrower shall deliver to the Administrative Agent a fully executed notice of Borrowing (the "Notice of Borrowing") no later than one (1) Business Day prior to the Closing Date. The Notice of Borrowing shall be by telephone, confirmed in writing by facsimile, in substantially the form of Exhibit E, specifying therein the requested (i) date of Borrowing (which shall be the Closing Date) and (ii) aggregate amount of the Borrowing. Promptly upon receipt by the Administrative Agent of such Notice of Borrowing, the Administrative Agent shall notify the Lenders of the requested Borrowing.

(b) Each Lender shall make its Term Loan available to the Administrative Agent not later than 2:00 p.m. (New York City time) on the Closing Date, by wire transfer of same day funds in Dollars, to the Administrative Agent's Account. Upon satisfaction or waiver of the applicable conditions precedent specified herein, the Administrative Agent shall make the proceeds of the Term Loans available to the Borrower on the Closing Date by causing an amount of same day funds in Dollars equal to the proceeds of the Term Loans received by the Administrative Agent from the Lenders to be credited to the Borrower's Account.

SECTION 2.04 Lending Office. The Term Loans held by each Lender shall be maintained at such Lender's Applicable Lending Office.

SECTION 2.05 Notes; Accounts.

(a) Each Lender may maintain in accordance with its usual practice an account or accounts evidencing the Indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(b) [Reserved.]

(c) On the Closing Date, the Borrower shall execute and deliver to each Lender a Term Loan Note evidencing the Term Loan made by such Lender.

(d) The Borrower hereby irrevocably authorizes each Lender to make (or cause to be made) appropriate notations on the grid attached to such Lender's Term Loan Note (or on any continuation of such grid), which notations, if made, shall evidence the date of, the outstanding principal amount of and interest in respect of, and payments with respect to the Term Loans evidenced thereby. Such notations shall, to the extent not inconsistent with the notations made by the Administrative Agent in the Register, be conclusive and binding on the Borrower absent manifest error; provided, however, that the failure of any Lender to make any such notations or any error in any such notations shall not limit or otherwise affect any Obligations of the Borrower. A Term Loan Note and the Obligations evidenced thereby may be assigned or otherwise transferred in whole or in part only in accordance with Section 12.11.

ARTICLE III.
REPAYMENTS, PREPAYMENTS, INTEREST AND FEES

SECTION 3.01 Repayments and Prepayments; Application. (a) *Repayment*. The Borrower shall repay the Term Loans in installments on each Payment Date in an amount equal to the Minimum Principal Payment Amount for that Payment Date. If, as of any Payment Date, the aggregate principal balance of the Term Loans exceeds the Target Debt Balance (such excess on any Payment Date, the "Additional Principal Payment Amount"), the Borrower shall repay the Term Loan on such Payment Date in an amount equal to such excess. In addition, on the Final Maturity Date, the Borrower shall repay the aggregate principal amount of the Term Loans outstanding on such date *[Reserved.]*

(c) *Optional Prepayments*. The Borrower may not make any voluntary prepayment of principal of the Loans, whether in whole or in part, until after the third anniversary of the Closing Date, except any prepayment made pursuant to clause (iii) of the definition of Major Project Document Termination Event, clause (iii) of the definition of Minor Project Document Termination Event, Section 10.01(f), Section 10.01(g), Section 10.01(h) or Section 10.01(k), or as otherwise agreed by the Administrative Agent. Thereafter, the Borrower shall have the right at any time and from time to time, without premium or penalty, to prepay the Term Loans, in whole or in part, in which case the Borrower shall reimburse to Lenders any applicable swap breakage expenses actually incurred as a consequence of such prepayment.

(d) *Mandatory Prepayments*.

(i) Immediately upon receipt by the Borrower of any Loss Proceeds or Eminent Domain Proceeds received by or paid to or for the account of the Borrower, the Borrower shall prepay the Term Loans in an amount equal to the lesser of (A) such Loss Proceeds or Eminent Domain Proceeds, or (B) the principal amount of the Term Loans then outstanding.

(ii) Immediately upon receipt of any proceeds from a Holding Company Buyout Event, the Borrower shall prepay the Term Loans in an amount equal to the lesser of (A) the amount of such proceeds to be distributed to the Borrower pursuant to the Portfolio LLC Agreement, or (B) the principal amount of the Term Loans then outstanding.

(iii) Immediately upon receipt by the Borrower of any capital contributions made by JPMCC to Portfolio, the Borrower shall prepay the Term Loans in an amount equal to the lesser of (A) such capital contributions made by JPMCC to Portfolio to the extent such amounts are required to be distributed to the Borrower under the Portfolio LLC Agreement, or (B) the principal amount of the Term Loans then outstanding.

(iv) If a Major Project Document Termination Event or a Minor Project Document Termination Event has occurred and has been outstanding for ninety (90) days or more, until such time as such Major Project Termination Event or Minor Project Termination Event no longer exists, the Borrower shall make prepayments in an amount equal to the lesser of (A) 100% of the amounts on deposit in the Revenue Account that would otherwise be transferred to the Distribution Account (subject to satisfaction of the conditions to such transfer), or (B) the principal amount of the Term Loans then outstanding.

(v) Immediately upon receipt by Borrower thereof, the Borrower shall prepay the Term Loans with an amount equal to the lesser of (A) one hundred percent (100%) of (x) any distributions received by it under Section 11(a)(iv) and 11(a)(v) of the Portfolio LLC Agreement, (y) any amounts received by it under Section 2.2(b)(v) of the Contribution Agreement or Section 28 of the Portfolio LLC Agreement and (z) the proceeds received by it resulting from (1) any disposition by Portfolio of its interest in any Holding Company in respect of which the Borrower is not the transferee, (2) any disposition by any Holding Company of its interest in any Project Company, (3) any disposition by any Project Company of all or substantially all of its assets or (4) any other disposition of assets by any Holding Company or Project Company, or any other action by any Holding Company or Project Company, in respect of which (x) Portfolio has any voting or consent rights under the applicable Holding Company LLC Agreement and (y) the proceeds received by the Borrower equal or exceed $250,000 or (B) the principal amount of the Term Loans then outstanding.

(e) *Application of Prepayments*. Any payments of principal made pursuant to Section 3.01 shall be made by transferring the necessary funds from the Revenue Account to the Debt Payment Account and thereafter shall be paid from the Debt Payment Account and applied to the outstanding Obligations

SECTION 3.02 Interest. The Borrower shall pay interest on the outstanding principal amount of the Loans in accordance with the terms set forth below.

(a) *Rates*.

(i) Except as otherwise set forth herein, the Loans made on the Closing Date shall bear interest on the unpaid principal amount thereof from the Closing Date through October 22, 2014, at a rate per annum equal to the sum of (x) the LIBOR Daily Floating

Rate *plus* (y) 4.25% per annum. On the Closing Date, the Borrower shall deliver to the Administrative Agent a notice in the form attached hereto as Exhibit H (the "Conversion Notice") requesting that the interest rate on the Loans made on the Closing Date, calculated as set forth in the immediately preceding sentence, be converted to Loans bearing interest on the unpaid principal amount thereof from October 22, 2014 through repayment (whether by acceleration or otherwise) thereof at a fixed rate per annum equal to 5.74%. Provided that the Borrower has delivered the Conversion Notice as set forth in the immediately preceding sentence, from October 22, 2014 through repayment (whether by acceleration or otherwise) thereof, the Loans shall bear interest at a fixed rate per annum equal to 5.74%.

(ii) Except as otherwise set forth herein, interest on each Term Loan (a) shall accrue on a daily basis and shall be payable in arrears on each Payment Date with respect to interest accrued on and to each such Payment Date (including on the Final Maturity Date); and (b) shall accrue on a daily basis and shall be payable in arrears upon any prepayment of such Term Loan, whether voluntary or mandatory, to the extent accrued on the amount being prepaid.

(iii) Interest shall be computed on the basis of a 360-day year and a 30-day month in the period during which it accrues. In computing interest on any Term Loan, the date of the making of such Term Loan or the last Payment Date with respect to such Term Loan shall be included, and the date of payment of such Term Loan shall be excluded.

(b) *Post-Default Rate.* The Borrower shall pay interest (after as well as before judgment) on any principal, interest or any other Obligation payable by the Borrower hereunder that is not paid in full when due (whether at the stated due date, by acceleration or otherwise) at a rate per annum equal to the rate of interest that otherwise would be applicable to such Loan plus 2.0% per annum from and including the date of such non-payment to but excluding the date on which such amount is paid in full.

(c) *Payment Dates.* Interest accrued on each Loan shall be payable, without duplication:

(i) on each Payment Date;

(ii) on the Final Maturity Date; and

(iii) on the date of any prepayment, in whole or in part, of the Loans, on the principal amount so prepaid.

(d) *Maximum Rate*. In no contingency or event whatsoever shall the aggregate of all amounts deemed interest under this Agreement charged or collected pursuant to the terms of this Agreement exceed the highest rate permissible under any Applicable Law. In the event that the Lenders have charged or received interest hereunder in excess of the highest applicable rate, the rate in effect hereunder shall automatically be reduced to the maximum rate permitted by Applicable Law and the Lenders shall at the Administrative Agent's option (i) promptly refund to the Borrower any interest received by the Lenders in excess of the maximum lawful rate or (ii) apply such excess to the principal balance of the Obligations on a pro rata basis. It is the intent hereof that the Borrower not pay or contract to pay, and that neither the Agent nor any Lender receive or contract to receive, directly or indirectly in any manner whatsoever, interest in excess of that which may be paid by the Borrower under Applicable Law.

Interest accrued on the Loans or other Obligations after the date the relevant Obligation becomes due and payable (whether on a Payment Date, the Final Maturity Date, the date of any prepayment, upon acceleration or otherwise) shall be payable upon demand.

ARTICLE IV.
TAXES, ETC.

SECTION 4.01 Increased Costs.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender;

(ii) subject any Lender, the Administrative Agent or the Collateral Agent to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense affecting this Agreement made by such Lender or participation therein;

and the result of any of the foregoing shall be to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or any other amount) then, upon request of such Lender, the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender determines that any Change in Law affecting such Lender or any Lending Office of such Lender or such Lender’s holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender’s capital or on the capital of such Lender’s holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by such Lender to a level below that which such Lender or such Lender’s holding company could have achieved but for such Change in Law (taking into consideration such Lender’s policies and the policies of such Lender’s holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender’s holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to the foregoing provisions of thisSection 4.01 shall not constitute a waiver of such Lender's right to demand such compensation, provided that the Borrower shall not be required to compensate a Lender pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

SECTION 4.02 Taxes. The Borrower covenants and agrees as follows:

(a) Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes.

(i) Any and all payments by or on account of any obligation of the Borrower under any Financing Document shall be made without deduction or withholding for any Taxes, except as required by Applicable Laws. If any Applicable Laws (as determined in the good faith discretion of the Administrative Agent) require the deduction or withholding of any Tax from any such payment by the Administrative Agent or the Borrower, then the Administrative Agent or the Borrower shall be entitled to make such deduction or withholding, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(ii) If the Borrower or the Administrative Agent shall be required by the Code to withhold or deduct any Taxes, including both United States Federal backup withholding and withholding taxes, from any payment, then (A) the Administrative Agent shall withhold or make such deductions as are determined by the Administrative Agent to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) the Administrative Agent shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with the Code, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the Borrower shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 4.02) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(iii) If the Borrower or the Administrative Agent shall be required by any Applicable Laws other than the Code to withhold or deduct any Taxes from any payment, then (A) the Borrower or the Administrative Agent, as required by such Laws, shall withhold or make such deductions as are determined by it to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) the Borrower or the Administrative Agent, to the extent required by such Laws, shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with such Laws, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the Borrower shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 4.02) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(b) Payment of Other Taxes by the Borrower. Without limiting the provisions of subsection (a) above, the Borrower shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(c) Tax Indemnifications. (i) The Borrower shall, and does hereby indemnify each Recipient, and shall make payment in respect thereof within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 4.02) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error. The Borrower shall, and does hereby, indemnify the Administrative Agent, after demand therefor, for any amount which a Lender for any reason fails to pay indefeasibly to the Administrative Agent as required pursuant to Section 4.02(c)(ii) below.

(ii) Each Lender shall, and does hereby, severally indemnify, and shall make payment in respect thereof within 10 days after demand therefor, (x) the Administrative Agent against any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrower to do so), (y) the Administrative Agent and the Borrower, as applicable, against any Taxes attributable to such Lender's failure to comply with the provisions of Section 12.11(f) relating to the maintenance of a Participant Register and (z) the Administrative Agent and the Borrower, as applicable, against any Excluded Taxes attributable to such, in each case, that are payable or paid by the Administrative Agent or the Borrower in connection with any Financing Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender, as the case may be, under this Agreement or any other Financing Document against any amount due to the Administrative Agent under this clause (ii).

(d) Evidence of Payments. Upon request by the Borrower or the Administrative Agent, as the case may be, after any payment of Taxes by the Borrower or by the Administrative Agent to a Governmental Authority as provided in this Section 4.02, the Borrower shall deliver to the Administrative Agent or the Administrative Agent shall deliver to the Borrower, as the case may be, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return required by Laws to report such payment or other evidence of such payment reasonably satisfactory to the Borrower or the Administrative Agent, as the case may be.

(e) Status of Lenders; Tax Documentation.

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Financing Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 4.01(e)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that the Borrower is a U.S. Person,

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Financing Document, executed originals of IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Financing Document, IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) executed originals of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit G-1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "U.S. Tax Compliance Certificate") and (y) executed originals of IRS Form W-8BEN or IRS Form W-8BEN-E; or

(4) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN or IRS Form W-8BEN-E, a U.S. Tax Compliance Certificate substantially in the form of Exhibit G-2 or Exhibit G-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit G-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Financing Document would be subject to U.S. federal withholding Tax imposed by FATCA if such

Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(iii) Each Lender agrees that if any form or certification it previously delivered pursuant to this Section 4.02 expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(f) Treatment of Certain Refunds. Unless required by Applicable Laws, at no time shall the Administrative Agent have any obligation to file for or otherwise pursue on behalf of a Lender, or have any obligation to pay to any Lender, any refund of Taxes withheld or deducted from funds paid for the account of such Lender, as the case may be. If any Recipient determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 4.02, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 4.02 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) incurred by such Recipient, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Borrower, upon the request of the Recipient, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Recipient in the event the Recipient is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this subsection, in no event will the applicable Recipient be required to pay any amount to the Borrower pursuant to this subsection the payment of which would place the Recipient in a less favorable net after-Tax position than such Recipient would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This subsection shall not be construed to require any Recipient to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person.

(g) Survival. Each party's obligations under this Section 4.02 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all other Obligations.

SECTION 4.03 Payments. Unless otherwise expressly provided in a Financing Document, all payments by the Borrower hereunder shall be made by the Borrower to the Administrative Agent. All payments shall be made in Dollars free and clear of and without condition or deduction for any counterclaim, defense, recoupment or setoff not later than 2:00 p.m. on the date due in same day or immediately available funds to the Administrative Agent's Account. Funds received after that time may be deemed to have been received by the Administrative Agent on the next succeeding Business Day at the Administrative Agent's sole discretion. The Administrative Agent shall promptly remit in same day funds to each applicable Lender, for account of such Lender's Applicable Lending Office, its share, if any, of such payments received by the Administrative Agent.

SECTION 4.04 Sharing of Payments. If any Credit Party shall obtain any payment or other recovery (whether voluntary, involuntary, by application of setoff or otherwise) on account of any Obligations due and payable to such Credit Party (other than pursuant to Sections 4.01, 12.03 and 12.04 or as a result of an assignment pursuant to Section 12.11) in excess of its pro rata share (according to the proportion of (i) the amount of such Obligations due and payable to such Lender at such time to (ii) the aggregate amount of Obligations due and payable to all Credit Parties hereunder and under the other Financing Documents) of payments on account of such Obligations due and payable to all Credit Parties hereunder and under the other Financing Documents at such time obtained by all Credit Parties, such Credit Party shall purchase from the other Credit Parties such participations in the Loans made by them as shall be necessary to cause such purchasing Credit Party to share the excess payment or other recovery ratably (to the extent such other Credit Parties were entitled to receive a portion of such payment or recovery) with each of them; provided, however, that if all or any portion of the excess payment or other recovery is thereafter recovered from such purchasing Credit Party, the purchase shall be rescinded and each Credit Party that has sold a participation to the purchasing Credit Party shall repay to the purchasing Credit Party the purchase price to the ratable extent of such recovery together with an amount equal to such selling Credit Party's ratable share (according to the proportion of (a) the amount of such selling Credit Party's required repayment to the purchasing Credit Party to (b) total amount so recovered from the purchasing Credit Party) of any interest or other amount paid or payable by the purchasing Credit Party in respect of the total amount so recovered. The Borrower agrees that any Credit Party purchasing a participation from another Credit Party pursuant to this Section 4.04 may, to the fullest extent permitted by law, exercise all its rights of payment with respect to such participation as fully as if such Credit Party were the direct creditor of the Borrower in the amount of such participation. If under any applicable bankruptcy, insolvency or other similar law any Credit Party receives a secured claim in lieu of a setoff to which this Section 4.04 applies, such Credit Party shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Credit Parties entitled under this Section 4.04 to share in the benefits of any recovery on such secured claim.

SECTION 4.05 Setoff.

Upon the occurrence and during the continuation of an Event of Default, each Lender shall have the right, to the extent permitted by Applicable Law, to appropriate and apply to the payment of the Obligations owing to it (whether or not then due), any and all balances, credits, deposits, accounts (other than any trust accounts comprised entirely of moneys held in trust for the benefit of Persons other than the Borrower or its Affiliates) or moneys of the Borrower then or thereafter maintained with such Lender or any of its Affiliates; provided, however, that any such appropriation and application shall be subject to the provisions of Section 4.04. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such setoff and application made by such Lender; provided, however, that the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Lender under this Section 4.05 are in addition to other rights and remedies (including other rights of setoff under Applicable Law or otherwise) which such Lender may have.

SECTION 4.06 Change of Lending Office. Each Credit Party agrees that if it makes any demand for payment under Section 4.01 or 4.02, it will, if requested by the Borrower, file a certificate or document reasonably requested by the Borrower and/or use reasonable efforts (in either case, consistent with its internal policy and legal and regulatory restrictions and so long as such efforts would not be disadvantageous to it, as determined in its sole discretion) to designate a different Applicable Lending Office if the filing of such certificate or document or the making of such a designation would reduce or obviate the need for the Borrower to make payments under Section 4.01 or 4.02; provided, however, that nothing in this Section 4.06 shall affect or postpone any of the Obligations of the Borrower or the right of any Person provided in Section 4.01 or 4.02.

ARTICLE V.
CONDITIONS PRECEDENT

SECTION 5.01 Conditions to the Closing Date. The occurrence of the Closing Date and the obligations of the Lenders to make the Term Loans shall be subject to the prior or concurrent satisfaction of each of the following conditions precedent set forth in this Section 5.01.

(a) *Financing Documents.* This Agreement and each other Financing Document shall be in form and substance satisfactory to the Administrative Agent and the Lenders and shall have been duly executed and delivered by the parties hereto and thereto.

(b) *Corporate Documents.* The Administrative Agent shall have received from the Borrower and the Parent the following documents, each certified as indicated below:

(A) a copy of the Organic Documents of such Person, together with any amendments thereto, certified by the Secretary of State of its jurisdiction of organization, dated as of a recent date;

(B) a copy of a certificate as to the good standing of, and payment of franchise taxes, if applicable, by such Person from the Secretary of State of its jurisdiction of organization dated as of a recent date; and

(C) a certificate of each such Person, executed by an Authorized Officer of such Person certifying:

(1) that attached to such certificate is a true and complete copy of the Organic Documents of such Person, as in effect on the date of such certificate,

(2) that attached to such certificate is a true and complete copy of resolutions duly adopted by the authorized governing body of such Person, authorizing the execution, delivery and performance of the Financing Documents to which it is or is intended to be a party and such other acts and things necessary for the consummation of the transactions contemplated by such Financing Documents and that such resolutions (i) have been duly adopted by its Board of Directors and (ii) have not been modified, rescinded or amended and are in full force and effect,

(3) that the Organic Documents of such Person have not been amended since the date of the certification furnished pursuant to clause (b)(A) of this Section 5.01 and the date of the certificate of good standing furnished pursuant to clause (b)(B) of this Section 5.01, and

(4) as to the incumbency and specimen signature of each officer, member or partner (as applicable) of such Person executing the Financing Documents to which it is or is intended to be a party and each other document to be delivered by it from time to time pursuant to the terms thereof (and the Administrative Agent and each Lender may conclusively rely on such incumbency certification until it receives notice in writing from such Person).

(c) *Delivery of Notes.* The Administrative Agent shall have received, for the account of each Lender, such Lender's Term Loan Note duly executed and delivered by an Authorized Officer of the Borrower.

(d) *Financial Information.* To the extent not previously received, the Administrative Agent shall have received (i) the audited annual financial statements for Fiscal Year 2013, and (ii) quarterly financial statements for the current Fiscal Year to the Closing Date, to the extent delivered pursuant to the Holding Company LLC Agreements, in each case of the Holding Companies, which financial statements, in each case, shall be prepared in accordance with GAAP (other than in the case of unaudited statements, subject to normal year-end audit adjustments, consolidation entries and the absence of footnotes, other required statements and on a basis as prepared and delivered according to the Holding Company LLC Agreement).

(e) *Solvency, etc.* The Administrative Agent shall have received a certificate duly executed and delivered by an Authorized Officer of each of the Borrower and the Parent (in such Person's capacity as such Authorized Officer), dated as of the Closing Date, certifying that such Person is Solvent, in form and substance reasonably satisfactory to the Administrative Agent and the Lenders.

(f) *Opinions of Counsel and Advisors.* The Administrative Agent shall have received opinions, dated the Closing Date, from (i) Baker & McKenzie, counsel to the Borrower, the

Parent and Sponsor with respect to (A) UCC, New York and Delaware law matters (including enforceability of the Financing Documents), (B) no conflicts, (C) with respect to corporate matters, such as due execution, authorization and delivery of the Financing Documents and (D) with respect to the Investment Company Act of 1940, and (ii) in-house counsel to the Borrower, with respect to the Investment Company Act of 1940 and with respect to corporate matters, such as due execution, authorization and delivery of the Financing Documents, in each case, in form and substance satisfactory to the Administrative Agent and the Lenders and addressed to the Administrative Agent and each Lender.

(g) *Liens; Filings.*

(i) Each Filing Statement or other document required by the Security Documents or under law to be filed, registered or recorded in order to create and maintain in favor of the Collateral Agent, for the benefit of the Secured Parties, a perfected Lien on the Collateral described therein, shall have been filed, registered or recorded or shall have been delivered to the Collateral Agent in proper form for filing, registration or recordation.

(ii) The Collateral Agent shall have received the results of a recent lien search in each of the jurisdictions in which UCC financing statements or other filings or recordations should be made to evidence or perfect security interests in all assets of the Borrower and all assets of the Parent pledged to the Collateral Agent pursuant to the Pledge Agreement, and such search shall reveal no liens on any of such assets of the Parent or the Borrower, except for Permitted Liens.

The Administrative Agent and the Lenders shall be satisfied that (i) the Liens granted pursuant to the Security Documents to the Collateral Agent, for the benefit of the Secured Parties in the Collateral each constitute a first priority security interest (subject to Permitted Liens), and (ii) no Lien exists on any of the Collateral other than Permitted Liens.

(h) *Patriot Act Disclosures.* The Administrative Agent and each Lender shall have received all Patriot Act Disclosures requested by them prior to execution of this Agreement.

(i) *Borrower Approvals.* All governmental and third party approvals, consents and/or waivers necessary in connection with the Financing Documents and the Portfolio Transaction Documents, the continuing operations of the Borrower and the transactions contemplated hereby and thereby shall have been obtained and be in full force and effect, and all applicable waiting periods, if any, shall have expired without any action being taken or threatened by any competent authority which would restrain, prevent or otherwise impose adverse conditions on the Financing Documents, the Portfolio Transaction Documents or the financings contemplated hereby and thereby, and do not contain any conditions that are not capable of being satisfied without materially adversely affecting the transactions contemplated hereby.

(j) *Portfolio Company Approvals.* The Borrower shall have delivered the most recently available monthly operating reports for each Portfolio Company, and none of such reports shall indicate that (i) any such governmental or third party approval, consent or waiver necessary has not been obtained or is not in full force and effect, or (ii) any action has been taken or threatened by any competent authority which would restrain, prevent or otherwise impose adverse conditions on the operations of any Project.

(k) *Project Documents; etc.* (i) The Administrative Agent shall have received true and correct copies of (A) the Contribution Agreement; (B) each Purchase Agreement; (C) all Portfolio Transaction Documents; (D) the Vento I ROFO Notice; and (E) copies of each of the Oasis ROFO Notice, the Sand Bluff ROFO Notice and the Scurry County ROFO Notices, duly executed by the Borrower; and (ii) the Borrower shall have included in the Dataroom true and correct copies, to its Knowledge, of (A) each Project Document set forth on Schedule 6.08; (B) each Holding Company LLC Agreement; and (C) the most recent Tracking IRR Report (as defined in the Contribution Agreement) of each Holding Company.

(l) *Representations and Warranties.* Each of the representations and warranties set forth in each Financing Document shall be true and correct in all material respects.

(m) *No Default*. No Default or Event of Default shall have occurred and be continuing on the Closing Date or would result from the execution, delivery or performance of the Financing Documents.

(n) *Base Case Financial Model.* The Administrative Agent shall have received (in form and substance reasonably satisfactory to it) no less than one (1) day prior to the anticipated Closing Date a comprehensive long-term cash flow model ("Base Case Financial Model") reflecting the forecast economics for each of the Projects for a period through at least twelve months after the Final Maturity Date, showing, on a basis consistent with the Project Documents and the Financing Documents, the Borrower's good faith projections based on assumptions that are believed by the Borrower to be a reasonable operating forecast of revenues, expenses, cash flow, and sources and uses of revenues over the forecast period.

(o) *Accounts*. All Accounts shall have been established with the Depositary and under the "control" (as defined in the UCC) of the Collateral Agent. The Debt Reserve Account shall be fully funded with proceeds from the Term Loans in an amount equal to six months of interest payments and six months of Minimum Principal Payments.

(p) *Notice of Borrowing.* The Administrative Agent shall have received a Notice of Borrowing, duly executed and delivered in accordance with Section 2.03(a), in respect of the Term Loans.

(q) *Taxes*. All required taxes, expenses and other costs and fees required to be paid in connection with the execution, delivery, filing, registration and performance of the Financing Documents and the transactions contemplated thereby, and the perfection of the security interests, shall have been paid in full.

(r) *Due Diligence*. Each Lender shall have completed a due diligence review of Portfolio, each Portfolio Company, the Projects and material matters related thereto, with results satisfactory to such Lender.

(s) *Contribution Agreement.* The "Closing" under and as defined in the Contribution Agreement shall have occurred, and the Administrative Agent shall have received copies of each of the documents required to be delivered under Sections 2.4(a)(ii), 2.4(a)(iii), 2.4(a)(iv), 2.4(a)(ix), 6.1(h) and 6.1(k) of the Contribution Agreement in connection therewith.

(t) *Conversion Notice*. The Borrower shall have delivered a fully-executed copy of the Conversion Notice.

(u) *Dataroom*. The Borrower shall have delivered the compact disc as described in the definition of "Dataroom".

(v) *Fees and Expenses*. All costs and expenses due and payable in accordance withSection 12.03 as of the Closing Date shall have been paid in full or shall be paid in full with the proceeds of the Loans to be made on the Closing Date.

ARTICLE VI.
REPRESENTATIONS AND WARRANTIES

In order to induce the Lenders to enter into this Agreement and to make Loans hereunder, the Borrower represents and warrants to each Credit Party which is a party hereto, as of the Closing Date as follows:

SECTION 6.01 Due Organization, etc.

(a) The Borrower has been duly formed, is validly existing and is in good standing as a limited liability company under the laws of the State of Delaware.

(b) To the Knowledge of the Borrower, each Portfolio Company is validly existing and in good standing as a limited liability company under the laws of the jurisdiction in which it was organized.

(c) The Borrower has all requisite power and authority to own, lease and/or operate and maintain its properties and conduct its business as currently conducted.

(d) To the Knowledge of the Borrower, each Portfolio Company has requisite power and authority to own, lease and/or operate and maintain its business as currently conducted.

(e) The Borrower is in good standing as a foreign limited liability company in each jurisdiction in which its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, cause a Material Adverse Change.

(f) To the Knowledge of the Borrower, each Portfolio Company is in good standing as a foreign corporation in each jurisdiction in which its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, cause a Material Adverse Change.

SECTION 6.02 Taxes.

(a) All material federal, state, local and foreign tax returns of the Borrower and the Parent have been timely and accurately filed (after giving effect to valid extensions of time to file such tax returns), and all material Taxes, fines or penalties that are required to be paid have been timely paid, except for any such tax, fine or penalty that is being contested in good faith and by appropriate proceedings with cash reserves established for such Taxes in accordance with GAAP, other than de minimis Taxes.

(b) To the Knowledge of the Borrower, (i) the material federal, state, local and foreign tax returns of any Portfolio Company have been timely filed (after giving effect to valid extensions of time to file such tax returns), and (ii) all taxes, fines or penalties that are shown as due and owing on such tax returns have been paid.

SECTION 6.03 Capitalization. The Borrower and, to the Knowledge of the Borrower, each Portfolio Company, has an authorized capitalization as of the Closing Date as set forth on Schedule 6.03. The issued and outstanding Capital Stock of the Borrower and of Portfolio and, to the Knowledge of the Borrower, each other Portfolio Company, has been duly and validly authorized and issued and is fully paid and nonassessable, and is owned of record as set forth in Schedule 6.03; and there are no outstanding rights, warrants or options to acquire, or instruments convertible into or exchangeable for, any Capital Stock of the Borrower or any Capital Stock of Portfolio. The Borrower has not received Written Notice that there are any outstanding rights, warrants or options to acquire, or instruments convertible into or exchangeable for, any Capital Stock of any Portfolio Company, except as described in Schedule 6.03.

SECTION 6.04 Environmental Laws; Compliance with Laws.

(a) Except as disclosed on Schedule 6.04, (i) the Borrower is in compliance in all material respects with all Applicable Laws (other than Environmental Laws, which are the subject of clause (ii) below); (ii) the Borrower is in compliance in all material respects with all applicable Environmental Laws other than such Environmental Laws where the failure to so comply could not reasonably be expected to cause a Material Adverse Change; (iii) the Borrower is in compliance with any and all Governmental Approvals required under any Environmental Law; and (iv) there are no pending or, to the Borrower’s Knowledge, threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, Liens, notices of non-compliance or violation, investigations or proceedings arising under or relating to any Environmental Law against the Borrower.

(b) Except as disclosed on Schedule 6.04: (i) to the Knowledge of the Borrower, no Portfolio Company is in violation of any Applicable Laws (including Environmental Laws) that could reasonably be expected to result in a Material Adverse Change; (ii) to the Knowledge of the Borrower, no Portfolio Company is in violation of any Governmental Approval required under any Environmental Law that could be reasonably expected to result in a Material Adverse Change; (iii) the Borrower has not received Written Notice of any pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, Liens, notices of non-compliance or violation, investigations or proceedings arising under or relation to any Environmental Law against any Portfolio Company or with respect to the operations of any Project that could reasonably be expected to result in a Material Adverse Change; or (iv) the

Borrower has not received Written Notice of any conditions, events or circumstances relating to Hazardous Materials or Environmental Laws that may reasonably be expected to form the basis of (A) an order or any Environmental Liabilities and Costs for any Remedial Actions or (B) any other action, investigation, claim, suit or proceeding by a private party or government body or agency, and that, in the case of any of the foregoing, could reasonably be expected to result in a Material Adverse Change.

SECTION 6.05 Marketable Title; Leasehold Interests.

(a) Schedule 6.03 contains a list of all Capital Stock of Portfolio owned by the Borrower and, to the Knowledge of the Borrower, all other Capital Stock of Portfolio and each other Portfolio Company.

(b) The Borrower has good, valid and marketable title to all of the Capital Stock of Portfolio owned by the Borrower as set forth on Schedule 6.03, free and clear of all Liens or other defects in title, and such Capital Stock has not been pledged or assigned to any Person except pursuant to the Security Documents. To the Knowledge of the Borrower, (i) Portfolio has good, valid and marketable title to all of the Capital Stock of the Holding Companies set forth on Schedule 6.03 and (ii) each Holding Company has good, valid and marketable title to all of the Capital Stock of the Project Companies set forth opposite its name on Schedule 6.03, in any such case free and clear of all Liens (other than Permitted Liens) or other defects in title, or that any such Capital Stock has been pledged or assigned to any Person except pursuant to the Security Documents.

(c) As of the Closing Date, the Capital Stock of Portfolio set forth on Schedule 6.03 will not be subject to any restrictions on transferability other than those imposed by the Financing Documents and the Organic Documents of Portfolio.

(d) To the Knowledge of the Borrower, each Holding Company and Project Company has valid title to or leases, free from all Liens (other than Permitted Liens), the material assets used or held for use by such Holding Company and Project Company, except for such material assets the failure of which to so own or lease would not, individually or in the aggregate, have a Material Adverse Change.

(e) To the Knowledge of the Borrower, Schedule 6.05 contains a list of the title insurance policies covering all of the material Real Property owned by any Project Company.

SECTION 6.06 Investment Company Act. The Borrower is not and, after giving effect to the transactions contemplated by the Financing Documents, will not be, an "investment company," or an entity "controlled" by an investment company, as such terms are defined in the Investment Company Act of 1940, as amended.

SECTION 6.07 Labor Matters.

(a) The Borrower does not have any employees. No labor problem or dispute with the employees of the Borrower exists or is threatened that could reasonably be expected to cause a Material Adverse Change; and there are no material unfair labor practice complaints pending or threatened against the Borrower.

(b) to the Knowledge of the Borrower, (i) no labor problem or dispute with the employees of any Portfolio Company exists or is threatened, and (ii) no unfair labor practice is pending or threatened against any Portfolio Company, in either case, that could reasonably be expected to cause a Material Adverse Change.

SECTION 6.08 Project Documents.

(a) To the Knowledge of the Borrower, each Project Document and Organic Document to which the Borrower or any Portfolio Company is a party is included in the Dataroom.

(b) (i) A copy of each Project Document made available to the Borrower has been included in the Dataroom, and to the Knowledge of the Borrower, such copy is a true and correct copy, (ii) to the Knowledge of the Borrower, each such Project Document is in full force and effect, and (iii) the Borrower has not received Written Notice that (A) any of the Portfolio Companies or any other party to a Project Document, is in default (or that an event has occurred that with lapse of time or notice or action by a third party could reasonably be expected to result in a default) in any material respect in the performance of or compliance with any Project Document, (B) a Project Document is not in full force and effect, (C) there is an ongoing dispute under any Project Document that could reasonably be expected to result in a Material Adverse Change, (D) there is a pending or proposed modification or amendment to any Project Document, (E) there has been any assignment or proposed assignment of any right under any Project Document, (F) there has been any call on, or attempt to collect any amounts in respect of, any guarantee, letter of credit, reserve account or other payment or performance security under, or in connection with, any Project Document, (G) a force majeure event has occurred and is continuing under any Project Document or (H) except as disclosed on Schedule 6.08, that any payment of damages is pending or payable under any Project Document.

(c) The Borrower is not in violation of its Organic Documents, nor, to the Knowledge of the Borrower, is any Portfolio Company in violation of its respective Organic Documents in any material respect.

SECTION 6.09 Subsidiaries; Business Activities. The Borrower does not have (a) any Subsidiaries or (b) any direct or, to the Knowledge of the Borrower, indirect equity ownership interest in any corporation, partnership, joint venture or other entity other than the Portfolio Companies. The Borrower has not engaged in any business or activity other than the acquisition and ownership of the Capital Stock of Portfolio and the financings and other ancillary activities related thereto.

SECTION 6.10 Authorization and Enforceability of Financing Documents.

(a) The Borrower has all requisite limited liability company power and authority to enter into this Agreement and the other Financing Documents to which it is a party. This Agreement and the other Financing Documents to which it is a party have been duly and validly authorized, executed and delivered by the Borrower.

(b) Each of the Financing Documents to which the Borrower is a party constitutes the valid and binding agreement of the Borrower, enforceable against it in accordance with its terms, except as such enforceability may be limited by (i) bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and (ii) the availability of equitable remedies.

SECTION 6.11 Defaults Under Other Agreements. The Borrower is not in default, and no event has occurred that, with notice or lapse of time or both, would reasonably be expected to constitute such a default, in the due performance or observance of any term, agreement, covenant, condition or other obligation contained in any material indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties or assets is subject, which defaults and violations, singularly or in the aggregate, could reasonably be expected to result in a Material Adverse Change.

SECTION 6.12 Non-Contravention. (a) None of the execution or delivery by the Borrower of this Agreement or any other Financing Document to which the Borrower is a party, the performance of or compliance by the Borrower with the terms and conditions hereof or thereof or the Borrowing of the Loans hereunder or granting of the Liens pursuant to the Security Documents (i) contravenes in any material respect any Applicable Law, (ii) constitutes a default under or results in the violation of the provisions of the Organic Documents of the Borrower or Portfolio or, to the Knowledge of the Borrower, the Organizational Documents of any Project Company, (iii) results in the creation or imposition of any Liens (other than Liens created under the Security Documents) on any assets or properties of the Borrower or, to the Knowledge of the Borrower, any other Portfolio Company, (iv) to the Knowledge of the Borrower, constitutes a default under (or an event that, with notice or lapse of time or both, would become a default) or results in the violation of any Project Document or (v) contravenes any Portfolio Transaction Document or Holding Company LLC Agreement.

(b) To the Knowledge of the Borrower, the consummation of the Transaction (as defined in the Contribution Agreement) and the execution, delivery and performance of the Portfolio Transaction Documents does not violate or constitute a default under any Holding Company LLC Agreement or Power Purchase Agreement.

SECTION 6.13 Governmental Approvals.

(a) The Borrower is in compliance in all material respects with all Governmental Approvals currently applicable to the Borrower.

(b) All material Governmental Approvals that are presently required to be obtained or applied for in connection with the Borrower's direct or indirect ownership of the Capital Stock of any Portfolio Company have been either (i) timely applied for and such applications are pending approval by the relevant Governmental Authority, or (ii) duly obtained, were validly issued and are in full force and effect, not subject to any pending challenge, held in the name of the Borrower and are or are expected to be free from conditions that the Borrower does not reasonably expect either it or such other appropriate party, as the case may be, will be able to satisfy in all material respects on a timely basis. To the Knowledge of the Borrower, there are no proceedings pending other than rulemaking proceedings of general applicability or proceedings related to the renewal of Governmental Approvals, with respect to the Borrower that would reasonably be expected to result in a rescission, termination, material modification, or suspension of any material Governmental Approval held by the Borrower.

(c) To the Knowledge of the Borrower, each material Governmental Approval that is presently required to be obtained or applied for in connection with the ownership, operation and maintenance of the Projects (i) has been duly obtained, (ii) was validly issued, (iii) is in full force and effect, (iv) is not subject to any pending challenge, (v) is held in the name of the relevant Portfolio Company or other appropriate party, as the case may be, or (vi) is and is expected to be free from conditions that the applicable Portfolio Company does not reasonably expect either it or such other appropriate party, as the case may be, will be able to satisfy in all material respects on a timely basis. To the Knowledge of the Borrower, there are no proceedings pending other than rulemaking proceedings of general applicability or proceedings related to the renewal of Governmental Approvals, with respect to any Portfolio Company that would reasonably be expected to result in a rescission, termination, material modification, or suspension of any material Governmental Approval held by any Portfolio Company.

SECTION 6.14 Legal and Other Proceedings. There are no legal or governmental proceedings pending to which the Borrower is a party or to which any property or assets of the Borrower is subject that (a) purport to affect or pertain to this Agreement or any other Financing Document or any of the transactions contemplated hereby or (b) if determined adversely to the Borrower, could reasonably be expected to result in a Material Adverse Change or could reasonably be expected to materially and adversely affect the ability of the Borrower to perform its Obligations under any of the Financing Documents; and to the Knowledge of the Borrower, no such proceedings are threatened or contemplated by Governmental Authorities or threatened by others. Except as set forth on Schedule 6.14, to the Knowledge of the Borrower, there are no lawsuits, actions, or proceedings pending or in progress or governmental, administrative or other investigation pending or in progress or threatened against, or relating to the respective assets or businesses of any Portfolio Company that could reasonably be expected to result in a Material Adverse Change. To the Knowledge of the Borrower, no Portfolio Company is subject to any outstanding judgment, order, writ, injunction, decree or award entered in an action to which the any Portfolio Company was a named party relating to the respective assets or businesses of any Portfolio Company that could reasonably be expected to result in a Material Adverse Change.

SECTION 6.15 Margin Regulations. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no proceeds of any Loans will be used to purchase or carry Margin Stock or otherwise for a purpose that violates, or would be inconsistent with, Board Regulation U or Regulation X. Terms for which meanings are provided in Board Regulation U or Regulation X or any regulations substituted thereof, as from time to time in effect, are used in this Section 6.15 with such meanings.

SECTION 6.16 Solvency. After giving effect to the consummation of the transactions contemplated by the Financing Documents, the making of the Term Loans, the use of proceeds therefrom and the performance by the Borrower, the Parent of their respective Obligations pursuant to the Financing Documents, each of the Borrower and the Parent will be Solvent.

SECTION 6.17 Senior Indebtedness. The Obligations will be secured by the Collateral on a first priority basis with respect to any Liens permitted pursuant to Section 9.02 (other than such Liens that are, by operation of Applicable Law, senior or pari passu in priority thereto) and constitute senior secured Indebtedness of the Borrower.

SECTION 6.18 Absence of Defaults. No condition exists on the Closing Date that constitutes a Default or an Event of Default.

SECTION 6.19 Material Adverse Change. No Material Adverse Change has occurred in respect of the Borrower since October 3, 2014. To the Knowledge of the Borrower, no Material Adverse Change has occurred in respect of a Project or a Portfolio Company since the date of the most recently available monthly operating reports for such Project and Portfolio Company.

SECTION 6.20 Financial Information. [Reserved].

SECTION 6.21 Foreign Corrupt Practices Act of 1977. Neither the Borrower nor any director, officer, agent, employee or other person associated with or acting on behalf of the Borrower has used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977; or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment, in each case in connection with any Project or Portfolio Company, or the execution, delivery or performance of the Financing Documents.

SECTION 6.22 Books and Records. The Borrower maintains a system of accounting controls that is sufficient to provide reasonable assurance that it (a) makes and keeps accurate books and records and (b) maintains internal accounting controls that provide reasonable assurance that (i) material information relating to the Borrower is made known to the Borrower’s Financial Officers by others within those entities and transactions are executed in accordance with management’s general or specific authorization, (ii) transactions are recorded as necessary to permit preparation of its consolidated financial statements and to maintain accountability for its assets, (iii) access to its assets is permitted only in accordance with management’s general or specific authorization and (iv) the reported accountability for its assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any difference. To the Knowledge of the Borrower, each Portfolio Company maintains a system of accounting controls that is sufficient to provide reasonable assurance that they each (A) make and keep accurate books and records and (B) maintain internal accounting controls that provide reasonable assurance that (i) material information relating to such Portfolio Company is made known to such Portfolio Company’s Financial Officers by others within those entities and transactions are executed in accordance with management’s general or specific authorization, (ii) transactions are recorded as necessary to permit preparation of its consolidated financial statements and to maintain accountability for its assets, (iii) access to its assets is permitted only in accordance with management’s general or specific authorization and (iv) the reported accountability for its assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any difference.

SECTION 6.23 Regulation.

(a) The Borrower has not been deemed by FERC to be subject to, or not exempt from, (i) regulation as a "public utility" under the FPA, or (ii) regulation by FERC under PUHCA.

(b) To the Borrower's Knowledge, each Portfolio Company either (i) has been granted authorization by FERC to sell electric energy and capacity at market-based rates under Section 205 of the FPA, along with those waivers from federal regulation and blanket approvals typically granted by FERC to entities with market-based rate authorization, including blanket authorization for the issuance of securities and assumption of liabilities under Section 204 of the FPA and Part 34 of the FERC's regulations, or (ii) is otherwise exempt from Sections 205 and 206 of the FPA; in each case, as set forth in Schedule 6.23.

(c) To the Borrower's Knowledge, each Portfolio Company either (i) is an exempt wholesale generator under PUHCA, or (ii) is a qualifying facility under Section 292.101(b) of FERC's regulations and in either case, is exempt from regulation by FERC under PUHCA (with the exception of FERC's regulations applicable to exempt wholesale generator status); in each case, as set forth in Schedule 6.23.

(d) None of the Administrative Agent, any Lender or any other Credit Party will, solely as a result of (i) the execution, delivery and performance of the Financing Documents or the making of the Loans thereunder, (ii) the execution, deliver and performance of the Portfolio Transaction Documents, (iii) the operation of the Projects, or (iv) the sale of electric capacity or energy from the Projects, be subject to, or not exempt from, regulation as a "public utility" under the FPA, as a holding company under PUHCA, or under state public utility laws; provided, that the exercise of remedies as provided for under the Financing Documents may cause the Credit Parties to become subject to regulation as a public utility under the FPA, as a holding company under PUHCA or under state public utility laws.

SECTION 6.24 Sanctions Concerns and Anti-Corruption Laws. (a) Neither the Borrower, nor Portfolio, nor any director, officer, employee, agent, affiliate or representative thereof, is an individual or entity currently the subject of any Sanctions, nor is the Borrower or Portfolio located, organized or resident in a Designated Jurisdiction.

(b) The Borrower and Portfolio conduct their business in compliance with applicable anti-corruption laws and have instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.

SECTION 6.25 Disclosure. The Borrower has disclosed to the Lenders, by including such information in the Dataroom, all material agreements, instruments and corporate or other restrictions to which it a party, and all other material information in written form in its possession relating to the Portfolio Companies or the Projects, including all materials made available to the Borrower and any of its Affiliates in the "Data Room" (as defined in the Contribution Agreement). All factual information (excluding any financial projections and models) heretofore or contemporaneously furnished by or on behalf of the Borrower in writing to the Administrative Agent or any Lender for the purposes of or in connection with this Agreement or any transaction contemplated hereby (a) is, to the extent such information relates to the Borrower, the Parent, Sponsor or Portfolio and (b) is, to the Knowledge of the Borrower, to the extent such information relates to any Holding Company or Project Company, true and accurate in every material respect and such information is not incomplete by omitting to state any material fact necessary to make such information not misleading, in each case on the date as of which such information is dated or certified.

SECTION 6.26 ERISA Compliance. As of the Closing Date, neither the Borrower nor Portfolio maintain, contribute to, or have any liability to any Plan. No member of the ERISA Group maintains, contributes to, or has any liability to a Pension Plan, nor has any obligation to contribute to or liability to any Multiemployer Plan.

SECTION 6.27 Collateral Documents. The provisions of the Security Documents are effective to create in favor of the Collateral Agent for the benefit of the Secured Parties a legal, valid and enforceable first priority Lien (subject to Permitted Liens) on all right, title and interest of the Borrower or the Parent in the Collateral described therein. Except for filings completed on or prior to the Closing Date and as contemplated hereby and by the Collateral Documents, no filing or other action will be necessary to perfect or protect such Liens.

SECTION 6.28 Intellectual Property; Licenses, Etc. The Borrower, Portfolio and to the Borrower's Knowledge, each other Portfolio Company, owns or possesses the right to use, all of the trademarks, service marks, trade names, copyrights, patents, patent rights, franchises, licenses and other intellectual property rights that are reasonably necessary for the operation of its respective business, without conflict with the rights of any other Person. To the Knowledge of the Borrower, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Borrower or any Portfolio Company or any of its Subsidiaries infringes upon any rights held by any other Person. No claim or litigation regarding any of the foregoing is pending or, to the Knowledge of the Borrower, threatened, that, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Change.

SECTION 6.29 No Broker's Fees. No brokerage or finder's fees are or will be payable in connection with this Agreement and the transactions contemplated hereby.

SECTION 6.30 Insurance Matters. The properties of the Borrower and, to its Knowledge, each Portfolio Company, are insured with financially sound and reputable insurance companies not Affiliates of the Borrower or such Portfolio Company, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Borrower or the applicable Portfolio Company operates. To the Borrower's Knowledge, each Holding Company and Project Company maintains insurance satisfying the insurance obligations set forth in the applicable Project Documents.

ARTICLE VII.
REPORTING REQUIREMENTS

SECTION 7.01 Reporting Requirements. The Borrower covenants and agrees that until the Termination Date has occurred, the Borrower shall:

(a) Furnish, or cause to be furnished, to the Administrative Agent (with sufficient copies for each Lender or, if posted on an electronic data room, with access to each Lender) the following financial statements, reports, Officer's Certificates, notices and information:

(i) as soon as available and in any event within sixty (60) days after the end of each of the first three Fiscal Quarters of each Fiscal Year, a calculation of the equity investment and income arising from the indirect investment in the Holding Companies, along with a reconciliation to such amounts and the amount of the Borrowings reflected in the Sponsor's financial statements filed with the SEC and certified as fairly stated in all material respects by a Financial Officer of the Borrower;

(ii) as soon as available and in any event within 120 days after the end of each Fiscal Year, (x) a calculation of the equity investment and income arising from the indirect investment in the Holding Companies and (y) a reconciliation to such amounts and the amount of the Borrowings reflected in the Sponsor's financial statements filed with the SEC, for such Fiscal Year, setting forth in comparative form the figures for the immediately preceding Fiscal Year, accompanied by a report of Ernst & Young or other nationally recognized independent auditor reasonably acceptable to the Lenders that confirms that the equity and investment amounts were correctly calculated from the Holding Company financials and that the reconciliation agrees to the amounts included in the Sponsor's audited financial statements filed with the SEC;

(iii) concurrently with the delivery of the financial information pursuant toclauses (i) and (ii) above, an Officer's Certificate executed by a Financial Officer of the Borrower, stating that no Event of Default has occurred and is continuing (or, if an Event of Default has occurred, specifying the details of such Event of Default and the action that the Borrower has taken or proposes to take with respect thereto);

(iv) within seven (7) Business Days after its receipt thereof, any quarterly and annual financial statements, and other material financial information, received by the Borrower from or relating to any Portfolio Company;

(v) within seven (7) Business Days after its receipt thereof, any operating report or any other material notice, report, filing or other document delivered to the Borrower relating to any Portfolio Company or any Project;

(vi) as soon as reasonably practicable and in any event within seven (7) Business Days after the Borrower obtains Knowledge of the occurrence of a Default or an Event of Default, an Officer's Certificate of the Borrower setting forth details of such Default or Event of Default and the action that the Borrower has taken and proposes to take with respect thereto;

(vii) as soon as possible and in any event within seven (7) Business Days after the Borrower obtains Knowledge of (A) any material litigation involving the Borrower, (B) any event or condition that has had or is reasonably expected to cause a Material

Adverse Change, an Officer's Certificate of the Borrower setting forth the details thereof and, if applicable, setting forth the action that the Borrower has taken, and any action proposed to be taken with respect thereto or (C) any ERISA Event;

(viii) within seven (7) Business Days after the Borrower obtains Knowledge of (A)(i) any Event of Loss, (ii) Event of Eminent Domain, or (iii) any Asset Sale giving rise to proceeds in excess of $250,000 or (B) any material litigation involving any Portfolio Company, an Officer's Certificate of the Borrower attaching a copy of any notice received with respect thereto and, if applicable setting forth the action that the Borrower has taken and any action proposed to be taken with respect thereto;

(ix) [Reserved];

(x) promptly (A) if the Borrower obtains Knowledge that one or more of the Borrower or any Person that owns, directly or indirectly, any Capital Stock of the Borrower, or of any other direct or indirect equitable, legal or beneficial interest therein is in violation of any of the Terrorism Laws, the Borrower will notify the Administrative Agent, and (B) upon the request of any Lender, the Borrower will provide any information such Lender believes is reasonably necessary to be delivered to comply with the Patriot Act;

(xi) as soon as possible and in any event within seven (7) Business Days after the Borrower obtains Knowledge of any claims, complaints, notices or inquiries that (A) relate to the condition of any Portfolio Company's facilities and properties in respect of, or as to compliance with, Environmental Laws and (B) could (individually or in the aggregate) reasonably be expected to have a Material Adverse Change, an Officer's Certificate of the Borrower attaching a copy of any notice delivered with respect thereto and, if applicable, setting forth the action that the Borrower has taken and any action proposed to be taken with respect thereto;

(xii) no later than sixty (60) days after the end of each Fiscal Year, the Borrower shall prepare and deliver to the Lenders an updated Base Case Financial Model reflecting the actual financial results of the Borrower for such Fiscal Year, based on information actually received as of such date by the Borrower, with the same categories of revenue and cost, including all operating and maintenance costs, debt service, insurance premiums and other costs, charges and liabilities payable by each Portfolio Company;

(xiii) within seven (7) Business Days after its receipt thereof, any tax returns or other filings relating to Portfolio and each Holding Company; and

(xiv) such other financial and other information as any Lender through the Administrative Agent may from time to time reasonably request (including information and reports in such detail as the Administrative Agent may request with respect to the terms of and information provided pursuant to any Officer's Certificate delivered pursuant to this Article VII).

Notwithstanding anything to the contrary in this Section 7.01, as soon as possible and in any event within three (3) Business Days after its receipt thereof, copies of any material written notices, communications or other information delivered to the Borrower under or pursuant to any of the Portfolio Transaction Documents.

ARTICLE VIII.
AFFIRMATIVE COVENANTS

The Borrower agrees that, so long as any Loan or any other Obligation under any Financing Document (other than contingent Obligations that are intended to survive the termination thereof) shall remain unpaid, it shall comply with the following covenants, and it shall take all Relevant Member Action to cause Portfolio to comply with the following covenants, provided any failure or inability of the Borrower to cause such compliance by Portfolio shall not constitute a breach of this Article VIII so long as the Borrower has taken and, upon the request of any Lender, certified to such Lender that it has taken, all Relevant Member Action in connection with the applicable covenant that is available to it.

SECTION 8.01 Payment of Obligations. The Borrower shall, and shall take all Relevant Member Action to cause Portfolio to, pay and discharge all its (i) material Contractual Obligations and liabilities, except where (a) failure to so pay and discharge could not reasonably be expected to result in a Material Adverse Change or (b) the same may be contested in good faith by appropriate proceedings, and in such case will maintain, in accordance with GAAP, appropriate reserves for the accrual of any such contested amounts and (ii) tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by the Borrower.

SECTION 8.02 [Reserved.]

SECTION 8.03 Maintenance of Property; Insurance.

(a) The Borrower shall maintain or cause to be maintained at all times insurance in accordance with Prudent Industry Practice and shall take all Relevant Member Action to cause Portfolio to maintain or cause to be maintained at all times insurance in accordance with each Project Document.

(b) The Borrower shall, and shall take all Relevant Member Action to cause Portfolio to, diligently pursue, in a commercially reasonable manner, any compensation available at law or under any insurance policy following the occurrence of an Event of Loss.

(c) The Borrower shall, and shall take all Relevant Member Action to cause Portfolio to, keep all property useful or necessary in its business in good repair, working order and condition, except (i) to the extent failure to so keep such property could not reasonably be expected to cause a Material Adverse Change, and (ii) ordinary wear and tear.

(d) The Borrower will at all times own not less than the amount of issued and outstanding Capital Stock of Portfolio that the Borrower owns as of the Closing Date.

(e) The Borrower will take all Relevant Member Action to cause Portfolio to distribute all Loss Proceeds and Eminent Domain Proceeds received by it to the Borrower, to the extent required or permitted under the terms of the Portfolio LLC Agreement.

SECTION 8.04 Conduct of Business. The Borrower shall, and shall take all Relevant Member Action to cause Portfolio to, preserve and maintain its respective legal existence and material rights and privileges (including licenses, permits, franchises and regulatory approvals).

SECTION 8.05 Compliance with Laws.

(a) The Borrower shall, and shall take all Relevant Member Action to cause Portfolio to, comply in all material respects with all Applicable Laws (including all Environmental Laws, except to the extent that non-compliance therewith could not reasonably be expected to cause a Material Adverse Change). Without limiting the generality of the foregoing, the Borrower shall, and shall take all Relevant Member Action to cause Portfolio to, ensure that no portion of the Loans will be used, disbursed or distributed for any purpose, or to any Person, directly or indirectly, in violation of any Terrorism Laws and shall comply with all Terrorism Laws with respect thereto.

(b) The Borrower shall comply with its Organic Documents in all respects, and shall take all Relevant Member Action to cause Portfolio to comply with its Organic Documents in all material respects.

(c) The Borrower shall, and shall take all Relevant Member Action to cause Portfolio to, pay or cause to be paid, as and when due, all Taxes that may at any time be lawfully assessed or levied against or with respect to the Borrower or Portfolio.

SECTION 8.06 Fiscal Year. The Borrower shall, and shall take all Relevant Member Action to cause Portfolio to, maintain as its Fiscal Year the twelve-month period ending on December 31 of each year.

SECTION 8.07 Inspection of Property, Books and Records. The Borrower shall, and shall take all Relevant Member Action to cause Portfolio to, keep proper books of record and accounts in accordance with GAAP that accurately reflect all of their respective business affairs and transactions, and will permit, and will take all Relevant Member Action to cause Portfolio to permit, representatives of any Credit Party and the Independent Engineer or other Credit Party consultants, or other advisors, to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants, all at such reasonable times during normal business hours and as often as may reasonably be desired, upon reasonable advance notice to the Borrower or Portfolio, as the case may be.

SECTION 8.08 Governmental Approvals. The Borrower shall, and shall take all Relevant Member Action to cause Portfolio to, at all times obtain and maintain in full force and effect, in all material respects, all Governmental Approvals required at any time in connection with its business as currently conducted and as proposed to be conducted.

SECTION 8.09 Ranking. The Borrower shall ensure that at all times the Financing Documents and the Obligations evidenced thereby constitute secured obligations of the Borrower ranking in priority of payment at least *pari passu* with all other Indebtedness of the Borrower whether now existing or hereafter outstanding.

SECTION 8.10 Available Cash. The Borrower shall take all Relevant Member Action to cause Portfolio to distribute to the holders of its Capital Stock all cash received by Portfolio not reasonably required for the ongoing operation of the applicable Project (including reasonable reserves) no less frequently than monthly.

SECTION 8.11 Enforcement of Contracts. The Borrower shall, and shall take all Relevant Member Action to cause Portfolio to:

(a) perform and observe all of its respective material covenants and material obligations contained in the Portfolio Transaction Documents and each of the Holding Company LLC Agreements, in each case to which such Person is a party (except where the failure to do so could not reasonably be expected to result in termination of any such Portfolio Transaction Document or Holding Company LLC Agreement or otherwise result in a Material Adverse Change); and

(b) enforce against the relevant party to each Portfolio Transaction Document and Holding Company LLC Agreement to which such Person is a party its rights and obligations thereunder and the material covenants thereof in accordance with its terms unless the failure to do so could not reasonably be expected to result in a Material Adverse Change (and to not exercise any of such rights or obligations in any manner that could reasonably be expected to result in a Material Adverse Change).

SECTION 8.12 Dividend Payments. The Borrower shall, or shall take all Relevant Member Action to cause Portfolio to, remit the proceeds of any dividend or other distribution (whether in cash, securities or other property) made by Portfolio to the Borrower, within three (3) Business Days thereof, to the Collateral Agent for deposit in the Revenue Account or such other account as is specified in the Depositary Agreement. Without limiting the generality of the foregoing, the Borrower shall take all Relevant Member Action (a) to cause all bank accounts of Portfolio to be maintained at one or more banks, other than JPMCC or any Affiliate of JPMCC, having capital and surplus in an aggregate amount of not less than $500,000,000 and rated A or greater by S&P or A2 or greater by Moody's and (b) to issue a standing instruction to all bank accounts of Portfolio from which dividends or distributions may be made to the Borrower that all such amounts shall be transferred solely to the Revenue Account, which standing instruction the Borrower shall not withdraw without the prior written consent of the Lenders and the Collateral Agent.

SECTION 8.13 Portfolio LLC Agreement; Portfolio Companies. The Borrower shall comply in all material respects with all of its obligations under the Portfolio Transaction Documents. The Borrower shall take all Relevant Member Action to (a) cause Portfolio to comply with each of the covenants set forth in Article VII, Article VIII and Article IX, (b) oppose any proposed decreases by Portfolio in dividends or distributions to holders of the Capital Stock of Portfolio (but subject to setting aside any amounts that the Borrower or Portfolio reasonably believes, in accordance with Prudent Industry Practice and consistent with any fiduciary duties it may have, should be maintained by Portfolio), (c) oppose any proposed increases in capital contributions by the Borrower to Portfolio and (d) oppose any proposal that could reasonably be expected to result in a Material Adverse Change.

SECTION 8.14 Warranty of Title. The Borrower shall, and shall take all Relevant Member Action to cause Portfolio to, maintain good, legal and valid title to all of its material properties and assets (other than properties and assets disposed of in accordance with this Agreement), in each case free and clear of all Liens other than the Permitted Liens.

SECTION 8.15 Separate Existence. The Borrower shall (a) maintain entity records and books of account separate from those of any other entity that is an Affiliate of any such Person, (b) not commingle its funds or assets with those of any other entity that is an Affiliate of any such Person (other than as required by the Financing Documents), (c) cause its members to take appropriate written action in accordance with the Borrower's and such member's Organic Documents to authorize and approve such Person's actions, which written action will be separate from that of any other entity that is an Affiliate of such Person and (d) at all times include in its limited liability company agreement the provisions of the foregoing clauses (a) through (c) and other customary separateness covenants reasonably satisfactory to the Lenders.

SECTION 8.16 Maintenance of Depositary Accounts. The Borrower shall fund and maintain the Accounts in accordance with the Depositary Agreement.

SECTION 8.17 Debt Reserve Account. The Borrower shall at all times maintain an amount equal to six months of interest payments and six months of Minimum Principal Payments in the Debt Reserve Account; provided, however, that if there is a draw on the Debt Reserve Account by the Administrative Agent in accordance with the terms of the Depositary Agreement, the Borrower shall not be deemed to be in breach of this Section 8.17 as long as the Debt Reserve Account is replenished in accordance with the provisions of the Depositary Agreement.

SECTION 8.18 Equity Member Withdrawal. If the "Equity Member" (under and as defined in the Portfolio LLC Agreement) exercises its "Equity Member Withdrawal" (under and as defined in Section 14(b) of the Portfolio LLC Agreement), the Borrower shall elect the "80% Option" (under and as defined in Section 14(b) of the Portfolio LLC Agreement) and shall cause the Parent, Sponsor or an Affiliate of either of the foregoing to contribute to the Borrower all amounts as are necessary to pay to such Equity Member all amounts owing to it under such 80% Option.

SECTION 8.19 Further Assurances. Promptly upon the written request of the Administrative Agent, the Borrower shall execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further security agreements, pledge agreements, assignments, financing statements and continuations thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments, and take any other further action, as the Administrative Agent may reasonably require from time to time in order to (i) carry out more effectively the purposes of the Financing Documents, (ii) to the fullest extent permitted by Applicable Law and any applicable Contractual Obligations of the Borrower, subject the Borrower's properties, assets, rights or interests to the Liens now or hereafter intended to be covered by any of the Security Documents, (iii) perfect and maintain the validity, effectiveness and priority of any of the Security Documents and any of the Liens intended to be created thereunder and (iv) assure, convey, grant, assign, transfer, preserve, protect and confirm more effectively unto the Secured Parties the rights granted or now or hereafter intended to be granted to the Secured Parties under any Financing Document or under any other instrument executed in connection with any Financing Document to which the Borrower is or is intended to be a party.

SECTION 8.20 ROFO Notices. Within two (2) Business Days of written request by the Administrative Agent, the Borrower shall deliver to each of the addressees thereof, the Oasis ROFO Notice, the Sand Bluff ROFO Notice and the Scurry County ROFO Notices. Promptly following, and in any event within three (3) Business Days of, its receipt thereof, the Borrower shall deliver to the Administrative Agent any countersigned signature page to the Oasis ROFO Notice, the Sand Bluff ROFO Notice and the Scurry County ROFO Notices.

ARTICLE IX.
NEGATIVE COVENANTS

The Borrower agrees that, so long as any Loan or any other Obligation of the Borrower under any Financing Document (other than contingent Obligations that are intended to survive the termination thereof) shall remain unpaid, it shall comply with the following covenants, and it shall take all Relevant Member Action to cause Portfolio to comply with the following covenants, provided that any failure or inability of the Borrower to cause such compliance by Portfolio shall not constitute a breach of this Article IX so long as the Borrower has taken and, upon the request of any Lender, certified to such Lender that it has taken, all Relevant Member Action in connection with the applicable covenant that is available to it.

SECTION 9.01 Limitation on Indebtedness. The Borrower shall not, and shall take all Relevant Member Action to cause Portfolio not to, incur, assume, create or suffer to exist any Indebtedness, except for the Obligations incurred hereunder and under the other Financing Documents.

SECTION 9.02 Liens. The Borrower shall not, and shall take all Relevant Member Action to cause Portfolio not to, create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except Permitted Liens.

SECTION 9.03 Restricted Payments. The Borrower shall not, and shall take all Relevant Member Action to cause Portfolio not to, make any Restricted Payments, except:

(a) with respect to the Borrower, from amounts on deposit in the Distribution Account, if at the time of making such Restricted Payment, the Borrower satisfies each of the Distribution Conditions; and

(b) Restricted Payments made by Portfolio on a pro rata basis to the holders of any class or series of Capital Stock issued by Portfolio provided such Restricted Payments are paid in accordance with the Organic Documents of Portfolio.

SECTION 9.04 Consolidations and Mergers; Asset Sales.

(a) The Borrower shall not, and shall take all Relevant Member Action to cause Portfolio not to, enter into any transaction of merger or consolidation, or sell all or substantially all of the Borrower's or Portfolio's respective assets to any other Person.

(b) The Borrower shall not, and shall take all Relevant Member Action to cause Portfolio not to, purchase or otherwise acquire all or substantially all of the assets (including Capital Stock) of any other Person.

(c) The Borrower shall not, and shall take all Relevant Member Action to cause Portfolio not to, directly or indirectly, issue, sell, assign, pledge or otherwise encumber or dispose of any shares of Capital Stock of Portfolio owned directly by the Borrower, except as provided in the Security Documents.

(d) The Borrower shall take all Relevant Member Action to cause Portfolio not to, directly or indirectly, issue or sell any additional shares of Capital Stock of Portfolio.

(e) The Borrower shall take all Relevant Member Action to cause Portfolio not to sell, lease (as lessor), transfer (as transferor) or otherwise dispose of any property or assets (an "Asset Sale").

SECTION 9.05 Burdensome Agreements. The Borrower shall not, and shall take all Relevant Member Action to cause Portfolio not to, enter into, or permit to exist, any Contractual Obligation (except for this Agreement and the other Financing Documents) that (a) encumbers or restricts the ability of any such Person to (i) to enter into and perform its obligations under the Financing Documents; (ii) make Restricted Payments directly to the Borrower or (iii) pay any Indebtedness or other obligation owed to the Borrower or any Lender.

SECTION 9.06 Transaction with Affiliates. The Borrower shall not, and shall take all Relevant Member Action to cause Portfolio not to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its respective properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any of the Borrower's or Portfolio's respective Affiliates (an "Affiliate Transaction"), unless the Affiliate Transaction is on terms that are no less favorable to the Borrower or Portfolio, as the case may be, than those that would have been obtained in a comparable transaction by the Borrower or Portfolio with an unrelated Person; provided that, the following transactions will not be deemed to constitute Affiliate Transactions and therefore will not be subject to the provisions of this Section 9.06: (a) arms-length transactions with customers, clients, suppliers, joint venture partners or purchasers or sellers of goods or services (including between Portfolio Companies), or lessors or lessees of property, in each case, in the ordinary course of business and otherwise in compliance with the terms of this Agreement; (b) any employment agreement, employee benefit plan, officer and director indemnification agreement or any similar arrangement entered into by the Borrower or Portfolio in the ordinary course of business; (c) Restricted Payments expressly permitted hereby; (d) transactions pursuant to written agreements and arrangements in place as of the Closing Date; (e) any amendments, modifications or replacements of, or waivers under, any written agreement described under clause (d) of this Section 9.06 that is not a Major Project Document, provided that no such amendment, modification or waiver alters any such agreement in a manner than is materially adverse to the interests of Lenders; and (f) any agreement to do any of the foregoing.

SECTION 9.07 Investments in Other Persons.

(a) The Borrower will not, and will take all Relevant Member Action to cause Portfolio not to, make any loans or advancesprovided, however, that the Borrower may direct the investment of funds on deposit in the Accounts in Permitted Investments in accordance with the terms of the Depositary Agreement.

(b) The Borrower will not, and will take all Relevant Member Action to cause Portfolio not to, acquire, establish or create any Subsidiary.

SECTION 9.08 Guarantees. The Borrower will not, and shall take all Relevant Member Action to cause Portfolio not to, contingently or otherwise, be or become liable in connection with any guarantee or other contingent obligation.

SECTION 9.09 Change in Nature of Business. The Borrower shall not, and shall take all Relevant Member Action to cause Portfolio not to, engage in any business other than a Permitted Business.

SECTION 9.10 Modification of Contractual Obligations. Unless it has received the prior written consent of the Administrative Agent, the Borrower shall not, and shall take all Relevant Member Action to cause Portfolio not to:

(a) amend, supplement, waive or otherwise modify any Portfolio Transaction Document or Holding Company LLC Agreement, terminate, replace, enter into a novation with respect to, vary or assign any or all interests in any Portfolio Transaction Document or Holding Company LLC Agreement, or exercise or waive any rights to consent to any termination, replacement, variance or assignment of any Portfolio Transaction Document or Holding Company LLC Agreement, except changes of a ministerial nature, in each case where the Borrower has received Written Notice of the proposed change, so long as the Borrower has provided the Administrative Agent with advance written notice of any such proposed change;

(b) [Reserved];

(c) amend, supplement, waive or otherwise modify the Organic Documents of the Borrower or Portfolio (including the Portfolio LLC Agreement), except changes of a ministerial nature, so long as the Borrower has provided the Administrative Agent with five (5) Business Days' advance notice of any such proposed change, including an explanation of the proposed change; or

(d) enter into any new material contractual obligation.

SECTION 9.11 Use of Proceeds.

(a) The Borrower shall not use the proceeds of any Term Loan for any purpose other than to (A) make the contributions contemplated under the Contribution Agreement, (B) fund the Debt Reserve Account and (C) pay transaction costs and expenses associated with the Financing Documents.

(b) The Borrower shall not, directly or indirectly, use any part of the proceeds of any Loan or other revenues to purchase or carry any Margin Stock.

SECTION 9.12 Bank Accounts. The Borrower shall not maintain any bank account or similar account with any financial institution other than the Accounts.

SECTION 9.13 [Reserved.]

SECTION 9.14 Capital Expenditures. The Borrower will not make any Capital Expenditures and will take all Relevant Member Action to cause Portfolio not to make any Capital Expenditures, other than any Capital Expenditures of Portfolio that is (a) a Necessary Capital Expenditure with respect to a Project, and (b) paid solely with the proceeds of cash equity contributed to Portfolio by the holders of its Capital Stock (other than the Borrower). Without limiting the foregoing, the Borrower shall not acquire any membership interest of any “Equivalent Class Member” (as defined in the Portfolio LLC Agreement) in any Holding Company and shall not acquire any membership interest in any Holding Company from Portfolio pursuant to Paragraph 13(k) of the Portfolio LLC Agreement, in each case without the prior written consent of each Lender.

SECTION 9.15 Fiscal Year, Location and EIN. The Borrower shall not change (a) its Fiscal Year, name or federal employer identification number without the Administrative Agent’s consent (such consent not to be unreasonably withheld or delayed) or (b) its jurisdiction of organization, its organization identification number or the location of its principal place of business without at least 30 days’ prior written notice to the Administrative Agent and the Collateral Agent.

SECTION 9.16 Lease Transactions. The Borrower will not, and will take all Relevant Member Action to cause Portfolio not to, enter into any transaction for the lease of any assets, whether operating leases, capital leases or otherwise.

SECTION 9.17 No Employees. The Borrower shall not have any employees.

SECTION 9.18 Changes to Accounting Policies. The Borrower shall not, and shall take all Relevant Member Action to cause Portfolio not to, make any change in accounting policies or reporting practices, except as required by GAAP.

SECTION 9.19 Other Relevant Member Action. (a) Unless it has received the prior written consent of the Administrative Agent, the Borrower shall not take any Relevant Member Action with respect to any matter not specifically addressed in Article VIII or Article IX.

(b) Without limiting clause (a) and notwithstanding anything to the contrary in Section 7.01, Borrower shall (i) notify the Administrative Agent in writing promptly upon any action arising in respect of which the Portfolio LLC Agreement grants any voting, approval or consent right to the Borrower (whether in its capacity as a "Member," "Investor Member," Co-Managing Member" or "Tax Matters Partner" (each, under and as defined in the Portfolio LLC Agreement)) or any "Committee Member" (under and as defined in the Portfolio LLC Agreement) or any other agent or representative of the Borrower, however designated, under the Portfolio LLC Agreement, including any such matter relating to a Project, Project Company or a Holding Company with respect to which any Holding Company LLC Agreement grants voting, approval or consent rights to Portfolio, except to the extent that any such voting, approval or consent right is in respect of (1) a Minor Project Document, to the extent that the Borrower has certified in writing to the Administrative Agent and the Lenders that the action being requested of the Borrower could not reasonably be expected to result in a Material Adverse Change or (2) an item that is of a ministerial nature, which rights the Borrower may exercise in its discretion so long as it has provided the Administrative Agent with advance written notice and (ii) as soon as possible and in any event within three (3) Business Days after its receipt thereof, deliver to the Administrative Agent copies of any written notices, communications or other information relating to any matter described in the immediately preceding clause (i).

(c) The Borrower shall exercise any voting, approval or consent right described in clause (b) immediately above solely as directed in writing by the Administrative Agent, provided that if the Administrative Agent shall not have directed the Borrower as to the manner in which the Borrower shall be required to exercise such voting, approval or consent right by 9:00 a.m. EST on the date of the deadline for such exercise (after giving effect to the earlier of all extensions thereof permitted under the Portfolio LLC Agreement or any Holding Company LLC Agreement, as applicable), the Borrower shall be entitled to exercise such right in its discretion provided the Borrower shall have notified the Administrative Agent three (3) Business Days prior to such deadline if, on such date, the Administrative Agent shall not have given such direction to the Borrower.

SECTION 9.20 Sanctions. Directly or indirectly, use the proceeds of any Loan, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other individual or entity, to fund any activities of or business with any individual or entity, or in any Designated Jurisdiction, that, at the time of such funding, is the subject of Sanctions, or in any other manner that will result in a violation by any individual or entity (including any individual or entity participating in the transaction, whether as Lender, Administrative Agent, or otherwise) of Sanctions.

ARTICLE X.
EVENTS OF DEFAULT

SECTION 10.01 Events of Default. Each of the following events or occurrences described in this Article X shall constitute an "Event of Default"; provided that if an Event of Default that may be cured under this Article X is actually cured, such event of Default shall no longer be deemed continuing:

(a) *Non-Payment.* The failure to pay or cause to be paid any Minimum Principal Payment Amount, any Additional Principal Payment Amount due under Section 3.01(a), any interest or any other Obligations on the date such payment is due and payable, whether on a

Payment Date, on the Final Maturity Date, upon prepayment or upon acceleration or otherwise; provided that the Borrower may cure an Event of Default referenced in this Section 10.01(a) up to two times in any calendar year and up to a total of four times in the aggregate if such payment is made within five (5) days after the same became due and payable.

(b) *[Reserved]*.

(c) *Breach of Warranty*. Any representation or warranty made by the Borrower or the Parent under any Financing Document shall prove to have been untrue or misleading as of the time made, confirmed or furnished and the fact, event or circumstance that gave rise to such inaccuracy has had or could reasonably be expected to cause a Material Adverse Change, unless, if such misstatement (and the effect thereof) is reasonably capable of being cured, the Borrower, the Parent or Sponsor as applicable, cures such misstatement (and the effect thereof) within sixty (60) days of the Borrower, the Parent, Sponsor or any Credit Party, as applicable, acquiring Knowledge thereof.

(d) *Non-Performance of Covenants and Obligations*. The failure by the Borrower or the Parent to perform or observe (i) any covenant or obligation set forth in Section 8.18 or Article IX hereof or (ii) any of its other covenants or obligations in the Financing Documents (other than any failure or breach described in sub-clause (i) or in any other clauses of this Section 10.01) and, in respect of this clause (ii) only, such failure or breach shall continue uncured for sixty (60) or more days after an Authorized Officer of such Person obtains Knowledge thereof.

(e) *[Reserved]*.

(f) *Default on Other Indebtedness*. (i) Failure of the Borrower to pay when due any principal of or interest on, or any other amount payable in respect of, one or more items of Indebtedness (other than Indebtedness under this Agreement) in an individual or aggregate principal amount of $500,000 or more, in each case beyond the grace period, if any, provided therefor; (ii) failure of any Portfolio Company to pay when due any principal of or interest on, or any other amount payable in respect of, one or more items of Indebtedness (other than Indebtedness under this Agreement) in an individual or aggregate principal amount of $2,000,000 or more, in each case beyond the grace period, if any, provided therefor, only if, with respect to any Holding Company or any Project Company, such failure as could reasonably be expected to cause a Material Adverse Change; or (iii) breach or default by the Borrower or any Portfolio Company with respect to any term of one or more items of Indebtedness in the individual or aggregate principal amount referred to in clauses (i) or (ii) above (as applicable) beyond the grace period, if any, provided therefor, if the effect of such breach or default is to cause that Indebtedness to become due or be declared to be due and payable prior to its stated maturity and, in the case of any Holding Company or any Project Company, the same could reasonably be expected to cause a Material Adverse Change; provided that, any events referenced in Section 10.01(f)(ii) and, with respect to any Holding Company or Project Company only, Section 10.01(f)(iii), shall not constitute an Event of Default so long as the Borrower makes an optional prepayment of the Loans in an amount that the Lenders determine is sufficient to remedy any adverse impacts to the Lenders that the Lenders reasonably expect to incur as a result of such event within three (3) Business Days of the Lenders (or the Administrative Agent on their behalf) delivering notice of the amount of such prepayment; provided, further, that the

Borrower may make such optional prepayments, together with all optional prepayments made pursuant to Section 10.01(g), Section 10.01(h), and Section 10.01(k), up to two times in any calendar year and up to a total of four times in the aggregate.

(g) *Judgments*. One or more final and non-appealable judgment or judgments for the payment of money (i) in excess of $500,000 (exclusive of judgment amounts fully covered by insurance) shall be rendered against the Borrower, or the Parent or (ii) in excess of $2,000,000 (exclusive of judgment amounts fully covered by insurance) shall be rendered against or any Portfolio Company, and in any such case shall remain undischarged, unvacated, unstayed or unbonded for a period of sixty (60) or more consecutive days and, in the case of any Holding Company or any Project Company, the existence of such judgment could reasonably be expected to cause a Material Adverse Change; provided that, any event referenced in Section 10.01(g)(ii) with respect to any Holding Company or any Project Company shall not constitute an Event of Default so long as the Borrower makes an optional prepayment of the Loans in an amount that the Lenders determine is sufficient to remedy any adverse impacts to the Lenders that the Lenders reasonably expect to incur as a result of such event within three (3) Business Days of the Lenders (or the Administrative Agent on their behalf) delivering notice of the amount of such prepayment; provided, further, that the Borrower may make such optional prepayments, together with all optional prepayments made pursuant to Section 10.01(f), Section 10.01(h), and Section 10.01(k), up to two times in any calendar year and up to a total of four times in the aggregate.

(h) *Governmental Approvals*. Any Governmental Approval required for (i) the ownership by the Borrower of Portfolio, (ii) the ownership by any Portfolio Company of any other Portfolio Company the Capital Stock of which it owns on the Closing Date, (iii) the operation of any Project or any material portion thereof owned by any Portfolio Company or (iv) sales of energy, RECs or capacity from any Project, in each case, is revoked, terminated, withdrawn or ceases to be in full force and effect if (A) such revocation, termination, withdrawal or cessation has had or could reasonably be expected to cause a Material Adverse Change and (B) such revocation, termination, withdrawal or cessation is not cured within sixty (60) days following the occurrence thereof; provided that, any event referenced in Section 10.01(h)(ii), Section 10.01(h)(iii) or Section 10.01(h)(iv), in each case with respect to any Holding Company or any Project Company, shall not constitute an Event of Default so long as the Borrower makes an optional prepayment of the Loans in an amount that the Lenders determine is sufficient to remedy any adverse impacts to the Lenders that the Lenders reasonably expect to incur as a result of such event within three (3) Business Days of the Lenders (or the Administrative Agent on their behalf) delivering notice of the amount of such prepayment; provided, further, that the Borrower may make such optional prepayments, together with all optional prepayments made pursuant to Section 10.01(f), Section 10.01(g), and Section 10.01(k), up to two times in any calendar year and up to a total of four times in the aggregate.

(i) *Impairment of Security, Financing Documents etc*. Any of the Security Documents or any other Financing Document (other than in accordance with the provisions thereof) ceases to be in full force and effect and enforceable against the parties thereto, or the Borrower or the Parent shall repudiate, disavow or take legal action to challenge such effectiveness or enforceability, or any Lien granted therein ceases to be a valid and perfected Lien in favor of the Secured Parties on the Collateral described therein with the priority purported to be created thereby.

(j) *[Reserved]*.

(k) *Bankruptcy, Insolvency, etc.* The Borrower, the Parent, Sponsor or any Portfolio Company shall:

(i) generally fail to pay, or admit in writing its inability or unwillingness generally to pay, debts as they become due, provided, with respect to any such Project Company, only if such failure as could reasonably be expected to cause a Material Adverse Change; provided, that, with respect to any Project Company, any event referenced in this Section 10.01(k)(i) shall not constitute an Event of Default so long as the Borrower makes an optional prepayment of the Loans in an amount that the Lenders determine is sufficient to remedy any adverse impacts to the Lenders that the Lenders reasonably expect to incur as a result of such event within three (3) Business Days of the Lenders (or the Administrative Agent on their behalf) delivering notice of the amount of such prepayment; provided, further, that the Borrower may make such optional prepayments, together with all optional prepayments made pursuant to Section 10.01(f), Section 10.01(g), Section 10.01(h) and clauses (ii) and (iii) of this Section 10.01(k), up to two times in any calendar year and up to a total of four times in the aggregate;

(ii) apply for, consent to, or acquiesce in the appointment of a trustee, receiver, sequestrator or other custodian for any substantial part of its property, or make a general assignment for the benefit of creditors; or in the absence of such application, consent or acquiescence, permit or suffer to exist the appointment of a trustee, receiver, sequestrator or other custodian for a substantial part of its property, and such trustee, receiver, sequestrator or other custodian shall not be discharged within sixty (60) days, provided, with respect to any Project Company, only if such action could reasonably be expected to cause a Material Adverse Change; provided that the Borrower hereby expressly authorizes each Secured Party to appear in any court conducting any relevant proceeding during such sixty (60)-day period to preserve, protect and defend their rights under the Financing Documents; provided, further, that, with respect to any Project Company, any event referenced in this Section 10.01(k)(ii) shall not constitute an Event of Default so long as the Borrower makes an optional prepayment of the Loans in an amount that the Lenders determine is sufficient to remedy any adverse impacts to the Lenders that the Lenders reasonably expect to incur as a result of such event within three (3) Business Days of the Lenders (or the Administrative Agent on their behalf) delivering notice of the amount of such prepayment; provided, further, that the Borrower may make such optional prepayments, together with all optional prepayments made pursuant to Section 10.01(f), Section 10.01(g), Section 10.01(h) and clauses (i) and (iii) of this Section 10.01(k), up to two times in any calendar year and up to a total of four times in the aggregate; or

(iii) permit or suffer to exist the commencement of any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law or any dissolution, winding up or liquidation proceeding, in respect of such Person, and, if any such case or proceeding is not commenced by such Person, such case or proceeding shall be consented to or acquiesced in by such Person or shall result in the entry of an order for relief or shall remain undismissed for sixty (60) days, provided, with respect to any Project Company, only if such action could reasonably be expected to cause a Material Adverse Change; provided, that the Borrower hereby expressly authorizes each Secured Party to appear in any court conducting any such case or proceeding during such sixty (60)-day period to preserve, protect and defend their rights under the Financing Documents. provided, further, that, with respect to any Project Company, any event referenced in this Section 10.01(k)(iii) shall not constitute an Event of Default so long as the Borrower makes an optional prepayment of the Loans in an amount that the Lenders determine is sufficient to remedy any adverse impacts to the Lenders that the Lenders reasonably expect to incur as a result of such event within three (3) Business Days of the Lenders (or the Administrative Agent on their behalf) delivering notice of the amount of such prepayment; provided, further, that the Borrower may make such optional prepayments, together with all optional prepayments made pursuant to Section 10.01(f), Section 10.01(g), Section 10.01(h) and clauses (i) and (ii) of this Section 10.01(k), up to two times in any calendar year and up to a total of four times in the aggregate.

(l) *Organizational Documents*. The Portfolio LLC Agreement or any Holding Company LLC Agreement is terminated or ceases to be valid and in full force and effect prior to its stated maturity date other than as a result of an amendment or termination permitted hereunder or, in the case of any termination of a Holding Company LLC Agreement, as a result of any sale of all membership interests in the related Holding Company pursuant to a transaction the consummation of which does not constitute an Event of Default.

(m) *Change of Control*. Any Change of Control shall occur.

(n) *Pension Plans*. Any ERISA Event shall occur that could reasonably be expected to result in a Material Adverse Change.

SECTION 10.02 Action if Event of Default. If any Event of Default shall occur, the Administrative Agent shall, upon the direction of the Required Lenders, by notice to the Borrower declare all or any portion of the outstanding principal amount of the Loans and other Obligations to be due and payable, whereupon the full unpaid amount of such Loans and other Obligations that shall be so declared due and payable shall be and become immediately due and payable, without further notice, demand or presentment.

ARTICLE XI.
THE AGENTS

SECTION 11.01 Appointment and Authority. Each of the Lenders hereby irrevocably appoints BANA to act on its behalf as the Administrative Agent and as the Collateral Agent hereunder and under the other Financing Documents and authorizes the Agents to take such actions on its behalf and to exercise such powers as are delegated to the Agents by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article XI are solely for the benefit of the Agents and the Lenders, and none of the Borrower, the Parent nor Sponsor shall have rights as a third party beneficiary of any of such provisions. It is understood and agreed that the use of the term “agent” herein or in any other Financing Documents (or any other similar term) with reference to the Administrative

Agent or the Collateral Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any Applicable Law. Instead, such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

SECTION 11.02 Rights as a Lender. The Person serving as the Administrative Agent or the Collateral Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent or Collateral Agent hereunder and without any duty to account therefor to the Lenders.

SECTION 11.03 Exculpatory Provisions. The Agents shall not have any duties or obligations except those expressly set forth herein and in the other Financing Documents, and its duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, each Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Financing Documents that such Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Financing Documents), provided that such Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose such Agent to liability or that is contrary to any Financing Document or Applicable Law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law ; and

(c) shall not, except as expressly set forth herein and in the other Financing Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as an Agent or any of its Affiliates in any capacity.

Each Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as such Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 12.01 and 10.03) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and non-appealable judgment. Each Agent shall be deemed not to have Knowledge of any Default unless and until notice describing such Default is given in writing to such Agent by the Borrower or a Lender.

Each Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Financing Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Financing Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article V or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to such Agent.

SECTION 11.04 Reliance by Agents. The Agents shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Agents also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Term Loan that by its terms must be fulfilled to the satisfaction of a Lender, the Agent may presume that such condition is satisfactory to such Lender unless such Agent shall have received notice to the contrary from such Lender prior to the making of such Term Loan. The Agents may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

SECTION 11.05 Delegation of Duties. Each Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Financing Document by or through any one or more sub-agents appointed by such Agent. Each Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article XI shall apply to any such sub-agent and to the Related Parties of such Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as such Agent. Each Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and non-appealable judgment that such Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

SECTION 11.06 Resignation of Agent.

(a) The Administrative Agent or Collateral Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the

“Resignation Effective Date”), then the retiring Agent may (but shall not be obligated to) on behalf of the Lenders, appoint a successor Administrative Agent or Collateral Agent, as applicable, meeting the qualifications set forth above. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) The Required Lenders may, to the extent permitted by Applicable Law, by notice in writing to the Borrower and such Person remove such Person as Administrative Agent or Collateral Agent and, in consultation with the Borrower, appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days (or such earlier day as shall be agreed by the Required Lenders) (the “Removal Effective Date”), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(c) With effect from the Resignation Effective Date or the Removal Effective Date (as applicable) (1) the retiring or removed Agent shall be discharged from its duties and obligations hereunder and under the other Financing Documents and (2) except for any indemnity payments or other amounts then owed to the retiring or removed Agent, all payments, communications and determinations provided to be made by, to or through such Agent shall instead be made by or to each Lender directly, until such time, if any, as the Required Lenders appoint a successor Agent as provided for above. Upon the acceptance of a successor’s appointment as Administrative Agent or Collateral Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring or removed Agent (other than any rights to indemnity payments or other amounts owed to the retiring or removed Agent as of the Resignation Effective Date or the Removal Effective Date, as applicable), and the retiring or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Financing Documents (if not already discharged therefrom as provided above in this Section 11.06). The fees payable by the Borrower to a successor Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring or removed Agent’s resignation or removal hereunder and under the other Financing Documents, the provisions of this Article XI, Section 12.03 and Section 12.04 shall continue in effect for the benefit of such retiring or removed Agent, itssub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring or removed Agent was acting as Agent.

SECTION 11.07 Non-Reliance on Agents and Other Lenders. Each Lender acknowledges that it has, independently and without reliance upon the Agents or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agents or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Financing Document or any related agreement or any document furnished hereunder or thereunder.

SECTION 11.08 Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to the Borrower or the Parent, the Agents (irrespective of whether the principal of any Term Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether such Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Term Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Agents (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, the Agents and their respective agents and counsel and all other amounts due the Lenders and the Agents under Sections 12.03 and 12.04) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same; and

any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Agents and, in the event that an Agent shall consent to the making of such payments directly to the Lenders, to pay to the Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Agent and its agents and counsel, and any other amounts due the Agent under Sections 12.03 and 12.04.

Nothing contained herein shall be deemed to authorize the Agents to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender to authorize the Agents to vote in respect of the claim of any Lender in any such proceeding.

SECTION 11.09 No Advisory or Fiduciary Relationship. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Financing Document), the Borrower acknowledges and agrees that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent and the Lenders are arm's-length commercial transactions between the Borrower and its Affiliates, on the one hand, and the Administrative Agent and the Lenders, on the other hand, (B) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Financing Documents; (ii) (A) the Administrative Agent and each Lender is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower or any of its Affiliates, or any other Person and (B) neither the Administrative Agent nor any Lender has any obligation to the Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Financing Documents; and (iii) the Administrative Agent and the Lenders and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and neither the Administrative Agent nor any Lender has any obligation to disclose any of such interests to the Borrower or its Affiliates. To the fullest extent permitted by law, the Borrower hereby waives and releases any claims that it may have against the Administrative Agent or any Lender with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

SECTION 11.10 Payments by Borrower; Presumptions by Agents. Unless an Agent shall have received notice from the Borrower prior to the date on which any payment is due to such Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders, as the case may be, severally agrees to repay to the Agent forthwith on demand the amount so distributed to such Lender, in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the applicable Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the applicable Agent in accordance with banking industry rules on interbank compensation.

SECTION 11.11 Posting of Approved Electronic Communications.

(a) The Borrower hereby agrees, unless directed otherwise by the Administrative Agent or Collateral Agent or unless the electronic mail address referred to below has not been provided by such Agent to the Borrower, that it will provide to such Agent all information, documents and other materials that it is obligated to furnish to such Agent pursuant to the Financing Documents or to the Lenders under Section 7.01, including all notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding any such communication that (i) is or relates to a Notice of Borrowing pursuant to Section 2.03(a), (ii) relates to the payment of any principal or other amount due under this Agreement prior to the scheduled date therefor, (iii) provides notice of any Default or Event of Default under this Agreement or any other Financing Document or (iv) is required to be delivered to satisfy any condition precedent to the effectiveness of this Agreement and/or any Borrowing hereunder (all such non-excluded communications being referred to herein collectively as "Communications"), by transmitting the Communications in an electronic/soft medium that is properly identified in a format acceptable to the Agent to an electronic mail address as directed by the Agent. In addition, the Borrower agrees to continue to provide the Communications to the Agents or the Lenders, as the case may be, in the manner specified in the Financing Documents but only to the extent requested by the applicable Agent.

(b) The Borrower hereby acknowledges that (a) the Administrative Agent may, but shall not be obligated to, make available to the Lenders materials and/or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on Debt Domain, IntraLinks, Syndtrak, ClearPar, or another similar electronic system (the "Platform") and (b) certain of the Lenders (each, a "Public Lender") may have personnel who do not wish to receive material non-public information with respect to the Borrower or its Affiliates, or the respective securities of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Persons' securities. The Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Administrative Agent and the Lenders to treat such Borrower Materials as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States Federal and state securities laws (provided, however, that to the extent such Borrower Materials constitute Information, they shall be treated as set forth in Section 12.15); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Side Information;" and (z) the Administrative Agent and the Arranger shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Side Information."

(c) THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to the Borrower, any Lender or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower's or the Administrative Agent's transmission of Borrower Materials or notices through the Platform, any other electronic platform or electronic messaging service, or through the Internet.

(d) Each Agent agrees that the receipt of the Communications by such Agent at its e-mail address set forth above shall constitute effective delivery of the Communications to such Agent for purposes of the Financing Documents. Each Lender agrees that receipt of notice to it (as provided in the next sentence) specifying that the Communications have been posted to the Platform shall constitute effective delivery of the Communications to such Lender for purposes of the Financing Documents. Each Lender agrees to notify the Agents in writing (including by electronic communication) from time to time of such Lender's e-mail address to which the foregoing notice may be sent by electronic transmission and that the foregoing notice may be sent to such e-mail address.

(e) Nothing herein shall prejudice the right of the Agents or any Lender to give any notice or other communication pursuant to any Financing Document in any other manner specified in such Financing Document.

ARTICLE XII.
MISCELLANEOUS PROVISIONS

SECTION 12.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Financing Document, and no consent to any departure by the Borrower therefrom, shall be effective unless in writing signed by the Required Lenders and the Borrower and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

(a) waive any condition set forth in Section 5.01 without the written consent of each Lender;

(b) postpone any date fixed by this Agreement or any other Financing Document for any payment or mandatory prepayment of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Financing Document without the written consent of each Lender directly affected thereby;

(c) reduce the principal of, or the rate of interest specified herein on, any Loan, or (subject to clause (iv) of the second proviso to this Section 12.01) any fees or other amounts payable hereunder or under any other Financing Document without the written consent of each Lender directly affected thereby; provided, however, that only the consent of the Required Lenders shall be necessary to amend the definition of "Default Rate" or to waive any obligation of the Borrower to pay interest or Letter of Credit Fees at the Default Rate;

(d) alter the pro rata sharing of payments required thereby without the written consent of each Lender; or

(e) change any provision of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender;

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Financing Document.

(f) Notwithstanding the other provisions of this Section 12.01, the Administrative Agent may (but shall have no obligation to):

(i) amend or supplement the Financing Documents without the consent of any other Lender for the purpose of curing any ambiguity, defect, inconsistency or typographical or drafting error in the Financing Documents;

(ii) extend the timing requirements of this Agreement for the purposes of delivery of financial statements, related certificates and an updated Base Case Financial Model for an additional period not to exceed 30 days; and

(iii) approve recalculations of Minimum Principal Payment Amounts as a result of mandatory or optional prepayments of the Term Loans.

SECTION 12.02 Notices; Time. All notices and other communications provided under each Financing Document shall be in writing or by facsimile and addressed, delivered or transmitted, if to the Borrower or the Administrative Agent, at its address or facsimile number set forth on Schedule I, and if to a Lender, to the applicable Person at its address or facsimile number set forth on Schedule I or set forth in the Lender Assignment Agreement pursuant to which such Lender became a Lender hereunder, or, in any case, at such other address or facsimile number as may be designated by any such party in a notice to the other parties. Any notice, if mailed and properly addressed with postage prepaid or if properly addressed and sent by pre-paid courier service, shall be deemed given when received; any notice, if transmitted by facsimile, shall be deemed given when the confirmation of transmission thereof is received by the transmitter (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Unless otherwise indicated, all references to the time of a day in a Financing Document shall refer to New York, New York time. Electronic mail and Internet and intranet websites may, at the discretion of the Administrative Agent, be used to distribute routine communications, such as financial statements and other information as provided in Section 11.11(a), to distribute Financing Documents for execution by the parties thereto and distribute executed Financing Documents and may not be used for any other purpose.

SECTION 12.03 Payment of Costs and Expenses. The Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Administrative Agent (including the reasonable fees and out-of-pocket expenses of counsel to the Administrative Agent and of local counsel, if any, who may be retained by or on behalf of the Administrative Agent from and after the Closing Date, in connection with:

(a) the negotiation, preparation, execution and delivery of any amendments, waivers, consents, supplements or other modifications to any Financing Document as may from time to time hereafter be required;

(b) the filing, recording, refiling or rerecording of any Financing Document (including the Filing Statements) and all amendments, supplements, amendments and restatements and other modifications to any thereof, searches made following the Closing Date in jurisdictions where Filing Statements (or other documents evidencing Liens in favor of the Secured Parties) have been filed or recorded and any and all other documents or instruments of further assurance required to be filed or recorded, or refiled or rerecorded by the terms of any Financing Document; and

(c) the preparation and review of the form of any document or instrument relevant to any Financing Document.

The Borrower further agrees to pay, and to save each Secured Party harmless from all liability for, Other Taxes or Indemnified Taxes that may be payable in connection with the execution or delivery of each Financing Document, the Loans or the issuance of the Term Loan Notes, as applicable. The Borrower also agrees to reimburse each Secured Party upon demand for all out-of-pocket expenses (including reasonable attorneys' fees and legal expenses of counsel to each Secured Party) incurred by such Secured Party in connection with (x) the negotiation of any restructuring or "work-out" with the Borrower, whether or not consummated, of any Obligations and (y) the enforcement of any Obligations.

SECTION 12.04 Indemnification. In consideration of the execution and delivery of this Agreement by each Secured Party, the Borrower hereby indemnifies, exonerates and holds each Secured Party and each of their respective officers, directors, employees and agents (collectively, the "Indemnified Parties") free and harmless from and against any and all actions, causes of action, suits, losses, costs, liabilities and damages, and expenses incurred in connection therewith (irrespective of whether any such Indemnified Party is a party to the action for which indemnification hereunder is sought), including reasonable attorneys' fees and disbursements, whether incurred in connection with actions between or among the parties hereto or the parties hereto and third parties (collectively, the "Indemnified Liabilities"), incurred by the Indemnified Parties or any of them as a result of, or arising out of, or relating to:

(a) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any Loan;

(b) the entering into and performance of any Financing Document by any of the Indemnified Parties (including any action brought by or on behalf of the Borrower as the result of any determination by the Lenders pursuant to Article V not to fund the Loans, provided that, any such action is resolved in favor of such Indemnified Party); or

(c) each Lender's Environmental Liability (the indemnification herein shall survive repayment of the Obligations and any transfer of the property of the Borrower or any Portfolio Company by foreclosure or by a deed in lieu of foreclosure for any Lender's Environmental Liability, regardless of whether caused by, or within the control of, the Borrower or such Subsidiary), except to the extent that (i) the facts or events that are the basis for the Lender's Environmental Liability first and solely arise or occur after such transfer by foreclosure or deed in lieu of foreclosure, and (ii) neither the Borrower nor any Portfolio Company could have any Environmental Liabilities or Costs with respect to such facts and events;

except for Indemnified Liabilities arising for the account of a particular Indemnified Party by reason of the relevant Indemnified Party's gross negligence or willful misconduct. It is expressly understood and agreed that to the extent that any Indemnified Party is strictly liable under any Environmental Laws, the Borrower's obligation to such Indemnified Party under this indemnity shall likewise be without regard to fault on the part of the Borrower with respect to the violation or condition that results in liability of an Indemnified Party. If and to the extent that the foregoing undertaking may be unenforceable for any reason, the Borrower agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities that is permissible under Applicable Law.

SECTION 12.05 Survival. The obligations of the Borrower under Sections 4.01, 4.02, 12.03 and 12.04 and the obligations of the Lenders under Section 11.10 in each case survive any assignment from one Lender to another (in the case of Sections 12.03 and 12.04) and the occurrence of the Termination Date. The representations and warranties made by the Borrower in each Financing Document shall survive the execution and delivery of such Financing Document, and shall continue in full force and effect with respect to the date as of which they were made as long as any Loan or other Obligation of the Borrower hereunder shall remain unpaid or unsatisfied. The provisions of Section 4.01 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, or the termination of this Agreement or any provision hereof.

SECTION 12.06 Severability. Any provision of any Financing Document that is prohibited or unenforceable in any jurisdiction shall, as to such provision and such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of such Financing Document or affecting the validity or enforceability of such provision in any other jurisdiction, and the remaining provisions shall be construed without giving effect to the prohibited or unenforceable provisions.

SECTION 12.07 Headings. The various headings of each Financing Document are inserted for convenience only and shall not affect the meaning or interpretation of such Financing Document or any provisions thereof.

SECTION 12.08 Execution in Counterparts, Effectiveness, etc. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be an original (whether such counterpart is originally executed or an electronic copy of an original) and each party hereto expressly waives its rights to receive originally executed documents other than with respect to any Term Loan Notes and all of which shall constitute together but one and the same agreement.

SECTION 12.09 Governing Law; Entire Agreement. THIS AGREEMENT AND THE NOTES WILL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. The Financing Documents constitute the entire understanding among the parties hereto with respect to the subject matter thereof and supersede any prior agreements, written or oral, with respect thereto.

SECTION 12.10 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that the Borrower may not assign or transfer its rights or obligations hereunder or under any other Financing Document to which it is a party without the consent of all of the Lenders.

SECTION 12.11 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions ofsubsection (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Loans at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Loans at the time owing to it or contemporaneous assignments to related Approved Funds that equal at least the amount specified in paragraph (b)(i)(B) of this Section in the aggregate or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in subsection (b)(i)(A) of this Section, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than $500,000 unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed).

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans assigned;

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by subsection (b)(i)(B) of this Section and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (1) an Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within ten (10) days after having received notice thereof; and provided, further, that the Borrower's consent shall not be required during the primary syndication of the credit facility provided herein; and

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required if such assignment is to a Person that is not a Lender, an Affiliate of such Lender or an Approved Fund with respect to such Lender;

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee in the amount of $3,500; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Certain Persons. No such assignment shall be made (A) to the Borrower or any of the Borrower's Affiliates or Subsidiaries, or (B) to a natural Person.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 4.01, 4.02, 12.03 and 12.04 with respect to facts and circumstances occurring prior to the effective date of such assignment; Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower (and such agency being solely for tax purposes), shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it (or the equivalent thereof in electronic form) and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts (and stated interest) of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural Person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a

"Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. For the avoidance of doubt, each Lender shall be responsible for indemnifications owed to the Administrative Agent without regard to the existence of any participation.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 12.01 that affects such Participant. The Borrower agrees that each Participant shall be entitled to the benefits of Sections 4.01 and 4.02 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section (it being understood that the documentation required under Section 4.02(e) shall be delivered to the Lender who sells the participation) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Section 4.06 as if it were an assignee under paragraph (b) of this Section and (B) shall not be entitled to receive any greater payment under Sections 4.01 or 4.02, with respect to any participation, than the Lender from whom it acquired the applicable participation would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at the Borrower's request and expense, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of Section 4.06 with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 4.05 as though it were a Lender; provided that such Participant agrees to be subject to Section 4.04 as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Financing Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Financing Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(f) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle that is an Affiliate of such Lender (an "SPC"), and identified as such in writing by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Loan and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall utilize the Term Loan Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Lender). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this clause (i), any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to the Granting Lender or to any financial institutions (consented to by the Borrower and the Administrative Agent) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This Section 12.11 may not be amended without the written consent of the SPC. The Borrower acknowledges and agrees that each SPC shall be entitled to the benefits of Sections 4.02, 4.04, 4.05 12.03 or 12.04 to the same extent as if it were a Lender, provided that any such SPC shall not be entitled to receive any greater payment under Sections 4.02, 12.03 or 12.04 than the applicable Lender would have been entitled to receive with respect to the Loans granted to such SPC.

(g) Notwithstanding the foregoing, no assignment may be made and no participation may be sold to an Ineligible Assignee.

(h) Should any Lender request compensation under Section 4.02(a)(i) or indemnification under Section 4.02(d), (an "Affected Lender"), at the request of any Lender other than the Affected Lender, the Administrative Agent shall cooperate with the Borrower and such Lender to replace such Affected Lender with another Person that shall be acceptable to the Borrower and such Lender and that shall be willing to assume the Affected Lender's obligations under this Agreement at par (including accrued interest and other Obligations owed to such Lender). Subject to the provisions of the next following sentence, such Person shall be substituted for the Affected Lender hereunder upon execution and delivery to the Administrative Agent of an agreement acceptable to the Borrower and the Administrative Agent by such Person assuming the Affected Lender's obligations under this Agreement and the payment to the Affected Lender of all principal, accrued interest and other amounts owing to such Lender hereunder, and all principal and interest that would otherwise have been payable to the Affected Lender shall thereafter be payable to such Person. Nothing in (and no action taken pursuant to) this clause (k) shall relieve the Affected Lender from any liability it might have to the Borrower, to the Administrative Agent or to the other Lenders hereunder accruing prior to the assignment of the Affected Lender's Loans hereunder.

SECTION 12.12 Non-Recourse Parties.

(a) Each Secured Party, whether as a party hereto or by its acceptance of the benefits hereof, acknowledges and agrees that the obligations of the Borrower under this Agreement and the other Financing Documents, including with respect to the payment of the principal of, or interest on any Obligations, or any part thereof, or for any claim based thereon or otherwise in respect thereof or related thereto, are obligations solely of the Borrower and shall be satisfied solely from the Collateral and the assets of the Borrower and shall not constitute a debt or obligation of any of the Affiliates of the Borrower (other than with respect to their obligations in connection with the Pledge Agreement), nor of any past, present or future officers, directors, managers, employees, members, shareholders, agents, attorneys or representatives of such parties and their respective Affiliates (collectively, the "Non-Recourse Parties").

(b) Each Secured Party that is a party hereto acknowledges and agrees that the Non-Recourse Parties shall not be liable for any amount payable under this Agreement or any Financing Document, and no Secured Party shall seek a money judgment or deficiency or personal judgment against any Non-Recourse Party for payment or performance of any obligation of the Borrower under this Agreement or other Financing Documents; provided that the foregoing provisions of this Section 12.12 shall not (i) constitute a waiver, release or discharge of any of the Obligations, or of any of the terms, covenants, conditions, or provisions of this Agreement or any other Financing Document and the same shall continue (but without personal liability to the Non-Recourse Parties) until fully paid, discharged, observed, or performed; or (ii) limit or restrict the right of the Administrative Agent, the Collateral Agent or any other Secured Party to name the Borrower or any other Person as a defendant in any action or suit for a judicial foreclosure or for the exercise of any other remedy under or with respect to this Agreement or any Financing Document, or for injunctive relief or specific performance, so long as no judgment in the nature of a deficiency judgment shall be enforced against any Non-Recourse Party, except as set forth in this Section 12.12.

(c) The acknowledgments, agreements and waivers set out in thisSection 12.12 shall survive termination of this Agreement and be enforceable by any Non-Recourse Party and are a material inducement for the execution of this Agreement and the other Financing Documents by the Borrower.

SECTION 12.13 Other Transactions. Nothing contained herein shall preclude the Administrative Agent or any other Lender from engaging in any transaction, in addition to those contemplated by the Financing Documents, with the Borrower or any of its Affiliates that is not otherwise prohibited under this Agreement.

SECTION 12.14 Independence of Covenants and Default Provisions. All covenants and default provisions contained in this Agreement or any other Financing Document shall be given independent effect such that, in the event a particular action or condition is not permitted by any of such covenants or default provisions, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant or default provision shall not, unless expressly so provided in such first covenant or default provision, avoid the occurrence of a Default if such action is taken or such condition exists.

SECTION 12.15 Confidentiality.

(a) Subject to the provisions of clauses (b) and (c) of this Section 12.15, each Lender agrees that it will not disclose without the prior consent of the Borrower (other than to its officers, directors, employees, auditors, advisors or counsel if the Lender or such Lender's holding or parent company in its sole discretion determines that any such party should have access to such information, provided such Persons shall be subject to the provisions of this Section 12.15 to the same extent as such Lender) any information that is now or in the future furnished pursuant to this Agreement or any other Financing Document, provided that any Lender may disclose any such information (i) as has become generally available to the public other than by virtue of a breach of this clause (a) by the respective Lender or any other Person to whom such Lender has provided such information as permitted by this Section 12.15, (ii) as may be required or appropriate in any report, statement or testimony submitted to any foreign, municipal, state or Federal regulatory body having or claiming to have jurisdiction over such Lender or its holding or parent company or to the Federal Reserve Board or the Deposit Insurance Corporation (whether in the United States or elsewhere) or their successors, (iii) as may be required or appropriate in respect to any summons or subpoena or in connection with any litigation, (iv) in order to comply with any law, order, regulation or ruling applicable to such Lender, (v) to the Administrative Agent, (vi) to any pledgee referred to in clause (j) of Section 12.11 or any prospective or actual transferee or participant in connection with any contemplated transfer or participation of any of the Term Loan Notes or any interest therein by such Lender, provided that such prospective transferee agrees to be bound by the confidentiality provisions contained in this Section 12.15, and (vii) to any direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisors (so long as such contractual counterparty or professional advisor to such contractual counterparty agrees to be bound by the provisions of this Section 12.15); provided, however, with respect to clauses (iii) and (iv) of this Section 12.15(a), that if any Lender is requested in any legal proceeding (including, without limitation, by interrogatories, requests for information or documents, subpoena, criminal or civil investigative demand or similar process) to disclose any such information to anyone, such Lender will, to the extent permitted by law, rule, and regulation, provide the Borrower with prompt written notice so that the Borrower may seek, at the Borrower's expense, a protective order or other appropriate remedy or waive compliance under this Section 12.15(a). If such protective order or other remedy is not obtained, or if the Borrower waives compliance with this Section 12.15(a), such Lender may disclose such information without liability hereunder, provided that such Lender furnishes only that portion of the information which in the judgment of its counsel (which may be Lender's in-house legal department) is legally required and will exercise its commercially reasonable efforts to obtain reliable assurance that confidential treatment will be accorded to such information.

Notwithstanding anything to the contrary contained in this Section 12.15, Lender and its officers, directors, employees, auditors, advisors or counsel may disclose information to any governmental agency, regulatory authority or self-regulatory authority (including, without limitation, bank and securities examiners) having or claiming to have authority to regulate or oversee any aspect of Lender's business or that of its Affiliates in connection with the exercise of such authority or claimed authority without notice to the Borrower so long as such order or request for disclosure does not specifically reference the Borrower, the Financing Documents or the assets underlying the Financing Documents.

(b) The Borrower hereby acknowledges and agrees that each Lender may share with any of its Affiliates, and such Affiliates may share with such Lender, any information related to the Borrower or any of its Subsidiaries, provided such Persons shall be subject to the provisions of this Section 12.15 to the same extent as such Lender.

(c) Notwithstanding the foregoing, the parties (and each employee, representative, or other agent of the parties) may disclose to any and all persons of any kind, the Tax treatment and any facts that may be relevant to the Tax structure of the transaction, provided, however, that no party (and no employee, representative, or other agent thereof) shall disclose any other information that is not relevant to understanding the Tax treatment and Tax structure of the transaction (including the identity of any party and any information that could lead another to determine the identity of any party), or any other information to the extent that such disclosure could reasonably result in a violation of any applicable securities law.

SECTION 12.16 Jurisdiction; etc.

(a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the non-exclusive jurisdiction of any New York State court or Federal court of the United States sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any of the other Financing Documents to which it is a party, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the fullest extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any Credit Party may otherwise have to bring any action or proceeding relating to this Agreement or any of the other Financing Documents in the courts of any jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any of the other Financing Documents to which it is a party in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) The Borrower shall (i) irrevocably appoint Corporation Service Company with offices on the date hereof at 1180 Avenue of the Americas, Suite 210, New York, NY 10036-8401, as its agent to receive on behalf of the Borrower and its property service of copies of the summons and complaint and any other process that may be served in any such action or proceeding, and (ii) give notice of such appointment and the acceptance thereof to the Lenders. Such service may be made by mailing or delivering a copy of such process to the Borrower in care of Corporation Service Company at Corporation Service Company's above address, and the Borrower hereby irrevocably authorizes and directs Corporation Service Company to accept such service on its behalf. If for any reason Corporation Service Company shall cease to act as such for the Borrower, the Borrower hereby agrees to designate a new agent in New York City on the terms and for the purposes of this Section 12.16 reasonably satisfactory to the Administrative Agent. Such service may be made by mailing or delivering a copy of such process to the Borrower in care of Corporation Service Company or such agent at its address, and the Borrower hereby irrevocably authorizes and directs Corporation Service Company or such other agent to accept such service on its behalf (provided that such documentation shall also be delivered to the Borrower at its then effective notice address pursuant to Section 12.02. Nothing in this Agreement shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or any of the other Financing Documents in the courts of any jurisdiction. As an alternative method of service, the Borrower also irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to the Borrower at the address specified pursuant to Section 12.02.

SECTION 12.17 Waiver of Jury Trial. THE ADMINISTRATIVE AGENT, EACH LENDER AND THE BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, EACH FINANCING DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE ADMINISTRATIVE AGENT, SUCH LENDER OR THE BORROWER IN CONNECTION THEREWITH. THE BORROWER ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION (AND EACH OTHER PROVISION OF EACH OTHER FINANCING DOCUMENT TO WHICH IT IS A PARTY) AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE ADMINISTRATIVE AGENT AND EACH LENDER ENTERING INTO THE FINANCING DOCUMENTS.

SECTION 12.18 Collateral Agent. Each Lender and, by its acceptance of the benefits of the Security Documents, each other Secured Party acknowledges the rights of, limitations of duty and other provisions with respect to the Collateral Agent set forth in Section 6.06 of the Security Agreement, and the Collateral Agent shall be entitled to the rights, protections, immunities and indemnities set forth in the Security Agreement as if specifically set forth herein.

SECTION 12.19 Electronic Execution of Assignments and Certain Other Documents. The words "execute," "execution," "signed," "signature," and words of like import in or related to any document to be signed in connection with this Agreement and the transactions contemplated hereby (including without limitation Assignment and Assumptions, amendments or other modifications, waivers and consents) shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that notwithstanding anything contained herein to the contrary the Administrative Agent is under no obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent pursuant to procedures approved by it.

SECTION 12.20 Patriot Act. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Act. The Borrower shall, promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Act.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

HA WIND I LLC,
as the Borrower

By: /s/ Jeffrey W. Eckel
Name: Jeffrey W. Eckel
Title: President

BANK OF AMERICA, N.A.,
as Collateral Agent

By: /s/ Maria A. McClain
Name: Maria A. McClain
Title: Vice President

BANK OF AMERICA, N.A.,
as Administrative Agent

By: /s/ Maria A. McClain
Name: Maria A. McClain
Title: Vice President

BANK OF AMERICA, N.A.,
as Lender

By: /s/ Sheikh Omer-Farooq
Name: Sheikh Omer-Farooq
Title: Director

EXHIBIT 21.1
SUBSIDIARIES OF THE REGISTRANT

Subsidiary	Jurisdiction
AG Land Property Management I, LLC	Delaware
Asset Acquisition II LLC	Maryland
AWCC Acquisition I, LLC	Delaware
AWCC Assets, LLC	Delaware
AWCC Campo Verde, LLC	Delaware
AWCC JV Funding, LLC	Delaware
AWCC SG2 Solar, LLC	Delaware
AWCC Solar Hawaii, LLC	Delaware
AWCC WCW Holdings, LLC	Delaware
AWCC Wind Equity, LLC	Delaware
ETP AWC Holding Inc.	Delaware
Gap Road Land, LLC	Delaware
GL ECM Funding LLC	Maryland
HA Howard Services LLC	Maryland
HA Land Lease Holdings LLC	Delaware
HA Land Lease I LLC	Delaware
HA Lost Hills LLC	Delaware
HA Maricopa LLC	Delaware
HA Northstar LLC	Delaware
HA Sequoia LLC	Delaware
HA WG Funding LLC	Maryland
HA Wind I LLC	Delaware
HA Wind I LLC	Maryland
Hannie Mae EMI LLC	Virginia
Hannie Mae Goco LLC	Maryland
Hannie Mae II LLC	Maryland
Hannie Mae III LLC	Maryland
Hannie Mae IV LLC	Maryland
Hannie Mae Leasing I LLC	Maryland
Hannie Mae LLC	Virginia
Hannie Mae Siemens LLC	Virginia
Hannie Mae SRS Funding LLC	Maryland
Hannie Mae UESC LLC	Maryland
Hannie Mae V LLC	Maryland
Hannie Mae VI LLC	Maryland
Hannon Armstrong (FB) Solar LLC	Maryland
Hannon Armstrong Acquisition I LLC	Maryland
Hannon Armstrong BPA Funding LLC	Maryland
Hannon Armstrong Capital, LLC	Maryland
Hannon Armstrong DSM Funding LLC	Maryland
Hannon Armstrong DSM II Funding LLC	Maryland
Hannon Armstrong Environmental Equipment And Services LLC	Maryland
Hannon Armstrong GPC Funding LLC	Maryland
Hannon Armstrong GPC II Funding LLC	Maryland
Hannon Armstrong Information Technology And Telecommunications LLC	Maryland
Hannon Armstrong KCS Funding LLC	Maryland
Hannon Armstrong NG Funding LLC	Maryland
Hannon Armstrong NJ Funding LLC	Maryland
Hannon Armstrong Oklahoma Funding LLC	Virginia
Hannon Armstrong PEPCO Funding LLC	Virginia
Hannon Armstrong PR Solar LLC	Maryland

Subsidiary	Jurisdiction
Hannon Armstrong Securities, LLC	Maryland
Hannon Armstrong Sustainable Infrastructure, L.P.	Delaware
Hannon Armstrong Telecommunications And Security LLC	Maryland
Hannon Armstrong UESC Funding LLC	Maryland
Hannon Armstrong UESC II Funding LLC	Maryland
HASI CF I Borrower LLC	Delaware
HASI CFI OP 5 LLC	Delaware
HASI CFI OP 7 LLC	Delaware
HASI CFI OP A LLC	Delaware
HASI OBS OP 5 LLC	Maryland
HASI OBS OP 7 LLC	Maryland
HASI OBS OP A LLC	Maryland
HASI SYB I LLC	Maryland
HAT CF I Borrower LLC	Delaware
HAT CF II Borrower LLC	Delaware
HAT CFI OP 5 LLC	Delaware
HAT CFI OP 7 LLC	Delaware
HAT CFI OP A LLC	Delaware
HAT CFII OP 5 LLC	Delaware
HAT CFII OP 7 LLC	Delaware
HAT CFII OP A LLC	Delaware
HAT Holdings I LLC	Maryland
HAT Holdings II LLC	Maryland
HAT II LLC	Maryland
HAT OBS II OP 5 LLC	Maryland
HAT OBS II OP 7 LLC	Maryland
HAT OBS II OP A LLC	Maryland
HAT OBS OP 5 LLC	Maryland
HAT OBS OP 7 LLC	Maryland
HAT OBS OP A LLC	Maryland
HAT SYB I LLC	Maryland
High Plains Ranch IV, LLC	Delaware
RE Adams East LandCo LLC	Delaware
RE Columbia 3 LandCo LLC	Delaware
RE Columbia Two LandCo LLC	Delaware
RE Gillespie LandCo LLC	Delaware
RE Kansas LandCo LLC	Delaware
RE Kansas South LandCo LLC	Delaware
RE Kent South LandCo LLC	Delaware
RE Mayfair LandCo LLC	Delaware
RE Rio Grande LandCo LLC	Delaware
RE Rosamond LandCo LLC	Delaware
RE Victor Phelan LandCo LLC	Delaware
Strong Upwind Holdings LLC (*50% ownership)	Delaware
Willow Creek Windpower, LLC (*49% ownership)	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements of Hannon Armstrong Sustainable Infrastructure Capital, Inc.:

(1) Form S-8 No. 333-188070,

(2) Form S-3 No. 333-198157, and

(3) Form S-3 No. 333-198158,

of (i) our report dated March 9, 2015, with respect to the consolidated financial statements of Hannon Armstrong Sustainable Infrastructure Capital, Inc. and (ii) our report dated January 25, 2013, with respect to the financial statements of HA EnergySource Holdings LLC, included in this Annual Report (Form 10-K) for the year ended December 31, 2014, filed with the U.S. Securities and Exchange Commission.

/s/ Ernst & Young LLP

McLean, Virginia
March 9, 2015

Exhibit 23.2

Consent of Independent Auditors

We consent to the incorporation by reference in the following Registration Statements of Hannon Armstrong Sustainable Infrastructure Capital, Inc.:

(1) Form S-8 No. 333-188070,

(2) Form S-3 No. 333-198157, and

(3) Form S-3 No. 333-198158,

of our reports dated April 3, 2013, with respect to the financial statements of EnergySource LLC and Hudson Ranch I Holdings, LLC as of December 31, 2012 and 2011 and the years then ended, included in this Annual Report (Form 10-K) for the year ended December 31, 2014, filed with the U.S. Securities and Exchange Commission.

/s/ Ernst & Young LLP

San Diego, California
March 3, 2015

EXHIBIT 31.1
CERTIFICATIONS

I, Jeffrey W. Eckel, certify that:

1. I have reviewed this Annual Report on Form 10-K of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2015

By: /s/ Jeffrey W. Eckel
Name: Jeffrey W. Eckel
Title: Chief Executive Officer and President

EXHIBIT 31.2
CERTIFICATIONS

I, J. Brendan Herron, certify that:

1. I have reviewed this Annual Report on Form 10-K of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the Audit Committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 9, 2015

By: /s/ J. Brendan Herron
Name: J. Brendan Herron
Title: Chief Financial Officer

EXHIBIT 32.1
CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002, 10 U.S.C. SECTION 1350

In connection with the Annual Report on Form10-K of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (the “Company”) for the period ended December 31, 2014 to be filed with the Securities and Exchange Commission on or about the date hereof (the “report”), I, Jeffrey W. Eckel, Chief Executive Officer and President of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

Date: March 9, 2015

By: /s/ Jeffrey W. Eckel
Name: Jeffrey W. Eckel
Title: Chief Executive Officer and President

EXHIBIT 32.2
CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002, 10 U.S.C. SECTION 1350

In connection with the Annual Report on Form10-K of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (the “Company”) for the period ended December 31, 2014 to be filed with the Securities and Exchange Commission on or about the date hereof (the “report”), I, J. Brendan Herron, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

Date: March 9, 2015

By:	/s/ J. Brendan Herron
Name:	J. Brendan Herron
Title:	Chief Financial Officer

Exhibit 99.1

Report of Independent Auditors

The Board of Directors and Members
HA EnergySource Holdings LLC

We have audited the accompanying balance sheets of HA EnergySource Holdings LLC (the Company) as of September 30, 2012 and 2011, and the related statements of operations, comprehensive loss, changes in members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HA EnergySource Holdings LLC at September 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

McLean, Virginia
January 25, 2013

HA EnergySource Holdings LLC

Balance Sheets

	September 30, 2012	September 30, 2011
Assets		
Equity method investment in affiliate	$ 845,851	$ 18,614,916
Total Assets	**$ 845,851**	**$ 18,614,916**
Liabilities and members' equity		
Liabilities:	$ —	$ —
Members' equity:		
Membership Interests	(1,035,984)	14,327,271
Retained earnings	1,881,835	4,287,645
Total members' equity	845,851	18,614,916
Total liabilities and members' equity	**$ 845,851**	**$ 18,614,916**

See accompanying notes.

HA EnergySource Holdings LLC

Statement of Operations

	Year Ended September 30,	
	2012	2011
Revenue:		
Fee income	$ 4,406,664	$ —
Total Revenue, net of investment interest expense	4,406,664	—
Loss from equity method investment in affiliate	(6,812,474)	(5,343,534)
Net Loss	$ (2,405,810)	$ (5,343,534)

See accompanying notes.

HA EnergySource Holdings LLC

Statements of Comprehensive Loss

	Year Ended September 30,	
	2012	2011
Net loss	$ (2,405,810)	$ (5,343,534)
Comprehensive loss	$ (2,405,810)	$ (5,343,534)

See accompanying notes.

HA EnergySource Holdings LLC

Statement of Changes in Members' Equity

	Membership Interest	Retained Earnings	Total
Balance, September 30, 2010	$ 9,207,551	$ 9,631,179	$ 18,838,730
Capital Contributions	5,119,720	—	5,119,720
Net loss for the year ended September 30, 2011	—	(5,343,534)	(5,343,534)
Balance, September 30, 2011	14,327,271	4,287,645	18,614,916
Capital Contributions	3,337,274	—	3,337,274
Distributions	(14,293,865)	—	(14,293,865)
Redemption of Class B and Class C Units	(4,406,664)	—	(4,406,664)
Net loss for the year ended September 30, 2012	—	(2,405,810)	(2,405,810)
Balance, September 30, 2012	**$ (1,035,984)**	**$ 1,881,835**	**$ 845,851**

HA EnergySource Holdings LLC

Statements of Cash Flows

	Year Ended September 30, 2012	2011
Cash flows from operating activities		
Net loss	$ (2,405,810)	$(5,343,534)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Undistributed loss from equity method investment in affiliate	6,812,474	5,343,534
Net cash provided by operating activities	4,406,664	—
Cash flows from investing activities		
Investment in equity method affiliate	(3,337,274)	(5,119,720)
Distributions from equity method affiliate	14,293,865	—
Net cash provided by (used in) investing activities	10,956,591	(5,119,720)
Cash flows from financing activities		
Redemption of Class B and C Units	(4,406,664)	—
Distributions	(14,293,865)	—
Investment in equity method affiliate	3,337,274	5,119,720
Net cash (used in) provided by financing activities	(15,363,255)	5,119,720
(Decrease) increase in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of period	—	—
Cash and cash equivalents at end of period	$ —	$ —

See accompanying notes.

HA EnergySource Holdings LLC

Notes to Financial Statements

September 30, 2012

1. The Company

HA EnergySource Holdings LLC (the Company) is a holding company that is involved with a geothermal project in California. The Company's only asset is an equity interest in EnergySource LLC (EnergySource), and EnergySource's primary asset is an equity interest in Hudson Ranch Power I, LLC (Hudson Ranch).

The Company was incorporated in Maryland in January 2006 under the name of USG Power Partners LLC. It was renamed in November 2008 as EnergySource LLC and renamed in 2010 as HA EnergySource Holdings LLC when the name EnergySource was given to its affiliate.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements include the accounts of the Company and reflect all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the financial position, results of operations, comprehensive loss and cash flows for the periods presented. The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period.

Membership Interests

Through August 2012, the membership interests of the Company were represented by Class A, Class B and Class C units. Hannon Armstrong Capital LLC (Hannon Armstrong Capital) owns 50 Class A units, Hannon Armstrong & Company owns 32.5 Class B units, Jeffrey Eckel owns 17.5 Class B units and MissionPoint HA Parallel Fund, L.P. owns 50 Class C units. In August 2012, the Company redeemed the Class B and Class C units.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Equity Method Investment in Affiliate

The Company has determined it is not the primary beneficiary of EnergySource or Hudson Ranch and EnergySource is not the primary beneficiary of Hudson Ranch. Based on its assessment of EnergySource and Hudson Ranch, the Company determined that while these entities are variable interest entities under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, *Consolidation*, the Company is not the primary beneficiary of these entities as the Company does not have the power to direct the most important decision-making related to the most significant activities of EnergySource or Hudson Ranch. Similarly, EnergySource is not the primary beneficiary of Hudson Ranch. Therefore, the Company does not consolidate EnergySource or Hudson Ranch.

In September 2012, Hudson Ranch raised equity from an unrelated third-party investor, and EnergySource received a cash distribution from Hudson Ranch. EnergySource made a distribution to the Company for its share of the distribution it received from Hudson Ranch, as described in Note 5.

The Company accounts for equity investments in entities using the equity method of accounting when the Company has the ability to exercise influence over operating and financial policies of the investee. Accordingly, the Company accounts for its investment in EnergySource under the equity method, and EnergySource accounts for its investment in Hudson Ranch under the equity method.

Under the equity method of accounting, the carrying value of the Company's equity method investments is determined based on amounts invested by the Company, adjusted for the equity in earnings or losses of investee allocated based on the partnership agreement, less distributions received. Because the partnership agreements contain preferences with regard to cash flows from operations, capital events and/or liquidation, the Company reflects its share of profits and losses by determining the difference between the Company's "claim on the investee's book value" at the end and the beginning of the period. This claim is calculated as the amount the Company would receive (or be obligated to pay) if the investee were to liquidate all of its assets at recorded amounts determined in accordance with GAAP and distribute the resulting cash to creditors and investors in accordance with their respective priorities. This method is commonly referred to as the hypothetical liquidation at book value method.

For the years ended September 30, 2012 and 2011, the Company has recognized its share in the loss from equity method investment in affiliate of $(6,812,474) and $(5,343,534), respectively, in the statements of operations. See Note 5 for information related to several transactions impacting all these entities. The Company's investment in EnergySource is $845,851 as of September 30, 2012 and $18,614,916 as of September 30, 2011. The Company's maximum exposure to loss is equivalent to its investment balance at September 30, 2012 of $845,851.

The Company evaluates the realization of its investment accounted for using the equity method if circumstances indicate that its investment is other than temporarily impaired. Other-than-temporary impairment occurs when the estimated fair value of an investment is below the carrying value and the difference is determined to not be recoverable. This evaluation requires significant judgment regarding, but not limited to, the severity and duration of the impairment; the ability and intent to hold the securities until recovery; financial condition, liquidity, and near-term prospects of the issuer; specific events; and other factors. Based on an evaluation of its existing equity method investments, the Company determined that no impairment has occurred for the years ended September 30, 2012 and 2011.

Income Taxes

The Company is taxed as a partnership under the Internal Revenue Code. No provision for federal or state income taxes has been made in the accompanying financial statements, since the Company's profits and losses are reported on the members' tax returns. The Company has no uncertain tax positions as of September 30, 2012 and 2011.

Recent Accounting Pronouncements

On October 1, 2010, the Company adopted FASB Accounting Standards Update (ASU) 2009-17,*Consolidation (Topic 810), Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, which amended the consolidation guidance applicable to variable interest entities. The amendments significantly affected the overall consolidation analysis under ASC 810 and changed the way entities account for special purpose entities as a result of the elimination of the QSPE concept. The adoption did not have a material impact on the Company's financial statements.

In June 2011, the FASB amended its guidance on the presentation of comprehensive income. This guidance eliminates the option to report other comprehensive income and its components in the statement of changes in equity. An entity may elect to present items of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive, statements. Each component of net income and of other comprehensive income needs to be displayed under either alternative. In December 2011, the FASB issued a final standard to defer the new requirement to present components of reclassifications of other comprehensive income on the face of the financial statements. The Company adopted this guidance as of October 1, 2011, and has included separate statements of comprehensive loss in the accompanying financial statements.

Fair Value Measurements

The Company does not have any financial assets and liabilities investments characterized in accordance with the fair value hierarchy established by ASC 820.

3. Litigation

The Company is not currently subject to any legal proceedings that are likely to have a material adverse effect on the financial position, results of operations or cash flows of the Company.

4. Related-Party Transactions

During the year ended September 30, 2012, the Company earned and was paid a development fee of $4,406,664. This amount was due to the Company upon the achievement during the year of substantial completion of construction of the Hudson Ranch geothermal plant.

5. Equity Method Investment in Affiliate

In September 2012, Hudson Ranch and affiliates raised equity financing from athird-party investor. As a result of this equity transaction, the Company's ultimate share of future distributable cash from Hudson Ranch was reduced from approximately 10% of available distributions to approximately 1% of available distributions until several priority distribution recipients have received minimum required returns on their invested capital, which is not anticipated to occur until approximately 2017. During the year ended September 30, 2012, EnergySource made cash distributions of excess financing proceeds to the Company totaling $12,625,228 and the Company had deemed distributions totaling $1,668,637 that were reinvested as capital contributions to EnergySource. The following is a summary of the financial position of EnergySource as of September 30, 2012 and 2011:

	September 30	
	2012	2011
	(Unaudited)	
Total assets	$ 4,295,025	$43,355,011
Members' capital	$(4,454,111)	$42,449,292

The following is a summary of the operating results of EnergySource for the years ended September 30, 2012 and 2011, accounted for using the equity method:

	Year Ended September 30	
	2012	2011
	(Unaudited)	
Total revenues	$ 5,215,029	$ 1,853,114
Total expenses	21,062,043	13,304,567
Net loss	$(15,847,014)	$(11,451,453)

6. Subsequent Events

In December 2012, the Hannon Armstrong Capital Board of Directors approved, effective December 31, 2012, the distribution of its equity interest in the Company to the shareholders of Hannon Armstrong Capital. As part of the transaction, the Hannon Armstrong Capital Board of Directors approved a $3.4 million capital contribution to the Company to be paid to the Company in 2013. Following the distribution, Hannon Armstrong Capital will no longer have an equity ownership in the Company.

The Company evaluated subsequent events through January 25, 2013, the date the financial statements were available to be issued.

Exhibit 99.2

Report of Independent Auditors

The Board of Directors
EnergySource LLC

We have audited the accompanying consolidated financial statements of Energy Source LLC (a limited liability company) (the Company), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of operations and comprehensive loss, changes in members' equity (deficit) and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Energy Source LLC at December 31, 2012 and 2011, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

San Diego, California
April 3, 2013

EnergySource LLC
(A Limited Liability Company)

Consolidated Statements of Financial Position

	December 31	
	2012	**2011**
Assets		
Current assets:		
Cash and cash equivalents	**$ 3,194,168**	$ 2,587,698
Other receivable	**22,765**	—
Receivable from affiliates	**677,935**	275,599
Prepaid expenses and short-term deposits	**174,345**	218,351
Total current assets	**4,069,213**	3,081,648
Investment in HR Holdings	—	35,766,718
Receivable from affiliate, long-term	—	81,152
Deposits, long-term	**77,191**	71,024
Property and equipment, net	**188,139**	352,218
Land	**4,226,954**	208,149
Plant construction in progress	**14,186,449**	—
Deferred financing costs	**200,000**	—
Other development assets	**437,397**	3,590,199
Total assets	**$23,385,343**	$43,151,108
Liabilities and members' equity (deficit)		
Current liabilities:		
Accounts payable and accrued expenses	**$ 4,995,444**	$ 1,642,221
Mandatorily redeemable preferred Class A units	**10,000,000**	—
Total current liabilities	**14,995,444**	1,642,221
Distributions in excess of earnings	**13,444,667**	—
Total liabilities	**28,440,111**	1,642,221
Members' (deficit) equity	**(5,054,768)**	41,508,887
Total liabilities and members' equity	**$23,385,343**	$43,151,108

See accompanying notes.

EnergySource LLC
(A Limited Liability Company)

Consolidated Statements of Operations and Comprehensive Loss

	Year Ended December 31	
	2012	**2011**
Management and operating fee income	**$ 5,887,097**	$ 2,503,904
Operating expenses:		
General and administrative	**7,412,004**	6,590,795
Service costs	**4,316,763**	1,481,835
Total operating expenses	**11,728,767**	8,072,630
Loss on investment in HR Holdings	**(8,606,580)**	(7,411,815)
Net loss and comprehensive loss	**$ (14,448,250)**	$ (12,980,541)

See accompanying notes.

EnergySource LLC
(A Limited Liability Company)

Consolidated Statements of Members' Equity (Deficit)

Balance at December 31, 2010	$ 44,485,099
Cash contributions	9,800,000
Compensation expense—incentive units	204,329
Net loss and comprehensive loss	(12,980,541)
Balance at December 31, 2011	41,508,887
Cash contributions	**8,400,000**
Cash distributions	**(40,631,795)**
Compensation expense—incentive units	**116,390**
Net loss and comprehensive loss	**(14,448,250)**
Balance at December 31, 2012	**$ (5,054,768)**

See accompanying notes.

EnergySource LLC
(A Limited Liability Company)

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2012	2011
Operating activities		
Net loss	**$ (14,448,250)**	$ (12,980,541)
Adjustments to reconcile net loss to cash used in operating activities:		
Loss on investment in HR Holdings	**8,606,580**	7,411,815
Compensation expense	**116,390**	204,329
Depreciation and amortization	**134,466**	114,167
Loss on asset write-off	**48,862**	—
Changes in operating assets and liabilities:		
Prepaid expenses and deposits	**29,006**	(187,465)
Receivable/payable from affiliate	**(777,936)**	266,280
Accounts receivable	**(22,765)**	172,552
Deferred lease	**7,104**	23,854
Deposit long-term	**4,832**	—
Prepaid long-term	**4,000**	—
Accounts payable and accrued expenses	**234,820**	323,421
Net cash used in operating activities	**(6,062,891)**	(4,651,588)
Investing activities		
Purchase of plant construction in progress	**(7,059,349)**	—
Purchase of land	**(4,018,805)**	—
Purchase of development assets & equipment	**(456,646)**	(3,205,926)
Due from affiliate long-term	**81,152**	(45,123)
Distributions from equity investee	**40,604,804**	—
Net cash provided by/(used in) investing activities	**29,151,156**	(3,251,049)
Financing activities		
Distributions to members and IU holders	**(40,631,795)**	—
Members' contributions	**8,400,000**	9,800,000
Issuance of Class A Preferred Units	**10,000,000**	—
Deferred financing costs related to Issuance of Class A Preferred Units	**(250,000)**	—
Net cash (used in) provided by financing activities	**(22,481,795)**	9,800,000
Net increase in cash and cash equivalents	**606,470**	1,897,363
Cash and cash equivalents, beginning of the year	**2,587,698**	690,335
Cash and cash equivalents, end of the year	**$ 3,194,168**	$ 2,587,698
Supplemental disclosure of cash flow information		
Interest paid	**$ 200,000**	$ —
Noncash investing activities		
Accounts payable related to purchases of construction in progress	**$ 3,486,900**	$ —
Amortization of deferred financing costs to construction in progress	**$ 50,000**	$ —
Reclassification of development costs to construction in progress	**$ 3,590,200**	$ —

See accompanying notes.

EnergySource LLC
(A Limited Liability Company)

Notes to Consolidated Financial Statements

December 31, 2012

1. Description of Company and Nature of Operations

EnergySource LLC (EnergySource), a Delaware limited liability company, was formed on October 5, 2005, under the name US Navy Geothermal LLC by HA Development Partners LLC (HA Development) and CRC Development LLC (CRC). EnergySource's name was subsequently changed to CHAR, LLC on November 14, 2005, and changed again to its current name on April 21, 2010. HA EnergySource Holdings LLC (HA) and Catalyst Geothermal, LLC (Catalyst) (Members) became the successor in interest to HA Development and CRC.

EnergySource is in the business of directly or indirectly owning, developing, constructing, operating, and maintaining electric generation facilities pertaining to geothermal and solar resources, primarily located in the Imperial Valley of California. EnergySource is governed by a management committee of three members, with equal representation from each of the Members. All allowable acts of the Management Committee require a majority vote.

On May 12, 2006, EnergySource formed Hudson Ranch Power I LLC (HRP or the Project), a Delaware limited liability company, to develop, construct, and operate a 49.9-megawatt geothermal power generation plant located in Calipatria, California (the Project). On May 13, 2010, as part of a larger transaction (the May 2010 Transaction), EnergySource admitted GeoGlobal U.S. EnergySource LLC (GGE) as a third Member for a $4 million cash contribution. In conjunction with the May 2010 Transaction, the Members formed Hudson Ranch I Holdings LLC (HR Holdings) and contributed its entire ownership interest in HRP to this new entity. At the same time, GGE contributed $86 million of cash to HR Holdings. As a consequence of admitting GGE as a member in HR Holdings, EnergySource no longer had a controlling interest in HR Holdings and its subsidiary HRP, which were then categorized as a joint venture and deconsolidated in accordance with authoritative guidance (see Note 2). As a result of the May 2010 Transaction, EnergySource was able to secure construction financing for the Project and retained an approximate 28.3% noncontrolling interest in the Project. Construction on the Project began in May 2010, was completed in February 2012, and the plant was placed in service on March 26, 2012 (In-Service Date). On September 29, 2009, EnergySource formed Hudson Ranch Energy Services LLC (HRES), a Delaware limited liability company, to provide operation and maintenance services to any projects EnergySource may develop, including HRP.

In August and November 2010, EnergySource formed EnergySource Solar I LLC (ES Solar) and Hudson Ranch Power II LLC (HRII), respectively, both California limited liability companies. ES Solar and HRII were formed to pursue EnergySource's development, financing, construction, and operating activities for solar and geothermal electrical generation facilities in the Imperial Valley of California.

On September 26, 2012, Chevron Hudson Ranch I, LLC (Chevron) made a cash investment into the Project through Hudson Ranch TE Holdings LLC (HRTE Holdings) (Chevron Transaction). Prior to the Chevron Transaction, HR Holdings contributed its entire interest in HRP to HRTE Holdings on August 31, 2012. Chevron was provided participating rights under the HRTE Holdings LLC agreement which caused HRH to deconsolidate HRTE Holdings upon Chevron's participation. Due to the plant qualifying as real estate for financial reporting purposes and the continuing involvement by HR Holdings, the accounting rules precluded HR Holdings from recording a gain upon the deconsolidation. As a result, the distributions made by HR Holdings to its members following the Chevron Transaction exceed earnings.

As a result of the Chevron transaction, EnergySource received $40.6 million in cash distributions from HR Holdings in the fourth quarter of 2012.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of EnergySource and its wholly owned subsidiaries HRES, HRII, and ES Solar (collectively, the Company). Intercompany balances and transactions have been eliminated in consolidation. The Company evaluated the subsequent events through April 3, 2013, the date on which these financial statements were available to be issued.

From inception through December 31, 2012, the Company has financed its operations through a combination of contributions from its Members and revenues derived from the Project as well as its project management and operating agreements with HRP. The Company's current cash resources combined with equity contribution commitments received to date from its Members are sufficient to support its operations through December 31, 2012.

2. Significant Accounting Policies

Accounting Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances and highly liquid investment instruments with original maturities of three months or less at purchase date.

Revenue Recognition

The Company's current revenues are primarily derived from the management and operations-related services provided under a project management agreement and an operations and maintenance agreement with HRP (see Note 4). Revenues related to these services are recognized at the time services are performed and collection is reasonably assured.

Deferred Financing Costs

Deferred financing costs are recorded at cost and include costs relating to the issuance of the Class A Preferred units classified as debt within the Company's statement of financial position. In connection with issuance of the Class A Preferred units (see Note 10) the Company incurred with an affiliate (see Note 4) approximately $250,000 in financing costs. These costs are being amortized ratably over a five year period which coincides with the date the Class A Preferred units must be redeemed. For the year ended December 31, 2012, amortization of $38,000, was capitalized and included in construction in progress in the 2012 statement of financial position. Future amortizations of the deferred financing costs will be $50,000 in 2013 and $50,000 annually thereafter.

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation commences when assets, or major components thereof, are placed in service. Additions and improvements that extend the lives of the assets are capitalized, while expenditures for repairs and maintenance are expensed as incurred. Property and equipment primarily consists of office and information technology-related assets depreciated on a straight-line basis over a three- to five-year estimated useful life period. The Company recorded $134,000 and $114,000 of depreciation expense on its property and equipment for the years ended December 31, 2012 and 2011, respectively.

Property and equipment consist of the following:

	Year Ended December 31	
	2012	**2011**
Computer software and equipment	**$ 240,883**	$ 297,910
Furniture and fixtures	**135,285**	125,743
Office equipment	**34,715**	34,715
Leasehold improvements	**34,020**	24,313
	444,903	482,681
Less accumulated depreciation	**(256,764)**	(130,463)
Property and equipment, net	**$ 188,139**	$ 352,218

Plant Construction in Progress

Plant construction in progress is stated at cost and is primarily related to the construction of the HRII geothermal power plant which commenced in fourth quarter of 2012. Plant construction in progress on HRII totaled $14,186,000 as of December 31, 2012 which has not been placed into service. Of this amount $3,590,000 was previously classified as development assets as of December 31, 2011. Total interest expense incurred in relation to Fuji Investment (Note 10) and capitalized into Plant construction in progress for the years ended December 31, 2012, and December 31, 2011, was $325,000 and $0, respectively. Plant construction in progress also included the amortization of deferred financing costs related to Fuji Investment (Note 10) of $50,000 and $0 for the years ended December 31, 2012, and 2011 respectively.

Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be sold are reported at the lower of the carrying amount or the fair value less costs to sell. Based on an evaluation of existing long-lived assets, the Company wrote off net assets valued at $49,000 and $0 during the years ended December 31, 2012 and 2011.

Investments in Unconsolidated Affiliates

Investments in unconsolidated affiliates are accounted for using the equity method of accounting when the Company has the ability to exercise significant influence over operating and financial policies of the investee, typically for investments of 20% or more of the voting rights of an investee. Accordingly, the initial investment is recognized at cost and subsequently adjusted to recognize the Company’s share of earnings or losses of the investee in each reporting period subsequent to the investment date.

The Company accounts for its investment in HR Holdings, which represents a joint venture between the Company and GGE, under the equity method of accounting. For the years ended December 31, 2012 and 2011, the Company recorded losses on its equity-method investment in HR Holdings in the amount of $8,606,000 (consisting of $7,849,000 net loss and $757,000 amortization of 2010 basis difference discussed below) and $7,412,000, respectively. The Company also received $40,605,000 in cash distributions from HR Holdings during the year ended December 31, 2012. The following table summarizes the consolidated financial information of HR Holdings as of and for the year ended December 31, 2011, and unconsolidated financial information for the year ended December 31, 2012 as a result of Chevron transaction (Note 1).

	2012	2011
Revenues	**$ 27,432,360**	$ —
Operating income (loss)	**9,047,737**	(2,116,517)
Net loss	**(27,704,880)**	(26,158,923)
Company's share of net loss	**(7,840,481)**	(7,411,815)
Assets		
Current assets	**$ 5,006,541**	$ 7,011,015
Noncurrent assets	**—**	364,007,832
Total assets	**$ 5,006,541**	$ 371,018,847
Liabilities		
Current liabilities	**$ 183,463**	$ 103,425,327
Noncurrent liabilities	**113,589,751**	205,344,241
Total liabilities	**$ 113,773,214**	$ 308,769,568
Members' equity		
Outside Member's (deficit) equity	**$ (65,795,435)**	$ 56,765,976
Company's share of (deficit) equity	**(42,971,238)**	5,483,303
Total Members' (deficit) equity	**$ (108,766,673)**	$ 62,249,279

The difference between the Company's share of equity in net assets of negative $42.9 million and the Company's investment in HR Holdings on its' books of negative $13.4 million as of December 31, 2012, as well as the difference between the Company's share of equity of $5.5 million and the investment in HR Holdings on the Company's books of $35.8 million as of December 31, 2011 (2010 Basis difference) , are primarily attributable to a $29 million gain recorded in 2010 when the Company deconsolidated HR Holdings as well as the Company's share of equity placement costs paid by HR Holdings to HA in May 2012 in the amount of $1.3 million. The Company is amortizing the Basis difference over the approximate 30-year useful life of assets to which it's deemed to be attributable, such as development costs and PPA assets, starting on In-Service Date. The Company recorded $757,000 amortization included into loss on investment in HR Holdings for the year ended December 31, 2012.

Investments are evaluated for other-than-temporary impairment on a regular basis. Other-than-temporary impairment occurs when the estimated fair value of an investment is below the carrying value and the difference is determined to not be recoverable. This evaluation requires significant judgment regarding, but not limited to, the severity and duration of the impairment; the ability and intent to hold the securities until recovery; financial condition, liquidity, and near-term prospects of the issuer; specific events; and other factors. Based on an evaluation of its existing investment HR Holdings, the Company determined that no impairment has occurred for the years ended December 31, 2012 and 2011.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents. Cash and cash equivalents are deposited with a limited number of financial institutions in the United States. The balances held at any one financial institution may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. The Company currently has accounts only with major financial institutions.

Development Costs

Development costs include direct third-party costs such as consulting, land costs, permitting, regulatory filings, and similar expenses and exclude all indirect and overhead costs. Development costs are capitalized once a development project is determined to be viable and it is determined that these costs will be recoverable through future revenue streams of the project. The Company capitalized $437,000 and $3,865,000 in development costs for the years ended December 31, 2012 and 2011. These costs will be offset against future revenues from the development projects or expensed in the period in which such development projects are abandoned.

Income Taxes

The Company is not subject to federal and state income taxes and, accordingly, has not provided for income taxes in the accompanying financial statements. The Members are required to report their proportional share of gains, losses, credits, or deductions on their individual income tax returns.

The Company applies accounting guidance with respect to how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. This guidance requires the accounting and disclosure of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more likely than not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Management of the Company is required to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, which includes federal and certain states. The Company has had no examinations in progress, none are expected at this time, and years 2009 through 2012 are open. As of December 31, 2012 and 2011, there is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken in future tax returns. The Company's policy is to recognize interest expense and penalties related to income tax matters as a component of other expense. There was no accrued interest and penalties as of December 31, 2012 and 2011, and no interest and penalties were recognized during the years ended December 31, 2012 and 2011.

Recent Accounting Pronouncements

In May 2011, the FASB issued authoritative guidance regarding common fair value measurements and disclosure requirements in U.S. Generally Accepted Accounting Principles and International Financial Reporting Standards. This newly issued accounting standard clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable inputs. This guidance is effective for annual periods beginning after December 15, 2011. In February 2013, the FASB issued an amendment to this guidance, to be effective immediately, to clarify that nonpublic entities are not required to disclose the level of fair value hierarchy for items that are not measured at fair value in the statement of financial position, but for which fair value is disclosed. This guidance was effective immediately. The Company adopted this guidance beginning on January 1, 2012. The adoption of this guidance did not affect the Company's financial position, results of operations, or cash flows.

3. Fair Value Measurements

The Company accounts for fair value measurements under Accounting Standards Codification (ASC) Topic 820,*Fair Value Measurements and Disclosures* (ASC 820). ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.
- Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

In determining the fair value of our financial instruments, we consider the source of observable market data inputs, liquidity of the instrument, the credit risk of the counterparty to the contract and our own risk of nonperformance. In the case fair value is not observable, for the items subject to fair value measurements, the Company applies valuation techniques deemed the most appropriate under the U.S. GAAP guidance based on the nature of the assets and liabilities being measured.

The carrying amounts of cash and cash equivalents, accounts receivable, receivable from affiliates, prepaid expenses, accounts payable, and accrued expenses at December 31, 2012 and 2011, are considered to reasonably approximate fair value because of the short-term nature of those items.

4. Related-Party Transactions

HRP Project Management Agreement

On May 11, 2010, the Company executed a fee agreement whereby the Company would provide project management and administrative services to HRP. The agreement expires with the expiration of the Power Purchase Agreement HRP has in place or anytime at HRP’s discretion without having to show cause. During the construction phase of the contract (period prior to commercial operation), the monthly fee was $106,000 per month. After the construction period ends, the fee was reduced to $64,333 per month. Effective September 25, 2012, the agreement was amended to include HRTE Holdings in addition to HRP, and the annual fee was changed to $1,084,000 per year, payable in quarterly installments and is subject to annual escalation. The 2012 fee was prorated based on the annual fee for the remainder of the year from the date of the amendment. For the years ended December 31, 2012 and 2011, the Company recognized $951,000 and $1,272,000, respectively, in revenues pursuant to this agreement, included in management and operating fee income on the Company’s statement of operations. As of December 31, 2012 the Company had a receivable outstanding of $123,000 under this agreement. There was no receivable balance under this agreement as of December 31, 2011.

Financial Services Agreement

Pursuant to the August 15, 2012 amended and restated financial services agreement between the Company and Hannon Armstrong Securities LLC (HA Securities), an affiliate, HA Securities is to provide the Company and HRII certain services related to the placement of debt and equity securities. In accordance with this agreement HRII paid HA Securities $250,000 for financial services related to the issuance of the Preferred Class A units (see Note 10) in 2012. In addition, for the year ended December 31, 2012 the Company paid HA Securities $285,000 as reimbursement for expenses incurred in the performance of its services. In December 2012 the Company and HA Securities further amended the financial services agreement specifically related to its efforts in raising debt and equity for the construction of HRII's geothermal power plant. Pursuant to this arrangement the Company agreed to pay HA Securities certain specified percentages of the funds raised on equity or debt placements.

Support Service Agreements

The Company has entered into Continuing Support Service Agreements with Hannon Armstrong Capital, LLC (HA), an affiliate of HA Development, and Catalyst to provide the Company with legal, accounting, financial modeling, personnel, and administrative services. Pursuant to these two agreements, the Company incurred approximately $319,000 and $394,000 in costs included in general and administrative expenses for the years ended December 31, 2012 and 2011, respectively. As of December 31, 2012 the Company owed $16,000 to HA Development and had no outstanding liabilities under these agreements as of December 31, 2011.

Operations and Management Agreement

On September 30, 2009, as amended on August 31, 2012, the Company, through its subsidiary HRES, entered into the Operations and Maintenance Agreement with HRP. Pursuant to this agreement, HRES is to provide various services for the mobilization, operation, and maintenance of the Project. As compensation for such services, HRP is obligated to reimburse HRES for all costs incurred in providing the services plus a $624,000 (Base Fee) annually. The Base Fee is payable in equal monthly installments commencing on the Commercial Operations Date, March 9, 2012, and is subject to annual escalation. In addition, HRES is subject to meeting certain performance criteria that could positively or negatively impact the Base Fee by a maximum of 50%.

Prior to the Commercial Operations Date, which occurred on March 9, 2012, HRES was to provide various services required to prepare the Project for start-up and steady operations. During this period, the Company was obligated to reimburse HRES for all costs and labor incurred in providing these services, up to a maximum of $1.6 million. In November 2011, this maximum amount was increased to $3 million. For the years ended December 31, 2012 and 2011, HRES billed $4.7 million and $1.6 million, respectively, in services to HRP included in management and operating fee income. Of the amounts incurred, $406,000 and $107,000 were included in receivables from affiliates as of December 31, 2012 and 2011, respectively.

Receivable From Affiliates

The Company from time to time advances funds to affiliated companies in conjunction with their general and administrative activities. During the years ended December 31, 2012 and 2011, the Company has advanced funds to HR Holdings in the amounts of $64,000 and $81,000, which were outstanding as of December 31, 2012 and 2011, respectively.

5. Equity-Based Compensation

The Company from time to time issues incentive units (IUs) to employees. The intent of the IUs is to provide the holders with a “profits interest” position. The IUs have no voting rights, do not share in losses, and are not subject to capital calls. In addition, the IUs contain restrictive covenants pertaining to their sale and become immediately vested upon a sales transaction. The IUs participate in cash distributions only after the holders of Class A and B units (see Note 9) have received a full return on their investments. The IUs will expire in the event the Company is dissolved.

Due to the terms of the IU agreements, the Company accounted for the IU grants in accordance with the provisions of ASC Topic 718 related to equity-based payments. Under this guidance, share-based compensation expense is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense on a straight-line basis, net of estimated forfeitures, over the requisite service period.

The fair value of the IUs granted is estimated using a valuation methodology based on future reasonably possible cash flow scenarios to the various classes of the Company’s members. The value derived under such scenarios is discounted for lack of liquidity and marketability.

In October 2010 the Company granted 606,573 IUs (2010 IUs). These IUs vest 50% at issuance and 25% on May 13, 2011 and 2012, respectively. The aggregate fair value of the IUs issued, prior to taking into account any vesting, was determined to be approximately $629,000. As of December 31, 2011, 543,388 IUs with the fair value of $564,000 were vested. As of December 31, 2012 these IUs were fully vested. The Company recorded compensation expense of $65,000 and $157,000 related to 2010 IUs for the years ended December 31, 2012 and 2011 respectively, which was included general and administrative expenses.

In June 2012 the Company granted to employees 111,205 of IU’s that vest one-third in August, 2012 and one-third each year thereafter until fully vested, and another 121,314 of IU’s to employees and consultants that vest one-third in June 2013 and each year thereafter until fully vested (together, 2012 IUs). The aggregate fair value of the 2012 IUs issued, prior to taking into account any vesting, was determined to be approximately $157,000. As of December 31, 2012, 37,000 of 2012 IUs with the fair values of $25,000 were vested. During the year ended December 31, 2012, the Company recorded $51,000 of compensation expense associated with the 2012 IU’s included in general and administrative expenses. The Company made $509,000 and $18,000 in cash distributions to 2010 IUs and 2012 IUs, respectively, during the year ended December 31, 2012.

The total unrecognized compensation costs of $106,000 related to unvested 2012 IUs as of December 31, 2012 will be recognized over the weighted average period of 1.6 years.

6. Employee Benefit Plan

The Company participates in a defined contribution employee savings plan that is qualified under Section 401(a) of the Internal Revenue Code and ERISA Section 404(c). The Company contributes an amount equal to 100% of the first 4% of each employee’s contribution. Contributions made by the Company are vested when contributed. Participating employees may contribute up to 15% of their pre-tax earnings under the plan. The Company contributed approximately $72,000 and $53,000 to the plan for the years ended December 31, 2012 and 2011, respectively.

7. Commitments

Geothermal Leases

The Company has entered into a number of geothermal lease agreements aggregating approximately 1,000 acres in the Salton Sea area of California that may be terminated by the Company at any time without penalty. The primary term under these leases is for ten years and the leases contain an escalation clause in year five. Thereafter, the base rent is increased by the Implicit Price Deflators of Gross Domestic Product (IPDGDP) index. In the event that the Company sells geothermal substances as defined therein, the Company would owe a royalty payment to the lessors in an amount to be determined by the type of substance being sold. In the event the sale is attributable to a generation facility owned or operated by the Company, then the royalty rate would be based on pro rata gross revenues attributable to that lessor's acreage contribution. The Company incurred approximately $9,000 and $9,000 in minimum payments under the geothermal leases for the years ended December 31, 2012 and 2011, respectively. The Company will make minimum payments subject to escalation after year ten based on the IPDGDP index of $9,600 in 2013, $78,000 in 2014, $86,900 in 2015, and $89,000 afterward until the agreements are terminated.

Office Leases

The Company leases office space in El Centro, California, under an operating lease that expires in May 2015, and starting in May 2011, in San Diego, California, under an operating lease that expires in May 2016. The lease agreements contain annual fixed increases in the basic rent. In addition, under the terms of the lease agreements, the Company is required to pay for increases in certain common area expenses. Rental expense related to these leases amounted to $248,000 and $191,000 for the years ended December 31, 2012 and 2011, respectively.

Future minimum lease payments at December 31, 2012, are as follows:

Fiscal years ending December 31:	
2013	$229,000
2014	247,000
2015	191,000
2016	60,000

Purchase Commitments

The Company has entered into a number of agreements for equipment purchases and services primarily related to its HRII development activities. At December 31, 2012, total obligations related to such agreements were approximately $92,000. All such obligations are expected to be settled in 2013.

Guarantee

In August 2012 in conjunction with the refinancing of the HRP's construction loan, HR Holdings contributed 100% of its interest in HRP into HRTE Holdings, a wholly owned subsidiary. In September 2012, Chevron Hudson Ranch I, LLC (Chevron), contributed $99,500,000 to HRTE Holdings in exchange for an equity interest in that company. As a result of that investment HR Holdings no longer had a controlling interest in HRTE Holdings and was required to deconsolidate the company. The sale of membership interest has been accounted for as an equity transaction by HR Holdings. No gain or loss was recorded on the transaction and HR Holdings now accounts for its interest in HRTE Holdings under the equity method of accounting known as hypothetical liquidated book value. As a condition of Chevron making its investment in HRTE Holdings the Company was required to guarantee certain obligations pursuant to the HRTE Holdings limited liability company agreement and the HRP Project Management Agreement. No liability has been recorded in connection with this arrangement and we do not believe it is probable that any amounts will be required to be paid pursuant to this guarantee.

Consulting Services Agreement

In January 2005, the Company entered into a consulting services agreement with a consultant to provide assistance in obtaining land and geothermal mineral rights in the Imperial Valley of California. The agreement was later amended and restated on April 1, 2009. Pursuant to this agreement, the Company is obligated to pay the consultant a royalty override related to pro rata revenues attributable to each land or geothermal resource acquisition entered into by the Company as a direct result of consultants efforts. For the years ended December 31, 2012 and 2011, no royalties had been paid.

8. Cooperative Development Agreement

In April 2010, the Company and Simbol Mining Corp, now known as Simbol Materials (Simbol), entered into a cooperative development agreement (the Development Agreement) to form a strategic relationship wherein the Company would primarily provide geothermal brine from any of its geothermal power projects; and assistance in developing Simbol's technology, a demonstration facility, and its first commercial facility and, if applicable, other additional mineral extraction facilities (the Services). Each party is responsible for their own costs related to these cooperative activities. The Development Agreement terminates 12 years after the effective date and automatically renews for an additional 5 year period unless notice of termination is provided by one of the parties.

The Development Agreement provides for the cooperation of the parties in such a way as to allow Simbol to pursue development, testing, analysis, design, construction and operation of commercial facilities utilizing their mineral extraction technology (Simbol Technology) which is still under development. The Simbol Technology is essentially intended to extract certain valuable minerals such as lithium, manganese and zinc from the geothermal brine.

Under the terms of the agreement, on April 13, 2010, the Company, in return for providing the Services received a warrant for the purchase of shares of Simbol's common stock. The warrants are exercisable upon the achievement of certain milestones by Simbol specified in the Development Agreement. In addition, the Company is to receive a negotiated royalty payment of the gross proceeds of any mineral sales.

The Company did not record any gain or loss on the warrants as they were determined to have minimal value at the issuance on April 13, 2010 and as of December 31, 2012 and 2011 due to the significant development risks facing both the Simbol Technology and the Project's construction and resource viability.

9. Members' Equity

Pursuant to the Amended and Restated Operating Agreement (the Operating Agreement), the Company will continue until the earliest of (a) a term of 99 years after October 5, 2005; (b) the unanimous decision of the Members, or (c) an event of dissolution. The Company's net earnings or losses are allocated to the Members' equity accounts in accordance with distribution provisions of the Operating Agreement. Such allocations are essentially done in proportion to each Member's pro rata share of membership units owned, subject to certain preferences based on class of membership unit owned. The Members are not liable for any amount in excess of their respective capital contributions and are not liable for any of the debts and losses of the Company, except to the extent that a liability of the Company is founded upon results from an unauthorized act or activity of such Member.

The Operating Agreement specifies three classes of Membership units: Class A, Class B, and IUs (see Note 5), each with different rights to profits, losses, and cash distributions. Class A Units include a right to vote, consent and approve and otherwise participate in the management of the Company. Class B Units and the Incentive Units are non-voting. The Class B member units have a $4 million priority cash distribution over the Class A units. After such priority distribution to the Class B member is met, the remaining profits or losses of the Company will be distributed to the Class A members. For purposes of cash distributions, IUs are included with the Class A member units.

The Class A Preferred Units issued to Fuji shall not receive any allocation of LLC profits and losses, and shall not receive any distributions from the LLC except the principal and interest payments. Class A Preferred units are non-voting units, and only have the right to receive preferred interest payments in the amount of 10% per annum. Class A Preferred Units do not participate in income allocation or distributions to Class A and Class B Units.

On May 13, 2010, the Company issued GGE 3,841,625 Class A member units and 1,000 Class B member units in return for an equity contribution of $4 million in cash. The Company is governed by a Management Committee consisting of three representatives with equal representation from each of the Members. All allowable acts of the Management Committee require a majority vote of the Members.

During the year ended December 31, 2012, HA, Catalyst, and GGE made $3,504,000, $3,144,000, and $1,752,000 in cash contributions to the Company, respectively. During the year ended December 31, 2011, HA, Catalyst, and GGE made $4,737,000, $2,695,000, and $2,368,000 in cash contributions to the Company, respectively.

As of December 31, 2012, HA, Catalyst, GGE and the IU owners owned approximately 40%, 36%, 20%, and 4% of the Class A member units, respectively, As of December 31, 2011, HA, Catalyst, GGE and the IU owners owned approximately 41%, 36%, 20%, and 3% of the Class A member units, respectively. As of December 31, 2012 and 2011 GGE owned 100% of the Class B member units.

During the year ended December 31, 2012, the Company made distributions to HA, Catalyst, and GGE of $14,737,000, $13,222,000, and $12,146,000, respectively. There were no distributions made during the year ended December 31, 2012.

The period of existence of the Company commenced on the formation date and shall end 99 years from such date unless the Company is dissolved in accordance with the provisions of the Operating Agreement. The Company shall be dissolved on the first to occur of the following events:

(i) The expiration of the term

(ii) The unanimous consent of the members to dissolve the Company

(iii) The disposition of all or substantially all of the Company’s business and assets

(iv) An event of dissolution

10. Redeemable Preferred Units

Effective April 20, 2012, the Company entered into a transaction with Fuji Electric Power Corporation (Fuji) whereby Fuji invested into HRII at specified amounts and dates ranging between June 2012 and October 2012 (Fuji Investment), which will be used by HRII as a source of funding for resource verification purposes. In exchange, Fuji became a Class A Preferred Member of HRII and received Class A Preferred Units entitled to certain interest and principal repayments. The Class A Preferred Units from Fuji prior to the close of the HRPII construction financing, the Class A Preferred Units are mandatorily redeemable by HRII at their face value on the fifth anniversary of the date on which the last capital contribution is made by Fuji under its investment commitment (November 26, 2017). This redemption is contingent upon other provisions, which provide for the optional rights to EnergySource (the Class A Member) to purchase the Class A Preferred Units from Fuji at any time subject to prepayment premium, or which obligate HRII to repurchase the Class A Preferred Units from Fuji prior to the close of the HRPII construction financing. The Company accounts for the Class A Preferred Units as a liability in accordance with ASC 480-10-25 as they are (i) mandatorily redeemable by the company (ii) redemption is outside the control of the company and (iii) the redemption price is determinable. Accordingly, certain costs incurred in securing the investment have been classified as Deferred Financing costs within the statement of financial position and the quarterly payments are classified as interest expense. Fuji receives preferred quarterly payments compounded annually on its aggregate unreturned capital contributions. During the year ended December 31, 2012, the Company paid Fuji $200,000 in interest under this agreement.

The Company accounts for the Class A Preferred Units as debt in accordance with ASC 480-10-25 as they are (i) mandatorily redeemable by the company (ii) redemption is outside the control of the company and (iii) the redemption price is determinable. Accordingly, $250,000 of costs incurred in securing the Fuji investment have been classified as Deferred Financing costs within the statement of financial position and amortized into plant construction in progress on a straight-line basis over the estimated life of the Fuji investment.

Exhibit 99.3

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Hudson Ranch I Holdings LLC

We have audited the accompanying financial statements of Hudson Ranch I Holdings LLC (a limited liability company) (the Company), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of operations and comprehensive loss, members' equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hudson Ranch I Holdings LLC at December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

San Diego, California
April 3, 2013

HUDSON RANCH I HOLDINGS, LLC
(A Limited Liability Company)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	$ 4,417	$ 2,624,841
Restricted cash	5,000,361	1,046,876
Accounts receivable	—	1,170
Receivables from affiliates	1,763	—
Prepaid expenses and short-term deposits	—	3,338,128
Total current assets	5,006,541	7,011,015
Land	—	489,876
Prepaid insurance and deposit	—	9,656
Office equipment, net	—	10,037
Plant construction in progress	—	352,043,379
Deferred financing costs, net		11,454,884
Total assets	**$ 5,006,541**	**$371,018,847**
Liabilities and members' equity (deficit)		
Current liabilities:		
Accounts payable and accrued expenses	$ 34,649	$ 13,380,369
Payables to affiliates	148,814	20,275,599
Provision for environmental remediation	—	422,311
Derivative—interest rate swaps	—	33,170,048
Construction loan payable—short-term	—	36,177,000
Total current liabilities	183,463	103,425,327
Distributions in excess of earnings for investment in unconsolidated entity	113,589,751	—
Construction loan payable	—	204,907,000
Payable to affiliates long-term	—	437,241
Total liabilities	113,773,214	308,769,568
Members' equity (deficit)	(108,766,673)	62,249,279
Total liabilities and members' equity (deficit)	**$ 5,006,541**	**$371,018,847**

See accompanying notes.

HUDSON RANCH I HOLDINGS, LLC
(A Limited Liability Company)

STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Year Ended December 31 2012	2011
Revenues:		
Electricity	$ 27,432,360	$ —
Net revenues	27,432,360	—
Operating expenses:		
General and administrative	1,717,278	2,116,517
Plant operating expenses	10,605,298	—
Depreciation and amortization	6,062,047	—
Total operating expenses	18,384,623	2,116,517
Operating income (loss)	9,047,737	(2,116,517)
Interest (expense) income	(9,305,056)	6,859
Other financing costs	(9,523,413)	—
Other—non operating income (expense)	898,166	(38,165)
Gain on investment in HR Holdings	1,562,738	—
Loss on interest rate swaps	(20,385,052)	(24,011,100)
Net loss and comprehensive loss	$ (27,704,880)	$ (26,158,923)

See accompanying notes.

HUDSON RANCH I HOLDINGS, LLC
(A Limited Liability Company)

STATEMENTS OF MEMBERS' EQUITY (DEFICIT)

	GeoGlobal U.S. EnergySource LLC	EnergySource LLC	Total Members' Equity
Balance at December 31, 2010	$ 75,513,184	$ 12,895,018	$ 88,408,202
Net loss and comprehensive loss	(18,747,208)	(7,411,715)	(26,158,923)
Balance at December 31, 2011	56,765,976	5,483,303	62,249,279
Distributions	(102,706,268)	(40,604,804)	(143,311,072)
Net loss and comprehensive loss	**(19,855,143)**	**(7,849,737)**	**(27,704,880)**
Balance at December 31, 2012	**$ (65,795,435)**	**$ (42,971,238)**	**$ (108,766,673)**

See accompanying notes.

HUDSON RANCH I HOLDINGS, LLC
(A Limited Liability Company)

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2012	**2011**
Operating activities		
Net loss	**$ (27,704,880)**	$ (26,158,923)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on interest rate swaps	**20,385,052**	24,011,100
Depreciation and amortization	**6,062,047**	2,164
Amortization of deferred income	**(897,987)**	
Amortization of deferred financing fees	**1,580,910**	
Write-off of deferred financing costs	**8,772,249**	
Loss on investment in HRTE Holdings	**(1,562,738)**	
Changes in operating assets and liabilities:		
Restricted cash	**(39,807,892)**	(6,738)
Accounts receivable	**(4,287,748)**	
Prepaid expenses and short-term deposits	**(62,763)**	(172,423)
Spare parts Inventory	**(812,927)**	
Accounts payable and accrued expenses	**2,115,238**	(91,702)
Payable to (receivable from) affiliates, net	**(19,868,384)**	(268,155)
Net cash used in operating activities	**(56,089,823)**	(2,684,677)
Investing activities		
Purchases of plant and construction in progress	**(18,329,697)**	(191,966,937)
Cash grant received	**102,086,944**	
Decrease in cash due to deconsolidation of HRTE Holdings	**(369,445)**	
Distributions from HRTE Holdings and HRP	**103,252,000**	
Chevron Transaction costs	**(2,541,361)**	
Purchases of furniture and fixtures	—	(11,291)
Prepaid insurance and deposits, long-term	—	(2,500)
Due to affiliates, long-term	—	125,713
Net cash provided by (used in) investing activities	**184,098,441**	(191,855,015)
Financing activities		
Distributions to members	**(143,311,072)**	—
Proceeds from notes payable	**312,375,000**	—
Repayment of construction loans	**(299,034,000)**	—
Repayment note payable to affiliate	**(356,090)**	
Debt financing costs	**(4,697,780)**	(133,308)
Proceeds from construction loan payable	**57,950,000**	191,942,000
Settlement of derivative liability	**(53,555,100)**	—
Net cash provided by (used in) financing activities	**(130,629,042)**	191,808,692
Net increase (decrease) in cash and cash equivalents	(2,620,424)	(2,731,000)
Cash and cash equivalents, beginning of period	**2,624,841**	5,355,841
Cash and cash equivalents, end of period	**$ 4,417**	$ 2,624,841
Supplemental disclosure of cash flow information		
Interest paid, including settlements from interest rate swaps	**$ 9,305,056**	$ 7,469,136
Noncash investing activities		
Transfers from construction in progress to property, plant and equipment	**$ 350,850,100**	$ —
Transfers from prepaid expense to property, plant and equipment	**$ 190,071**	
Construction payable related to purchases of property, plant, and equipment	**$ 2,691,079**	$ 1,134,090
Accounts payable related to plant and construction in progress	**$ 6,574,375**	$ 3,762,049
Amortization of deferred financing costs included in construction in progress	**$ 1,101,725**	$ 6,448,479
Deconsolidated net equity of HRTE Holdings	**$ 14,441,850**	$ —

See accompanying notes.

1. Description of Company and Nature of Operations

Hudson Ranch I Holdings, LLC (HR Holdings), a limited liability company, was formed on April 26, 2010 (inception) by EnergySource LLC (ES) to hold the interests of Hudson Ranch Power I, LLC (HRP or the Project). HRP is a limited liability company, incorporated on May 12, 2006, by ES to develop, construct, and operate a 49.9-megawatt geothermal power generation plant located in Calipatria, California. HR Holdings received the full ownership interest in HRP from ES on May 13, 2010 (the Transaction Date), as part of a larger financing transaction (the May 2010 Financing) described in Note 6. At the same time, HR Holdings admitted a new member, GeoGlobal U.S. EnergySource LLC (GGE). HR Holdings is jointly owned by ES and GGE (collectively, the Members) and is governed by a management committee with equal representation from each of the Members. Site construction on the Project began in May 2010, and the power plant was placed in service on March 26, 2012 (In-Service Date), with depreciation of the plant assets starting on April 1, 2012. For the years prior to December 31, 2012, the Company was considered to be in the development stage prior to the plant being placed in service.

In August 2012 in conjunction with the refinancing of the HRP construction loan HR Holdings contributed 100% of its interest in HRP into Hudson Ranch TE Holdings LLC (HRTE Holdings), a wholly owned subsidiary (HRTE Transaction). On September 26, 2012 (Chevron Transaction Date), Chevron Hudson Ranch I, LLC (Chevron), contributed $99,500,000 to HRTE Holdings in exchange for a non-controlling equity interest in HRTE Holdings (Chevron Transaction). As a result of the Chevron Transaction, Chevron gained participation rights in HRTE Holdings and HR Holdings no longer controlled by HRTE Holdings. In accordance with applicable accounting guidance the HRTE transaction qualifies as a transfer of real estate for financial reporting purposes and was required to deconsolidate HRTE Holdings. As of the Chevron Transaction date the Company is required to account for its investment in HRTE Holdings under the equity method of accounting. In addition, due to the Company’s continuing involvement in HRTE Holdings, the accounting rules precluded the Company from recording a gain upon deconsolidation. Following the Chevron Transaction HRTE Holdings made a significant cash distribution to the Company causing the Company’s investment to become negative. This investment is shown on the statement of financial position as distributions in excess of earnings within long-term liabilities.

As of December 31, 2012, HRTE Holdings is jointly owned by HR Holdings and Chevron. The consolidated assets and liabilities of HRTE Holdings as of the Chevron Transaction Date, were as follows:

(in thousands)	
Cash and restricted cash	$ 36,224
Current assets	7,197
Long-term assets	370,451
Accounts payable and accrued expenses	(9,735)
Current maturities of long-term notes	(2,718)
Deferred income	(101,189)
Asset retirement obligation	(5,015)
Notes payable long-term	(309,657)
	$ (14,442)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The accompanying statements of operations and cash flows include the activities of HRP through Chevron Transaction Date. The Company evaluated subsequent events through April 3, 2013, the date on which these financial statements were available to be issued.

2. Significant Accounting Policies

Accounting Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investment instruments with an original maturity of three months or less at the purchase date.

Fair Value of Financial Instruments

The carrying amounts of the financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and accounts payable to affiliates, approximate fair value due to the short maturities of these financial instruments.

Restricted Cash

Restricted cash at December 31, 2012 and 2011, consisted of $5,000,000 and $1,047,000, respectively. The 2012 amounts are being held in an escrow account as part of the Chevron Transaction. As a condition of Chevron’s investment in HRTE Holdings the Company agreed to the establishment of a $5.0 million escrow account. The escrow account is to secure the Company’s obligations under the HRTE Holding’s limited liability operating agreement primarily for a cause event or recapture event as those terms are defined therein. The 2011 restricted amounts were in certificates of deposit held with a bank to secure the issuance of performance bonds to local and governmental authorities pursuant to various laws and permits.

Revenue Recognition

The Project began generating revenues when the power plant was placed in service in March 2012. As such, the Company’s revenues and accounts receivable are derived primarily from the sale of electrical energy under a Power Purchase Agreement (PPA) with Salt River Project Agricultural Improvement and Power District (SRP), with a term through March 26, 2032. Pursuant to the PPA, SRP is obligated to purchase and the Project is obligated to sell all power generated by the Project up to a maximum production level as specified in the PPA. The price to be paid for energy was derived by a formula as agreed to by the parties and is based on certain specific costs required to construct the Project (Base Price). The Base Price is adjusted seasonally in accordance with the PPA and contains annual indexed escalation provisions.

In accordance with accounting guidance, HRP is required to account for the PPA as an operating leaseAll payments received under the PPA represent contingent rentals. Lease revenue is recognized on a units of production basis as electrical power is generated and supplied to SRP. The revenues generated prior to the In-service date of $2,369,000 were offset against the cost of the Plant assets.

The Company's future revenues are contingent upon the sale of energy to SRP pursuant to the PPA. The loss of SRP as an energy off-taker would have a material adverse effect on the financial results of the Company.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents. Cash and cash equivalents are deposited with a limited number of financial institutions in the United States. The balances held at any one financial institution may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. The Company currently has accounts with only one major financial institution.

Deferred Financing Costs

Deferred financing costs are recorded at cost and include costs relating to undertaking debt financing activities.

In connection with entering into the Construction Loan Credit Agreement in May 2010 (see Note 5), the Company incurred approximately $19.4 million in deferred financing costs. Deferred financing costs were allocated between Tranche A and Tranche B of the construction loan (Note 5) based on their relative commitment amounts and amortized on a straight-line basis over a two-year term for the Tranche B portion of the debt and a seven-year term for the Tranche A portion of the debt. For Tranche A, the amortization period represents the combined terms of the construction and term loans under the Construction Loan Credit Agreement. The amortization during the construction period through the In-service Date was included in the Project's construction in progress. As of December 31, 2011, the Company had expected to convert the construction loan into a term loan. Upon that conversion, the remaining deferred financing costs related to Tranche A were to be amortized over the remaining life of the debt under the interest method of accounting and included in interest expense on the statements of operations.

Deferred financing costs of $6.4 million has been amortized and capitalized as construction in progress for the year ended December 31 2011. For the period from January 1, 2012 to September 26, 2012, $1.1 million has been amortized and capitalized as construction in progress and $1.6 has been recorded as interest expense. On August 31, 2012, the Company repaid the outstanding balance on the Tranche A loan. The unamortized balance of the Tranche A deferred financing costs as of the August 31, 2012 repayment date in the amount of $8.8 million was written off and reflected in other financing costs in the accompanying 2012 statement of operations.

In connection with entering into the Note Purchase Agreement on August 31, 2012 (see Note 5), the Company incurred approximately $5.4 million in financing costs, of which $625,000 were accounted for as a discount on the notes payable (Note 5) and reported as an offset to the notes payable balance on the Company's balance sheet. These costs are being amortized over the term of the loan using the effective interest method. For the period from January 1, 2012 through September 26, 2012, amortization related to these deferred financing costs totaled $19,000, and was included in interest expense in the accompanying 2012 statement of operations.

In connection with the contribution of members' interest to HRTE Holdings (see note 7), the Company incurred approximately $2.5 million in financing costs.

Property and Equipment, Including Plant Construction in Progress

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation starts on the first of the month following the date assets, or major components thereof, are placed in service. Additions, refurbishment of major equipment and improvements that extend the lives of the assets are capitalized, while expenditures for repairs and maintenance that do not meet this criteria are expensed as incurred. Interest, amortized deferred financing costs, and commitment fees incurred during the construction period are capitalized in connection with the construction of major facilities. These costs are capitalized and recorded as part of the asset to which they relate and will be amortized over the asset's estimated useful life when the related asset is placed in service

As of December 31, 2011, property, plant, and equipment consisted primarily of construction in progress on the Project and totaled $352.0 million, which had not been placed into service.

Depreciation of the power plant commenced on April 1, 2012. As of the Chevron Transaction Date, property, plant, and equipment net of depreciation totaled $364.6 million. This consists of gross property, plant and equipment of approximately $370.4 million, consisting primarily of the power plant, and accumulated depreciation of approximately $5.8 million. Total interest capitalized for the years ended December 31, 2012 and 2011, was $4.0 million and $7.5 million, respectively. Included in these amounts are settlements from the interest rate swap agreements of $0.7 and $2.2 million, respectively. Property, plant, and equipment also included the amortization of deferred financing costs of $1.1 and $6.4 million, for the years ended December 31, 2012 and 2011, respectively. Depreciation expense for the period from April 1, 2012 through the Chevron Transaction Date totaled $5.8 million.

Long-Lived Assets

The Company reviews its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be sold are reported at the lower of the carrying amount or the fair value less costs to sell. Based on an evaluation of existing long-lived assets and identifiable intangibles, the Company determined that no impairment of long-lived assets existed as of December 31, 2012 and 2011.

Intangible Assets

Intangible assets consist of origination fees related to the PPA with SRP in the amount of $1,193,000. Under the applicable accounting for leases these fees are recognized on a straight line basis starting on the In-service Date and continuing over the non-cancellable term of the PPA of 30 years. The Company recorded amortization of $20,000 for the period from January 1, 2012 to September 26, 2012. All intangible assets were contributed to HRTE on August 31, 2012 as part of the HRTE transaction.

Provision for Environmental Remediation

The Company has an obligation to perform certain cleanup of mud sumps associated with geothermal wells as required by the provisions of an environmental permit and land lease. The Company records a provision for costs associated with environmental remediation obligations in the period in which they are incurred. Costs incurred in connection with the construction of a facility are capitalized as construction in progress. The liability for the obligation represents the Company's best estimate of the expenditure to settle the obligation or to transfer the obligation to a third party as of the balance sheet date. As of December 31, 2011, the Company estimated it will incur $422,000 to complete the cleanup. This amount was capitalized to construction in progress during 2011 and $8,000 of this liability was settled in 2012.

Asset Retirement Obligation (ARO)

The Company accounts for its obligation to dismantle the power plant and restore the site to its original condition as required by provisions of the conditional use permit granted by the county and certain geothermal lease agreements. The Company recorded an ARO of $4,855,000 at the In-service Date. A liability for the fair value of the asset retirement obligation (which represents the cost for removal of the power plant and remediation of the land) has been recognized in the period in which it was incurred, with the offsetting associated asset retirement costs capitalized as part of the carrying amount of the property and equipment. The asset retirement cost is subsequently amortized on a straight-line basis over the 30-year average estimated useful life of the Plant assets. Changes in the asset retirement obligation resulting from the passage of time are recognized as an increase in the carrying amount of the liability and as accretion expense. Changes resulting from revisions to the timing or amount of the original estimates of cash flows are recognized as an increase or a decrease in the asset retirement cost and asset retirement obligation.

The fair value of the cost to dismantle the power plant was based on current estimated costs to perform the dismantlement. An inflation rate of 3.0% and market risk premium of 10% were used to determine the total fair value of the cost to dismantle the power plant at the end of the land lease agreements. This inflated cost was discounted to the present value of the ARO using a discount rate of 6.75%, which reflects the current market assessments of the time value of money and the risks specific to the obligation.

The following table presents a reconciliation of the ARO Balance:

	2012
Balance at December 31, 2011	**$ 0**
Plant liability	4,855,000
Accretion expense	160,000
Balance at September 26, 2012	**$ 5,015,000**

Investment in Unconsolidated Affiliates

HRTE Holdings net earnings or losses are allocated to the Members' equity accounts in accordance with the allocation provisions of the LLC Agreement.

The HRTE LLC Agreement calls for the allocation of profit and loss on an income tax basis. In addition, cash is distributed and other benefits allocated in varying amounts throughout the life of the Company. Therefore, the members' interests in the Company are not fixed, and the Company applies the Hypothetical Liquidation at Book Value (HLBV) method in allocating book profit and loss to the members. The HLBV method is consistent with the principles set forth in ASC Topic 323-970, Investments—Equity Method and Joint Ventures, Real Estate. The HLBV method measures the amount of cash that each member would receive at each reporting date upon a hypothetical liquidation of the Company at the net book value of its underlying assets. The change in the amount of cash that each member would receive at the reporting date and the previous reporting date represents the amount of profit or loss allocated to each member for the reporting period, taking into account the distributions received during the reporting period.

Significant aspects of the HRTE LLC Agreement are detailed below:

Tax Allocations

Taxable income is allocated to the Class A Member (HRH) and the Class B Member (Chevron) in the ratio of 1% to 99% until the "flip point" has been reached. The flip point is defined in the LLC Agreement as the date the Class B Member has received a certain after-tax return, as set forth in the LLC Agreement. Thereafter, taxable income is allocated to the Class A Members and the Class B Member in the ratio of 95% to 5%, respectively.

Cash Distributions

Available cash, as defined in the LLC Agreement, is distributed to the Class A Member and the Class B Member in the ratio of 12.6% to 87.4%, until the flip point. Thereafter, available cash is distributed to the Class A Members and the Class B Member in the ratio of 95% to 5%, respectively. The distribution ratios are subject to certain modifications as set forth in the LLC Agreement.

Management

Management of the HRTE is vested in the managing member, which is currently HR Holdings. However, certain actions, such as the incurrence of indebtedness, the sale of membership interests, the incurrence of expenditures, the execution of the operating budget, and others as set forth in the LLC Agreement, must be approved by approval of a majority of all members, as also set forth in the LLC Agreement.

Purchase Option —

HR Holdings or any other EnergySource LLC (ES) affiliate, will have the right to reacquire all of the outstanding Class B membership interests at any time during the twelve month period following the first day after the end of the quarter in which the Flip Point occurs, but not earlier that the fifth anniversary after the Project was placed in service (March 26, 2012); the fifteenth anniversary after the Project was placed in service; the twentieth anniversary after the Project was placed in service, as set forth in the LLC Agreement. The exercise price will be the higher of fair market value of the class B membership interests on the date of the purchase and the Minimum Purchase Price. The Minimum Purchase price is an amount that allows the Class B Member to earn the greater of the Internal Rate of Return achieved by the Class B Member on the Purchase Option exercise date, as if any outstanding Accumulated Deficit Balance that accrued after the Flip Point had been reduced to zero on the Purchase Option exercise date by a hypothetical distribution of cash to the Class B Member and the Class B Member's Base Case Internal Rate of Return of 20%, as also set forth in the LLC Agreement. The Company concluded that the purchase option does not meet the definition of a derivative under the derivative guidance and is not subject to bifurcation and separate accounting on HRTE's financial statements. The following table summarizes the financial information of HRTE Holdings as of and for the period from September 26, 2012 to December 31, 2012:

	2012
Revenues	$ 17,215,129
Operating income	6,040,626
Net income	615,046
Company’s share of net income	1,562,742
Assets	
Current assets	$ 34,166,324
Noncurrent assets	368,005,449
Total assets	$ 402,171,773
Liabilities	
Current liabilities	$ 9,393,070
Noncurrent liabilities	413,045,705
Total liabilities	$ 422,438,775
Members’ equity (deficit)	
Outside Member’s equity	$ 95,864,110
Company’s share of (deficit)	(116,131,112)
Total Members’ (deficit)	$ (20,267,002)

Government Grant

The Company records grants received from the government that are related to depreciable assets as deferred income. The deferred income is then amortized into other income over the useful life of the assets to which the grant is related.

In June 2012, the Project received a cash grant from the United States Treasury under Section 1603 of Division B of the American Recovery and Reinvestment Act of 2009 (the Act) related to the Project (the Cash Grant). The grant represented 30% of qualified costs of the Plant, as defined by the Act, and totaled $102,087,000. The deferred income amount related to the Cash Grant will be amortized into other income on a straight-line basis, over the remaining useful life of the Plant assets of approximately 30 years. For the period from June, 2012 through September 26, 2012, amortization of the grant totaled $898,000.

In order to comply with the Act, the Project must provide to the United States Treasury a project performance report on an annual basis, for a period of five years after the property is placed in service. Information included in this report includes number of jobs retained and annual production data. If the property is disposed of within five years from the date the power plant is placed in service, the grant is subject to recapture rules, as set forth in the Act.

Derivatives—Interest Rate Swaps

Derivative liability recorded as of December 31, 2011 is related to interest rate swaps. In May 2010, the Company entered into a series of derivative transactions in order to manage the exposure to interest rate risk on the construction loan (2010 Interest Rate Swaps). The 2010 Interest Rate Swaps were entered into with the participants to the Construction Loan Credit Agreement (as discussed in Note 5) to manage interest rate risk by limiting the interest rate exposure on the underlying financing. These interest rate contracts had an initial notional amount of $172.7 million, were based on LIBOR (U.S. dollar) rates, range in maturity from one to three months, and were to extend through September 29, 2027. The notional amounts for the one-month swaps was to increase through their term on June 29, 2012. The notional amounts on the three-month swaps was to increase through June 29, 2018, and then decrease afterward through their term on September 29, 2027. The interest rate on the one-month swap contracts, which extend through June 29, 2012, was set at 1.68%. The interest rate on the three-month swap contracts for the period of June 30, 2012 through September 29, 2027, was set at 4.84%. Under the accounting standards on derivatives and hedging, the Company recognizes all derivatives, except those designated as a normal purchase or normal sale at inception, as either assets or liabilities on the balance sheet and measures those instruments at fair value. Changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met. Gains and losses related to cash flow hedges are recognized in other comprehensive income. Gains or losses on derivatives that do not qualify for hedge accounting are recognized as interest expense.

The accounting standards on derivatives and hedging enable companies to designate qualifying derivatives as hedging instruments based on the exposure being hedged. These hedge designations mainly include fair value hedges and cash flow hedges. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair value hedge are recognized in earnings as offsets to the changes in fair value of the exposure being hedged. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are deferred in accumulated other comprehensive loss and are recognized into earnings as the hedged transactions affect earnings. Any ineffectiveness is recognized in earnings immediately. The ineffective portion is recognized as interest expense for interest rate hedges.

The hedging relationships under the 2010 Interest Rate Swaps are ineffective and do not qualify for hedge accounting. The accounting standards on derivatives and hedging enable companies to designate qualifying derivatives as hedging instruments based on the exposure being hedged. These hedge designations mainly include fair value hedges and cash flow hedges. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair value hedge are recognized in earnings as offsets to the changes in fair value of the exposure being hedged. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are deferred in accumulated other comprehensive loss and are recognized into earnings as the hedged transactions affect earnings. Any ineffectiveness is recognized in earnings immediately. The ineffective portion is recognized as interest expense for interest rate hedges. The hedging relationships under the 2010 Interest Rate Swaps are ineffective and do not qualify for hedge accounting. As of December 31, 2011, the Company was in a $33.2 million liability position on its derivative instruments, reported in current liabilities on the 2011 statement of financial position. The one-month swaps expired at their maturity on June 29, 2012. On August 31, 2012, in conjunction with the early repayment of the construction loan (see Note 5), the Company terminated the three-month swaps by making a payment of $53.6 million. The change in the fair value of the 2010 Interest Rate Swaps for the period from January 1, 2012 to September 26, 2012 and for the year ended December 31, 2011, was $20.4 million and $24.0 million, respectively, and was recognized as a loss on derivatives in the Company's statements of operations.

Income Taxes

The Company is not subject to federal and state income taxes and, accordingly, has not provided for income taxes in the accompanying financial statements. The members are required to report their proportional share of gains, losses, credits, or deductions on their individual income tax returns.

The Company applies accounting guidance with respect to how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. This guidance requires the accounting and disclosure of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more likely than not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Management of the Company is required to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, which includes federal and certain states. The Company has had no examinations in progress, none are expected at this time, and the years 2008 through 2012 are still open. As of December 31, 2012 and 2011, there is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken in future tax returns. The Company's policy is to recognize interest expense and penalties related to income tax matters as a component of other expense. There was no accrued interest and penalties as of December 31, 2012 and 2011.

Recent Accounting Pronouncements

In May 2011, the FASB issued authoritative guidance regarding common fair value measurements and disclosure requirements in U.S. Generally Accepted Accounting Principles and International Financial Reporting Standards. This newly issued accounting standard clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable inputs. This guidance is effective for annual periods beginning after December 15, 2011. The Company does not expect that the adoption of this standard will have a material impact on its financial position or results of operations. In February 2013 the FASB issued an amendment to this guidance, to be effective immediately, to clarify that nonpublic entities are not required to disclose the level of fair value hierarchy for items that are not measured at fair value in the statement of financial position, but for which fair value is disclosed. This guidance was effective immediately. The Company adopted this guidance beginning on January 1, 2012. The adoption of this guidance did not affect the Company's financial position, results of operations, or cash flows

3. Fair Value Measurements

The Company accounts for fair value measurements under Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets.

Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.

Level 3: Unobservable inputs in which there is little or no market data, which requires the reporting entity to develop its own assumptions.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

In determining the fair value of the financial instruments, management considers the source of observable market data inputs, the liquidity of the instrument, the credit risk of the counterparty to the contract, and the Company's own risk of nonperformance.

When deemed appropriate, the Company manages risk from interest rate fluctuations through the use of derivative financial instruments. The 2010 Interest Rate Swaps are interest rate swaps that establish a fixed rate on variable-rate debt. The fair value of the 2010 Interest Rate Swaps was determined using support of a third-party specialist and is based on observable inputs, including interest rate curves, as well as unobservable inputs, such as the Company's and its counterparties' credit spread. The primary pricing inputs used in determining the fair value of the interest rate swaps are forward LIBOR curves with the same duration as the instrument as reported in published information provided by pricing services. For each derivative, the projected forward curves are used to determine the stream of cash flows over the remaining term of the contract. The cash flows are then discounted using a spot discount rate to determine the fair value. In certain instances, the published curve may not extend through the remaining term of the contract, and management must make assumptions to extrapolate the curve, which results in the use of unobservable inputs. The value of the 2010 Interest Rate Swaps was adjusted for the non-performance risk of the parties to the contract or credit valuation adjustment for contracts, which is based on unobservable inputs. As a result, the derivative liability related to the 2010 Interest Rate Swaps was categorized as Level 3. The 2010 Interest Rate Swaps either expired or were settled during 2012. As such, the Company had no derivative liability at the Chevron Transaction Date.

The following tables present the financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2012 and 2011, by level within the fair value hierarchy.

	Assets and Liabilities With Recurring Fair Value Measures As of December 31, 2012			
	Carrying Value	**(Level 1)**	**(Level 2)**	**(Level 3)**
		(In Thousands)		
Assets				
Money market funds(1)	$ 5,000	$ 5,000	$ —	$ —
Total	**$ 5,000**	**$ 5,000**	**$ —**	**$ —**

(1) Included in restricted cash on the consolidated statement of financial position

	Assets and Liabilities With Recurring Fair Value Measures As of December 31, 2011			
	Carrying Value	**(Level 1)**	**(Level 2)**	**(Level 3)**
		(In Thousands)		
Assets				
Certificates of deposit(1)	$ 1,047	$ 1,047	$ —	$ —
Total	$ 1,047	$ 1,047	$ —	$ —
Liabilities				
Derivative liability	$ 33,170	$ —	$ —	$33,170
Total	**$ 33,170**	**$ —**	**$ —**	**$33,170**

(1) Included in restricted cash on the consolidated statement of financial position

The following table presents a reconciliation of the derivative liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Balance at December 31, 2011	$ 33,170
Change in fair value of derivative liability reported in the consolidated statement of operations[1]	20,385
Settlement of derivative liability	(53,555)
Balance at September 26, 2012	$ —

(1) See Note 2, *Derivatives — Interest Rate Swaps*, for further information regarding the classification of gains and losses included in earnings in the consolidated statements of operations.

4. Related-Party Transactions

Equity Placement Fee

Pursuant to the Equity Placement Fee Agreement between the Company and Hannon Armstrong Capital, LLC (HA), an affiliate, executed May 13, 2010, the Company is required to pay HA a fee equal to 5% of any equity infusion completed through HA's efforts. During the year ended December 31, 2010, the Company received two equity infusions aggregating $90 million and thereby owed HA $4.5 million. On May 13, 2010, the Company paid HA $4,224,501 and issued a note payable for $275,499. The note is payable on or before May 12, 2013, plus interest. The note amount of $275,499, plus interest of $114,260 was paid off in September 2012.

Financial Services Agreement

Pursuant to the August 15, 2012 amended and restated financial services agreement between the Company and Hannon Armstrong Securities LLC ("HA Securities"), an affiliate, HA Securities is to provide the Company certain services related to the placement of debt or equity securities. In accordance with this agreement the Company paid HA Securities $3.1 million for financial services related to the HRTE Transaction.

Development Fee Agreement

On May 11, 2010, HRP entered into a Development Fee Agreement with HA and Catalyst Geothermal, LLC (collectively, the Developers) in consideration for the development services provided to the Company prior to obtaining Project financing. The Company shall pay the Developers a fee of $10 million each, to the extent that there are funds available from the construction loans after taking into account the payment of all Project costs through the earlier of (i) the term conversion of the construction loans or (ii) December 31, 2012. Such payment shall be made on the earlier of the date of substantial completion of the Project as that term is defined in the Credit Agreement (see Note 5) or one business day prior to the placed-in-service date as that term is defined in the Credit Agreement. The Company has recorded a $20 million development fee payable to related parties, which was capitalized in 2010 and included in construction in progress. The amount was included in payables to affiliates and development fee payable to affiliates in December 31, 2011. The Company paid the $20 million to Developers in 2012.

Debt Placement Fee

Pursuant to the Debt Placement Fee Agreement between the Company and HA executed on May 13, 2010, the Company paid HA $3 million. This amount represents 1% of the initial nonrecourse debt placed by HA under the Credit Agreement (Note 5). The amount was included in deferred financing costs (discussed in Note 2). In 2012, the Company recorded $1.5 million payable to HA in connection with the Chevron transaction.

Project Management Agreement

On May 11, 2010, ES and the Company executed a fee agreement whereby ES would provide project management and administrative services to the Company. The agreement expires with the expiration of the PPA with SRP or anytime at the Company's discretion without having to show cause. During the construction phase of the contract (period prior to commercial operation), the monthly fee is $106,000 per month. After the construction period ends, the fee is reduced to $64,333 per month. During the period from January 1, 2012 to September 26, 2012 and the year ended December 31, 2011, the total payments made to ES pursuant to this agreement amounted to $641,000 and $1,272,000, respectively. During period from January 1, 2012 to September 26, 2012 and the year ended December 31, 2011, $95,000 and $500,000, respectively, were capitalized as a direct cost of construction. The remaining amounts of $546,000 and $772,000 were expensed as a general and administrative expense for period from January 1, 2012 to September 26, 2012 and the year ended December 31, and 2011, respectively. There were no payable balances under this agreement as of December 31, 2011.

Operations and Management Agreement

On September 30, 2009, HRP and Hudson Ranch Energy Services LLC (HRES), a subsidiary of ES, entered into an Operations and Maintenance Agreement. Pursuant to this agreement, HRES is to provide various services for the mobilization, operation, and maintenance of the Project. As compensation for such services, the Company is obligated to reimburse HRES for all costs incurred in providing the services plus a Base Fee annually. The Base Fee is payable in equal monthly installments commencing on the Commercial Operations Date as defined therein and is subject to annual escalation. In addition, HRES is subject to meeting certain performance criteria that could positively or negatively impact the Base Fee. Prior to the Commercial Operations Date, HRES is to provide various services required to prepare the Project for start-up and steady operations. During this period of time, the Company is obligated to reimburse HRES for all costs and labor incurred in providing these services, up to a maximum of $1.6 million, increased by amendment to $3 million in November 2011. For the period from January 1, 2012 to September 26, 2012 and the year ended December 31, 2011, HRES billed the Company $3.7 million and $1.6 million, respectively. During 2012 and 2011, approximately $0 and $838,000 of this amount was capitalized into construction in progress, respectively. The remaining amounts of $3.7 million and $770,000 were expensed as Plant Operations for period from January 1, 2012 to September 26, 2012 and the year ended December 31, 2011, respectively. There were no payable balances under this agreement as of December 31, 2011.

General and Administrative Costs

During the year ended December 31, 2012 and 2011, the Company incurred certain general and administrative costs aggregating $380,000 and $318,000, respectively, paid for by ES and included with other amounts payable to affiliates. Of these amounts, $0 and $249,000 is included in payables to affiliates as of December 31, 2012 and 2011, respectively. At December 31, 2012 amounts payable to HRPI was $84,000 and payable to ES $64,000.

5. Debt Financing

Construction Loan

In May 2010, HRP entered into a credit agreement (the Construction Loan Credit Agreement or Credit Agreement) with a group of banks in order to finance the construction of the Project. The Credit Agreement provided for an aggregate of approximately $300.2 million in construction loan and term financing. The construction loan consisted of a Tranche A commitment of $204.9 million and a Tranche B commitment estimated at $95.3 million. The Tranche B portion was dependent upon certain eligible construction and drilling costs associated with the Cash Grant, and could not exceed $95.3 million, and was due in full on December 30, 2012. As of December 31, 2011, the Company had drawn $204.9 million on Tranche A and $36.2 million on Tranche B. The amounts drawn upon under the construction loan were eligible for conversion into a term loan upon the attainment of certain conditions precedent, but no later than December 30, 2012. If not converted, the construction loan, including accrued interest, was payable in full on December 31, 2012. Prior to conversion to a term loan, all proceeds received under the Cash Grant must first be applied to the Tranche B construction loans. As of December 31, 2011, the portion of the Tranche B construction loans to be repaid prior to the end of 2012 was recorded as a current liability. The remaining construction loan balance was classified as a noncurrent liability as of December 31, 2011, as the Company anticipated that the term conversion conditions would be met during 2012 and that the remaining construction loan balance would be converted into a term loan.

Interest payments on the construction loan accrued on a daily basis at variable rates based upon either a base rate of the prime lending rates, less an applicable margin of 0.75%, or the eurodollar rate, plus an applicable margin of 3.25%. During the years ended December 31, 2012 and 2011, the borrowings were primarily made pursuant to the eurodollar loan option, and the applicable interest rate under the Construction Loan Credit Agreement prior to consideration of the interest rate swaps (see Note 3) was approximately 4.2% and 3.5% respectively for the years ended December 31, 2012 and 2011.

For the period from January 1, 2012 through September 26, 2012, interest incurred on the Construction Loan Credit Agreement totaled $9,013,000. Of this amount, $2,914,000 was capitalized to construction in progress, and $6,099,000 was recorded as interest expense. For the year ended December 31, 2011, interest incurred on the Construction Loan Credit Agreement was $7,469,000, which was capitalized in construction in progress. Included in these amounts are settlements from the interest rate swap agreements of $1,514,000 and $2,523,000 for the years ended December 31, 2012 and 2011, respectively.

On August 31, 2012, HRP, in conjunction with the closing of a $313 million Notes Payable Agreement (see below) repaid the principal amounts outstanding under the Construction Loan Credit Agreement aggregating $299.0 million. In addition, HRP also terminated the interest rate swap agreements by making a $53.5 million payment.

Borrowings under the Construction Loan Credit Agreement were secured by substantially all assets of HRP. The Credit Agreement contained customary covenants and default provisions, including limitations on, among other things, additional indebtedness, liens, maintenance of debt service reserve, retention, major maintenance accounts, and restricted payments. HRP was in compliance with these covenants during the term of the Construction Loan Credit Agreement

Pursuant to the Construction Loan Credit Agreement, HRP was required to pay a commitment fee on a quarterly basis equal to 1.3% of the daily average unused credit facilities under Tranches A and B. During the years ended December 31, 2012 and 2011, the Company incurred $246,000 and $2.0 million, respectively, in commitment fees. Of these amounts $181,000 and $2.0 million were capitalized into construction in progress for the period from January 1, 2012 through September 26, 2012 and the year ended December 31, 2011 respectively.

Notes payable

On August 31, 2012 the Company entered into a separate $313 million note purchase agreement (the Note Purchase Agreement) with a group of institutional lenders (the Lenders). The senior secured notes issued under the Note Purchase Agreement bear interest at 6.25%. Interest on the notes is due quarterly. Variable principal amounts are due as of the end of most calendar quarters throughout the term of the notes ending on March 31, 2042, as set forth in the amortization schedule to the Note Purchase Agreement. Interest expense for the period from August 31, 2012 through September 26, 2012 totaled $1,413,000. The notes payable balance included $623,000 discount related to the loan origination costs, of which were amortized into interest expenses through the Chevron Transaction date. These Notes payable were contributed as part of the equity transaction with HRTEH LLC.

6. Commitments

Purchase Commitments

The Company has entered into a number of agreements for equipment purchases and services related to its construction-in-progress activities. At December 31, 2012, total obligations related to such agreements were immaterial.

Geothermal Leases

The Company has entered into a number of geothermal lease agreements that may be terminated by the Company at any time without penalty. The primary term under these leases is for ten years, and they contain an escalation clause in year five. Thereafter, the base rent is increased by the Implicit Price Deflators of Gross Domestic Product (IPDGDP) index. In the event that the Company sells geothermal substances as defined therein, the Company will make a royalty payment to the lessors in an amount to be determined by the type of substance being sold. In the event the sale is attributable to the generation facility owned or operated by the Company, then the applicable royalty rate would be payable on a pro rata basis attributable to that lessor’s contribution. The Company incurred approximately $838,000 and $14,600 for the year ended December 31, 2012 and 2011, respectively. These lease agreements have been contributed as part of the HRTE transaction.

Royalty Agreement

In January 2005, ES entered into a consulting services agreement with a consultant to provide assistance in obtaining land and geothermal mineral rights in the Imperial Valley of California. The agreement was later amended and restated on April 1, 2009, and the obligation thereunder relating to the Project was later assigned to the Company. Pursuant to this agreement, the Company is obligated to pay the consultant a royalty override on revenues generated by the Project. For the years ended December 31, 2012 and 2011, the Company incurred $41,000 and $0 royalty expense related to this agreement, respectively.

Contingencies and Litigation

The Company may from time to time be involved in various claims and lawsuits regarding matters arising in the ordinary course of business. Accordingly, management assesses the probability of adverse judgments in connection with current and threatened litigation. Management would accrue the cost of an adverse judgment if, in its estimation, the adverse outcome is probable and management can reasonably estimate the ultimate cost. As of December 31, 2012 and 2011, the Company was not aware of any threatened or pending lawsuits.

7. Members’ Equity

Pursuant to the terms of HR Holdings’ Amended and Restated Limited Liability Company Agreement (the Operating Agreement), the Company will continue until the earliest of (a) a term 99 years after October 5, 2005; (b) the unanimous decision of the Members, or (c) an event of dissolution. The Company's net earnings or losses are allocated to the Members' equity accounts in accordance with distribution provisions of the Operating Agreement. Such allocations are essentially done in proportion to each Member's pro rata share of membership units owned, subject to certain preferences based on class of membership unit owned. Except for certain conditions as specified in the Credit Agreement, the Members are not liable for any amount in excess of their respective capital contributions and are not liable for any of the debts and losses of the Company, except to the extent that a liability of the Company is founded upon results from an unauthorized act or activity of such Member.

The Operating Agreement specifies that there will be two classes of membership units, each with different rights to profits, losses, and cash distributions:

Class A Member Units. Class A member units are entitled to 75% of earnings and losses until such time as they realize a 13% annualized rate of return on their equity capital contribution plus a priority distribution to one member of $1.5 million (the Flip Point). Such amounts will be allocated in accordance with each Member's pro rata units. After the Flip Point is reached, Class A members are entitled to 35% of earnings and losses in accordance with each Member's pro rata units.

Class B Member Units. Class B member units are entitled to 25% of earnings and losses until such time as the Class A units realize a 13% annualized rate of return on their equity capital contributions plus a priority distribution to one member of $1.5 million (the Flip Point). Thereafter, earnings and losses will be allocated in accordance with each Member's pro rata units. After the Flip Point is reached, Class B members are entitled to 65% of earnings and losses in accordance with each Member's pro rata units.

Both Class A and Class B member units have voting rights, and a majority of all Members is required to effectuate changes to the Operating Agreement. A majority of all Members is defined as 50.1% of the Class A member units and 50.1% of the Class B member units.

On May 13, 2010, the Company amended and restated its Operating Agreement to allow for the admission of GGE as a new member. On that date: (i) ES contributed its entire ownership interest in HRP with a net carrying value of $13 million and $4 million in cash for 15,366,501 Class B member units and 4,000,000 Class A member units, respectively. In addition, GGE contributed approximately $54.2 million in cash in return for 54,240,584 of Class A member units and committed to contribute an additional $31.8 million pursuant to the terms of the May 2010 Equity Contribution Agreement. Subsequently, GGE made three additional cash contributions and in return received an additional 31,759,519 Class A member units. As a result of this capitalization, ES obtained approximately 28.3% interest in the Company, with the remaining 71.7% going to GGE.

In connection with the HRTE transaction, the Company made $40 million in cash distributions to the members. In connection with the Chevron Transaction in September 2012, the Company made $103 million in cash distributions to the members. No cash contributions were received from the members in 2012 and 2011.