UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2015

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, Maryland **(Address of principal executive offices)**	**21401** **(Zip code)**

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 32,498,992 shares of common stock, par value $0.01 per share, outstanding as of August 4, 2015 (which includes 1,277,010 shares of unvested restricted common stock).

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FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this Quarterly Report on Form 10-Q (“Form 10-Q”) 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. Factors that could cause actual results to differ materially from those described in the forward-looking statements are contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (our “2014 Form 10-K”) that was filed with the U.S. Securities and Exchange Commission (the “SEC”), and include risks discussed in the Management’s Discussion and Analysis of Financial Condition and Results of Operation of this Form 10-Q and in other periodic reports that we file with the SEC. Statements regarding the following subjects, among others, may be forward-looking:

- our equity method investments in wind projects (as defined below);
- our acquisition and integration of American Wind Capital Company, LLC (“AWCC”) as well as subsequent real estate acquisitions;
- our expectations related to payments under our $13 million senior secured debt securities in an operating wind project;
- 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 governments 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 investment and 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 assets;
- changes in commodity prices;
- effects of hedging instruments on our assets;
- rates of default or decreased recovery rates on our 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 Form 10-Q. 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 after the date of this Form 10-Q, whether as a result of new information, future events or otherwise.

The risks included here are not exhaustive. Other sections of this Form 10-Q or our 2014 Form 10-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.

The following discussion is a supplement to and should be read in conjunction with our 2014 Form 10-K.

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PART 1 FINANCIAL INFORMATION

Item 1. Financial Statements

HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2015 and DECEMBER 31, 2014
(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
(UNAUDITED)

	June 30, 2015	December 31, 2014
Assets		
Financing receivables	$ 688,632	$ 552,706
Financing receivables held-for-sale	85,461	62,275
Investments available-for-sale	28,455	27,273
Real estate	126,683	90,907
Real estate related intangible assets	25,482	23,058
Equity method investments in affiliates	161,648	143,903
Cash and cash equivalents	21,670	58,199
Restricted cash and cash equivalents	12,911	11,943
Other assets	30,502	39,993
Total Assets	**$1,181,444**	**$ 1,010,257**
Liabilities and Equity		
Liabilities:		
Accounts payable, accrued expenses and other	$ 13,749	$ 11,408
Deferred funding obligations	95,700	88,288
Credit facility	420,496	315,748
Asset-backed nonrecourse notes (secured by assets of $230 million and $248 million, respectively)	197,694	208,246
Other nonrecourse debt (secured by financing receivables of $104 million and $108 million, respectively)	107,510	112,525
Total Liabilities	835,149	736,215
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, 31,221,982 and 26,377,111 shares issued and outstanding, respectively	312	264
Additional paid in capital	379,183	293,635
Retained deficit	(37,131)	(25,006)
Accumulated other comprehensive (loss) income	(81)	406
Non-controlling interest	4,012	4,743
Total Equity	346,295	274,042
Total Liabilities and Equity	**$1,181,444**	**$ 1,010,257**

See accompanying notes.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Net Investment Revenue:				
Interest Income, Financing receivables	$ 8,217	$ 5,229	$ 16,545	$ 9,847
Interest Income, Investments	357	1,138	753	2,432
Rental Income	2,564	410	4,652	410
Investment Revenue	11,138	6,777	21,950	12,689
Investment interest expense	(6,103)	(3,684)	(12,250)	(7,214)
Net Investment Revenue	5,035	3,093	9,700	5,475
Provision for credit losses	—	—	—	—
Net Investment Revenue, net of provision for credit losses	5,035	3,093	9,700	5,475
Other Investment Revenue:				
Gain on sale of receivables and investments	1,557	4,272	4,426	6,246
Fee income	836	207	1,063	1,550
Other Investment Revenue	2,393	4,479	5,489	7,796
Total Revenue, net of investment interest expense and provision	**7,428**	**7,572**	**15,189**	**13,271**
Compensation and benefits	(3,978)	(2,924)	(7,830)	(4,537)
General and administrative	(1,561)	(1,445)	(3,066)	(2,598)
Acquisition costs	—	(1,104)	—	(1,104)
Other, net	(34)	(54)	(261)	(114)
Loss from equity method investments in affiliates	(295)	—	(348)	—
Other Expenses, net	(5,868)	(5,527)	(11,505)	(8,353)
Net income before income taxes	1,560	2,045	3,684	4,918
Income tax (expense) benefit	(76)	830	(53)	770
Net Income	**$ 1,484**	**$ 2,875**	**$ 3,631**	**$ 5,688**
Net income attributable to non-controlling interest holders	14	47	39	107
Net Income Attributable to Controlling Shareholders	**$ 1,470**	**$ 2,828**	**$ 3,592**	**$ 5,581**
Basic earnings per common share	$ 0.04	$ 0.13	$ 0.10	$ 0.29
Diluted earnings per common share	$ 0.04	$ 0.13	$ 0.10	$ 0.29
Weighted average common shares outstanding—basic	29,479,023	19,973,393	27,941,095	17,944,432
Weighted average common shares outstanding—diluted	29,479,023	19,973,393	27,941,095	17,944,432

See accompanying notes.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net Income	$ 1,484	$ 2,875	$ 3,631	$ 5,688
Unrealized (loss)/gain on available-for-sale securities, net of taxes benefit/(provision) of $0.2 million and $0.2 million in 2015 and ($1.5) million and ($1.5) million in 2014, for the three and six months periods respectively	(573)	2,251	(492)	2,238
Comprehensive income	$ 911	$ 5,126	$ 3,139	$ 7,926
Less: Comprehensive income attributable to non-controlling interests holders	8	89	34	149
Comprehensive Income Attributable to Controlling Shareholders	**$ 903**	**$ 5,037**	**$ 3,105**	**$ 7,777**

See accompanying notes.

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

	Six Months Ended June 30,	
	2015	2014
Cash flows from operating activities		
Net income	$ 3,631	$ 5,688
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,561	1,098
Equity-based compensation	5,026	1,970
Loss from equity method investment in affiliates	348	—
Gain on sale of financing receivables and investments	(4,763)	(2,538)
Changes in financing receivables held-for-sale	14,862	16,801
Changes in accounts payable and accrued expenses	(424)	2,313
Other	(4,578)	(294)
Net cash provided by operating activities	15,663	25,038
Cash flows from investing activities		
Purchases of financing receivables	(185,643)	(107,227)
Principal collections from financing receivables	50,358	16,157
Proceeds from sales of financing receivables	36,454	22,428
Purchases of investments	(20,486)	—
Principal collections from investments	8,586	1,522
Proceeds from sales of investments	10,794	36,232
Acquisition of businesses, net of cash	—	(106,744)
Purchases of real estate	(38,513)	—
Investments in equity method affiliate, net	(32,735)	—
Distributions received from equity method affiliates	14,642	—
Change in restricted cash	(968)	40,308
Other	(346)	20
Net cash used in investing activities	(157,857)	(97,304)
Cash flows from financing activities		
Proceeds from credit facility	175,521	108,000
Principal payments on credit facility	(70,860)	(18,953)
Proceeds from nonrecourse notes	11,626	—
Principal payments on nonrecourse notes	(25,430)	(17,578)
Payments on deferred funding obligations	(50,786)	(50,557)
Net proceeds of common stock issuances	81,540	70,380
Payments of dividends and distributions	(14,538)	(8,786)
Other	(1,408)	(3,395)
Net cash provided by financing activities	105,665	79,111
(Decrease) increase in cash and cash equivalents	(36,529)	6,845
Cash and cash equivalents at beginning of period	58,199	31,846
Cash and cash equivalents at end of period	$ 21,670	$ 38,691
Interest paid	$ 12,831	$ 6,544

See accompanying notes.

HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

June 30, 2015

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.

In April 2013, we completed our initial public offering ("IPO"). 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. Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "HASI." See Note 11 for a summary of our public offerings of common stock.

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.

Real Estate Acquisitions

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 $107 million (the "Purchase Price"), which we funded from the use of our cash on hand and our existing credit facilities.

Since the AWCC acquisition that was accounted for as a business combination, we have completed several smaller transactions that were also accounted for as business combinations for additional consideration of approximately $19 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.

We incurred approximately $2.5 million of acquisition related costs, which we have previously expensed as acquisition costs in our 2014 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. There were no liabilities assumed in connection with these acquisitions.

The purchase price allocation for our business combinations, which reflects our estimates of the fair value of the assets acquired, is as follows (amounts in millions):

Financing receivables	$ 37
Real estate	67
Real estate related intangibles	20
Goodwill	2
Purchase Price	**$126**

The unaudited pro forma summary below presents the consolidated results of operations of these business combinations for the period prior to our acquisition, 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, nor does it purport to represent our estimate of future results of operations.

	For the six months ended June 30, 2014
	(amounts in millions, unaudited)
Pro forma net investment revenue	$ 15
Pro forma net income	$ 7

Investments in Equity Method Affiliates

We have made several investments in joint ventures with an affiliate of JPMorgan Chase & Co ("JPMorgan") to purchase and hold minority interests in wind projects, including through Strong Upwind Holdings II LLC ("Strong Upwind II"), which acquired additional interests this quarter in several of the operating wind projects held by Strong Upwind Holdings I LLC ("Strong Upwind I"). Through these joint ventures, we own minority interests in four limited liability holding companies that own ten operating wind projects. Each of the holding companies is controlled and operated by a large wind energy company.

Date	Transaction	Investment ($ in millions)	JV Partner
October 2014	Strong Upwind I	$ 141	JPMorgan
April 2015	Strong Upwind II	$ 36	JPMorgan

In June 2015, JPMorgan and one of the holding companies entered into an agreement regarding the treatment of certain tax matters that had the impact of reducing our expected future cash flows from that holding company. To offset this reduction in our future cash flows, in June 2015, JPMorgan paid us approximately $3 million, which effectively reduced our investment in Strong Upwind I from $144 million to $141 million.

The minority ownership interests in the holding companies are structured in a typical wind partnership flip structure where we, along with other large institutional investors, if any, receive a stated 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 flows and we, along with the other institutional investors, will have an on-going residual interest. We share in the cash flows and tax attributes of the joint ventures according to a negotiated schedule. We have determined that we do not have a controlling voting interest in the joint ventures and therefore, we account for our investments using the equity method. See Notes 2 and 13 for additional information.

2. **Summary of Significant Accounting Policies**

Basis of Presentation

The condensed 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 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. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the entire year. Certain information and footnote disclosures normally included in our annual consolidated financial statements have been condensed or omitted. Certain amounts in the prior year have been reclassified to conform to the current year presentation.

The condensed 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 include 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 these sales are recorded as an operating activity in our statement of cash flows based on our intent at the time of purchase. 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 ("OCI") in equity on our balance sheet.

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 is 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), as asset acquisitions that are recorded 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 condensed 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. Servicing assets and liabilities are amortized in proportion to, and over the period of, estimated net servicing income with servicing income recognized as earned. 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 an impairment in net income.

Our other retained interest in securitized assets, the residual assets, are classified as available-for-sale securities and carried at fair value on the condensed consolidated balance sheets in Other Assets. We generally do not sell our residual assets. Our residual assets are evaluated for impairment in a similar manner as described under "Investments" above.

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 includes cash and cash equivalents set aside with certain lenders primarily to support deferred funding and other obligations outstanding at the balance sheet dates.

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 13, we made equity investments in joint ventures with JPMorgan. The ventures are jointly controlled with each member owning 50% of the voting stock. Based on our assessment, we have determined that the joint ventures are voting interest entities and we have the ability to exercise influence over their operating and financial policies and as such we therefore account for such investments using the equity method. We share in the cash flows and tax attributes of the joint ventures according to a negotiated schedule.

Our joint ventures own minority interest in various limited liability holding companies that own operating wind projects. Each of the 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. Thus we do not consolidate the joint ventures or the holding companies, but account for them using the equity method of accounting as described below.

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 or ("HLBV"). 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. Cash distributions received from our equity method investments are classified as operating cash flows to the extent of cumulative HLBV earnings. Any additional cash flows are deemed to be returns of the investment and are classified as investing cash flows.

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 investments, we determined that no impairment had occurred during the three or six months ended June 30, 2015.

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.

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 includes U.S. federal and certain states. We have no examinations in progress, none are expected at this time, and years 2011 through 2014 are open. As of June 30, 2015 and December 31, 2014, 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 were no accrued interest and penalties as of June 30, 2015 and December 31, 2014, and no interest and penalties were recognized during the three or six months ended June 30, 2015 and 2014.

Equity-Based Compensation

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.

We record compensation expense for stock awards in accordance with ASC 718,*Compensation—Stock Compensation*. We record 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. For awards where the vesting is contingent upon achievement of certain performance targets, compensation expense is recorded over the requisite service period (which includes the performance period) based on our estimate of the achievement of the various performance targets, adjusted for forfeitures. Our share

price at the date of grant and actual performance results at the end of the performance period determine the fair value and the number of shares that will ultimately be awarded. The award 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 made.

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 12). 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.

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. The FASB proposed delaying the effective date of the standard by one year and issued a proposal that is intended to clarify and simplify the guidance. The updated standard becomes effective for us on January 1, 2018 and we expect will be first presented in our March 31, 2018, Form 10-Q. 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.

Debt Issuance Costs

In April 2015, the FASB issued ASU No. 2015-03,*Interest – Imputation of Interest*, which simplifies the presentation of debt issuance costs. ASU 2015-03 requires debt issuance costs related to long-term debt to be presented in the balance sheet as a reduction to the carrying amount of the related debt liability, consistent with the presentation of discounts. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015, and for interim periods within those fiscal years, and is eligible for early adoption. We do not have a material amount of unamortized debt issuance costs and thus we do not believe the adoption of the new standard will have a material impact on our consolidated financial statements and related disclosures.

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 Measurements.* 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. As of June 30, 2015 and December 31, 2014, only our residual assets (described in Note 5),

financing receivables held-for-sale and investments available-for-sale, if any, were carried at fair value on the condensed 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 are used when little or no market data is available.

Unless otherwise discussed below, fair value is measured using a discounted cash flow model, contractual terms and Level 3 unobservable inputs which consist of base interest rates and spreads over base rates which are based upon market observation and recent comparable transactions. An increase in these unobservable inputs would result in a lower fair value and a decline would result in a higher fair value. The financing receivables held for sale are carried at cost, which approximates fair value.

	As of June 30, 2015		
	Fair Value	Carrying Value	Level
	(amounts in millions)		
Assets			
Financing receivables	$ 726	$ 689	Level 3
Financing receivables held-for-sale	85	85	Level 3
Investments available-for-sale[1]	28	28	Level 3
Liabilities			
Credit facility	$ 420	$ 420	Level 3
Asset-backed nonrecourse notes	197	198	Level 3
Other nonrecourse debt	119	108	Level 3

(1) The amortized costs of our investments available-for-sale as of June 30, 2015, was $29 million.

	As of December 31, 2014		
	Fair Value	Carrying Value	Level
	(amounts in millions)		
Assets			
Financing receivables[1]	$ 598	$ 553	Level 3
Financing receivables held-for-sale	62	62	Level 3
Investments available-for-sale[2]	27	27	Level 3
Liabilities			
Credit facility	$ 316	$ 316	Level 3
Asset-backed nonrecourse notes	208	208	Level 3
Other nonrecourse debt	127	113	Level 3

(1) An allowance for loan losses of $1.2 million was included in the carrying value of the financing receivables as of December 31, 2014. There was no allowance for loan losses outstanding as of June 30, 2015.
(2) The amortized costs of our investments available-for-sale as of December 31, 2014, was $27 million.

Investments

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. 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 three months ended June 30,		For the six months ended June 30,	
	2015	2014	2015	2014
	(amounts in millions)			
Balance, beginning of period	**$ 22.8**	**$ —**	**$ 27.3**	**$ —**
Transfers to / purchases of available-for-sale debt securities	15.5	83.5	20.5	83.5
Payments on available-for-sale debt securities	(1.0)	—	(8.6)	—
Sale of available-for-sale debt securities	(8.5)	(20.7)	(10.8)	(20.7)
Gains on debt securities transferred to available for sale	—	5.0	—	5.0
Gains on debt securities recorded in earnings	0.5	—	0.8	—
Losses on debt securities recorded in OCI	(0.8)	(0.2)	(0.7)	(0.2)
Balance, end of period	**$ 28.5**	**$ 67.6**	**$ 28.5**	**$ 67.6**

For investments held at fair value, we used a range of interest rate spreads of 2% to 5% based upon comparable transactions.

Non-recurring Fair Value Measurements

Our financial statements may include non-recurring fair value measurements related to acquisitions, if any. Assets acquired in a business combination are recorded at their fair value. We use third party valuation firms to assist us with developing our estimates of fair value. These valuations are prepared using Level 3 inputs.

Concentration of Credit Risk

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. We had cash deposits that are subject to credit risk as shown below:

	June 30, 2015	December 31, 2014
	(amounts in millions)	
Cash Deposits (including restricted cash)	$ 35	$ 70
Amount of Cash Deposits in excess of amounts federally insured	$ 32	$ 66

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 June 30, 2015, the following OP units were issued and outstanding:

	OP Units	% of total
Held by Limited Partners	284,992	1%
Held by the Company	32,498,992	99%

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. We exchanged 46,290 OP units held by our non-controlling interest holders for the same number of shares of our common stock during the six months ended June 30, 2015. No OP units were exchanged for shares during the three months ended June 30, 2015. The non-controlling interest holders are generally allocated their pro rata share of income, other comprehensive income and equity transactions.

5. **Securitization of Receivables**

The following summarizes certain transactions with our securitization trusts:

	For the Six Months Ended June 30, 2015	2014
	(amounts in millions)	
Gains on securitizations	$ 4	$ 4
Purchase of receivables securitized	$ 96	$ 111
Proceeds from securitizations	$ 100	$ 115
Residual and servicing assets included in Other Assets	$ 10	$ 6
Cash received from residual and servicing assets	$ 1	$ 1

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. Included in other assets in our consolidated balance sheets are our servicing assets at amortized cost and our residual assets at fair value. Our residual assets are subordinate to investors' interests, and their values are subject to credit, prepayment and interest rate risks on the transferred financial assets. The investors and the securitization trusts have no recourse to our other assets for failure of debtors to pay when due. In computing gains and losses on securitizations, we use the same 8% discount rate we use for the fair value calculation of residual assets, which is determined based on a review of comparable market transactions.

As of June 30, 2015 and December 31, 2014, our managed assets totaled $2.8 billion and $2.5 billion respectively, of which $1.8 billion and $1.7 billion were securitized assets held in unconsolidated securitization trusts. There were no securitization credit losses during the three and six months ended June 30, 2015 or 2014, and no material securitization delinquencies as of June 30, 2015 and December 31, 2014. 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.

6. **Our Portfolio – Financing Receivables, Investments and Real Estate**

As of June 30, 2015, our Portfolio included approximately $1.1 billion of financing receivables, investments, real estate and equity method investments on our balance sheet. The financing receivables and investments are typically collateralized by 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 investments represent our investments in partnerships that hold minority equity investments in wind projects.

The following is an analysis of our Portfolio by type of obligor and credit quality as of June 30, 2015, with 99% 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 Investments(4)	Total
			($ in millions)			
Financing receivables	$ 297	$ 392	$ —	$ 689	$ —	$ 689
Financing receivables held-for-sale	85	—	—	85	—	85
Investments	—	15	13	28	—	28
Real estate(5)	—	152	—	152	—	152
Equity method investments	—	—	—	—	162	162
Total	**$ 382**	**$ 559**	**$ 13**	**$ 954**	**$ 162**	**$1,116**
% of Debt and Real Estate Portfolio	40%	59%	1%	100%	N/A	N/A
Average Remaining Balance(6)	$ 13	$ 10	$ 13	$ 11	$ 16	$ 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 $280 million of U.S. federal government transactions and $102 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, $62 million of the transactions have been rated investment grade by an independent rating agency. Commercial investment grade financing receivables includes $137 million of internally rated residential solar loans where the cash flows which support our financing receivables are subordinated to the tax equity investors (whose return is largely derived from the renewable energy tax incentives) and for which we rely on certain tax related indemnities of the publicly traded residential solar provider.

(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).
(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) Excludes 77 transactions each with outstanding balances that are less than $1 million and that in the aggregate total $25 million.

The components of financing receivables as of June 30, 2015 and December 31, 2014, were as follows:

	June 30, 2015	December 31, 2014
	(amounts in millions)	
Financing receivables		
Financing or minimum lease payments(1)	$ 863	$ 723
Unearned interest income	(171)	(166)
Allowance for credit losses	—	(1)
Unearned fee income, net of initial direct costs	(3)	(3)
Financing receivables(1)	**$ 689**	**$ 553**

(1) Excludes $85 million and $62 million in financing receivables held-for-sale as of June 30, 2015 and December 31, 2014, 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 $96 million and $88 million as of June 30, 2015 and December 31, 2014, respectively. We have $0.4 million and $3.0 million in restricted cash as of June 30, 2015 and December 31, 2014, respectively, which will be used to pay these funding obligations.

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 June 30, 2015:

	Total	Less than 1 year	1-5 years	5-10 years	More than 10 years
			(amounts in millions)		
Financing Receivables (1)					
Payment due by period	$689	$ 1	$ 140	$ 46	$ 502
Weighted average yield by period	5.5%	7.2%	6.2%	5.8%	5.3%
Investments					
Payment due by period	$ 28	$ —	$ 13	$ —	$ 15
Weighted average yield by period	5.1%	— %	5.7%	— %	4.4%

(1) Excludes financing receivables held-for-sale of $85 million.

The components of our real estate portfolio as of June 30, 2015 and December 31, 2014, were as follows:

	June 30, 2015	December 31, 2014
	(amounts in millions)	
Real Estate		
Land	$ 127	$ 91
Real estate related intangibles	26	23
Accumulated amortization of real estate intangibles	(1)	(0)
Real Estate	**$ 152**	**$ 114**

The real estate related intangible assets will be amortized on a straight-line basis over the 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. There are conservation easement agreements covering two of our properties that limit the use of the property upon expiration of the respective leases. As of June 30, 2015, the future amortization expense of these intangible assets was as follows:

Year Ending December 31,	*(amounts in millions)*
From July 1, 2015 to December 31, 2015	$ 0.3
2016	0.7
2017	0.7
2018	0.7
2019	0.7
2020	0.7
Thereafter	21.7
Total	**$ 25.5**

As of June 30, 2015, the future minimum rental income under our land lease agreements is as follows:

Year Ending December 31,	*(amounts in millions)*
From July 1, 2015 to December 31, 2015	$ 6
2016	12
2017	12
2018	12
2019	12
2020	12
Thereafter	396
Total	**$ 462**

During the quarter ended June 30, 2015, we collected the outstanding net balance of $0.8 million, on our previously disclosed estimated recovery amount carried in commercial non-investment grade financing receivables as a final recovery from the EnergySource LLC ("EnergySource") loan and therefore, we charged off the remaining loan balance of $1.2 million against the allowance of $1.2 million. There was no impact on the statement of operations for the charge off of this loan during the three and six months ended June 30, 2015. 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 as of June 30, 2015 or December 31, 2014. There was no provision for credit losses for the three and six months ended June 30, 2015 or 2014. We did not have any loan modifications that qualify as trouble debt restructurings for the three months ended June 30, 2015 or 2014.

7. Credit Facility

We have a senior secured revolving credit facility with total maximum advances of $1.5 billion following an amendment that was completed in July 2015. The terms of the credit facility are set forth in (i) the Loan Agreement (G&I), as amended (the "G&I Loan Agreement") that provides for borrowings in the principal amount of $150 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 $450 million and (ii) the Loan Agreement (PF), as amended (the "PF Loan Agreement") that provides for borrowings in the principal amount of $400 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 $1.05 billion. The $400 million is subject to being reduced to $350 million upon the repayment of borrowings related to certain projects and the release of the related collateral. The G&I Loan Agreement and PF Loan Agreements together are referred to as the "Loan Agreements."

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 1.5% or, under certain circumstances, 1.5% plus the highest of (i) the Federal Funds Rate plus 0.5%, (ii) the rate of interest publicly announced by Bank of America from time to time as its "prime rate," and (iii) LIBOR plus 1.0%. Loans under the PF Loan Agreement bear interest at a rate equal to LIBOR plus 2.5% or, under certain circumstances, 2.5% plus the highest of (i) the Federal Funds Rate plus 0.5%, (ii) the rate of interest publicly announced by Bank of America from time to time as its "prime rate," and (iii) LIBOR plus 1.0%. 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. The loans are made through wholly-owned special purpose subsidiaries (the "Borrowers") and 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, both as amended and restated.

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 and the payment of a placement fee. We may, with the consent of the administrative agent, borrow against new projects before such projects become Approved Financings (as defined in the PF Loan Agreement) but after they have been pledged as collateral. 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 85% in the case of a U.S. federal government obligor, 80% 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.

The following table provides additional detail on our credit facility as of June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
	(amounts in millions)	
Outstanding balance	$ 420	$ 316
Value of collateral pledged to credit facility	$ 640	$ 422
Weighted average short-term borrowing rate	2.3%	2.4%

We incurred approximately $11 million of costs associated with the Loan Agreements that have been capitalized (included in other assets on the condensed 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.

We were in compliance with the required financial covenants described below at each quarterly reporting date that such covenants were applicable:

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.

8. 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 June 30, 2015 and December 31, 2014, we had approximately $89 million and $92 million, respectively, of Notes outstanding, which were secured by approximately $103 million and $104 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% that 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 one of our joint ventures, 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 approximately $17 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 $2 million of costs associated with our asset-backed nonrecourse debt that have been capitalized (included in other assets on the consolidated balance sheets) and are 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 receivables. Amounts due under nonrecourse notes are secured by financing receivables with a carrying value of approximately $104 million and $108 million as of June 30, 2015 and December 31, 2014, 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.

Analyses of other nonrecourse debt by interest rate are as follows:

As of June 30, 2015	Balance	Maturity
	(amounts in millions)	
Fixed-rate promissory notes, interest rates from 2.26% to 5.00% per annum	$ 34	2017 to 2032
Fixed-rate promissory notes, interest rates from 5.01% to 6.50% per annum	52	2015 to 2031
Fixed-rate promissory notes, interest rates from 6.51% to 8.00% per annum	22	2015 to 2031
Other nonrecourse debt	**$ 108**	

As of December 31, 2014	Balance	Maturity
	(amounts in millions)	
Fixed-rate promissory notes, interest rates from 2.06% to 5.00% per annum	$ 32	2015 to 2032
Fixed-rate promissory notes, interest rates from 5.01% to 6.50% per annum	58	2015 to 2031
Fixed-rate promissory notes, interest rates from 6.51% to 8.00% per annum	23	2015 to 2031
Other nonrecourse debt	**$ 113**	

The stated minimum maturities of nonrecourse debt as of June 30, 2015, were as follows:

	Nonrecourse Debt		
As of June 30,	Asset Backed Nonrecourse Notes	Other Nonrecourse Debt	Total
	(amounts in millions)		
2016	$ 22	$ 17	$ 39
2017	20	16	36
2018	20	11	31
2019	21	5	26
2020	82	4	86
Thereafter	33	55	88
	$ 198	**$ 108**	**$306**

9. Commitments and Contingencies

Litigation

The nature of our operations exposes us to the risk of claims and litigation in the normal course of our business. Other than non-material litigation arising out of the ordinary course of business, 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.

10. Income Tax

We recorded a tax expense of $0.1 million for both the three and six months ended June 30, 2015, respectively, related to the activities of our TRS. We recorded an income tax benefit of $0.8 million for both the three and six months ended June 30, 2014. Our income tax expenses and benefits recorded were determined using a federal rate of 35% and a combined state rate, net of federal benefit, of 5%. There were no deferred tax assets or liabilities related to the activities of our TRS recorded as of June 30, 2015. We recorded a deferred tax liability in Accounts payable, accrued expenses and other on our consolidated balance sheet of $0.1 million related to the activities of our TRS as of December 31, 2014.

11. Equity

Dividends and Distributions

Our board of directors declared the following dividends in 2014 and 2015:

Announced Date	Record Date	Pay Date	Amount per share
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
3/17/15	3/30/15	4/9/15	$ 0.26
6/16/15	6/30/15	7/9/15	$ 0.26

We completed the following public offerings of common stock:

Closing Date	Shares Issued[1]	Price Per Share	Net Proceeds [2]
	(amounts in millions, except per share amounts)		
4/23/13	14.2	$ 12.50	$ 160
4/29/14	5.8	$ 13.00	$ 70
10/31/14	4.6	$ 13.60	$ 59
5/4/15	4.6	$ 18.50	$ 82

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.

Awards of Shares of Restricted Common Stock under our 2013 Plan

We recognize equity-based compensation expense as described in Note 2 and have issued both awards with service conditions and awards with both service and performance conditions. During the six months ended June 30, 2015, our board of directors awarded employees and directors 174,585 shares of restricted common stock that vest in 2015 to 2019 and 390,131 shares of restricted common stock to certain employees that vest upon the achievement of certain performance targets. As of June 30, 2015, we have concluded that it is probable that the performance conditions will be met.

For the three and six months ended June 30, 2015, we recorded $2.8 million and $5.0 million respectively, of equity-based compensation expense as compared to $1.5 million and $2.0 million, respectively, for the three and six months ended June 30, 2014. The total unrecognized compensation expense related to awards of shares of restricted common stock was $13.7 million as of June 30, 2015, that is expected to be recognized over a weighted-average term of approximately two years. The calculation of the equity-based compensation expense assumes a forfeiture rate up to 5%.

A summary of the unvested shares of restricted common stock that have been issued is as follows:

	Restricted Shares of Common Stock	Weighted Average Share Price	Value (in millions)
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)
Balance — December 31, 2014	**964,820**	**$ 13.41**	**$ 12.9**
Granted	564,716	17.27	9.8
Vested	(235,774)	13.16	(3.1)
Forfeited	(16,752)	15.32	(0.3)
Ending Balance — June 30, 2015	**1,277,010**	**$ 15.14**	**$ 19.3**

12. Earnings per Share of Common Stock

Both the net income or loss attributable to the non-controlling OP units and the non-controlling limited partners' outstanding OP units have been excluded from the net of income or loss and the diluted earnings per share calculation attributable to common stockholders.

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.

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The computation of basic and diluted earnings per common share is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
Numerator:	2015	2014	2015	2014
	(in thousands, except share and per share data)			
Net income attributable to controlling shareholders and participating securities	$ 1,470	$ 2,828	$ 3,592	$ 5,581
Less: Dividends paid on participating securities	(315)	(214)	(691)	(348)
Undistributed earnings attributable to participating securities	—	—	—	—
Net income attributable to controlling shareholders	**$ 1,155**	**$ 2,614**	**$ 2,901**	**$ 5,233**
Denominator:				
Weighted-average number of common shares — basic	29,479,023	19,973,393	27,941,095	17,944,432
Weighted-average number of common shares — diluted	29,479,023	19,973,393	27,941,095	17,944,432
Basic earnings per common share	**$ 0.04**	**$ 0.13**	**$ 0.10**	**$ 0.29**
Diluted earnings per common share	**$ 0.04**	**$ 0.13**	**$ 0.10**	**$ 0.29**
Other Information:				
Weighted-average number of OP units	**284,992**	**345,485**	**304,940**	**353,405**
Unvested restricted common stock outstanding			**1,277,010**	**974,406**

13. Equity Method Investment in Affiliate

Strong Upwind Joint Ventures

As described in Notes 1 and 2, we have equity investments in joint ventures that own minority interests in wind projects. We account for our investments using the equity method of accounting and have elected to recognize earnings from these investments one quarter in arrears to allow for the receipt of financial information. During both the three and six months ended June 30, 2015, we have recognized a loss of $0.3 million from our equity method investments in the joint ventures.

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 three months ended March 31, 2015	As of and for the year ended December 31, 2014
	($ in millions, unaudited)	
Current Assets	$ 56	$ 62
Total Assets	$ 1,475	$ 1,501
Current Liabilities	$ 9	$ 18
Total Liabilities	$ 57	$ 66
Members' Equity	$ 1,418	$ 1,435
Revenue	$ 40	$ 154
Income from Continuing Operations	$ 14	$ 44
Net Income	$ 14	$ 44

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

In this Form 10-Q, unless specifically stated otherwise or the context otherwise indicates, references to "we," "our," "us," and "HASI" 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 Form 10-Q 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 IPO and which we refer to as the "Predecessor," became our subsidiary upon consummation of our IPO. 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.

The following discussion is a supplement to and should be read in conjunction with the accompanying condensed consolidated financial statements and related notes and with our 2014 Form 10-K, that was filed with the SEC.

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.

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 companies ("ESCOs"), such as Honeywell International, Ingersoll-Rand, Johnson Controls, Schneider Electric, Siemens and United Technologies. We also originate transactions with renewable energy manufacturers, developers and operators such as SunPower, a group of public companies who own and operate renewable energy projects, referred to as YieldCos and a number of U.S. utility companies. Additionally, we 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 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 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. We have raised approximately $211 million in three follow on public offerings, including $82 million in a follow on public offering completed in May 2015. 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. For further information on our public equity offerings, see “Note 11.” to our financial statements in Item 1 of this Form 10-Q.

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 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 have completed approximately $455 million of transactions during the six months ended June 30, 2015, compared to approximately $328 million in the same period in 2014. We completed approximately $350 million of transactions during the quarter ended June 30, 2015, the vast majority of which were retained on our balance sheet. 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-controlling 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 American Wind Capital Company, LLC (“AWCC”). Through this acquisition and a series of follow on transactions, we have invested over $190 million and own more than 14,000 acres of land that are under long-term lease agreements with over 25 solar projects, which we have recorded in our financial statements as real estate and real estate intangibles, and the rights to payments from land leases for a diversified portfolio of over 50 wind projects, which we have recorded in our financial statements as financing receivables. For further information on our real estate transactions, see Note 6 to our financial statements in Item 1 of this Form 10-Q.

We have invested approximately $177 million to acquire a portfolio of non-controlling equity investments where we participate in the priority cash flows from ten operating wind projects. We account for our investments in the wind projects under the equity method investment. Using our equity investment in one of the joint ventures as collateral, we borrowed $115 million of fixed-rate, amortizing nonrecourse debt. For further information on these transactions and our related debt, see Notes 1, 8 and 13 to our financial statements in Item 1 of this Form 10-Q.

As of June 30, 2015, our Portfolio was approximately $1.1 billion. Approximately 65% of our Portfolio consisted of fixed rate loans, financing receivables, direct financing leases or debt securities, approximately 7% consisted of floating rate debt, approximately 14% was real estate with long-term leases and approximately 14% represented minority ownership of wind projects. Excluding our equity investments, approximately 40% of our Portfolio consisted of U.S. federal government or state or local government obligors, approximately 59% consisted of investment grade commercial obligations and 1% 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 June 30, 2015, we managed approximately $2.8 billion of assets, which consisted of our Portfolio less our financing receivables held-for-sale plus approximately $1.8 billion of assets held in non-consolidated securitization trusts. We refer to this $2.8 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 June 30, 2015, our pipeline consisted of more than $2.5 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.

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 of 1986, as amended (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. In May 2014, the United States 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.

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. Understanding our accounting policies and the extent to which we use management judgment and estimates in applying these policies is integral to understanding our financial statements. We provide a summary of our significant accounting policies under Note 2 in our 2014 Form 10-K and under Note 2 in Item 1 of this Form 10-Q.

We have identified the following accounting policies as critical because they require significant judgments and assumptions about highly complex and inherently uncertain matters and the use of reasonably different estimates and assumptions could have a material impact on our reported results of operations or financial condition. These critical accounting policies govern:

- Financing receivables and the related accounting for allowance for credit losses and impairments
- Investments and the related accounting for impairments
- Real estate
- Securitization of receivables
- Valuation of financial instruments
- Variable interest entities and equity method investments in affiliates
- Revenue recognition
- Income taxes
- Equity-based compensation
- Earnings per share

We evaluate our critical accounting estimates and judgments on an ongoing basis and update them, as necessary, based on changing conditions.

We provide additional information on our critical accounting policies and use of estimates under “MD&A—Critical Accounting Policies and Use of Estimates” in our 2014 Form 10-K.

Financial Condition and Results of Operation

Our Portfolio

As of June 30, 2015, our Portfolio was approximately $1.1 billion. Approximately 65% of our Portfolio consisted of fixed rate loans, financing receivables, direct financing leases or debt securities, approximately 7% consisting of floating rate debt, approximately 14% was real estate with long-term leases and approximately 14% represented minority ownership of wind projects. Excluding our equity investments, approximately 40% of our Portfolio consisted of U.S. federal government or state or local government obligors, approximately 59% consisted

of investment grade commercial obligations and 1% 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 June 30, 2015, (excluding match-funded transactions) was approximately 13 years.

The following is an analysis of our Portfolio by type of obligor and credit quality as of June 30, 2015, with 99% 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 Investments(4)	Total
			($ in millions)			
Financing receivables	$ 297	$ 392	$ —	$ 689	$ —	$ 689
Financing receivables held-for-sale	85	—	—	85	—	85
Investments	—	15	13	28	—	28
Real estate(5)	—	152	—	152	—	152
Equity method investments	—	—	—	—	162	162
Total	**$ 382**	**$ 559**	**$ 13**	**$ 954**	**$ 162**	**$1,116**
% of Debt and Real Estate Portfolio	40%	59%	1%	100%	N/A	N/A
Average Remaining Balance(6)	$ 13	$ 10	$ 13	$ 11	$ 16	$ 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 $280 million of U.S. federal government transactions and $102 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, $62 million of the transactions have been rated investment grade by an independent rating agency. Commercial investment grade financing receivables includes $137 million of internally rated residential solar loans where the cash flows which support our financing receivables are subordinated to the tax equity investors (whose return is largely derived from the renewable energy tax incentives) and for which we rely on certain tax related indemnities of the publicly traded residential solar provider.
(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).
(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) Excludes 77 transactions each with outstanding balances that are less than $1 million and that in the aggregate total $25 million.

The table below provides details on the interest rate and maturity of our financing receivables and investments as of June 30, 2015:

	Balance in Millions	Maturity
Financing receivables:		
Floating-rate financing receivables, interest rates of 5.69% per annum	$ 74	2020
Fixed-rate financing receivables, interest rates from 1.34% to 5.00% per annum	245	2017 to 2036
Fixed-rate financing receivables, interest rates from 5.01% to 6.50% per annum	153	2015 to 2038
Fixed-rate financing receivables, interest rates from 6.51% to 9.62% per annum	217	2015 to 2059
	689	
Allowance for credit losses	—	
Financing receivables, net of allowance	689	
Financing receivables held for sale, interest rate from 3.99% to 4.10% per annum	85	2031 to 2040
Fixed-rate investment in debt securities, interest rates of 4.25% to 6.10% per annum	28	2017 to 2035
Total Financing Receivables and Investments	**$ 802**	

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Our non-investment grade rated commercial obligations includes $13 million of senior secured debt securities in an operating wind project with a long-term power purchase agreement. The total outstanding balance of the debt securities is $58 million with the remaining portion owned by a large financial institution. As previously disclosed in our 2014 Form 10-K and our Form 10-Q for the quarter ended March 31, 2015, 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 in February 2015 sufficient funds for allocation to future principal and interest payments. In April 2015, the trustee determined that, while the borrower had delivered sufficient funds to make the scheduled interest payment due in May 2015, an event of default arose from the borrower's failure to deliver sufficient funds to make the full principal payment due on that date. As a result, approximately $1.1 million of the approximately $5.5 million debt service reserve was used to fund the May 2015 principal payment. The holders of the senior secured debt securities remain in negotiations with the projects owners. In the event such negotiations are not resolved successfully, the holders can exercise their rights of foreclosure in accordance with the terms of the project financing arrangement. Based on our evaluation of the cash flow model for the project, we have concluded that the debt securities are not impaired as of June 30, 2015.

During the quarter ended June 30, 2015, we collected the outstanding net balance of $0.8 million, or our previously disclosed estimated recovery amount carried in commercial non-investment grade financing receivables, as a final recovery from the EnergySource loan and therefore, we charged off the remaining loan balance of $1.2 million against the allowance of $1.2 million. There was no impact on the statement of operations for the charge off of this loan during the three and six months ended June 30, 2015. 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 as of June 30, 2015 or December 31, 2014. 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 three and six months ended June 30, 2015 or 2014.

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 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. This analysis excludes the debt related to the equity investment in the wind projects because our earnings on the equity investment in the wind projects are not included in investment revenue.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(amounts in millions)			
Interest Income, Financing receivables	$ 8.2	$ 5.2	$ 16.5	$ 9.9
Average monthly balance of financing receivables	$ 625	$ 401	$ 626	$ 377
Average interest rate from financing receivables	5.3%	5.2%	5.3%	5.2%
Interest Income, Investments	$ 0.4	$ 1.1	$ 0.8	$ 2.4
Average monthly balance of investments	$ 28	$ 80	$ 27	$ 86
Average interest rate of investments	5.1%	5.7%	5.6%	5.7%
Rental Income	$ 2.6	$ 0.4	$ 4.7	$ 0.4
Average monthly balance of real estate	$ 137	$ 25	$ 126	$ 13
Average yield on real estate	7.5%	6.5%	7.4%	6.5%
Average monthly balance of Portfolio	$ 790	$ 506	$ 779	$ 476
Average yield from Portfolio	5.6%	5.4%	5.6%	5.3%
Investment interest expense (1)	$ 4.4	$ 3.7	$ 8.8	$ 7.2
Average monthly balance of debt (1)	$ 517	$ 356	$ 522	$ 350
Average interest rate from debt (1)	3.4%	4.1%	3.4%	4.1%
Average interest spread	2.2%	1.2%	2.2%	1.2%
Net investment margin	3.4%	2.4%	3.4%	2.3%

(1) Excludes the nonrecourse debt used to finance the equity investments in the wind projects because our earnings from the equity investments in the wind projects are not included in investment revenue.

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The following table provides a summary of our anticipated principal repayments for our financing receivables and investments as of June 30, 2015:

	Payment due by Period				
	Total	Less than 1 year	1-5 years	5-10 years	More than 10 years
	(amounts in millions)				
Financing Receivables (1)	$689	$ 40	$ 209	$ 147	$ 293
Investments	$ 28	$ 2	$ 16	$ 3	$ 7

(1) Financing receivables does not include financing receivables held-for-sale of $85 million.

For the anticipated maturity dates of our financing receivables and investments and the weighted average yield for each range of maturities as of June 30, 2015, see Note 6 to our financial statements in Item 1 of this Form 10-Q.

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 June 30, 2015, see Note 6. to our financial statements in Item 1 of this Form 10-Q.

For information on our residual assets relating to our securitization trusts, see Note 5 to our financial statements in Item 1 of this Form 10-Q. The residual assets do not have a contractual maturity date and the underlying securitized assets have contractual maturity dates ranging from 2015 to 2038.

Results of Operation

Comparison of the Three Months Ended June 30, 2015 vs. Three Months Ended June 30, 2014

	Three Months Ended June 30,			
	2015	2014	$ Change	% Change
	(amounts in millions)			
Net Investment Revenue:				
Interest Income, Financing receivables	$ 8.2	$ 5.3	$ 2.9	55%
Interest Income, Investments	0.3	1.1	(0.8)	(73%)
Rental Income	2.6	0.4	2.2	550%
Investment Revenue	11.1	6.8	4.3	63%
Investment interest expense	(6.1)	(3.7)	(2.4)	(65%)
Net Investment Revenue	5.0	3.1	1.9	61%
Provision for credit losses	—	—	—	NM
Net Investment Revenue, net of provision	5.0	3.1	1.9	61%
Other Investment Revenue:				
Gain on sale of receivables and investments	1.6	4.3	(2.7)	(63%)
Fee income	0.8	0.2	0.6	300%
Other Investment Revenue	2.4	4.5	(2.1)	(47%)
Total Revenue, net of investment interest expense and provision	7.4	7.6	(0.2)	(3%)
Compensation and benefits	(4.0)	(2.9)	(1.1)	(38%)
General and administrative	(1.5)	(1.4)	(0.1)	(7%)
Acquisition costs	—	(1.1)	1.1	100%
Other, net	0.0	(0.1)	0.1	100%
Loss in equity method investments	(0.3)	—	(0.3)	NM
Other Expenses, net	(5.8)	(5.5)	(0.3)	(5%)
Net income before income tax	1.6	2.1	(0.5)	(24%)
Income tax (expense) benefit	(0.1)	0.8	(0.9)	(113%)
Net Income	$ 1.5	$ 2.9	$ (1.4)	(48%)

*NM – Percentage change is not meaningful.

Net Income

Net income decreased by $1.4 million to $1.5 million for the three months ended June 30, 2015, compared to $2.9 million for the same period in 2014. A $4.3 million increase in investment revenue for the three months ended June 30, 2015, was offset by a $2.1 million decline in other investment revenue as a result of retaining more of our originations on our balance sheet and a $2.4 million increase in interest expense, in large part due to the $1.7 million of interest expense related to our investments in the wind projects. In addition, net income during the three months ended June 30, 2015, declined due to a $0.9 million reduction in income tax benefit related to our TRS activities and an increase in other expenses, net of $0.3 million, when compared to the three months ended June 30, 2014.

Our equity method investment in the wind projects had a significant impact on the changes in our operating results for the three months ended June 30, 2015, when compared to the same period in 2014. In addition to the $1.7 million increase in investment interest expense related to the financing of our investment in the wind projects, we recorded an equity method loss related to those investments of $0.3 million. These results do not include the Non-GAAP Core Earnings adjustment related to recognizing income based on the effective interest methodology in order to treat these investments in a manner similar to our other investments, which is discussed in the Non-GAAP Financial Measures section below.

Net Investment Revenue

Net investment revenue increased to $5.0 million in the three months ended June 30, 2015, from $3.1 million in the same period in 2014. The increase was driven primarily by a $4.3 million increase in investment revenue to $11.1 million during the three months ended June 30, 2015 as compared to $6.8 million during the same period in 2014 as a result of a larger portfolio and higher yields. Interest expense grew to $6.1 million from $3.7 million as a result of an increase in debt used to leverage our Portfolio and the $1.7 million interest expense related to the wind projects, whose earnings are not included in net investment revenue.

The monthly average balance of our Portfolio increased to approximately $790 million in the three months ended June 30, 2015, from approximately $506 million in the same period in 2014. This increase in our Portfolio was driven by the acquisition of our real estate investments beginning in May 2014, which contributed approximately $137 million to the average monthly balance of our portfolio and $2.6 million in rental revenue in the three months ended June 30, 2015, as compared to the $25 million average monthly balance of real estate and $0.4 million in rental revenue in the three months ended June 30, 2014. In addition, our average monthly portfolio of financing receivables and investments increased by approximately $172 million in the three months ended June 30, 2015, compared with the same period in 2014 due to our strategy to hold more originated transactions on our balance sheet. The yield on our Portfolio grew to 5.6% for the three months ended June 30, 2015, when compared 5.4% for the three months ended June 30, 2014.

As we have increased our leverage, the monthly average debt balance, excluding the nonrecourse secured borrowings used to finance the equity investments in the wind projects, increased in the three months ended June 30, 2015, to approximately $517 million compared to approximately $356 million during the same period in 2014. Our average debt rate on these borrowings decreased to 3.4% during the three months ended June 30, 2015, from 4.1% for the same period ending June 30, 2014, due primarily to our higher utilization of the credit facility during the three months ended June 30, 2015, when compared to the same period in 2014. The higher average monthly debt balance increased our investment interest expense by $0.7 million. The remaining increase of $1.7 million in our investment interest expense was related to the $115 million of nonrecourse secured borrowings used to finance one of our equity method investments in wind projects.

Other Investment Revenue

Other investment revenue decreased by $2.1 million to $2.4 million for the three months ended June 30, 2015, from $4.5 million in the same period last year. Gain on sale of receivables and investments decreased by $2.7 million for the three months ended June 30, 2015, when compared to the same period ended June 30, 2014 as a result of retaining more of our originations on our balance sheet. This decrease was offset by a $0.6 million increase in fee income.

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Total Revenue, Net of Investment Interest Expense and Provision

Total revenue, net of investment interest expense and provision decreased by $0.2 million to $7.4 million for the three months ended June 30, 2015, compared to $7.6 million for the same period in 2014 as a result of the changes in net investment revenue and other revenue described above.

Other Expenses, Net

Other expenses, net increased by $0.3 million to $5.8 million in the three months ended June 30, 2015, compared to $5.5 million in the same period in 2014, primarily as a result of higher compensation and benefits costs of $1.1 million and an equity method loss of $0.3 million, offset by a decrease in acquisition costs of $1.1 million. The increase in compensation and benefits during the three months ended June 30, 2015, when compared to the same period in 2014, was driven primarily by higher performance-based and service-based equity compensation expenses. Equity based compensation expense is calculated based upon actual and expected achievement of certain performance targets and or service-based vesting periods that may consist of multi-year periods. The 2015 equity based compensation expense includes expenses for awards granted in 2013, 2014 and 2015 that have performance periods and service-based vesting terms in 2015 and beyond.

Comparison of the Six Months Ended June 30, 2015 vs. Six Months Ended June 30, 2014

	Six Months Ended June 30,			
	2015	2014	$ Change	% Change
	(amounts in millions)			
Net Investment Revenue:				
Interest Income, Financing receivables	$ 16.5	$ 9.9	$ 6.6	67%
Interest Income, Investments	0.8	2.4	(1.6)	(67%)
Rental Income	4.7	0.4	4.3	1,075%
Investment Revenue	22.0	12.7	9.3	73%
Investment interest expense	(12.3)	(7.2)	(5.1)	(71%)
Net Investment Revenue	9.7	5.5	4.2	76%
Provision for credit losses	—	—	—	NM
Net Investment Revenue, net of provision	9.7	5.5	4.2	76%
Other Investment Revenue:				
Gain on sale of receivables and investments	4.4	6.2	(1.8)	(29%)
Fee income	1.1	1.6	(0.5)	(31%)
Other Investment Revenue	5.5	7.8	(2.3)	(29%)
Total Revenue, net of investment interest expense and provision	15.2	13.3	1.9	14%
Compensation and benefits	(7.8)	(4.5)	(3.3)	(73%)
General and administrative	(3.1)	(2.6)	(0.5)	(19%)
Acquisition costs	—	(1.1)	1.1	100%
Other, net	(0.3)	(0.2)	(0.1)	(50%)
Loss in equity method investments	(0.3)	—	(0.3)	NM
Other Expenses, net	(11.5)	(8.4)	(3.1)	(37%)
Net income before income tax	3.7	4.9	(1.2)	(24%)
Income tax (expense) benefit	(0.1)	0.8	(0.9)	(113%)
Net Income	$ 3.6	$ 5.7	$ (2.1)	(37%)

*NM – Percentage change is not meaningful.

Net Income

Net income decreased by $2.1 million to $3.6 million for the six months ended June 30, 2015, compared to $5.7 million for the same period in 2014. A $9.3 million increase in investment revenue for the six months ended June 30, 2015, was offset by a $5.1 million increase in interest expense, in large part due to the $3.4 million of

interest expense related to our investments in the wind projects and a $2.3 million decline in other investment revenue as a result of retaining more of our originations on our balance sheet. In addition, other expenses, net increased by $3.1 million during the six months ended June 30, 2015, compared to the same period in 2014 and there was an unfavorable change in income taxes of $0.9 million related to our TRS activities.

Our equity method investment in the wind projects had a significant impact on the changes in our operating results for the six months ended June 30, 2015, when compared to the same period in 2014. For the six months ended June 30, 2015, we recorded investment interest expense of $3.4 million related to the financing of our investment in the wind projects and recorded an equity method loss related to those investments of $0.3 million. These results do not include the Non-GAAP Core Earnings adjustment related to recognizing income based on the effective interest methodology in order to treat this investment in a manner similar to our other investments, which is discussed in the Non-GAAP Financial Measures section below.

Net Investment Revenue

Net investment revenue increased to $9.7 million during the six months ended June 30, 2015, from $5.5 million in the same period in 2014. The increase was driven primarily by a $9.3 million increase in investment revenue to $22.0 million during the six months ended June 30, 2015, as compared to $12.7 million during the same period in 2014 as a result of growth in our Portfolio and higher yields. Interest expense grew to $12.3 million from $7.2 million as a result of an increase in debt used to leverage our Portfolio and the $3.4 million interest expense related to the wind projects, whose earnings are not included in net investment revenue.

The monthly average balance of our Portfolio increased to approximately $779 million in the six months ended June 30, 2015, from approximately $476 million in the same period in 2014. This increase in our Portfolio was driven by the acquisition of our real estate investments beginning in May 2014, which contributed approximately $126 million to the average monthly balance of our Portfolio and $4.7 million in rental revenue in the six months ended June 30, 2015 as compared to the $13 million average monthly balance of real estate and $0.4 million in rental revenue in the six months ended June 30, 2014. In addition, our average monthly portfolio of financing receivables and investments increased by approximately $190 million in the six months ended June 30, 2015, compared with the same period in 2014 due to our strategy to hold more originated transactions on our balance sheet. The yield on our Portfolio grew to 5.6% for the six months ended June 30, 2015, when compared 5.3% for the six months ended June 30, 2014

As we have increased our leverage, the monthly average debt balance increased in the six months ended June 30, 2015, to approximately $522 million compared to approximately $350 million during the same period in 2014. Our average debt rate on these borrowings decreased to 3.4% during the six months ended June 30, 2015, from 4.1% for the same period ending June 30, 2014, due primarily to our higher utilization of the credit facility during the six months ended June 30, 2015, when compared to the same period in 2014. The higher average monthly debt balance increased our investment interest expense by $1.7 million. The remaining increase in our investment interest expense of $3.4 million related to the $115 million of nonrecourse secured borrowings used to finance one of our equity method investments in wind projects.

Other Investment Revenue

Other investment revenue decreased by $2.3 million to $5.5 million for the six months ended June 30, 2015, when compared to $7.8 million for the same period in 2014. Gain on sale of receivables and investments decreased by $1.8 million for the six months ended June 30, 2015, when compared to the same period ended June 30, 2014, as a result of retaining more of our originations on our balance sheet. Fee income also decreased by $0.5 million for the six months ended June 30, 2015, primarily as a result of a loan syndication transaction recorded in fee income in 2014.

Total Revenue, Net of Investment Interest Expense and Provision

Total Revenue, net of investment interest expense and provision increased by $1.9 million to $15.2 million for the six months ended June 30, 2015, compared to $13.3 million for the same period in 2014 as a result of the changes in net investment revenue and other revenue described above.

Other Expenses, Net

Other expenses, net increased by $3.1 million to $11.5 million during the six months ended June 30, 2015, compared to $8.4 million in the same period in 2014. The increase is primarily a result of higher compensation and benefits costs of $3.3 million driven by higher equity based compensation expenses in 2015 of $3.0 million when compared to 2014. Equity based compensation expense is calculated based upon actual and expected achievement of certain performance targets and or service-based vesting periods that may consist of multi-year periods. The 2015 equity based compensation expense includes expenses for awards granted in 2013, 2014 and 2015 that have performance periods and service-based vesting terms in 2015 and beyond. In addition, higher general and administrative expenses and other of $0.6 million due to higher legal and professional fees, and a $0.3 million loss in equity method investments were offset by lower acquisition costs in 2015 of $1.1 million compared to the costs incurred in 2014 related to the AWCC acquisition.

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 excluding non-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 investments in the wind projects are structured using typical wind partnership “flip” structures where we, along with other institutional investors, receive a pre-negotiated preferred return consisting of priority distributions 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 flows with the institutional investors retaining an ongoing residual interest. Given this structure, we negotiated our purchase price of our wind investments based on our assessment of the expected cash flows from each 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 these investments utilizing the 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 investments independent of how profits and losses are allocated, the HLBV allocation does not, in our opinion, reflect the economics of our investments. 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 these investments 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 rates we used in making our investment decisions. On at least a quarterly basis, we will review and, if appropriate, adjust the discount rates and the income or loss we receive from these investments 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. In June 2015, JPMorgan and one of the holding companies entered into an agreement regarding the treatment of certain tax matters that had the impact of reducing our expected future cash flows from that holding company. As a result of this agreement, JPMorgan paid us approximately $3 million, which effectively reduced our investment in that joint venture. In accordance with the methodology described above, we have calculated a new constant effective yield based upon the reduced investment amount and the reduction in expected future cash flows. We will use this new effective yield, which is not materially different from our initial constant effective yield for future periods for that investment.

We have borrowed $115 million on a nonrecourse basis using our equity method investment in Strong Upwind I as collateral and used the $3 million payment from JPMorgan to repay a portion of this loan. For the six months ended June 30, 2015, we collected cash distributions from the wind investments of $14.6 million (in addition to the $3 million payment), of which $6.4 million represents our Core Earnings adjustment for the investments based upon the effective yield methodology discussed above. In addition, included in our U.S. GAAP investment interest expense for the six months ended June 30, 2015, was $3.4 million of interest expense related to this nonrecourse loan.

We believe that Core Earnings provides an additional measure of our core operating performance by eliminating the impact of certain non-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 three and six months ended June 30, 2015 and June 30, 2014. The table below provides a reconciliation of our U.S. GAAP net income to Core Earnings:

	Three Months Ended June 30,				Six Months Ended June 30			
	2015		2014		2015		2014	
	$	Per Share	$	Per Share	$	Per Share	$	Per Share
	(amounts in thousands, except per share amounts)							
Net income attributable to controlling shareholders	$1,470	$ 0.04	$2,828	$ 0.13	$ 3,592	$ 0.10	$5,581	$ 0.29
Core Earnings Adjustments								
Equity method investment in Wind Projects	3,488		—		6,371		—	
Non-cash equity-based compensation charge	2,826		1,520		5,026		1,970	
Amortization of real estate intangibles	163		38		312		38	
Amortization of intangibles	51		50		102		101	
Acquisition costs	—		1,104		—		1,104	
Non-cash provision/ (benefit) for taxes	74		(830)		47		(771)	
Current year earnings attributable to minority interest	14		47		39		107	
Core Earnings(1)	**$8,086**	**$ 0.26**	**$4,757**	**$ 0.22**	**$15,489**	**$ 0.53**	**$8,130**	**$ 0.43**

(1) Core Earnings per share is based on 31,138,380 shares and 29,465,971 shares for the three and six months ended June 30, 2015, respectively, and 21,250,206 shares and 19,065,102 shares for the three and six months ended June 30, 2014, 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 financing receivables are not sold, with the effect that the income from securitized financing receivables are included in our revenue in the same manner as the income from financing receivables that we consolidated on our balance sheet. We believe that our managed asset and revenue information is useful to investors because it portrays the results of both on- and off-balance sheet financing receivables that we manage, which enables investors to understand and evaluate the credit performance associated with the portfolio of financing receivables and investments reported on our consolidated balance sheet and our retained interests in securitized financing receivables. Our non-GAAP managed assets and revenue measures may not be comparable to similarly titled measures used by other companies.

The following is a reconciliation of our U.S. GAAP on-balance sheet Portfolio to our managed assets as of June 30, 2015 and December 31, 2014 and our U.S. GAAP investment revenue to our investment revenue from managed assets for the six months ended June 30, 2015:

	As of	
	June 30, 2015	**December 31, 2014**
	(amounts in millions)	
Financing receivables (1)	$ 689	$ 553
Investments	28	27
Real Estate	152	114
Equity method investment in affiliate	162	144
Assets held in securitization trusts	1,779	1,709
Managed Assets	**$ 2,810**	**$ 2,547**

(1) Balances excludes financing receivables held-for-sale of approximately $85 million and $62 million as of June 30, 2015 and. December 31, 2014, respectively.

	Six Months ended June 30,	
	2015	**2014**
	(amounts in millions)	
Investment Revenue	$ 22	$ 13
Income from assets held in securitization trusts	49	45
Investment Revenue from Managed Assets (1)	**$ 71**	**$ 58**

(1) Does not include adjustments to Core Earnings discussed above.

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, including a July 2015 amendment, intended to increase the flexibility and borrowing capability under the credit facility and to extend the maturity date. The facility has been increased to $550 million with maximum total advances of $1.5 billion and the facility was extended an additional year and matures in July 2019. The $550 million is subject to being reduced to $500 million upon the repayment of borrowings related to certain projects and the release of the related collateral. For further information on the Credit Facility, see Note 7 to our financial statements in Item 1 of this Form 10-Q.

In addition, in December 2013, we issued $100 million of 2.79% fixed rate asset backed nonrecourse notes that mature in 2019, our first HASI Sustainable Yield Bond. We believe that this financing was one of the first asset-backed securitizations that provided details on the greenhouse gas emissions ("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 a portion of our equity investment in the wind projects as collateral for this loan. For further information on the Nonrecourse Debt, see Note 8 to our financial statements in Item 1 of this Form 10-Q.

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 June 30, 2015, we had outstanding approximately $108 million of this match funded debt, all of which was consolidated on to our balance sheet and is referred to as Other nonrecourse debt in our balance sheet. As of June 30, 2015, the outstanding principal balance of our assets financed through the use of securitizations that are not consolidated on our balance sheet was approximately $1.8 billion. For further information on our securitizations and other nonrecourse debt, see Note 5 and Note 8 to our financial statements in Item 1 of this Form 10-Q.

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. We have raised approximately $211 million in three follow on public offerings, including $82 million in a follow on public offering completed in May 2015. See Note 11 to our financial statements in Item 1 of this Form 10-Q for a summary of our public offerings of common stock since the completion our IPO.

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. In March 2015, we increased our leverage target to 2.5 to 1 from less than 2.0 to 1. Our debt to equity ratio was approximately 1.8 to 1 as of June 30, 2015. We also have increased the percentage of fixed rate debt from zero at the IPO to approximately 32% as of June 30, 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's 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 approximately $22 million and $58 million of unrestricted cash and cash equivalents as of June 30, 2015 and December 31, 2014, respectively.

Cash Flows Generated from Operating Activities

Net cash provided by operating activities was $15.7 million for the six months ended June 30, 2015, driven by net income of $3.6 million, net cash provided from the sale of financing receivables held-for-sale and investments of $10.1 million, and adjustments for noncash items of $6.9 million, consisting primarily of equity based compensation depreciation and amortization, offset by cash used to pay accounts payable and accrued expenses and other of $4.9 million.

Net cash provided by operating activities was $25.0 million for the six months ended June 30, 2014, driven by net income of $5.7 million, net cash from the sale of financing receivables held-for-sale of $14.3 million, and non-cash charges of $3.0 million consisting of equity-based compensation and amortization of deferred financing fees. In addition, there were cash flows provided by changes in accounts payable and accrued expenses and other of $2.0 million.

Cash Flows Relating to Investing Activities

Net cash used in investing activities was $157.9 million for the six months ended June 30, 2015. We used $206.1 million to purchase financing receivables and investments, $38.5 million to purchase real estate and a net of $32.7 million for additional wind equity investments. We collected cash from principal payments on our financing receivables and investments of $58.9 million. In addition, we received $47.2 million from the sale of financing receivables and investments and cash distributions from our investment in our wind projects of $14.6 million. In addition, there was a $1.3 million change in restricted cash and other.

Net cash used in investing activities was $97.3 million for the six months ended June 30, 2014. We invested cash of $106.7 million in the acquisition of AWCC and $107.2 million to purchase financing receivables. These investments in our Portfolio were partially offset by principal collections and sale of financing receivables and investments of $38.6 million and $37.7 million, respectively. In addition, we received $40.3 million from the release of restricted cash.

Cash Flows Relating to Financing Activities

Net cash provided by financing activities was $105.7 million for the six months ended June 30, 2015. This includes credit facility and nonrecourse debt borrowings of $187.2 million and net proceeds of $81.5 million from the sale of our common stock to finance investments in our Portfolio. These cash inflows were partially offset by payments to reduce our borrowings under the credit facility, deferred funding obligations and nonrecourse debts totaling $147.1 million, the payment of dividends and distributions to our stockholders and OP unit holders of $14.5 million, and other cash outflows of $1.4 million.

Net cash provided by financing activities was $79.1 million for the six months ended June 30, 2014. This includes cash of $108.0 million provided from borrowings under our credit facility and $70.4 million of net proceeds from the sale of our common stock. These cash receipts were partially offset by our payments of our deferred funding obligations of $50.6 million and payments on our credit facility and nonrecourse debt of $19.0 million and $17.6 million, respectively. For the six months ended June 30, 2014, we paid dividend distributions of $8.8 million to our stockholders and OP unit holders and had other outflows of approximately $3.3 million.

General and Administrative Expenses

Our general and administrative expenses include salaries, rent, professional fees, acquisition related costs and other corporate level expenses, as well as the costs associated with operating as a public company. As of June 30, 2015, we employed 30 people. We intend to hire additional business professionals as needed to assist in the execution of our business. 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.

Off-Balance Sheet Arrangements

We have relationships with non-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 approximately $10 million as of June 30, 2015, 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 included in the notes to the condensed consolidated financial statements included in this Form 10-Q and as described under "*MD&A—Critical Accounting Policies and Use of Estimates*," in our 2014 Form 10-K, filed with the SEC.

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. Our current policy is to pay quarterly distributions, which on an annual basis will equal or exceed substantially all of our REIT 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. 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.

The dividends declared in 2014 and 2015 are described under Note 11 to our financial statements in Item 1 of thisForm 10-Q.

Book Value Considerations

As of June 30, 2015, 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 approximately $28 million in investments available-for-sale and the $9 million in residual assets relating to our retained interests in securitized receivables that are on our balance sheet at fair value as of June 30, 2015, 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and Qualitative Disclosures About Market Risk

We anticipate that our primary market risks will be related to the credit quality of our counterparties and project companies, market interest rates, the liquidity of our assets and commodity prices. 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 June 30, 2015 and December 31, 2014, the estimated fair value of our fixed rate nonrecourse debt was approximately $316 million and $335 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 approximately $420 million outstanding as of June 30, 2015. 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 $420 million in variable rate debt by $0.5 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, the analysis assumes no changes in our financial structure.

We record our investments available-for-sale and 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 to our financial statements in Item 1 of this Form 10-Q.

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 June 30, 2015, 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 that 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 million (net of recoveries) on the more than $5 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.

Item 4. Controls and Procedures

The Company’s Chief Executive Officer and Chief Financial Officer, based on their evaluation of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) required by paragraph (b) of Rule 13a-15 or Rule 15d-15, have concluded that as of June 30, 2015, the Company’s disclosure controls and procedures were effective to give reasonable assurances to the timely collection, evaluation and disclosure of information relating to the Company that would potentially be subject to disclosure under the Exchange Act and the rules and regulations promulgated thereunder.

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 the Company to disclose material information otherwise required to be set forth in our periodic reports.

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company’s “internal control over financial reporting” (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the three month period ended June 30, 2015, that have materially affected, or was reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The nature of our operations exposes us to the risk of claims and litigation in the normal course of our business. Other than non-material litigation arising out of the ordinary course of business, 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.

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, see the information in Item 1A. “Risk Factors” of our 2014 Form 10-K, filed with the SEC, which is accessible on the SEC’s website at www.sec.gov.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities

During the six months ended June 30, 2015, we issued 46,290 shares of our common stock upon redemption of an equal number of OP units. We did not redeem any shares of OP units for shares of common stock during the three months ended June 30, 2015. Because these shares of common stock were issued to accredited investors in transactions not involving a public offering, the transactions were exempt from registration under the Securities Act in accordance with Section 4(a)(2).

During the six months ended June 30, 2015, 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 their restricted stock awards.

The table below summarizes all of our repurchases of common stock during 2015:

Period	Total number of shares purchased	Average price 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
February 2015	2,769	$ 15.88	N/A	N/A
April 2015	17,535	$ 19.02	N/A	N/A
June 2015	16,889	$ 20.30	N/A	N/A

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

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	Amendment No. 3 to Amended and Restated PF Loan Agreement and Amendment No. 2 to Amended and Restated Intercreditor Agreement, dated as of April 17, 2015, 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 1.1 to the Registrant's Form 8-K (No. 001-35877), filed on April 21, 2015)
10.2	Amendment No. 3 to Amended and Restated G&I Loan Agreement and Amendment No. 2 to Amended and Restated Intercreditor Agreement, dated as of April 17, 2015, 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 1.1 to the Registrant's Form 8-K (No. 001-35877), filed on April 21, 2015)
10.3*	Employment Agreement, dated April 17, 2013, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Daniel McMahon
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
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.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, 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.
(Registrant)

Date: August 7, 2015

/s/ Jeffrey W. Eckel
Jeffrey W. Eckel
Chairman, Chief Executive Officer and President

Date: August 7, 2015

/s/ J. Brendan Herron
J. Brendan Herron
Chief Financial Officer and Executive Vice President
(Duly Authorized Officer and Chief
Accounting Officer)

Exhibit 10.3

Execution Copy

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (this "Agreement") is dated as of April 17, 2013, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc., a Maryland corporation (the "Company"), and Daniel McMahon, residing at the address set forth in the Company's records (the "Executive").

WHEREAS, in connection with the initial public offering of the Company (the "Company's IPO"), the Company will engage in a series of transactions that will enable the Company to qualify as a real estate investment trust for U.S. federal income tax purposes and will result in Hannon Armstrong becoming a subsidiary of the Company (collectively, the "Formation Transactions"); and

WHEREAS, the Company wishes to offer employment to the Executive, and the Executive wishes to accept such offer on the terms set forth below, to be effective as of the completion of the Company's IPO and the Formation Transactions, at which time this Agreement will become in effect; and

WHEREAS, the Company and the Executive are entering into an Indemnification Agreement (the "Indemnification Agreement") simultaneously herewith.

NOW THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Term. The Company hereby employs the Executive, and the Executive hereby accepts such employment, for an initial term commencing as of the date on which the Company's IPO and the Formation Transactions are consummated (the "Commencement Date") and continuing for a four-year period (the "Initial Term"), unless sooner terminated in accordance with the provisions of Section 4 or Section 5; with such employment to automatically continue following the Initial Term for additional successive one-year periods (each, a "Subsequent Term") in accordance with the terms of this Agreement (subject to termination as aforesaid) unless either party notifies the other party in writing of its intention not to continue such employment at least 90 days prior to the expiration of the Initial Term or any Subsequent Term, as applicable (the Initial Term, together with all Subsequent Terms hereunder, shall hereinafter be referred to as the "Term").

2. Duties. During the Term, the Executive shall be employed by the Company as Senior Vice President of the Company, and, as such, the Executive shall faithfully perform for the Company the duties of such office and shall have such responsibilities and authority as are customary for a Senior Vice President employed by a public company of similar size and nature and shall report directly to the Chief Executive Officer of the Company (the "CEO"). The Executive shall devote substantially all of the Executive's business time and effort to the performance of the Executive's duties hereunder; provided, however, that the Executive shall be permitted to continue service as set forth in Exhibit A and, subject to the approval of the Board of Directors of the Company (the 'Board"), the Executive may serve on the board of directors or trustees of any business corporation or charitable organization and such service shall not be a violation of this Agreement, provided that such other activities do not materially interfere with the performance of the Executive's duties hereunder.

3. Compensation.

3.1 Salary. The Company shall pay the Executive during the Term a salary at the minimum rate of $270,000 per annum, in accordance with the customary payroll practices of the Company applicable to senior executives from time to time. The CEO shall make recommendations to the Compensation Committee of the Board (the "Compensation Committee") with respect to Executive's Annual Salary on an annual basis and the Compensation Committee shall review such recommendation and provide for any increase as it shall determine in its sole discretion (such annual salary, the "Annual Salary"). Once increased, the Annual Salary shall not thereafter be decreased.

3.2 Bonus. For the Company's 2013 fiscal year, the Executive shall be eligible to receive a cash bonus with a target amount equal to 60% of Executive's Annual Salary (the "2013 Bonus"), subject to satisfaction of Company performance measures as determined in the sole discretion of the Compensation Committee. For each fiscal year during the Term following the 2013 fiscal year, the Executive shall be eligible to receive a cash bonus with a target amount equal to at least 100% of

Executive's Annual Salary, subject to satisfaction of both Company and individual performance goals as determined by the Compensation Committee (each, an "Annual Bonus"). The 2013 Bonus and Annual Bonuses shall be paid in the fiscal year following the fiscal year for which such bonuses are awarded, but in all events shall be paid no later than March 15 of such following fiscal year.

3.3 Benefits - In General. Except with respect to benefits of a type otherwise provided for under Section 3.4, the Executive shall be permitted during the Term to participate in any group life, hospitalization and disability insurance plans, health programs, equity incentive plans, long-term incentive programs, 401(k) and other retirement plans, fringe benefit programs and similar benefits that may be available (currently or in the future) to other senior executives of the Company generally, in each case to the extent that the Executive is eligible under the terms of such plans or programs.

3.4 Vacation. Without limiting the generality of Section 3.3, the Executive shall be entitled to paid vacation of 20 business days per year (to be taken at reasonable times in accordance with the Company's policies).

3.5 Equity Incentive Compensation.

(a) On the Commencement Date, the Executive shall be granted an award (the "Initial Award") consisting of 43,714 shares of restricted stock under the Company's 2013 equity incentive plan (the "Equity Incentive Plan") and the respective award agreement (the "Award Agreement"). The restricted stock granted on the Commencement Date will vest based on continued service in four (4) equal annual installments following the Commencement Date, with the final tranche vesting on the 4th anniversary of the Commencement Date. Dividends will be paid to Executive on vested and unvested shares of restricted stock if and when dividends are paid to holders of Company common stock generally. Following the Company's 2013 Fiscal Year, the Executive shall be eligible for regular annual grants of restricted stock, stock options or other awards under the Equity Incentive Plan on such terms and in such amounts (if any) as may be determined by the Compensation Committee in its sole discretion. All (x) stock option, restricted stock and other stock-settled equity-based awards granted to Executive shall provide to Executive the right to direct the Company or an affiliate to satisfy the

minimum statutory tax withholding obligations arising with respect to such awards by withholding from the shares that would otherwise be delivered such number of shares having a fair market value equal to such minimum statutory tax withholding obligation and (y) stock options granted to Executive shall permit the Executive to "net exercise" the stock options by directing the Company to withhold from the number of shares that would otherwise be issued upon exercise of the stock option such number of shares having a fair market value as of the date of exercise equal to the exercise price of the option (or portion thereof that the Executive has elected to net exercise).

(b) Upon the effective date of a Change in Control (as defined below), all of the Executive's outstanding shares of restricted stock or other stock-based compensation shall vest in full and become free of restrictions.

3.6 Expenses. The Company shall promptly pay or reimburse the Executive for all ordinary and reasonable out-of-pocket expenses actually incurred (and, in the case of reimbursement, paid) by the Executive during the Term in the performance of the Executive's services under this Agreement; provided that the Executive documents such expenses with the properly completed forms as prescribed from time to time by the Company in accordance with the Company's policies, plans and programs.

4. Termination upon Death or Disability. If the Executive dies during the Term, the Executive's employment shall terminate effective as of the date of death. If there is a good faith determination by the Board that the Executive has become physically or mentally incapable of performing the Executive's duties under this Agreement and such disability has disabled the Executive for a cumulative period of 180 days within any 12-month period (a "Disability"), the Company shall have the right after such determination and passage of time, to the extent permitted by law, to terminate the employment of the Executive upon notice in writing to the Executive.

4.1 Compensation due to Death. Upon the effective date of termination of employment due to death , (i) the Executive's estate or beneficiaries shall be entitled to receive, in a lump sum payment (subject to Section 7.16 of this Agreement) within 30 days following the effective date of

Executive's termination of employment equal to: (x) Annual Salary, Annual Bonus, and other benefits earned and accrued under this Agreement but not yet paid prior to the effective date of termination (and reimbursement under this Agreement for expenses incurred prior to the date of termination) (the "Accrued Benefits") and (y) a pro rata (based on the number of days employed up to the effective date of termination in the applicable fiscal year) target Annual Bonus for the fiscal year in which Executive's termination occurs, calculated based on actual results for such fiscal year, paid at the time that the Annual Bonus would otherwise be paid in accordance with Section 3.2 hereof; (ii) for a period of 24 months after the effective date of termination of employment, such continuing medical benefits under the Company's health plans and programs applicable to senior executives of the Company generally as the Executive and the Executive's eligible beneficiaries would have received under this Agreement (and at such costs to the Executive or the Executive's estate, as applicable) in the absence of such termination (but not taking into account any post-termination increases in Annual Salary that may otherwise have occurred without regard to such termination and that may have favorably affected such benefits) (or, if such continuation of subsidized coverage would violate Section 105(h) of the Code, the Company will make monthly payments to the Executive in an amount so that after payment of taxes on the payments, the Executive retains an amount equal to the monthly premium he is required to pay to continue the coverage); (iii) the Executive's estate or beneficiaries shall be entitled to receive the death benefits provided under any group insurance plan offered by the Company; and (iv) with respect to (x) the Initial Award, all outstanding shares of restricted stock shall vest and become free of restrictions and (y) with respect to any outstanding unvested equity-based awards other than the Initial Award, a pro rata portion (based on the number of days until death over 365) of any shares that would have vested for the year of Executive's death shall vest and become free of restrictions and be exercisable in accordance with their terms, and any remaining portion of such awards shall be forfeited unless otherwise provided in an applicable award agreement, or as otherwise agreed by the Company.

4.2 Compensation due to Disability. Upon the effective date of termination of employment due to Disability (i) the Executive shall be entitled to receive, in a lump sum payment

(subject to Section 7.16 of this Agreement) within 30 days following the effective date of Executive's termination of employment equal to: (x) the Accrued Benefits and (y) the target Annual Bonus for the fiscal year in which Executive's termination occurs, calculated based on actual results for such fiscal year, paid at the time that the Annual Bonus would otherwise be paid in accordance with Section 3.2 hereof; (ii) for a period of 24 months after the effective date of termination of employment, such continuing medical benefits under the Company's health plans and programs applicable to senior executives of the Company generally as the Executive and the Executive's eligible beneficiaries would have received under this Agreement (and at such costs to the Executive or the Executive's estate, as applicable) in the absence of such termination (but not taking into account any post-termination increases in Annual Salary that may otherwise have occurred without regard to such termination and that may have favorably affected such benefits) (or, if such continuation of subsidized coverage would violate Section 105(h) of the Code, the Company will make monthly payments to the Executive in an amount so that after payment of taxes on the payments, the Executive retains an amount equal to the monthly premium that the Executive is required to pay to continue the coverage); (iii) the Executive, or the Executive's estate or beneficiaries shall be entitled to receive the disability benefits provided under any group insurance plan offered by the Company; and (iv) with respect to (x) the Initial Award, all outstanding shares of restricted stock shall vest and become free of restrictions and (y) with respect to any outstanding unvested equity-based awards other than the Initial Award, a pro rata portion (based on the number of days until Disability over 365) of any shares that would have vested for the year of Disability shall vest and become free of restrictions and be exercisable in accordance with their terms, and any remaining portion of such awards shall be forfeited unless otherwise provided in an applicable award agreement, or as otherwise agreed by the Company.

5. Certain Terminations of Employment.

5.1 Termination by the Company for Cause; Termination by the Executive without Good Reason.

(a) For purposes of this Agreement, "Cause" shall mean, the Executive's:

(i) commission of, and indictment for or formal admission to, a felony involving moral turpitude, deceit, dishonesty or fraud (but excluding traffic violations);

(ii) willful and material misconduct or gross misconduct in connection with the performance of the Executive's duties, including, without limitation, embezzlement or the misappropriation of funds or property of the Company;

(iii) failure to adhere to the lawful directions of the CEO, to adhere to the Company's policies and practices or, as required in Section 2 hereof, to devote substantially all of the Executive's business time and efforts to the Company, which failure continues for a period of 30 business days after written demand for corrective action is delivered by the Company; or

(iv) material breach of (x) any covenant contained in Section 6 of this Agreement; or (y) the other terms and provisions of this Agreement and, in each case, failure to cure such breach within 10 days following written notice from the Company specifying such breach;

provided, that the Company shall not be permitted to terminate the Executive for Cause except on written notice given to the Executive at any time within 30 days following the occurrence of any of the events described above (or, if later, the Company's knowledge thereof).

(b) The Company may terminate the Executive's employment hereunder for Cause, and the Executive may terminate the Executive's employment on at least 30 days' written notice. If the Company terminates the Executive for Cause, or the Executive terminates the Executive's employment and the termination by the Executive is not covered by Section 4 or 5.2, the Executive shall receive the Accrued Benefits in a lump sum payment (subject to Section 7.16 of this Agreement) within 30 days following Executive's termination of employment.

5.2 Termination by the Company without Cause; Termination by the Executive for Good Reason; Expiration/Non-Renewal by the Company

(a) For purposes of this Agreement, "Good Reason" shall mean the following, unless consented to by the Executive:

(i) any change in job title or material diminution in the Executive's roles and responsibilities from those set forth in this Agreement (including, without limitation, the assignment of duties materially inconsistent with Executive's position) that cause a reduction in the Executive's Annual Salary or Annual Bonus potential;

(ii) a material reduction in the Executive's Annual Salary or Annual Bonus potential;

(iii) a relocation of the Company's headquarters outside a 30 mile radius of Annapolis, MD or moving of the Executive's office or place of performance from the Company's headquarters; or

(iv) a material breach by the Company of this Agreement or any other material agreement between the Executive and the Company.

Notwithstanding the foregoing, following a Change in Control, the definition of "Good Reason" as set forth above shall be modified to delete all references to the term "material" (namely, in Section 5.2(a)(i), Section 5.2(a)(ii) and Section 5.2(a)(iv)), and the definition of "Good Reason" shall otherwise remain in effect as provided herein. Furthermore, (x) Good Reason shall not be deemed to exist unless written notice of termination on account thereof is given by the Executive no later than 60 days after the time at which the event or condition purportedly giving rise to Good Reason first occurs or arises (or, if later, the Executive's knowledge thereof); and (y) if there exists (without regard to this clause (y)) an event or condition that constitutes Good Reason (pursuant to Section 5.2(a)(i), Section 5.2(a)(ii) or Section 5.2(a)(iv), the Company shall have 30 days from the date written notice of such a termination is given by the Executive to cure such event or condition and, if the Company does so, such event or condition shall not constitute Good Reason hereunder.

(b) The Company may terminate the Executive's employment at any time for any reason or no reason. The Executive may terminate the Executive's employment with the Company at any time for any reason or no reason, and for Good Reason. If (x) the Company terminates the Executive's employment and the termination is not covered by Section 4 or 5.1, (y) the Executive terminates the Executive's employment for Good Reason, or (z) the Executive's termination of employment results from the Company's notice of non-renewal following the Initial Term or any Subsequent Term in accordance with Section 1, then (i) the Executive shall be entitled to receive, in a lump sum payment (subject to Section 7.16 of this Agreement) on the 30th day following the Executive's termination of employment, (A) the Accrued Benefits, and (B) an amount equal to one and one-half times the sum of (x) the Executive's Annual Salary and (y) an amount equal to the greater of (1) the Executive's average Annual Bonus actually received in respect of the three fiscal years (or such fewer number of fiscal years with respect to

which Executive received an Annual Bonus) prior to the year of termination and (2) the Executive's target Annual Bonus for the fiscal year in which such termination of employment occurs; (ii) for a period of 24 months after termination of employment, such continuing medical benefits under the Company's health plans and programs applicable to senior executives of the Company generally as the Executive would have received under this Agreement (and at such costs to the Executive) in the absence of such termination (but not taking into account any post-termination increases in Annual Salary that may otherwise have occurred without regard to such termination and that may have affected such benefits) (or, if such continuation of subsidized coverage would violate Section 105(h) of the Code, the Company will make monthly payments to the Executive in an amount so that after payment of taxes on the payments, the Executive retains an amount equal to the monthly premium that the Executive is required to pay to continue the coverage); and (iii) all outstanding equity (or equity-based) incentives and awards held by the Executive shall thereupon immediately vest and become free of restrictions and all stock options shall be exercisable in accordance with their terms and shall not expire prior to the earlier of the term of such stock option and the first anniversary after the date of termination (or, in the case of a Change in Control, the earlier of the term of stock option and the third anniversary of the Change in Control).

(c) Notwithstanding clause 5.2(b)(ii), (i) nothing herein shall restrict the ability of the Company to amend or terminate the insurance, health and welfare plans and programs referred to in such clause 5.2(b)(ii) from time to time in its sole discretion, provided that any such amendments or termination are made applicable generally on the same terms to all actively employed senior executives of the Company and does not result in a proportionately greater reduction in the rights of or benefits to the Executive compared with any other officers of the Company, but the Company may not reduce benefits already earned and accrued by, but not yet paid to, the Executive and (ii) the Company shall in no event be required to provide any benefits otherwise required by such clause 5.2(b)(ii) after such time as the Executive becomes entitled to receive benefits of the same type and at least as favorable to the Executive from another employer or recipient of the Executive's services (such entitlement being determined without regard to any individual waivers or other similar arrangements).

(d) Notwithstanding any other provision of this Agreement, the Company shall not be required to make the payments and provide the benefits provided for under Section 5.2(b) unless the Executive executes and delivers to the Company a waiver and release substantially in the form attached hereto as Exhibit B and such waiver and release becomes effective and irrevocable within 21 days following the date of termination; provided, that the Company shall have provided the Executive with such waiver and release within 10 business days following the Executive's termination of employment.

(e) For purposes of this Agreement, "Change in Control" shall have the same meaning as prescribed in the Equity Incentive Plan.

(f) No Mitigation. The Company agrees that, if the Executive's employment is terminated during the Term, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company.

6. Covenants of the Executive.

6.1 Covenant Against Competition; Other Covenants. The Executive acknowledges that (i) the principal business of the Company (which expressly includes for purposes of this Section 6 (and any related enforcement provisions hereof), its successors and assigns) is to provide debt and equity financing for sustainable infrastructure projects that increase energy efficiency, provide cleaner energy sources, positively impact the environment and make more efficient use of natural resources (such businesses, and any and all other businesses in which, at the time of the Executive's termination, the Company is actively and regularly engaged or actively pursuing, herein being collectively referred to as the "Business"); (ii) the Company is one of the limited number of persons who have developed such a business; (iii) the Company's Business is national in scope; (iv) the Executive's work for the Company has given and will continue to give him access to the confidential affairs and proprietary information of the Company; (v) the covenants and agreements of the Executive contained in this Section 6 are essential to the business and goodwill of the Company; and (vi) the Company would not have entered into this

Agreement but for the covenants and agreements set forth in this Section 6. Accordingly, the Executive covenants and agrees that:

(a) By and in consideration of the salary and benefits to be provided by the Company hereunder, including the severance arrangements set forth herein, and further in consideration of the Executive's exposure to the proprietary information of the Company, the Executive covenants and agrees that, during the period commencing on the date hereof and ending 12 months following the date upon which the Executive shall cease to be an employee of the Company and its affiliates (the "Restricted Period"), the Executive shall not in the Restricted Territory (as defined below), directly or indirectly, whether as an owner, partner, shareholder, principal, agent, employee, consultant or in any other relationship or capacity, (i) engage in the Business (other than for the Company or its affiliates) or otherwise compete with the Company or its subsidiaries in the Business or (ii) render to a person, corporation, partnership or other entity engaged in the Business the same services that the Executive renders to the Company; provided, however, that, notwithstanding the foregoing, (A) the Executive may invest in securities of any entity, solely for investment purposes and without participating in the business thereof, if (x) such securities are listed on any national securities exchange, (y) the Executive is not a controlling person of, or a member of a group which controls, such entity, and (z) the Executive does not, directly or indirectly, own 5% or more of any class of securities of such entity; and (B) the Executive may continue to serve on any board of directors on which the Executive was serving as of the date of the Executive's termination of employment; and (C) the Executive may be employed by or provide services for a company (a "Conglomerate") with multiple lines of businesses, including a line of business competitive with the Company, so long as the following conditions are satisfied: (w) the Conglomerate derives less than ten percent (10%) of its total annual revenue from the line of business that is competitive with the Company (the "Competitive Division"), (x) the Executive is employed by or provides services to a line of business of Conglomerate that is not competitive with the Company; and (y) the Executive does not perform services for the Competitive Division; and (z) the Executive (A) provides the Company with advance notice of such employment or service and (B) informs the Conglomerate in writing of its obligations under this Section 6.

For purposes of this Agreement, the "Restricted Territory" shall mean any (i) state in the United States and (ii) foreign country or jurisdiction, in the case of clause (i) or (ii), in which the Company (x) is actively conducting the Business during the Term or (y) has initiated a plan adopted by the Board to conduct the Business in the two years following the Term.

(b) During and after the Term, the Executive shall keep secret and retain in strictest confidence, and shall not use for the Executive's benefit or the benefit of others, except in connection with the business and affairs of the Company and its affiliates, all non-public confidential matters relating to the Company's Business and the business of any of its affiliates and to the Company and any of its affiliates, learned by the Executive heretofore or hereafter directly or indirectly from the Company or any of its affiliates (the "Confidential Company Information"), and shall not disclose such Confidential Company Information to anyone outside of the Company except in the course of the Executive's duties or with the CEO's express written consent. Confidential Company Information does not include information which is at the time of receipt or thereafter becomes publicly known through no wrongful act of the Executive or is received from a third party not under an obligation to keep such information confidential and without breach of this Agreement or which is independently developed or obtained by the Executive on the Executive's own time without reliance upon any confidential information of the Company or use of any Company resources. Notwithstanding anything in this agreement to the contrary, the Executive may disclose Confidential Company Information where the Executive is required to do so by law, regulation, court order, subpoena, summons or other valid legal process; provided, that the Executive, so long as legally permitted to do so, first (i) promptly notifies the Company, (ii) uses commercially reasonable efforts to consult with the Company with respect to and in advance of the disclosure thereof, and (iii) reasonably cooperates with the Company to narrow the scope of the disclosure required to be made, in each case, solely at the Company's expense.

(c) During the Restricted Period, the Executive shall not, without the Company's prior written consent, directly or indirectly, (i) solicit or encourage to leave the employment or other service of the Company or any of its subsidiaries, any person or entity who is or was during the 6-month

period preceding the Executive's termination of employment, an employee, agent or independent contractor of the Company or any of its subsidiaries. During the Restricted Period, the Executive shall not, whether for the Executive's own account or for the account of any other person, firm, corporation or other business organization, solicit for a competing business or intentionally interfere with the Company's or any of its subsidiaries' relationship with, or endeavor to entice away from the Company for a competing business, any person who is or was during the 6-month period preceding the Executive's termination of employment, a customer, client, agent, or independent contractor of the Company or any of its subsidiaries. For purposes hereof, "customer" and "client," as such terms relate to government customers, mean the program office to which the Company is or was providing any goods or services as of the date hereof or during the one-year period prior to the date hereof.

(d) All memoranda, notes, lists, records, property and any other tangible product and documents (and all copies thereof), whether visually perceptible, machine-readable or otherwise, made, produced or compiled by the Executive or made available to the Executive containing Confidential Company Information (i) shall at all times be the property of the Company (and, as applicable, any affiliates) and shall be delivered to the Company at any time upon its request, and (ii) upon the Executive's termination of employment, shall be promptly returned to the Company. This section shall not apply to materials that the Executive possessed prior to the Executive's business relationship with the Company, to the Executive's personal effects and documents, and to materials prepared by the Executive for the purposes of seeking legal or other professional advice.

(e) At no time during the Executive's employment by the Company or at any time thereafter shall the Executive or any representative of the Company publish any statement or make any statement under circumstances reasonably likely to become public that is critical of the other party, or in any way otherwise be materially injurious to the Business or reputation of the other party, unless otherwise required by applicable law or regulation or by judicial order.

6.2 Rights and Remedies upon Breach.

(a) The parties hereto acknowledge and agree that any breach of any of the provisions of Section 6.1 or any subparts thereof (individually or collectively, the "Restrictive Covenants") may result in irreparable injury and damage for which money damages would not provide an adequate remedy. Therefore, if either party breaches, or threatens to commit a breach of, any of the provisions of Section 6.1 or any subpart thereof, the other party and its affiliates, in addition to, and not in lieu of, any other rights and remedies available to the other party and its affiliates under law or in equity (including, without limitation, the recovery of damages), shall have the right and remedy to seek to have the Restrictive Covenants or other obligations herein specifically enforced (without posting bond and without the need to prove damages) by any court having equity jurisdiction, including, without limitation, the right to seek an entry of restraining orders and injunctions (preliminary, mandatory, temporary and permanent) against violations, whether or not then continuing, of such covenants.

(b) The Executive agrees that the provisions of Section 6.1 of this Agreement and each subsection thereof are reasonably necessary for the protection of the Company's legitimate business interests and if enforced, will not prevent the Executive from obtaining gainful employment should the Executive's employment with the Company end. The Executive agrees that in any action seeking specific performance or other equitable relief, the Executive will not assert or contend that any of the provisions of this Section 6 are unreasonable or otherwise unenforceable as drafted. The existence of any claim or cause of action by the Executive, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement of the Restrictive Covenants.

7. Other Provisions.

7.1 Severability. The Executive acknowledges and agrees that (i) the Executive has had an opportunity to seek advice of counsel in connection with this Agreement and (ii) the Restrictive Covenants are reasonable in geographical and temporal scope and in all other respects as drafted. If it is determined that any of the provisions of this Agreement, including, without limitation, any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the provisions of this Agreement shall not thereby be affected and shall be given full effect, without regard to the invalid portions.

7.2 Duration and Scope of Covenants. If any court or other decision-maker of competent jurisdiction determines that any of the Executive's covenants contained in this Agreement, including, without limitation, any of the Restrictive Covenants, or any part thereof, is unenforceable because of the duration or geographical scope of such provision, then the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable and, in its reduced form, such provision shall then be enforceable and shall be enforced.

7.3 Enforceability; Jurisdiction; Arbitration.

(a) The Company and the Executive intend to and hereby confer jurisdiction to enforce the Restrictive Covenants set forth in Section 6 upon the courts of any jurisdiction within the geographical scope of the Restrictive Covenants. If the courts of any one or more of such jurisdictions hold the Restrictive Covenants wholly unenforceable by reason of breadth of scope or otherwise it is the intention of the Company and the Executive that such determination not bar or in any way affect the Company's right, or the right of any of its affiliates, to the relief provided above in the courts of any other jurisdiction within the geographical scope of such Restrictive Covenants, as to breaches of such Restrictive Covenants in such other respective jurisdictions, such Restrictive Covenants as they relate to each jurisdiction's being, for this purpose, severable, diverse and independent covenants, subject, where appropriate, to the doctrine of res judicata. The parties hereby agree to waive any right to a trial by jury for any and all disputes hereunder (whether or not relating to the Restricted Covenants).

(b) Any controversy or claim arising out of or relating to this Agreement or the breach of this Agreement (other than a controversy or claim arising under Section 6, to the extent necessary for the Company (or its affiliates, where applicable) to avail itself of the rights and remedies referred to in Section 6.2) that is not resolved by the Executive and the Company (or its affiliates, where applicable) shall be submitted to arbitration in Maryland in accordance with Maryland law and the employment arbitration rules and procedures of the American Arbitration Association, before an

arbitrator experienced in employment disputes who is licensed to practice law in the State of Maryland. The determination of the arbitrator shall be conclusive and binding on the Company (or its affiliates, where applicable) and the Executive and judgment may be entered on the arbitrator(s)' award in any court having jurisdiction. The arbitration shall be held in Annapolis, Maryland.

7.4 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, sent by facsimile transmission or sent by certified, registered or express mail, or overnight courier, postage prepaid. Any such notice shall be deemed given when so delivered personally, sent by facsimile transmission or, if mailed, five days after the date of deposit in the United States mails as follows:

(i) If to the Company, to:

Hannon Armstrong Sustainable Infrastructure Capital, Inc.
1906 Towne Centre Blvd
Suite 370
Annapolis, Maryland 21401
Attention: General Counsel

(ii) If to the Executive, to the address in the records of the Company.

Any such person may by notice given in accordance with this Section 7.4 to the other parties hereto designate another address or person for receipt by such person of notices hereunder.

7.5 Entire Agreement. This Agreement, together with the Indemnification Agreement and the Award Agreements contain the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, written or oral, with respect thereto.

7.6 Waivers and Amendments. This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by the parties or, in the case of a waiver, by the party waiving compliance. Except as expressly provided herein, no delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege nor any single or partial exercise of any such right, power or privilege, preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

7.7 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MARYLAND WITHOUT REGARD TO ANY PRINCIPLES OF CONFLICTS OF LAW WHICH COULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF MARYLAND.

7.8 Assignment. This Agreement, and the Executive's rights and obligations hereunder, may not be assigned by the Executive; any purported assignment by the Executive in violation hereof shall be null and void. Except as otherwise provided by operation of law, in the event of any sale, transfer or other disposition of all or substantially all of the Company's assets or business, whether by merger, consolidation or otherwise, the Company may assign this Agreement and its rights hereunder, provided that the successor or purchaser agrees, as a condition of such transaction, to assume all of the Company's obligations hereunder.

7.9 Withholding. The Company shall be entitled to withhold from any payments or deemed payments any amount of tax withholding it determines to be required by law.

7.10 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, permitted assigns, heirs, executors and legal representatives.

7.11 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original but all such counterparts together shall constitute one and the same instrument. Each counterpart may consist of two copies hereof each signed by one of the parties hereto.

7.12 Survival. Anything contained in this Agreement to the contrary notwithstanding, the provisions of Sections 4, 5, 6, and 7, shall survive any termination of the Executive's employment hereunder and continue in full force until performance of the obligations thereunder, if any, in accordance with their respective terms.

7.13 Existing Agreements. The Executive represents to the Company that the Executive is not subject or a party to any employment or consulting agreement, non-competition covenant or other agreement, covenant or understanding which might prohibit the Executive from executing this Agreement or limit the Executive's ability to fulfill the Executive's responsibilities hereunder.

7.14 Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

7.15 Parachute Payments. If there is a change in ownership or control of the Company that would cause any payment or distribution by the Company or any other person or entity to the Executive or for the Executive's benefit (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") to be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (such excise tax, together with any interest or penalties incurred by the Executive with respect to such excise tax, the "Excise Tax"), then the Executive will receive the greatest of the following, whichever gives the Executive the highest net after-tax amount (after taking into account federal, state, local and social security taxes): (a) the Payments or (b) one dollar less than the amount of the Payments that would subject the Executive to the Excise Tax (the "Safe Harbor Amount"). If a reduction in the Payments is necessary so that the Payments equal the Safe Harbor Amount and none of the Payments constitutes non-qualified deferred compensation (within the meaning of Section 409A of the Code), then the reduction shall occur in the manner the Executive elects in writing prior to the date of payment. If any Payment constitutes non-qualified deferred compensation or if the Executive fails to elect an order, then the Payments to be reduced will be determined in a manner which has the least economic cost to the Executive and, to the extent the economic cost is equivalent, will be reduced in the inverse order of when payment would have been made to the Executive, until the reduction is achieved. All determinations required to be made under this Section 7.15, including whether and when the Safe Harbor Amount is required and the amount of the reduction of the Payments and the assumptions to be utilized in arriving at such determination, shall be made by a certified public accounting firm designated by the Company (the "Accounting Firm"). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon Company and the Executive.

7.16 Section 409A Compliance. Any payments under this Agreement that are deemed to be deferred compensation subject to the requirements of Section 409A of the Code are intended to comply with the requirements of Section 409A and this Agreement shall be interpreted accordingly. To this end and notwithstanding any other provision of this Agreement to the contrary, if at the time of the Executive's termination of employment with the Company, (i) the Company's securities are publicly traded on an established securities market; (ii) Executive is a "specified employee" (as defined in Section 409A); and (iii) the deferral of the commencement of any payments or benefits otherwise payable pursuant to this Agreement as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A, then the Company will defer the commencement of such payments (without any reduction in amount ultimately paid or provided to the Executive) that are not paid within the short-term deferral rule under Section 409A (and any regulations thereunder) or within the "involuntary separation" exemption of Treasury Regulation § 1.409A-1(b)(9)(iii). Such deferral shall last until the date that is six months following the Executive's termination of employment with the Company (or the earliest date as is permitted under Section 409A). Any amounts the payment of which are so deferred shall be paid in a lump sum payment within 10 days after the end of such deferral period. If the Executive dies during the deferral period prior to the payment of any deferred amount, then the unpaid deferred amount shall be paid to the personal representative of the Executive's estate within 60 days after the date of the Executive's death. For purposes of Section 409A, the Executive's right to receive installment payments pursuant to this Agreement including, without limitation, each COBRA (Consolidated Omnibus Budget Reconciliation Act) continuation reimbursement shall be treated as a right to receive a series of separate and distinct payments. The Executive will be deemed to have a date of termination for purposes of determining the timing of any payments or benefits hereunder that are classified as deferred compensation only upon a "separation from service" within the meaning of Section 409A. Any amount that the Executive is entitled to be reimbursed under this Agreement will be

reimbursed to the Executive as promptly as practical and in any event not later than the last day of the calendar year after the calendar year in which the expenses are incurred, any right to reimbursement or in kind benefits will not be subject to liquidation or exchange for another benefit, and the amount of the expenses eligible for reimbursement during any taxable year will not affect the amount of expenses eligible for reimbursement in any other taxable year. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within 30 days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company.

The parties agree to consider any amendments or modifications to this Agreement or any other compensation arrangement between the parties, as reasonably requested by the other party, that is necessary to cause such agreement or arrangement to comply with Section 409A (or an exception thereto), provided that such proposed amendment or modification does not change the economics of the agreement or arrangement and does not provide for any additional cost to either party. Notwithstanding the foregoing, the parties will not be obligated to make any amendment or modification and the Company makes no representation or warranty with respect to compliance with Section 409A and shall have no liability to the Executive or any other person if any provision of this Agreement or such other arrangement are determined to constitute deferred compensation subject to Section 409A that does not satisfy an exemption from, or the conditions of, such Section.

[*remainder of the page left purposefully blank*]

IN WITNESS WHEREOF, the parties hereto have signed their names as of the day and year first above written.

HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.

By: /s/ Jeffrey W. Eckel
Name: Jeffrey W. Eckel
Title: President and Chief Executive Officer

DANIEL MCMAHON

/s/ Daniel McMahon

EXHIBIT A

[Purposefully Left Blank]

EXHIBIT B

Form of Waiver and Release

This Waiver and General Release of all Claims (this "Agreement") is entered into by [ ] (the "Executive") and Hannon Armstrong Sustainable Infrastructure Capital, Inc., a Maryland corporation (the "Company"), effective as of [DATE] (the "Effective Date").

In consideration of the promises set forth in the Employment Agreement between the Executive and the Company, dated [ ], 2013 (the "Employment Agreement"), the Executive and the Company agree as follows:

1. General Releases and Waivers of Claims.

(a) Executive's Release of Company. In consideration of the payments and benefits provided to the Executive under Section 5.2(b) of the Employment Agreement and after consultation with counsel, the Executive (or the Executive's estate, as applicable) hereby irrevocably and unconditionally releases and forever discharges the Company and its past, present and future parent entities, subsidiaries, divisions, affiliates and related business entities, any of its or their successors and assigns, assets, employee benefit plans or funds, and any of its or their respective past, present and/or future directors, officers, fiduciaries, agents, trustees, administrators, managers, supervisors, stockholders, employees and assigns, whether acting on behalf of the Company or in their individual capacities (collectively, "Company Parties") from any and all claims, actions, causes of action, rights, judgments, obligations, damages, demands, accountings or liabilities of whatever kind or character (collectively, "Claims"), including, without limitation, any Claims under any federal, state, local or foreign law, that the Executive (or the Executive's estate, as applicable) may have, or in the future may possess, arising out of the Executive's employment relationship with and service as an employee, officer or director of the Company, and the termination of such relationship or service; provided, however, that the Executive (or the Executive's estate, as applicable) does not release, discharge or waive (A) any rights to payments and benefits provided under the Employment Agreement, (B) any right the Executive (or the Executive's

estate, as applicable) may have to enforce this Agreement, the Award Agreements or the Employment Agreement, (C) the Executive's rights under the Indemnification Agreement and rights to indemnification and advancement of expenses in accordance with the Company's certificate of incorporation, bylaws or other corporate governance document, or any applicable insurance policy, (D) any claims for benefits under any employee benefit or pension plan of the Company Parties subject to the terms and conditions of such plan and applicable law including, without limitation, any such claims under the Employee Retirement Income Security Act of 1974, or (E) any right or claim that the Executive (or the Executive's estate, as applicable) may have to obtain contributions as permitted by applicable law in an action in which both the Executive on the one hand or any Company Party on the other hand are held jointly liable.

(b) Executive's Specific Release of ADEA Claims. In further consideration of the payments and benefits provided to the Executive under Section 5.2(b) of the Employment Agreement, the Executive hereby unconditionally release and forever discharge the Company Parties from any and all Claims that the Executive may have as of the date the Executive signs this Agreement arising under the Federal Age Discrimination in Employment Act of 1967, as amended, and the applicable rules and regulations promulgated thereunder ("ADEA"). By signing this Agreement, the Executive hereby acknowledges and confirms the following: (i) the Executive was advised by the Company in connection with the Executive's termination to consult with an attorney of the Executive's choice prior to signing this Agreement and to have such attorney explain to the Executive the terms of this Agreement, including, without limitation, the terms relating to the Executive's release of claims arising under ADEA, and the Executive has been given the opportunity to do so; (ii) the Executive was given a period of not fewer than 21 days to consider the terms of this Agreement and to consult with an attorney of the Executive's choosing with respect thereto; and (iii) the Executive knowingly and voluntarily accepts the terms of this Agreement. The Executive also understands that the Executive has seven days following the date on which the Executive signs this Agreement within which to revoke the release contained in this paragraph, by providing the Company a written notice of the Executive's revocation of the release and waiver contained in this paragraph.

(c) No Assignment. The Executive (or the Executive's estate, as applicable) represents and warrants that the Executive (or the Executive's estate, as applicable) has not assigned any of the Claims being released under this Agreement.

2. Waiver of Relief. The Executive (or the Executive's estate, as applicable) acknowledges and agrees that by virtue of the foregoing, the Executive (or the Executive's estate, as applicable) has waived any relief available to him/it (including without limitation, monetary damages and equitable relief, and reinstatement) under any of the Claims waived in paragraph 2. Therefore the Executive (or the Executive's estate, as applicable) agrees that he/it will not accept any award or settlement from any source or proceeding (including but not limited to any proceeding brought by any other person or by any government agency) with respect to any Claim or right waived in this Agreement. Nothing in this Agreement shall be construed to prevent the Executive (or the Executive's estate, as applicable) from cooperating with or participating in an investigation conducted by, any governmental agency, to the extent required or permitted by law.

3. Severability Clause. In the event any provision or part of this Agreement is found to be invalid or unenforceable, only that particular provision or part so found, and not the entire Agreement, will be inoperative.

4. Non-admission. Nothing contained in this Agreement will be deemed or construed as an admission of wrongdoing or liability on the part of the Company or any other Company Party or the Executive.

5. Governing Law. All matters affecting this Agreement, including the validity thereof, are to be governed by, and interpreted and construed in accordance with, the laws of the State of Maryland applicable to contracts executed in and to be performed in that State.

6. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be resolved in accordance with Section 7.3 of the Employment Agreement.

7. Notices. All notices or communications hereunder shall be made in accordance with Section 7.4 of the Employment Agreement.

THE EXECUTIVE (OR THE EXECUTIVE'S ESTATE, AS APPLICABLE) ACKNOWLEDGES THAT THE EXECUTIVE HAS READ THIS AGREEMENT AND THAT HE/IT FULLY KNOWS, UNDERSTANDS AND APPRECIATES ITS CONTENTS, AND THAT HE/IT HEREBY EXECUTES THE SAME AND MAKES THIS AGREEMENT AND THE RELEASE AND AGREEMENTS PROVIDED FOR HEREIN VOLUNTARILY AND OF HIS/ITS OWN FREE WILL.

DANIEL MCMAHON

____

Date:

HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.

By: ________________________________
Name:
Title:

EXHIBIT 31.1
CERTIFICATIONS

I, Jeffrey W. Eckel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: August 7, 2015

By: /s/ Jeffrey W. Eckel
Name: Jeffrey W. Eckel
Title: Chairman, Chief Executive Officer and President

EXHIBIT 31.2
CERTIFICATIONS

I, J. Brendan Herron, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: August 7, 2015

By: /s/ J. Brendan Herron
Name: J. Brendan Herron
Title: Chief Financial Officer and Executive Vice President

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 Quarterly Report on Form 10-Q of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (the "Company") for the period ended June 30, 2015 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: August 7, 2015

By: /s/ Jeffrey W. Eckel
Name: Jeffrey W. Eckel
Title: Chairman, 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 Quarterly Report on Form 10-Q of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (the "Company") for the period ended June 30, 2015 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: August 7, 2015

By: /s/ J. Brendan Herron
Name: J. Brendan Herron
Title: Chief Financial Officer and Executive Vice President