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**United States**  
**Securities and Exchange Commission**  
WASHINGTON, DC 20549

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**FORM 8-K/A**  
(Amendment No. 1)

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**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 5, 2021 (December 30, 2020)

**Hannon Armstrong Sustainable Infrastructure Capital, Inc.**

(Exact Name of Registrant as Specified In Its Charter)

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Maryland  
(State or other jurisdiction of incorporation)

001-35877  
(Commission File Number)

46-1347456  
(IRS Employer Identification No.)

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1906 Towne Centre Blvd, Suite 370 Annapolis,  
Maryland 21401  
(Address of principal executive offices)

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

(Former Name or Former Address, if Changed Since Last Report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	HASI	New York Stock Exchange

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Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

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## EXPLANATORY NOTE

On January 5, 2021, Hannon Armstrong Sustainable Infrastructure Capital, Inc. (the “Company”) filed with the Securities and Exchange Commission a Current Report on Form 8-K (the “Form 8-K”) to report that the Company has made a series of capital contributions to two partnerships with subsidiaries of ENGIE S.A. (“ENGIE”), the largest independent power producer and energy efficiency services provider in the world. This Amendment No. 1 on Form 8-K/A is being filed by the Company to amend and restate the original Form 8-K in its entirety, and to supplement the original Form 8-K to include the financial statements and pro forma information required by Item 9.01.

### **Item 2.01 Completion of Acquisition or Disposition of Assets.**

As previously reported, as of December 30, 2020, the Company, has made a series of preferred equity contributions in the amount of \$465 million to a partnership with a subsidiary of ENGIE that is expected to own a portfolio of wind and utility-scale solar assets, (the “Utility-Scale Portfolio”) of approximately 2.3 gigawatts (“GW”). The Company expects to make a total of approximately \$540 million in preferred equity contributions to this partnership. Subject to the satisfaction of certain conditions, the Company expects to make additional capital contributions for the remaining projects in the Utility-Scale Portfolio of approximately \$75 million, related to a wind and two utility-scale solar projects anticipated to be commercially operational on or prior to December 31, 2021.

In addition to the Utility-Scale Portfolio partnership with ENGIE described above, on December 1, 2020, the Company and Morgan Stanley Renewables, Inc. (“Morgan Stanley”), a subsidiary of Morgan Stanley, Inc., formed a joint venture that entered into a partnership agreement with ENGIE to jointly invest in a Distributed Generation (“DG”) portfolio of solar and solar-plus-storage assets located across the United States, (the “DG Portfolio”). The DG Portfolio is expected to be comprised of a diversified set of newly developed community solar and commercial & industrial (“C&I”) ground-mounted, carport and rooftop solar and solar-plus-storage projects (approximately 70 megawatts (“MW”) in total) located across the United States, including in Massachusetts, Illinois, Vermont, California, Texas, and Arizona. In connection with this investment, the Company has committed to make a series of capital contributions through December 31, 2021, to the partnership with Morgan Stanley that will own a preferred equity interest of approximately \$172 million in the DG Portfolio. The counterparties in the DG Portfolio are high credit quality residential, C&I, and cooperative off-takers and the contracts with these counterparties consist of a weighted average contract life of approximately 24 years. The Company’s share of the investment in this DG Portfolio is estimated to be approximately \$93 million.

As of December 31, 2020, the Company has made a series of capital contributions to the partnership with Morgan Stanley for contribution to the DG Portfolio partnership of approximately \$37 million relating to approximately 20 MW in community and roof top solar projects. Subject to the satisfaction of certain conditions, the Company expects to make additional capital contributions related to the remaining projects in the DG Portfolio, which are expected to consist of 50 MW of projects, which are anticipated to be commercially operational by December 31, 2021.

Assuming all of the projects in the Utility-Scale Portfolio and the DG Portfolio are acquired, the two portfolios will consist of 13 utility-scale renewable projects (nine onshore wind projects and four solar projects), located in key markets in the United States, including the Electric Reliability Council of Texas (“ERCOT”), Midcontinent Independent System Operator (“MISO”), PJM Interconnection (“PJM”) and the Southwest Power Pool (“SPP”), and a diversified set of community solar and C&I ground-mounted, carport and rooftop solar and solar-plus-storage projects located across the United States. The Utility-Scale Portfolio’s cash flows consist of fixed-price power purchase agreements and financial hedges that have a weighted average contract life of approximately 13 years, contracted with highly creditworthy off-takers and counterparties who enjoy a weighted average credit rating of A+, including Amazon, Allianz, Ingersoll Rand, Microsoft, T Mobile, Target, Walmart, and Xcel Energy.

The Utility-Scale Portfolio partnership and the DG Portfolio partnership with ENGIE are governed by limited liability company agreements, that contain customary terms and conditions. Major decisions that may impact the partnerships, their subsidiaries, or their assets, require approvals from representatives of each of the members of the partnerships. Through the partnerships, the Company will be entitled to preferred distributions until certain return targets are achieved. The Company expects to use the equity method of accounting to account for its preferred equity interest in the partnerships.

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**Item 9.01 Financial Statements and Exhibits.**

(a) Financial statements of businesses acquired.

In accordance with Item 9.01(a), the combined audited financial statements as of December 31, 2019 and the combined unaudited financial statements as of September 30, 2020, required by this item are filed with this Report as Exhibit No. 99.1 and Exhibit No. 99.2, respectively.

(b) Pro forma financial information.

In accordance with Item 9.01(b), the Company's pro forma unaudited combined balance sheet and statement of operations as of and for the nine months ended September 30, 2020, and pro forma statement of operations for the year ended December 31, 2019, required by this item are filed with this Report as Exhibit No. 99.3.

(d) Exhibits.

<b>Exhibit No.</b>	<b>Description</b>
23.1	<a href="#">Consent of Ernst &amp; Young LLP for combined financial statements of Hannon Armstrong's Investments with Engie Holdings Inc.</a>
99.1	<a href="#">Combined audited financial statements as of and for the year ended December 31, 2019</a>
99.2	<a href="#">Combined unaudited financial statements as of and for the nine months ended September 30, 2020</a>
99.3	<a href="#">Pro forma unaudited combined balance sheet and statement of operations as of and for the nine months ended September 30, 2020 and pro forma statement of operations for the year ended December 31, 2019</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL,  
INC.

By: /s/ Steven L. Chuslo

Steven L. Chuslo

Executive Vice President and Chief Legal Officer

Date: March 16, 2021

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-3 No. 333-198158) of Hannon Armstrong Sustainable Infrastructure Capital, Inc.,
- (2) Registration Statement (Form S-8 No. 333-230548) pertaining to the 2013 Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan, and
- (3) Registration Statement (Form S-3ASR No. 333-230546) of Hannon Armstrong Sustainable Infrastructure Capital, Inc.

of our report dated March 16, 2021, with respect to the combined financial statements of Hannon Armstrong's Investments with Engie Holdings Inc. included in this Current Report on Form 8-K/A of Hannon Armstrong Sustainable Infrastructure Capital, Inc., for the year ended December 31, 2019.

/s/ Ernst & Young LLP

Houston, Texas  
March 16, 2021

Exh. 23.1-1

Combined Financial Statements of

**HANNON ARMSTRONG'S  
INVESTMENTS WITH ENGIE  
HOLDINGS INC.**

For the year ended December 31, 2019  
and Independent Auditors' Report

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Houston, TX 77010

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## Report of Independent Auditors

To the Members of Jupiter Equity Holdings LLC

We have audited the accompanying combined financial statements of Hannon Armstrong's Investments with Engie Holdings Inc., which comprise the combined statement of financial position as of December 31, 2019, and the related combined statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2019, and the related notes to the combined financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Hannon Armstrong's Investments with Engie Holdings Inc. at December 31, 2019, and the combined results of its operations and its cash flows for the year ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

March 16, 2021



# HANNON ARMSTRONG'S INVESTMENTS WITH ENGIE HOLDINGS INC.

Combined Statement of Financial Position  
As at December 31, 2019

	Notes	December 31, 2019
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents		\$ 191,759,663
Trade and other receivable	2	8,117,406
Due from affiliates	4	66,800,078
Prepaid expenses and other assets		1,974,314
<b>Total Current Assets</b>		<b>268,651,461</b>
Property, plant and equipment	3	1,552,097,631
Long-term derivative assets	6	41,078,791
<b>Total Assets</b>		<b>\$ 1,861,827,883</b>
<b>Liabilities and Equity</b>		
Current Liabilities		
Trade payables and accrued liabilities		\$ 142,782,670
Due to affiliates	4	79,162,759
Current portion of lease liabilities	5	4,040,547
<b>Total Current Liabilities</b>		<b>225,985,976</b>
Long-term lease liabilities	5	52,631,271
Long-term derivative liabilities	6	7,293,069
Provisions	11	20,268,688
<b>Total Liabilities</b>		<b>306,179,004</b>
Equity		
Partnership equity	10	1,293,679,685
Non-controlling interest		261,969,194
<b>Total Liabilities and Equity</b>		<b>\$ 1,861,827,883</b>

See accompanying notes to the combined financial statements

# HANNON ARMSTRONG'S INVESTMENTS WITH ENGIE HOLDINGS INC.

Combined Statement of Comprehensive Income  
For the year ended December 31, 2019

	Notes		December 31, 2019
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Revenue			
Revenue from contracts with customers	8	\$	78,683,577
Finance income			464,753
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79,148,330			
<hr/>			
Expenses			
Operating and maintenance			5,199,055
General and administration			144,300
Finance costs			692,690
Depreciation			5,011,032
<hr/>			
11,047,077			
<hr/>			
Net income and total comprehensive income			\$ 68,101,253
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Net income (loss) attributable to:			
Non-controlling interest		\$	(9,555,079)
ENGIE			77,656,332
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			\$ 68,101,253
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See accompanying notes to the combined financial statements

## HANNON ARMSTRONG'S INVESTMENTS WITH ENGIE HOLDINGS INC.

Combined Statement of Changes in Equity  
For the year ended December 31, 2019

	Non-controlling Interest	ENGIE	Total
Balance at January 1, 2019	\$ -	\$ 192,721,764	\$ 192,721,764
Net income (loss)	(9,555,079)	77,656,332	68,101,253
Contributions for the year	271,600,408	1,241,301,589	1,512,901,997
Distributions for the year	(76,135)	(218,000,000)	(218,076,135)
Balance at December 31, 2019	\$ 261,969,194	\$ 1,293,679,685	\$ 1,555,648,879

See accompanying notes to the combined financial statements



# HANNON ARMSTRONG'S INVESTMENTS WITH ENGIE HOLDINGS INC.

Combined Statement of Cash Flows  
For the year ended December 31, 2019

	Notes	December 31, 2019
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Cash provided by (used in)		
Operating activities:		
Net income for the year		\$ 68,101,253
Adjustments for:		
Depreciation		5,011,032
Non-cash lease expenses		1,237,578
Gain on derivative instruments		(79,414,547)
Cash interest received		460,904
Cash interest paid		(435,543)
Changes in operating working capital	7	27,819,458
		<hr/> 22,780,135 <hr/>
Financing activities:		
Members' distributions		(218,055,198)
Members' contributions		1,512,901,997
		<hr/> 1,294,846,799 <hr/>
Investing activities:		
Purchase of property, plant and equipment		(1,125,867,271)
		<hr/> (1,125,867,271) <hr/>
Net change in cash		151,739,847
Cash and cash equivalents, beginning of the year		<hr/> -
Cash and cash equivalents, end of the year		<hr/> \$ 191,759,663 <hr/>
Non-cash transactions:		
Property, plant and equipment purchase accrual		\$ 110,118,984

See accompanying notes to the combined financial statements

# HANNON ARMSTRONG'S INVESTMENTS WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements  
For the year ended December 31, 2019

## Business Information

These financial statements present, on a combined basis, the financial results of entities in which Hannon Armstrong Sustainable Infrastructure Capital, Inc. (Hannon) has made investments with ENGIE Holdings Inc. (ENGIE). In 2019, ENGIE was developing, designing, constructing, commissioning and operating and maintaining a portfolio of thirteen utility-scale wind and solar projects (Utility-Scale Projects) of approximately 2.3 gigawatts (GW) spread across five states and four competitive Independent Service Operator (ISO) markets including Electric Reliability Council of Texas (ERCOT) and Southwest Power Pool (SPP), as well as a distributed generation solar portfolio of ground mount, rooftop and carport solar projects of approximately 70 megawatts (MW) in the United States (DG Solar Projects).

Below is the project status summary as of December 31, 2019,

Utility-Scale Projects	Type	Entity Location	Status	Capacity (MW)
Seymour Hills Wind Project, LLC (Seymour Hills)	Wind	ERCOT North	Operating	30
Solomon Forks Wind Project, LLC (Solomon Forks)	Wind	SPP South	Operating	276
East Fork Wind Project, LLC (East Fork)	Wind	SPP South	Construction	196
Jumbo Hill Wind Project, LLC (Jumbo Hill)	Wind	ERCOT West	Construction	161
King Plains Wind Project, LLC (King Plains)	Wind	SPP South	Construction	248
Triple H Wind Project, LLC (Triple H)	Wind	SPP South	Construction	250
Prairie Hill Wind Project, LLC (Prairie Hill)	Wind	ERCOT North	Construction	300
Las Lomas Wind Project, LLC (Las Lomas)	Wind	ERCOT South	Construction	202
ENGIE Long Draw Solar LLC (Long Draw)	Solar	ERCOT West	Construction	225
Anson Solar Center, LLC (Anson)	Solar	ERCOT West	Construction	200
DG Solar Projects	Type	Entity Location	Status	Capacity (MW)
Rooftop, carport, ground-mount projects	Solar	U.S. (MA, VT, NM, TX & CA)	Construction	31



# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements  
For the year ended December 31, 2019

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On May 17, 2019, a tax equity investor (Seymour Hill Class A Member) and the Seymour Hills Class B Member, LLC (Seymour Hills Class B Member) amended and restated the Seymour Hills Wind Holdco, LLC Limited Liability Company Agreement ("Seymour Hills LLCA"). Under the Seymour Hills LLCA, the Seymour Hills Class A Member and the Seymour Hills Class B Member funded the costs to develop, procure and construct Seymour Hills in exchange for all the Seymour Hills Class A and Seymour Hills Class B units, respectively, of Seymour Hills Wind Holdco, LLC (Seymour Hills Holdco).

On July 31, 2019, a group of tax equity investors (Solomon Forks Class A Member) with Solomon Forks Class B Member, LLC (Solomon Forks Class B Member) amended and restated the Solomon Forks Limited Liability Company Agreement ("Solomon Forks LLCA"). Under the Solomon Forks LLCA, the Solomon Forks Class A Member and the Solomon Forks Class B Member funded the costs to develop, procure and construct Solomon Forks in exchange for all of the Class A and Class B units, respectively, of Solomon Forks Wind Holdco, LLC (Solomon Forks Holdco).

Seymour Hills Class A Member and Solomon Forks Class A Member are collectively referred herein as Tax Equity Investor or the Non-Controlling Interest of the Partnership (Tax Equity Investor or Non-Controlling Interest).

In 2019, Seymour Hills and Solomon Forks each signed Operations and Maintenance Agreement (O&M), and Asset Management Agreement (AMA) with ENGIE Generation North America LLC (EGNA), a related party, in which the Partnership appointed EGNA as Operator, and Asset Manager, respectively, of both projects.

Seymour Hills and Solomon Forks met the qualifications to earn the Production Tax Credit ("PTC") under the U.S. Internal Revenue Service's Renewable Electricity Production Tax Credit program.

On October 3, 2019, Jupiter Wind Holdco LLC and Jupiter Solar Holdco LLC were formed by the Jupiter Wind Class B Member, LLC (Jupiter Wind Class B Member) and Jupiter Solar Class B Member, LLC (Jupiter Solar Class B Member), respectively.

On June 17, 2020, ENGIE Jupiter Holdings LLC (ENGIE Jupiter), a wholly owned subsidiary of ENGIE formed Jupiter Equity Holdings LLC (Jupiter Partnership), which is the indirect parent of the Utility-Scale Projects.

On July 1, 2020, Hannon through its subsidiary, HA Jupiter LLC, entered into the Project Capital Contribution Agreement (PCCA) with ENGIE Jupiter to acquire 49% of the equity interest in the Jupiter Partnership as the Class A Units, and ENGIE Jupiter's interest in the Jupiter Partnership was converted to the Class B Units.

On September 25, 2020, ESA Managing Member Phase V, LLC (ESA), a wholly owned subsidiary of

On September 23, 2020, ESA Managing Member Phase V, LLC (ESA), a wholly owned subsidiary of ENGIE, formed Project Company FinCo Phase V, LLC (DG Solar Partnership) to continue developing, constructing and operating DG Solar Projects.

# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements  
For the year ended December 31, 2019

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On December 1, 2020, Phase V Class A LLC, an affiliate of Hannon, entered into an Amended and Restated Limited Liability Company Agreement (DG Solar A&R LLCA) with ESA to acquire an 85% equity interest in the DG Solar Partnership as the Class A Units, and ESA's interest in the DG Solar Partnership was converted into the Class B Units.

The combined Jupiter Partnership and DG Solar Partnership are herein referred to collectively as the Partnership.

The Partnership's registered head office is located at 1360 Post Oak Blvd., Suite 400, Houston, TX 77056.





# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements  
For the year ended December 31, 2019

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## 1. Significant accounting policies

### Principles of Combination and Basis of Presentation

The combined financial statements of the Partnership have been prepared in accordance with the significant accounting policies noted below using the recognition and measurement principles of U.S. generally accepted accounting principles ("GAAP").

The combined financial statements have been prepared on a historical cost basis, unless otherwise stated in the accounting policies or note disclosures to follow.

The combined financial statements are presented in U.S. dollars, unless otherwise indicated.

### Use of Estimates

The preparation of the combined financial statements in compliance with GAAP requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Partnership's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(j) and 1(k).

The accounting policies set out below have been applied consistently to the combined financial statements, unless otherwise indicated. The accounting policies have been applied consistently by all entities.

#### (a) Basis of combination

Where the Partnership has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business to obtain benefits from its activities, it is classified as a subsidiary. The combined financial statements present the results of the Partnership and its subsidiaries as if they formed a single entity. Inter-company balances, transactions, and any income and expenses arising from inter-company transactions within the group are eliminated in preparing the combined financial statements.



# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements  
For the year ended December 31, 2019

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The combined financial statements include the following subsidiaries of the Partnership, all entities listed here are 100% owned by the Partnership,

Name	Relationship
Jupiter Partnership	Parent of Jupiter Renewable Partners LLC
<ul style="list-style-type: none"> <li>• Jupiter Renewable Partners LLC           <ul style="list-style-type: none"> <li>o Jupiter Wind Class B Member LLC (Jupiter Wind Class B)               <ul style="list-style-type: none"> <li>▪ Jupiter Wind Holdco LLC (Jupiter Wind Holdco)                   <ul style="list-style-type: none"> <li>• East Fork</li> <li>• Jumbo Hill</li> <li>• King Plains</li> <li>• Triple H</li> <li>• Prairie Hill</li> <li>• Las Lomas</li> </ul> </li> <li>o Solomon Forks Class B                   <ul style="list-style-type: none"> <li>▪ Solomon Forks Holdco                       <ul style="list-style-type: none"> <li>• Solomon Forks</li> </ul> </li> <li>o Seymour Hills Class B                   <ul style="list-style-type: none"> <li>▪ Seymour Hills Holdco                       <ul style="list-style-type: none"> <li>• Seymour Hills</li> </ul> </li> <li>o Jupiter Solar Class B Member LLC (Jupiter Solar Class B)                   <ul style="list-style-type: none"> <li>▪ Jupiter Solar Holdco LLC (Jupiter Solar Holdco)                       <ul style="list-style-type: none"> <li>• Long Draw</li> <li>• Anson</li> </ul> </li> </ul> </li> </ul> </li> </ul> </li> </ul> </li> </ul> </li></ul>	Parent of Jupiter Wind Class B, Solomon Forks Class B, Seymour Hills Class B and Jupiter Solar Class B  Parent of Jupiter Wind Holdco  Parent of East Fork, Jumbo Hill, King Plains, Triple H, Prairie Hill and Las Lomas          Parent of Solomon Forks Holdco  Parent of Solomon Forks   Parent of Seymour Hills Holdco  Parent of Seymour Hills  Parent of Jupiter Solar Holdco  Parent of Long Draw and Anson
Name	Relationship
DG Solar Partnership	Parent of various rooftop, carport, ground-mount projects
<ul style="list-style-type: none"> <li>• Various rooftop, carport, ground-mount projects</li> </ul>	



# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements  
For the year ended December 31, 2019

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## (b) Property, plant and equipment

Property, plant and equipment ("PP&E") are recorded at cost less accumulated depreciation. Cost (including construction in progress) includes all expenditures that are directly attributable to the acquisition of the asset. Borrowing costs that are directly attributable to the construction of the qualifying asset are capitalized as part of the cost of the asset until the asset is capable of carrying out its intended use. Depreciation commences once the wind turbine or solar module is in operation. Depreciation is provided at rates designated to depreciate the cost of the assets over their estimated useful lives as follows:

Asset	Basis	Rate
Computer equipment	Straight line	3 years
Transportation equipment	Straight line	4-8 years
Plant equipment	Straight line	20-30 years
Building	Straight line	30-35 years
Right-of-use assets	Straight line	up to 30 years

The useful lives, residual values and depreciation methods are reviewed at the end of each financial year.

## (c) Revenue recognition

The Partnership provides wind and solar energy to its customers through long-term Virtual Power Purchase Agreements (VPPAs) for Utility-Scale Projects and Power Purchase Agreements (PPAs) for DG Solar Projects. Revenues from VPPAs that do not qualify as derivatives under ASC 815, Derivatives and Hedging (ASC 815) are accounted for under ASC 606, Revenue from Contracts with Customers (ASC 606) effective January 1, 2019. Revenues from PPAs that are determined to be leases are accounted for under ASC 842, Leases. Revenue from PPAs that are determined not to be leases and other revenue arrangements are accounted for under ASC 606.

Under ASC 606, revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services using a five-step model to achieve that principle. In addition, the standard requires disclosures to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

ASC 606 requires revenue to be recognized according to the following steps: (1) identification of the contract with a customer, (2) identification of the performance obligations in the contract, (3) determination of the transaction price, (4) allocation of the transaction price to the performance obligations in the contract and (5) recognition of revenue when, or as, the Partnership satisfies a performance obligation.

Electricity revenue sold under VPPAs for Utility-Scale Projects are recognized based on meter readings

that measure the MW produced each month multiplied by the VPPAs' contract price and ultimately settled at the Entity Location. VPPAs are structured to financially settle the electricity portion of the contract and physically settle the environmental attributes (Renewable Energy Credits or "RECs")

# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements  
For the year ended December 31, 2019

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generated by the Utility-Scale Projects. The physical sale of MWs occurs in real-time at the point of interconnection into the Entity Location. Revenue is recognized when the Partnership meets the contract conditions, the energy is delivered, the price is fixed or determinable, and collection is reasonably assured in line with agreed upon payment terms which are typically due within 30 days. Interest income is recognized as it is earned. The Partnership makes no representations, warranties, refunds, or obligations for services beyond its commoditized services of power generation or negotiated hedge contracts.

## (d) Income taxes

The Partnership is a limited liability company treated as a pass-through entity for federal and state tax purposes. Under the tax regulations in the United States of America, the Partnership itself is not subject to federal, state, and local income taxes except for Texas gross margin tax. Accordingly, federal, state, and local income taxes have not been provided for in the accompanying combined financial statements. Each member is responsible for reporting its allocable share of the member's income, gains, losses, deductions, and credits in its individual tax return.

The Partnership is required to file federal and partnership tax returns in the State of Texas and Kansas, and individual states for DG Projects.

## (e) Financial instruments

Financial instruments and derivatives are recognized, measured and presented in accordance with ASC 480, Distinguishing liabilities from equity (ASC 480), ASC 815 and Topic 210, Balance Sheet.

Financial assets are composed of loans and receivables carried at amortized cost, including trade, other and affiliated company receivables, assets from contracts with customers and financial assets measured at fair value through income, including derivative financial instruments. Financial assets are broken down into current and non-current assets in the combined statements of financial position.

Financial liabilities include due to affiliated companies, trade and other payables, derivative financial instruments, and other financial liabilities. Financial liabilities are broken down into current and non-current liabilities in the combined statements of financial position. Current financial liabilities primarily include:

- Financial liabilities with a settlement or maturity date within 12 months of the combined statement of financial position date
- Financial liabilities in respect of which the Partnership does not have an unconditional right to defer settlement for at least 12 months after the combined statement of financial position date
- Commodity derivatives with a settlement or maturity date within 12 months of the combined statement of financial position date

Borrowings are measured at amortized cost; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the combined statement of comprehensive income over the period of the borrowings using the effective interest method.



# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements

For the year ended December 31, 2019

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The Partnership's financial instruments consist primarily of cash, trade receivables, trade payables and accrued liabilities, related party transactions and commodity instruments, and other financial obligations. The book values of cash, trade receivables, trade payables and accrued liabilities, and other financial obligations are representative of their respective fair values due to the short-term nature of these instruments.

## (f) Tax equity

Solomon Forks Holdco and Seymour Hills Holdco raised tax equity project financing whereby the tax credits and other tax-related incentives generated by the projects primarily go to the Tax Equity Investor. The Tax Equity Investor is entitled to substantially all of the tax benefits of Solomon Forks and Seymour Hills until the point in time which their Class A Units are determined, based on the procedure set forth in the Solomon Forks LLCA and Seymour Hills LLCA to have realized an after tax Internal Rate of Return (IRR) equal to the target IRR (Flip Point). The Class B Member of Solomon Forks Holdco and Seymour Hills Holdco has an exclusive and irrevocable option to purchase all of the Class A Units based on the fair market value of such Class A Units around the end of the last day of the month in which the Flip Point occurs (Flip Date). According to ASC 480, the tax equity amount is classified as Non-Controlling Interest within equity on the combined statements of financial position.

## (g) Impairment of property, plant and equipment

At the end of each reporting period, the Partnership reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss and their carrying amount may not be recoverable in accordance with GAAP. An impairment loss would be determined when estimated undiscounted future pre-tax cash flows from the use of the asset or group of assets are less than its carrying amount. In estimating future undiscounted cash flows, the Partnership uses historical cash flows, the expected growth rate of revenue and expenses, the expected effect of capital expenditures, and the estimated remaining useful life of the assets, holding periods, and future market and economic conditions. Measurement of an impairment loss is based on the excess of the carrying amount of the asset or group of assets over the long-lived assets fair value.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in net income.

## (h) Provisions

Provisions, including asset retirement obligations, are recognized when the Partnership has a present obligation (legal or constructive) as a result of a past event, it is probable that the Partnership will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties

surrounding the obligation.

# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements

For the year ended December 31, 2019

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In the course of the Partnership's operations, wind turbines, solar panels and other assets are utilized on leased premises. Often, costs are expected to be incurred associated with decommissioning these assets and restoring the location where these assets are situated upon ceasing their use on those premises. The provision for asset retirement obligation represents the present value of the future obligation that the Partnership has under easement agreements. The Partnership records a provision for the present value of the expected obligation at the decommissioning date and recognizes a dismantling asset as the matching entry for the provision. Assumptions related to the amount and timing of cash flows required to satisfy the Partnership's future legal obligations include labor costs based on current marketplace wages and the rate of inflation over the expected years to settlement; the length of facility lease renewal periods and probability of such renewals; and the appropriate discount rate to present value the future cash flows.

Upon removal of the asset and settlement of the liability, any costs incurred are charged against the recorded liability with any difference from the recorded amount recognized in the combined statement of comprehensive income.

## (i) Adoption of new accounting standards

### ASC 842 – Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). Under this new guidance, lessees will be required to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of greater than twelve months. The guidance requires qualitative disclosures along with certain specific quantitative disclosures for both lessees and lessors. In July 2018, the FASB issued ASU No. 2018-10, Codification Improvements to Topic 842, Leases ("ASU 2018-10"), and ASU No. 2018-11, Leases (Topic 842): Targeted Improvements ("ASU 2018-11"), to provide additional guidance for the adoption of Topic 842. The ASU and its related amendments are effective for fiscal years beginning after December 15, 2019, with early adoption permitted, and are effective for interim periods in the year of adoption. The ASU should be applied using a modified retrospective approach, which requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented with an option to use certain practical expedients.

The Partnership has evaluated the impact of this new guidance and reviewed lease or possible lease contracts and evaluated contract related processes. The Partnership adopted ASU 2016-02 effective January 1, 2019.

## (j) Accounting estimates

Management has made estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities at the date of the combined financial statements. Actual results could differ from those estimates.

Estimates are involved in determining the useful lives of PP&E. These estimates take into account economic conditions, as well as technical and commercial obsolescence and changes in market

# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements  
For the year ended December 31, 2019

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demand. Changes in these estimates could affect future net income because of revised depreciation expense, as well as the combined statement of financial position through the carrying value of PP&E.

Management must make estimates for the asset retirement obligation provision. Specifically, management must estimate the amount of the obligation at the end of the useful life of the assets, as well as the discount rate to be used. In making the estimate of the amount of the eventual obligation, management has considered the value of guarantees required to be posted. Changes in the estimate of the provision primarily affect the Provisions and PP&E balances on the combined statement of financial position, however there will also be an impact on net income through the depreciation and finance costs line items.

## (k) Areas of judgment

The following are the critical judgments, apart from those involving estimates, that management has made in the process of applying the Partnership's accounting policies and that have the most significant effect on the amounts recognized in the combined financial statements.

Judgment is involved in determining whether any provisions should be required, including provisions for asset retirement obligations. Management must assess whether there are any legal or constructive obligations either through contract, legislation, or past actions. If obligations do exist, this will affect the combined statement of financial position and combined statement of comprehensive income through the accrual of costs, as well as future cash flows.

Judgement is involved in assessing whether there is any indication that an asset may be impaired. This assessment is made based on an analysis of, amongst other factors, changes in the market or business environment, events that have transpired that have impacted the asset and information from internal reporting.

## 2. Revenue

As at December 31, 2019, the Partnership's trade and other receivables included \$377,757 due from customers of Solomon Forks and Seymour Hills, and other receivables of \$7,739,649 due from the non-controlling interest shareholders.



# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements  
For the year ended December 31, 2019

## 3. Property, plant and equipment

Net carrying amount

	December 31, 2019
Plant equipment	\$ 376,017,046
Construction in progress	1,118,605,080
Transportation equipment	196,164
Computer equipment	435,734
Building and improvement	1,466,468
Right-of-use assets	55,377,139
	<u>\$ 1,552,097,631</u>

Gross book value

	Balance at January 1, 2019	Additions	Asset Retirement Obligation	Balance at December 31, 2019
Plant equipment	\$ 3,266,250	\$ 375,301,852	\$ 2,374,665	\$ 380,942,767
Construction in progress	362,622,090	741,561,531	14,421,459	1,118,605,080
Transportation equipment	-	215,635	-	215,635
Computer equipment	-	480,742	-	480,742
Building and improvements	-	1,487,300	-	1,487,300
Right-of-use assets	-	55,567,327	-	55,567,327
	<u>\$ 365,888,340</u>	<u>\$ 1,174,614,387</u>	<u>\$ 16,796,124</u>	<u>\$ 1,557,298,851</u>

Accumulated depreciation

	Balance at January 1, 2019	Additions	Asset Retirement Obligation	Balance at December 31, 2019
Plant equipment	\$ -	\$ 4,877,942	\$ 47,779	\$ 4,925,721
Transportation equipment	-	19,471	-	19,471
Computer equipment	-	45,008	-	45,008
Building and improvements	-	20,832	-	20,832
Right-of-use assets	-	190,188	-	190,188
	<u>\$ -</u>	<u>\$ 5,153,441</u>	<u>\$ 47,779</u>	<u>\$ 5,201,220</u>

Construction in progress consists mainly of machinery, equipment and spare parts for the wind and solar projects, of which approximately \$14 million were from DG Solar Projects.





# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements  
For the year ended December 31, 2019

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## 4. Related party balances and transactions

During the year, the Partnership has undertaken transactions with related parties, which include the partners and associated companies. Occasionally the related parties will pay expenses on behalf of the Partnership and the Partnership is billed for these costs. Related party transactions are summarized as follows:

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	2019
Asset management fees	\$ 410,833
Operations management fees	5,515,885
Construction development costs	371,405,870
Other expenses	746,374
	<u>\$ 378,078,962</u>

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Construction costs of \$376,820,922 were capitalized as part of property, plant and equipment.

As of December 31, 2019, the Partnership has the following related party receivables,

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	2019
ENGIE IR Holdings	\$ 46,888,205
ENGIE Solar NA LLC	17,904,950
ENGIE Energy Marketing NA, Inc.	1,660,435
Other affiliates	346,488
	<u>\$ 66,800,078</u>

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As at December 31, 2019, the Partnership has the following related party payables and accrued liabilities,

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	2019
ENGIE IR Holdings	\$ 51,432,325
SoCore Energy LLC/ENGIE Services U.S. Inc.	14,013,990
ENGIE Solar NA LLC	11,467,826
ENGIE North America Inc.	729,807
Other affiliates	1,518,811
	<u>\$ 79,162,759</u>

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# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements  
For the year ended December 31, 2019

## 5. Lease Liabilities

The Partnership has entered into easements and land lease agreements with private landowners. The Partnership recognizes lease expense on a straight-line basis, excluding short-term and variable lease payments which are recognized on the combined statement of comprehensive income as incurred.

The Partnership also carried out an assessment of the lease term, including whether the renewal or termination was probable to be exercised which was made on a case by case basis.

The Partnership's lease liabilities as of December 31, 2019 were as:

	December 31, 2019
Total leases liabilities	\$ 56,671,818
Less: current portion	(4,040,547)
Long-term lease liabilities	\$ 52,631,271

	December 31, 2019
Operating lease costs	\$ 2,477,100

The Partnership's operating leases do not contain an implicit interest rate that can be readily determined. Therefore, the Partnership used the incremental borrowing rate ranging from 6.1% to 7.1% that was established under the Partnership's tax equity funding and extrapolated for 30 years lease term which is consistent with the useful life of the property, plant and equipment.

The future minimum lease commitments as of December 31, 2019 are presented in the table below. Such commitments are reflected at undiscounted values and are reconciled to the discounted present value on the combined balance sheet as follows:

2020	\$ 4,205,341
2021	3,414,338
2022	3,425,627
2023	3,437,074
2024	3,577,592
Remaining through 2049	114,182,917
Less: imputed interest	(75,571,071)

Less: Imputed interest		(15,571,071)
Total lease liability	\$	56,671,818

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# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements  
For the year ended December 31, 2019

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## 6. Fair value of financial instruments

The Partnership's financial instruments and derivatives consist primarily of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities, and commodity instruments. The book values of cash, trade and other receivables, accounts payables and accrual liabilities are representative of their respective fair values due to the short-term nature of these instruments.

The Partnership entered VPPAs for financial swaps and PPAs to manage its exposure to power and REC price risk. The Partnership recognizes its derivative instruments as assets or liabilities at fair value in the combined statement of financial position, unless either the physical PPA qualifies for the "Normal Purchase Normal Sale" (NPNS) scope exception to derivative accounting or a VPPA does not meet the definition of a derivative.

Contracts used in normal business operations that are settled by physical delivery, among other criteria, are eligible and may be designated as NPNS. As NPNS contracts qualify for a scope exception to derivative accounting, contracts associated with the sale of energy are recognized as electricity sales when revenue recognition criteria are met.

The statement of financial position items measured at fair value are classified based on the significance of the inputs used in making the measurements:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 - inputs for the asset or liability that are not based on observable market data

There were no transfers between levels during the year. The financial assets or liabilities that are measured at fair value are classified in level 3.

Five of the VPPAs meet the definition of derivative under ASC 815. The table below shows the allocation of derivative assets and liabilities to the different levels in the fair value hierarchy.

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Total derivative assets at fair value through income	\$ -	\$ -	\$ 41,078,791	\$ 41,078,791
Total derivative liabilities at fair value through income	-	-	(7,293,069)	(7,293,069)

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\$ - \$ - \$ 33,785,722 \$ 33,785,722

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# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements  
For the year ended December 31, 2019

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The Partnership utilizes the market approach and income approach to measure the fair value of these contracts. Inputs include quoted prices, forecasted market prices, and if those sources are unavailable, valuation models available from industry sources, and appropriate valuation adjustment methodologies. Certain valuation models include as inputs forward commodity and basis prices, which extend beyond the period for which liquid market pricing is available. In those cases, the Partnership extrapolates forwards specific to individual commodities and markets.

The movement of level 3 values are as follows:

	Assets	Liabilities
Level 3 Fair value – January 1, 2019	\$ -	\$ (45,628,825)
Transfers in/(out)	-	-
Gain (loss) recorded through earnings	41,078,791	38,335,756
Settlements	-	-
Level 3 fair value – December 31, 2019	\$ 41,078,791	\$ (7,293,069)

The gain or loss recorded through earnings and the earnings impact of settlements in the table above are recorded in the revenue from contracts with customers on the combined statement of comprehensive income.

Level 3 valuations are developed, maintained, and validated by the Partnership according to the Partnership's established policies and procedures. These valuations include the use of unobservable inputs. Unobservable inputs, which are related to observable inputs, such as illiquid portions of forward prices or volatility curves, are updated monthly using industry-standard techniques, such as extrapolation, combining observable forward inputs supplemented by historical market and other relevant data.

The Level 3 fair value associated within the power contracts that have been Marked-to-Market (MtM) includes VPPAs at December 31, 2019. The forward prices of these contracts become illiquid in unobservable periods, as the longest term of these contracts extends beyond 2030.





## HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements  
For the year ended December 31, 2019

The significant unobservable inputs used in the valuation of the Partnership contracts categorized as level 3 of the fair value hierarchy at December 31, 2019, are as follows,

Commodity	Contract type	Net MtM (\$)	Valuation technique	Significant observable input	Range
Power	Forward contracts	\$ 51,282,305	Discounted cash flow	Illiquid pricing in unobservable periods	\$0- \$140/MWh
REC	Forward contracts	(17,496,583)	Discounted cash flow	Illiquid pricing in unobservable periods	\$0.76-\$0.81/right
Total		\$ 33,785,722			

### 7. Combined net change of cash flows

The net change in operating working capital consists of the following:

	2019
Trade and other receivables	\$ (8,117,406)
Due from affiliates	(66,800,078)
Prepaid expenses and other assets	(1,974,314)
Trade payables and accrued liabilities	104,711,256
	\$ 27,819,458



# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements  
For the year ended December 31, 2019

## 8. Financial Instruments

Categories of financial instruments - The Partnership's financial assets and liabilities are categorized as follows:

	December 31, 2019			
	Assets at amortized cost	Fair value through profit or loss	Financial Liabilities at amortized cost	Total
Cash and cash equivalents	\$ 191,759,663	\$ -	\$ -	\$ 191,759,663
Trade and other receivables	8,117,406	-	-	8,117,406
Due from affiliates	66,800,078	-	-	66,800,078
Derivative assets	-	41,078,791	-	41,078,791
Trade payables and accrued liabilities	-	-	(142,782,670)	(142,782,670)
Due to affiliates	-	-	(79,162,759)	(79,162,759)
Derivative liabilities	-	(7,293,069)	-	(7,293,069)
Long-term lease liabilities	-	-	(56,671,818)	(56,671,818)
Provision	-	-	(20,268,688)	(20,268,688)
	\$ 266,677,147	\$ 33,785,722	\$ (298,885,935)	\$ 1,576,934

### (a) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is minimal as the Partnership does not have any external debt.

### (b) Market risk:

Market risk arises primarily from two types of commodity risks: price risk resulting from fluctuations in market prices, and volume risk inherent to the business. For disclosure purposes, volume risk is not considered a market risk.

To manage the price risk, the Partnership has entered into VPPAs as an economic hedge to reduce the Partnership's commodity price risk.

In 2019, the Partnership recorded the following unrealized and realized losses as the revenue from contracts with customers in the combined statement of comprehensive income,

	2019
Realized amount of economic hedges	\$ -
Unrealized change in economic hedges	70,414,547

Unrealized change in economic hedges	79,414,547
Impact on combined statement of comprehensive income	\$ 79,414,547

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# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements

For the year ended December 31, 2019

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Market price risk arises primarily as the result of volatility in market price. The Partnership has the risk of fluctuation in merchant price of the electricity sold. The Partnership has managed this risk by having a hedge contract to swap the variable price with the fixed price.

## (c) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk results from a combination of payment risk (failure to pay for services or deliveries carried out), delivery risk (failure to deliver services or products paid for), and the risk of replacing contracts in default (known as mark-to-market exposure, i.e., the cost of replacing the contract in conditions other than those initially agreed).

The Partnership maintains credit risk policies that govern the management of credit risk. These policies require an evaluation of a potential counterparty's financial condition, credit rating, and other quantitative and qualitative criteria; this evaluation results in establishing credit limits or collateral requirements prior to entering into an agreement with a counterparty. Additionally, the Partnership has established controls to determine and monitor the appropriateness of these limits on an ongoing basis. Risk mitigation tools include, but are not limited to, the use of standardized master contracts and agreements that allow for netting of exposures across commodities, rights to margin, and termination upon the occurrence of certain events of default.

Credit risk arising on operating activities is managed via standard mechanisms, such as third-party guarantees, netting agreements, and margin calls, using dedicated hedging instruments or special prepayment and debt recovery procedures.

The Partnership is not exposed to significant credit risk as all its cash is maintained with a major US bank which the partnership believes lessens the credit risk, and five of the VPPAs determined as derivative contracts do not pose significant concentrations of credit risk. The maximum exposure to credit risk is limited to \$266,677,147 of cash, trade and other receivables and due from affiliates at December 31, 2019. No allowance has been recorded by management on trade receivables due to all sales made to reputable institutions. There is no history of non-payments from the customers.

The balance of trade and other receivables at December 31, 2019 is \$8,117,406 and is classified as current.



# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements  
For the year ended December 31, 2019

## (d) Liquidity risk:

Liquidity risk is the risk that the Partnership will not have sufficient cash resources to meet its financial obligations as they come due. As of December 31, 2019, the Partnership has cash of \$191,759,663 to meet its financial obligations when due.

	December 31, 2019			Total
	Less than 1 year	2-5 years	More than 5 years	
Trade payables and accrued liabilities	\$ 142,782,670	\$ -	\$ -	\$ 142,782,670
Due to affiliates	79,162,759	-	-	79,162,759
Long-term lease liabilities	4,205,341	13,854,631	114,182,917	132,242,889
Provision	-	-	223,864,289	223,864,289
	\$ 226,150,770	\$ 13,854,631	\$ 338,047,206	\$ 578,052,607

## 9. Offsetting of financial derivative instrument assets and liabilities

Financial assets and liabilities are presented in accordance with the standard netting agreements present in the Partnership's commodity contracts, which allow it to settle trade and other receivables and accounts payable and accrued liabilities from counterparties on a net basis by counterparty, by contract. The right to set off across commodities exists only in the event of a default by one of the parties to the contract.

The following tables demonstrate the impacts of offsetting recognized derivative assets and liabilities as permitted when the ability and intent to settle such assets and liabilities on a net basis exists.

	Assets	Liabilities
Gross and net amounts of derivatives recognized on the combined statement of financial position	\$ 41,078,791	\$ (7,293,069)
Total net derivative amount	\$ 41,078,791	\$ (7,293,069)

There is no cash collateral or other guarantees or letter of credits to reduce the Partnership's gross derivative exposure.





# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements  
For the year ended December 31, 2019

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## 10. Capital disclosures

The Partnership's objective when managing capital is to maintain a strong capital base and provide an adequate return to its partners.

The Partnership considers the items included in equity as capital and is not subject to any capital requirements imposed by a regulator. The Partnership manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structures, the Partnership may issue new partnership units, sell assets to settle liabilities or return capital to its partners.

The Partnership applies the Hypothetical Liquidation Book Value (HLBV) method to attribute net assets to the Solomon Forks Class A Member and Solomon Forks Class B Member, Seymour Hills Class A Member and Seymour Hills Class B Member, as this method most closely mirrors the economics of the governing contractual arrangements of Solomon Forks Holdco and Seymour Hills Holdco. Under HLBV, Solomon Forks Holdco and Seymour Hills Holdco allocate their net income or loss to each investor based on the change during the reporting period for the net assets each investor is entitled to under the governing contractual arrangements in a liquidation scenario. HLBV schedules are prepared and calculate the amount each of the Class A and the Class B members would receive if the partnerships were liquidated at book value at the end of the reporting period. The allocated amount to each partner during the period is book income or loss allocated to that partner after adjustment for distributions.

The HLBV has a flip rate also noted as a hurdle rate, used as IRR, which is a predetermined rate of cash and income ownership between the Class A and the Class B members of Solomon Forks Holdco and Seymour Hills Holdco. The current flip rate is 6.25% and 6.75% (Flip Rate) for Solomon Forks Holdco and Seymour Hills Holdco, respectively.

The Partnership reports the net income (loss) attributable to the Tax Equity Investor as income (loss) attributable to non-controlling interest in the combined statement of comprehensive income. The Tax Equity Investor's balance including contributions, distributions, and allocation of net income is reflected as non-controlling interest on the combined statement of financial position.

## 11. Commitments and provisions

Easements and Leases - The Partnership has easements and lease agreements with third parties related to the privately-owned land where the wind turbines, or solar panels, and related equipment have been installed and are operating. The annual payments under each easement are based on the minimum royalty payment calculated on installed capacity and acreage of the respective easement. The variable portion of the easements are not included in the measurement of lease liabilities.

Service and Maintenance Agreement - The Jupiter Partnership has long term service and maintenance agreements with third parties for Utility-Scale Projects.

# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements

For the year ended December 31, 2019

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Asset Retirement Obligation - The provisions for asset retirement obligation represent the present value of the future obligations that the Partnership has under easement and lease agreements. The Partnership records a provision for the present value of the expected obligation at the decommissioning date and recognizes a dismantling asset as the matching entry for the provision. The amount of the provision is adjusted each period to reflect the impact of unwinding of the discount and to reflect changes in the expected obligation based on new or improved information.

The Partnership's asset retirement obligation as at December 31, 2019 are listed below.

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	2019
Balance, start of the year	\$ 5,640,915
Accretion	206,314
Addition	14,421,459
Balance, end of the year	\$ 20,268,688

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The asset retirement obligation was established using the following assumptions,

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Expected costs	\$ 223,864,289
Discount rate	6.1% - 7.1%
Expected remediation years	2049-2050

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O&M and AMA – Solomon Forks and Seymour Hills had entered into O&M and AMA with EGNA, in which Solomon Forks and Seymour Hills appointed EGNA as Operator and Asset Manager of both projects. Under the O&M Agreement, EGNA provides operation and maintenance services necessary to operate and maintain these two projects, as well as any development and construction management services for the projects' capital improvements. Under the AMA, EGNA provides administrative, financial, legal, regulatory, and governmental services to Solomon Forks and Seymour Hills.

## 12. Subsequent events

The Partnership has evaluated subsequent events through March 16, 2021, which is the date on which the combined financial statements were approved and authorized for issuance.

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This COVID-19 outbreak has severely restricted the level of economic activity around the world. In response to this outbreak, the Partnership implemented several business continuity and pandemic response plans and shared that plan with the customers. To date, the Partnership is unsure of the impacts of COVID-19 and continues to monitor this situation.

On April 2, 2020, each of the Jupiter Wind Holdco subsidiaries signed O&M with EGNA, in which these subsidiaries appointed EGNA as the Operator. Under the O&M Agreement, EGNA provides operation

# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements  
For the year ended December 31, 2019

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and maintenance services necessary to operate and maintain these projects, as well as any development and construction management services for the projects' capital improvements. On the same day, Jupiter Wind Holdco and each of its subsidiaries signed AMA with EGNA, in which Jupiter Wind Holdco and each of its subsidiaries appointed EGNA as their Asset Manager. EGNA provides administrative and financial, legal, regulatory and governmental services to these projects under AMA.

On April 3, 2020, each of the Jupiter Solar Holdco subsidiaries signed O&M with EGNA, in which these subsidiaries appointed EGNA as the Operator. Under the O&M Agreement, EGNA provides operation and maintenance services necessary to operate and maintain these projects, as well as any development and construction management services for the projects' capital improvements. On the same day, each of the Jupiter Solar Holdco subsidiaries signed AMA with EGNA, in which Jupiter Solar Holdco and each of its subsidiaries appointed EGNA as their Asset Manager. EGNA provides administrative and financial, legal, regulatory and governmental services to these projects under AMA.

On April 3, 2020, a group of tax equity investors (Jupiter Wind Class A Member) and Jupiter Wind Class B Member amended and restated Jupiter Wind Holdco's Limited Liability Company Agreement (Jupiter Wind LLCA). Under the Jupiter Wind LLCA, the Jupiter Wind Class A and the Jupiter Wind Class B members had funded the costs to develop, procure and construct the Utility-Scale Projects in exchange for all the Class A units and Class B units, respectively.

On April 9, 2020, Jumbo Hill and East Fork were dropped into Jupiter Wind Holdco and began their commercial operation.

On June 17, 2020, ENGIE Jupiter formed Jupiter Partnership to continue developing, constructing and operating Utility-Scale Projects.

On July 1, 2020, Hannon through its subsidiary, HA Jupiter LLC, entered into the PCCA with ENGIE Jupiter to acquire 49% of the equity interest in the Jupiter Partnership as the Class A Units, and ENGIE Jupiter's interest in the Jupiter Partnership was converted to the Class B Units.

On September 25, 2020, ESA formed DG Solar Partnership.

On October 8, 2020, a group of tax equity investors (Jupiter Solar Class A Member) and Jupiter Solar Class B Member amended and restated Jupiter Solar Holdco's Limited Liability Company Agreement (Jupiter Solar LLCA). Under the Jupiter Solar LLCA, the Jupiter Solar Class A and the Jupiter Solar Class B members had funded the costs to develop, procure and construct the utility-scale solar projects in exchange for all the Jupiter Solar Class A and Class B units, respectively. Long Draw was dropped into Jupiter Solar Holdco on the same day.

King Plains and Triple H reached commercial operation on November 20 and November 23, 2020.

King Plains and Empire reached commercial operation on November 20 and November 23, 2020, respectively.

# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements  
For the year ended December 31, 2019

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On November 25, 2020, King Plains and Triple H were dropped into Jupiter Wind Holdco.

On December 1, 2020, Phase V Class A LLC, an affiliate of Hannon, entered into DG Solar A&R LLCA with ESA to acquire an 85% equity interest in the DG Solar Partnership as the Class A Units, and ESA's interest in the DG Solar Partnership was converted into the Class B Units.

On December 3, 2020, Anson was dropped into Jupiter Solar Holdco.

On December 17, 2020, Prairie Hill reached commercial operation and was dropped into Jupiter Wind Holdco.

On December 30, Las Lomas was dropped into Jupiter Wind Holdco.

On December 31, 2020, Las Lomas and ENGIE Energy Market NA, Inc. (EEMNA), a wholly owned subsidiary of ENGIE, entered into the Tracking Account Transaction Confirmation (Las Lomas Tracking Account). Starting January 1, 2021, EEMNA may periodically advance funds to Las Lomas for up to \$12.5 million when Las Lomas production is less than the forecast, or the real-time settlement price is less than the price specified in Las Lomas VPPA. The Las Lomas Tracking Account ends on December 31, 2032.

On December 31, 2020, Anson and EEMNA entered into the Tracking Account Transaction Confirmation (Anson Tracking Account). Starting January 1, 2021, EEMNA may periodically advance funds to Anson for up to \$4 million when Anson production is less than the forecast, or the real-time settlement price is less than the price specified in Anson VPPA. The Anson Tracking Account ends on December 31, 2032.

On December 31, 2020, Anson, Long Draw and Las Lomas all reached commercial operation.

Throughout 2020, Hannon, ENGIE, the Tax Equity Investor together with Jupiter Wind Class A Member and Jupiter Solar Class A Member, collectively invested approximately \$2.5 billion to fund the construction of the Utility-Scale Projects and DG Solar Projects. In the same year, the Partnership distributed approximately \$1.9 billion in total to Hannon, ENGIE and Tax Equity Investor.

On February 11, 2021, Hannon contributed approximately \$21.7 million to DG Solar Partnership.

In the week of February 14, 2021, Texas, where some of the Utility-Sale Projects are located, faced an unprecedented statewide power outage caused by extreme winter weather and snowstorm, leaving many homes and businesses on a rolling blackout of power and water for about a week. ERCOT, the agency that oversees Texas's electric grid, declared the state of energy emergency because of lower power supply and high demand due to the cold weather. The Partnership experienced some operational challenges and worked with ERCOT, turbine and solar manufacturers, and customers to mitigate and

challenges and worked with ERCOT, turbine and solar manufacturers, and customers to review and mitigate the potential economic impact. To date, the Partnership is unsure about the total impacts and continues working with all the stakeholders.



## HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Notes to the Combined Financial Statements  
For the year ended December 31, 2019

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On February 26, 2021, the Tax Equity Investor contributed \$7.8 million in total to Solomon Forks Holdco and Seymour Hills Holdco.





Unaudited Combined Financial Statements of

**HANNON ARMSTRONG'S  
INVESTMENTS WITH ENGIE  
HOLDINGS INC.**

For the nine months ended September 30, 2020

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# HANNON ARMSTRONG'S INVESTMENTS WITH ENGIE HOLDINGS INC.

Unaudited Combined Statement of Financial Position

As at September 30, 2020

	Notes	September 30, 2020
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents		\$ 72,336,826
Trade and other receivable	2	3,389,391
Due from affiliates	4	11,589,900
Prepaid expenses and other assets		2,469,173
<b>Total Current Assets</b>		<b>89,785,290</b>
Property, plant and equipment	3	2,493,229,827
Long-term derivative assets	6	14,712,723
<b>Total Assets</b>		<b>\$ 2,597,727,840</b>
<b>Liabilities and Equity</b>		
Current Liabilities		
Trade payables and accrued liabilities		\$ 207,149,787
Due to affiliates	4	51,402,114
Current portion of lease liabilities	5	4,579,427
<b>Total Current Liabilities</b>		<b>263,131,328</b>
Long-term lease liabilities	5	74,524,057
Long-term derivative liabilities	6	57,211,120
Provisions	11	37,837,377
<b>Total Liabilities</b>		<b>432,703,882</b>
Equity		
Partnership equity	10	1,628,248,315
Non-controlling interest		536,775,643
<b>Total Liabilities and Equity</b>		<b>\$ 2,597,727,840</b>

See accompanying notes to the combined financial statements

# HANNON ARMSTRONG'S INVESTMENTS WITH ENGIE HOLDINGS INC.

Unaudited Combined Statement of Comprehensive Income  
For the nine months ended September 30, 2020

	Notes	September 30, 2020
<b>Revenue</b>		
Revenue from contracts with customers	2, 8	\$ (23,644,640)
Finance income		82,146
		<u>(23,562,494)</u>
<b>Expenses</b>		
Operating and maintenance		16,880,284
General and administration		506,059
Finance costs		796,362
Depreciation		16,823,490
		<u>35,006,195</u>
<b>Net loss and total comprehensive loss</b>		<b>\$ (58,568,689)</b>
<b>Net loss attributable to:</b>		
Non-controlling interest		\$ (7,796,095)
Class A Member		(24,878,571)
Class B Member		(25,894,023)
		<u>\$ (58,568,689)</u>



See accompanying notes to the combined financial statements

## HANNON ARMSTRONG'S INVESTMENTS WITH ENGIE HOLDINGS INC.

Unaudited Combined Statement of Changes in Equity  
For the nine months ended September 30, 2020

	Non- controlling Interest	Class A Member	Class B Member	Total
Balance at January 1, 2020	\$ 261,969,194	\$ -	\$ 1,293,679,685	\$ 1,555,648,879
Net loss for the period	(7,796,095)	(24,878,571)	(25,894,023)	(58,568,689)
Contributions for the period	282,763,804	150,869,505	581,556,585	1,015,189,894
Distributions for the period	(161,260)	-	(347,084,866)	(347,246,126)
Balance at September 30, 2020	\$ 536,775,643	\$ 125,990,934	\$ 1,502,257,381	\$ 2,165,023,958

See accompanying notes to the combined financial statements

# HANNON ARMSTRONG'S INVESTMENTS WITH ENGIE HOLDINGS INC.

Unaudited Combined Statement of Cash Flows  
For the nine months ended September 30, 2020

	Notes	September 30, 2020
<hr/>		
Cash provided by (used in)		
Operating activities:		
Net loss for the period		\$ (58,568,689)
Adjustments for:		
Depreciation		16,823,490
Non-cash lease expenses		176,410
Loss on derivative instruments		76,284,119
Cash interest received		82,146
Cash interest paid		(268,791)
Changes in operating working capital	7	99,995,380
		<hr/> 134,524,065 <hr/>
Financing activities:		
Members' distributions		(347,267,063)
Members' contributions		1,015,189,894
		<hr/> 667,922,831 <hr/>
Investing activities:		
Purchase of property, plant and equipment		(921,869,733)
		<hr/> (921,869,733) <hr/>
Net change in cash		(119,422,837)
Cash and cash equivalents, beginning of the year		191,759,663
		<hr/>
Cash and cash equivalents, end of the year		\$ 72,336,826 <hr/>
Non-cash transactions:		
Property, plant and equipment purchase accrual		\$ 100,544,139

See accompanying notes to the combined financial statements

# HANNON ARMSTRONG'S INVESTMENTS WITH ENGIE HOLDINGS INC.

Condensed Notes to the Unaudited Combined Financial Statements  
For the nine months ended September 30, 2020

## Business Information

These financial statements present, on a combined basis, the financial results of entities in which Hannon Armstrong Sustainable Infrastructure Capital, Inc. (Hannon) has made investments with ENGIE Holdings Inc. (ENGIE). In 2019, ENGIE was developing, designing, constructing, commissioning and operating and maintaining a portfolio of thirteen utility-scale wind and solar projects (Utility-Scale Projects) of approximately 2.3 gigawatts (GW) spread across five states and four competitive Independent Service Operator (ISO) markets including Electric Reliability Council of Texas (ERCOT) and Southwest Power Pool (SPP), as well as a distributed generation solar portfolio of ground mount, rooftop and carport solar projects of approximately 70 megawatts (MW) in the United States (DG Solar Projects).

Below is the project status summary as of September 30, 2020.

Utility-Scale Projects	Type	Entity Location	Status	Capacity (MW)
Seymour Hills Wind Project, LLC (Seymour Hills)	Wind	ERCOT North	Operating	30
Solomon Forks Wind Project, LLC (Solomon Forks)	Wind	SPP South	Operating	276
East Fork Wind Project, LLC (East Fork)	Wind	SPP South	Operating	196
Jumbo Hill Wind Project, LLC (Jumbo Hill)	Wind	ERCOT West	Operating	161
King Plains Wind Project, LLC (King Plains)	Wind	SPP South	Construction	248
Triple H Wind Project, LLC (Triple H)	Wind	SPP South	Construction	250
Prairie Hill Wind Project, LLC (Prairie Hill)	Wind	ERCOT North	Construction	300
Las Lomas Wind Project, LLC (Las Lomas)	Wind	ERCOT South	Construction	202
ENGIE Long Draw Solar LLC (Long Draw)	Solar	ERCOT West	Construction	225
Anson Solar Center, LLC (Anson)	Solar	ERCOT West	Construction	200
DG Solar Projects	Type	Entity Location	Status	Capacity (MW)
Rooftop, carport, ground-mount projects	Solar	U.S. (MA, VT, NM, TX & CA)	Construction	31



**t**  
**HOLDINGS INC.**

**t INVESTMENT WITH ENGIE**

Condensed Notes to the Unaudited Combined Financial Statements  
For the nine months ended September 30, 2020

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On May 17, 2019, a tax equity investor (Seymour Hill Class A Member) and the Seymour Hills Class B Member, LLC (Seymour Hills Class B Member) amended and restated the Seymour Hills Wind Holdco, LLC Limited Liability Company Agreement ("Seymour Hills LLCA"). Under the Seymour Hills LLCA, the Seymour Hills Class A Member and the Seymour Hills Class B Member funded the costs to develop, procure and construct Seymour Hills in exchange for all the Seymour Hills Class A and Seymour Hills Class B units, respectively, of Seymour Hills Wind Holdco, LLC (Seymour Hills Holdco).

On July 31, 2019, a group of tax equity investors (Solomon Forks Class A Member) with Solomon Forks Class B Member, LLC (Solomon Forks Class B Member) amended and restated the Solomon Forks Limited Liability Company Agreement ("Solomon Forks LLCA"). Under the Solomon Forks LLCA, the Solomon Forks Class A Member and the Solomon Forks Class B Member funded the costs to develop, procure and construct Solomon Forks in exchange for all of the Class A and Class B units, respectively, of Solomon Forks Wind Holdco, LLC (Solomon Forks Holdco).

In 2019, Seymour Hills and Solomon Forks each signed Operations and Maintenance Agreement (O&M), and Asset Management Agreement (AMA) with ENGIE Generation North America LLC (EGNA), a related party, in which the Partnership appointed EGNA as Operator, and Asset Manager, respectively, of both projects.

Seymour Hills and Solomon Forks met the qualifications to earn the Production Tax Credit ("PTC") under the U.S. Internal Revenue Service's Renewable Electricity Production Tax Credit program.

On October 3, 2019, Jupiter Wind Holdco LLC and Jupiter Solar Holdco LLC were formed by the Jupiter Wind Class B Member, LLC (Jupiter Wind Class B Member) and Jupiter Solar Class B Member, LLC (Jupiter Solar Class B Member), respectively.

On April 2, 2020, each of the Jupiter Wind Holdco subsidiaries signed O&M with EGNA, in which these subsidiaries appointed EGNA as the Operator. Under the O&M Agreement, EGNA provides operation and maintenance services necessary to operate and maintain these projects, as well as any development and construction management services for the projects' capital improvements. On the same day, Jupiter Wind Holdco and each of its subsidiaries signed AMA with EGNA, in which Jupiter Wind Holdco and each of its subsidiaries appointed EGNA as their Asset Manager. EGNA provides administrative and financial, legal, regulatory and governmental services to these projects under AMA.

On April 3, 2020, each of the Jupiter Solar Holdco subsidiaries signed O&M with EGNA, in which these subsidiaries appointed EGNA as the Operator. Under the O&M Agreement, EGNA provides operation and maintenance services necessary to operate and maintain these projects, as well as any development and construction management services for the projects' capital improvements. On the same day, each of the Jupiter Solar Holdco subsidiaries signed AMA with EGNA, in which Jupiter Solar Holdco and each of its subsidiaries appointed EGNA as their Asset Manager. EGNA provides



Trustee and each of its subsidiaries appointed ERM as their asset manager. ERM provides administrative and financial, legal, regulatory and governmental services to these projects under AMA.

# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Condensed Notes to the Unaudited Combined Financial Statements  
For the nine months ended September 30, 2020

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On April 3, 2020, a group of tax equity investors (Jupiter Wind Class A Member) and Jupiter Wind Class B Member amended and restated Jupiter Wind Holdco's Limited Liability Company Agreement (Jupiter Wind LLCA). Under the Jupiter Wind LLCA, the Jupiter Wind Class A Member and the Jupiter Wind Class B Members funded the costs to develop, procure and construct certain of the Utility-Scale Projects in exchange for all the Class A units and Class B units, respectively.

Seymour Hills Class A Member, Solomon Forks Class A Member and Jupiter Wind Class A Member are collectively referred herein as Tax Equity Investor or the Non-Controlling Interest of the Partnership (Tax Equity Investor or Non-Controlling Interest).

On April 9, 2020, Jumbo Hill and East Fork were dropped into Jupiter Wind Holdco and began their commercial operation.

On June 17, 2020, ENGIE Jupiter Holdings LLC (ENGIE Jupiter), a wholly owned subsidiary of ENGIE formed Jupiter Equity Holdings LLC (Jupiter Partnership), which is the indirect parent of certain of the Utility-Scale Projects.

On July 1, 2020, Hannon through its subsidiary, HA Jupiter LLC, entered into the Project Capital Contribution Agreement (PCCA) with ENGIE Jupiter to acquire 49% of the equity interest in the Jupiter Partnership as the Class A Units, and ENGIE Jupiter's interest in the Jupiter Partnership was converted to the Class B Units.

On September 25, 2020, ESA Managing Member Phase V, LLC (ESA), a wholly owned subsidiary of ENGIE, formed Project Company FinCo Phase V, LLC (DG Solar Partnership) to continue developing, constructing and operating DG Solar Projects.

On December 1, 2020, Phase V Class A LLC, an affiliate of Hannon, entered into an Amended and Restated Limited Liability Company Agreement (DG Solar A&R LLCA) with ESA to acquire an 85% equity interest in the DG Solar Partnership as the Class A Units, and ESA's interest in the DG Solar Partnership was converted into the Class B Units.

The combined Jupiter Partnership and DG Solar Partnership are herein referred to collectively as the Partnership.

The Partnership's registered head office is located at 1360 Post Oak Blvd., Suite 400, Houston, TX 77056.



# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Condensed Notes to the Unaudited Combined Financial Statements  
For the nine months ended September 30, 2020

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## 1. Significant accounting policies

### Principles of Combination and Basis of Presentation

The accompanying unaudited combined financial statements of the Partnership have been prepared in accordance with the significant accounting policies noted below using the recognition and measurement principles of U.S. generally accepted accounting principles ("GAAP").

Pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted. During interim periods, the Partnership follows significant accounting policies disclosed in the combined annual financial statements for year ended December 31, 2019. Therefore, these interim financial statements should be read in conjunction with the Partnership's annual combined financial statements for the year ended December 31, 2019.

The unaudited combined financial statements are presented in U.S. dollars, unless otherwise indicated.

### Use of Estimates

The preparation of the unaudited combined financial statements in compliance with GAAP requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Partnership's accounting policies. The Partnership believes that the estimates applied in the unaudited combined financial statements are reasonable and consistent.

### Basis of combination

Where the Partnership has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business to obtain benefits from its activities, it is classified as a subsidiary. The unaudited combined financial statements present the results of the Partnership and its subsidiaries as if they formed a single entity. Inter-company balances, transactions, and any income and expenses arising from inter-company transactions within the group are eliminated in preparing the unaudited combined financial statements.



# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Condensed Notes to the Unaudited Combined Financial Statements  
For the nine months ended September 30, 2020

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## Tax Equity

Solomon Forks Holdco, Seymour Hills Holdco and Jupiter Wind Holdco raised tax equity project financing whereby the tax credits and other tax-related incentives generated by the projects primarily go to the Tax Equity Investor. The Tax Equity Investor is entitled to substantially all of the tax benefits of Solomon Forks Holdco, Seymour Hills Holdco and Jupiter Wind Holdco until the point in time which their Class A Units are determined, based on the procedure set forth in the Solomon Forks LLCA, Seymour Hills LLCA and Jupiter Wind LLCA to have realized an after tax Internal Rate of Return (IRR) equal to the target IRR (Flip Point). The Class B Member of Solomon Forks Holdco, Seymour Hills Holdco and Jupiter Wind Holdco has an exclusive and irrevocable option to purchase all of the Class A Units based on the fair market value of such Class A Units around the end of the last day of the month in which the Flip Point occurs (Flip Date). According to ASC 480, the tax equity amount is classified as Non-Controlling Interest within equity on the unaudited combined statements of financial position.

## 2. Revenue

For the nine months ended September 30, 2020, the Partnership had recognized revenue generated from the sale of power and renewable energy credits (RECs) under ASC 606, as well as the loss from unrealized and realized amount of economic hedges disclosed on Note 8:

	September 30, 2020
Revenue from contracts with customers	
Sale of power and RECs	\$ 52,639,479
Loss on derivative instruments	(76,284,119)
Total	\$ (23,644,640)

As at September 30, 2020, the Partnership's trade and other receivables included \$153,408 due from customers, and other receivables of \$3,235,983 due from a turbine supplier for tariff reimbursement.



# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Condensed Notes to the Unaudited Combined Financial Statements  
For the nine months ended September 30, 2020

## 3. Property, plant and equipment

Net carrying amount

	September 30, 2020
Plant equipment	\$ 789,182,446
Construction in progress	1,619,197,709
Transportation equipment	307,313
Computer equipment	801,115
Building and improvement	5,256,398
Right-of-use assets	78,484,846
	<u>\$ 2,493,229,827</u>

Gross book value

	Balance at January 1, 2020	Additions	Asset Retirement Obligation	Balance at September 30 2020
Plant equipment	\$ 380,942,767	\$ 428,420,579	\$ 1,901,162	\$ 811,264,508
Construction in progress	1,118,605,080	482,459,731	18,132,898	1,619,197,709
Transportation equipment	215,635	159,438	-	375,073
Computer equipment	480,742	489,751	-	970,493
Building and improvements	1,487,300	3,893,180	-	5,380,480
Right-of-use assets	55,567,327	23,922,727	-	79,490,054
	<u>\$ 1,557,298,851</u>	<u>\$ 939,345,406</u>	<u>\$ 20,034,060</u>	<u>\$ 2,516,678,317</u>

Accumulated depreciation

	Balance at January 1, 2020	Additions	Asset Retirement Obligation	Balance at September 30 2020
Plant equipment	\$ 4,925,721	\$ 17,047,003	\$ 109,338	\$ 22,082,062
Transportation equipment	19,471	48,289	-	67,760
Computer equipment	45,008	124,370	-	169,378
Building and improvements	20,832	103,250	-	124,082
Right-of-use assets	190,188	815,020	-	1,005,208
	<u>\$ 5,201,220</u>	<u>\$ 18,137,932</u>	<u>\$ 109,338</u>	<u>\$ 23,448,490</u>

Construction in progress consists mainly of machinery, equipment and spare parts for the wind and solar projects, of which approximately \$42.3 million were from DG Solar Projects.





# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Condensed Notes to the Unaudited Combined Financial Statements  
For the nine months ended September 30, 2020

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## 4. Related party balances and transactions

During the year, the Partnership has undertaken transactions with related parties, which include the partners and associated companies. Occasionally the related parties will pay expenses on behalf of the Partnership and the Partnership is billed for these costs. Related party transactions are summarized as follows for the nine months ended September 30, 2020:

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	September 30, 2020
Asset management fees	\$ 847,500
Operations management fees	402,500
Construction development costs	85,499,157
Other expenses	2,165,695
	<u>\$ 88,914,852</u>

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Construction costs of \$85,499,157 were capitalized as part of property, plant and equipment.

As of September 30, 2020, the Partnership has the following related party receivables,

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	September 30, 2020
ENGIE Renewables NA LLC	9,183,000
ENGIE Energy Marketing NA, Inc.	1,624,111
Other affiliates	782,789
	<u>\$ 11,589,900</u>

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As of September 30, 2020, the Partnership has the following related party payables and accrued liabilities,

---

	September 30, 2020
SoCore Energy LLC/ENGIE Services U.S. Inc.	\$ 42,332,663
Solairedirect USA Incorporated	4,809,826
EGNA	2,137,289
ENGIE Holdings Inc.	1,144,334
Other affiliates	978,002
	<u>\$ 51,402,114</u>

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# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Condensed Notes to the Unaudited Combined Financial Statements  
For the nine months ended September 30, 2020

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## 5. Lease Liabilities

The Partnership has entered into easements and land lease agreements with private landowners. The Partnership recognizes lease expense on a straight-line basis, excluding short-term and variable lease payments which are recognized on the combined statement of comprehensive income as incurred.

The Partnership also carried out an assessment of the lease term, including whether the renewal or termination was probable to be exercised which was made on a case by case basis.

The Partnership's lease liabilities as of September 30, 2020 were as:

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	September 30, 2020
Total leases liabilities	\$ 79,103,484
Less: current portion	(4,579,427)
Long-term lease liabilities	\$ 74,524,057

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	September 30, 2020
Operating lease costs	\$ 3,905,559

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The Partnership's operating leases do not contain an implicit interest rate that can be readily determined. Therefore, the Partnership used the incremental borrowing rate ranging from 6.1% to 7.1% that was established under the Partnership's tax equity funding and extrapolated for 30 years lease term which is consistent with the useful life of the property, plant and equipment.

## 6. Fair value of financial instruments

The Partnership's financial instruments and derivatives consist primarily of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities, and commodity instruments. The book values of cash, trade and other receivables, accounts payables and accrual liabilities are representative of their respective fair values due to the short-term nature of these instruments.

The Partnership entered VPPAs for financial swaps and PPAs to manage its exposure to power and REC price risk. The Partnership recognizes its derivative instruments as assets or liabilities at fair value in the combined statement of financial position, unless either the physical PPA qualifies for the "Normal Purchase Normal Sale" (NPNS) scope exception to derivative accounting or a VPPA does not meet the definition of a derivative.



# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Condensed Notes to the Unaudited Combined Financial Statements  
For the nine months ended September 30, 2020

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Contracts used in normal business operations that are settled by physical delivery, among other criteria, are eligible and may be designated as NPNS. As NPNS contracts qualify for a scope exception to derivative accounting, contracts associated with the sale of energy are recognized as electricity sales when revenue recognition criteria are met.

The statement of financial position items measured at fair value are classified based on the significance of the inputs used in making the measurements:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 - inputs for the asset or liability that are not based on observable market data

There were no transfers between levels during the year. The financial assets or liabilities that are measured at fair value are classified in level 3.

Five of the VPPAs meet the definition of derivative under ASC 815. The table below shows the allocation of derivative assets and liabilities to the different levels in the fair value hierarchy.

	September 30, 2020			
	Level 1	Level 2	Level 3	Total
Total derivative assets at fair value through income	\$ -	\$ -	\$ 14,712,723	\$ 14,712,723
Total derivative liabilities at fair value through income	-	-	(57,211,120)	(57,211,120)
	\$ -	\$ -	\$ (42,498,397)	\$ (42,498,397)

The Partnership utilizes the market approach and income approach to measure the fair value of these contracts. Inputs include quoted prices, forecasted market prices, and if those sources are unavailable, valuation models available from industry sources, and appropriate valuation adjustment methodologies. Certain valuation models include as inputs forward commodity and basis prices, which extend beyond the period for which liquid market pricing is available. In those cases, the Partnership extrapolates forwards specific to individual commodities and markets.



# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Condensed Notes to the Unaudited Combined Financial Statements  
For the nine months ended September 30, 2020

The movement of level 3 values are as follows:

	Assets	Liabilities
Level 3 fair value – January 1, 2020	\$ 41,078,791	\$ (7,293,069)
Transfers in/(out)	-	-
Loss recorded through earnings	(26,366,068)	(49,918,051)
Settlements	-	-
Level 3 fair value – September 30, 2020	\$ 14,712,723	\$ (57,211,120)

The gain or loss recorded through earnings and the earnings impact of settlements in the table above are recorded in the revenue from contracts with customers on the combined statement of comprehensive income.

Level 3 valuations are developed, maintained, and validated by the Partnership according to the Partnership's established policies and procedures. These valuations include the use of unobservable inputs. Unobservable inputs, which are related to observable inputs, such as illiquid portions of forward prices or volatility curves, are updated monthly using industry-standard techniques, such as extrapolation, combining observable forward inputs supplemented by historical market and other relevant data.

The Level 3 fair value associated within the power contracts that have been Marked-to-Market (MtM) includes VPPAs at September 30, 2020. The forward prices of these contracts become illiquid in unobservable periods, as the longest term of these contracts extends beyond 2030.

The significant unobservable inputs used in the valuation of the Partnership contracts categorized as level 3 of the fair value hierarchy at September 30, 2020, are as follows,

Commodity	Contract type	Net MtM (\$)	Valuation technique	Significant observable input	Range
Power	Forward contracts	\$ (10,400,805)	Discounted cash flow	Illiquid pricing in unobservable periods	\$9.50- \$123/MWh
REC	Forward contracts	(32,097,592)	Discounted cash flow	Illiquid pricing in unobservable periods	\$1.28-\$1.35/riah



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Total	\$ (42,498,397)
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# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Condensed Notes to the Unaudited Combined Financial Statements  
For the nine months ended September 30, 2020

## 7. Combined net change of cash flows

The net change in operating working capital for the nine-month ended September 30, 2020 consists of the following:

	September 30, 2020
Trade and other receivables	\$ 4,728,015
Due from affiliates	55,210,178
Prepaid expenses and other assets	(494,859)
Trade payables and accrued liabilities	40,552,046
	<b>\$ 99,995,380</b>

## 8. Financial Instruments

Categories of financial instruments - The Partnership's financial assets and liabilities are categorized as follows:

	Nine Month Ended September 30, 2020			
	Assets at amortized cost	Fair value through profit or loss	Financial Liabilities at amortized cost	Total
Cash and cash equivalents	\$ 72,336,826	\$ -	\$ -	\$ 72,336,826
Trade and other receivables	3,389,391	-	-	3,389,391
Due from affiliates	11,589,900	-	-	11,589,900
Derivative assets	-	14,712,723	-	14,712,723
Trade payables and accrued liabilities	-	-	(207,149,787)	(207,149,787)
Due to affiliates	-	-	(51,402,114)	(51,402,114)
Derivative liabilities	-	(57,211,120)	-	(57,211,120)
Long-term lease liabilities	-	-	(79,103,484)	(79,103,484)
Provision	-	-	(37,837,377)	(37,837,377)
	<b>\$ 87,316,117</b>	<b>\$ (42,498,397)</b>	<b>\$ (375,492,762)</b>	<b>\$ (330,675,042)</b>

### (a) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is minimal as the Partnership does not have any external debt.

### (b) Market risk:

Market risk arises primarily from two types of commodity risks: price risk resulting from fluctuations in market prices, and volume risk inherent to the business. For disclosure purposes, volume risk is not considered a market risk.

# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Condensed Notes to the Unaudited Combined Financial Statements  
For the nine months ended September 30, 2020

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To manage the price risk, the Partnership has entered into VPPAs as an economic hedge to reduce the Partnership's commodity price risk.

For the nine months ended September 30, 2020, the Partnership recorded the following unrealized and realized losses as the revenue from contracts with customers in the combined statement of comprehensive income:

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	September 30, 2020
Realized amount of economic hedges	\$ -
Unrealized change in economic hedges	76,284,119
Impact on combined statement of comprehensive income	\$ 76,284,119

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Market price risk arises primarily as the result of volatility in market price. The Partnership has the risk of fluctuation in merchant price of the electricity sold. The Partnership has managed this risk by having a hedge contract to swap the variable price with the fixed price.

## (c) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk results from a combination of payment risk (failure to pay for services or deliveries carried out), delivery risk (failure to deliver services or products paid for), and the risk of replacing contracts in default (known as mark-to-market exposure, i.e., the cost of replacing the contract in conditions other than those initially agreed).

The Partnership maintains credit risk policies that govern the management of credit risk. These policies require an evaluation of a potential counterparty's financial condition, credit rating, and other quantitative and qualitative criteria; this evaluation results in establishing credit limits or collateral requirements prior to entering into an agreement with a counterparty. Additionally, the Partnership has established controls to determine and monitor the appropriateness of these limits on an ongoing basis. Risk mitigation tools include, but are not limited to, the use of standardized master contracts and agreements that allow for netting of exposures across commodities, rights to margin, and termination upon the occurrence of certain events of default.

Credit risk arising on operating activities is managed via standard mechanisms, such as third-party guarantees, netting agreements, and margin calls, using dedicated hedging instruments or special prepayment and debt recovery procedures.

The Partnership is not exposed to significant credit risk as all its cash is maintained with a major US bank which the partnership believes lessens the credit risk and five of the VPPAs determined as

bank which the partnership believes reduces the credit risk, and five of the VIEs determined as derivative contracts do not pose significant concentrations of credit risk. The maximum exposure to credit risk is limited to \$87,316,117 of cash, trade and other receivables and due from affiliates at

# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Condensed Notes to the Unaudited Combined Financial Statements  
For the nine months ended September 30, 2020

September 30, 2020. No allowance has been recorded by management on trade receivables due to all sales made to reputable institutions. There is no history of non-payments from the customers. The balance of trade and other receivables at September 30, 2020 is \$3,389,391 and is classified as current.

(d) Liquidity risk:

Liquidity risk is the risk that the Partnership will not have sufficient cash resources to meet its financial obligations as they come due. As of September 30, 2020, the Partnership has cash of \$72,336,826 to meet its financial obligations when due.

	September 30, 2020			
	Less than 1 year	2-5 years	More than 5 years	Total
Trade payables and accrued liabilities	\$ 207,149,787	\$ -	\$ -	\$ 207,149,787
Due to affiliates	51,402,114	-	-	51,402,114
Long-term lease liabilities	4,655,504	19,267,928	148,447,616	172,371,048
Provision	-	-	223,864,289	223,864,289
	\$ 263,207,405	\$ 19,267,928	\$ 372,311,905	\$ 654,787,238

## 9. Offsetting of financial derivative instrument assets and liabilities

Financial assets and liabilities are presented in accordance with the standard netting agreements present in the Partnership's commodity contracts, which allow it to settle trade and other receivables and accounts payable and accrued liabilities from counterparties on a net basis by counterparty, by contract. The right to set off across commodities exists only in the event of a default by one of the parties to the contract.

The following tables demonstrate the impacts of offsetting recognized derivative assets and liabilities as permitted when the ability and intent to settle such assets and liabilities on a net basis exists.

	Assets	Liabilities
Gross and net amounts of derivatives recognized on the combined statement of financial position	\$ 14,712,723	\$ (57,211,120)
Total net derivative amount	\$ 14,712,723	\$ (57,211,120)

There is no cash collateral or other guarantees or letter of credits to reduce the Partnership's gross derivative exposure.



# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Condensed Notes to the Unaudited Combined Financial Statements  
For the nine months ended September 30, 2020

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## 10. Capital disclosures

The Partnership's objective when managing capital is to maintain a strong capital base and provide an adequate return to its partners.

The Partnership considers the items included in equity as capital and is not subject to any capital requirements imposed by a regulator. The Partnership manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structures, the Partnership may issue new partnership units, sell assets to settle liabilities or return capital to its partners.

The Partnership applies the Hypothetical Liquidation Book Value (HLBV) method to attribute net assets to the Solomon Forks Class A Member and Solomon Forks Class B Member, Seymour Hills Class A Member and Seymour Hills Class B Member, Jupiter Wind Class A Member and Jupiter Wind Class B Member, as this method most closely mirrors the economics of the governing contractual arrangements of Solomon Forks Holdco and Seymour Hills Holdco. Under HLBV, Solomon Forks Holdco, Seymour Hills Holdco and Jupiter Wind Holdco allocate their net income or loss to each investor based on the change during the reporting period for the net assets each investor is entitled to under the governing contractual arrangements in a liquidation scenario. HLBV schedules are prepared and calculate the amount each of the Class A and the Class B members would receive if the partnerships were liquidated at book value at the end of the reporting period. The allocated amount to each partner during the period is book income or loss allocated to that partner after adjustment for distributions.

The HLBV has a flip rate also noted as a hurdle rate, used as IRR, which is a predetermined rate of cash and income ownership between the Class A and the Class B members of Solomon Forks Holdco and Seymour Hills Holdco. The current flip rate is 6.25%, 6.75% and 5.75% (Flip Rate) for Solomon Forks Holdco, Seymour Hills Holdco, and Jupiter Wind Holdco, respectively.

The Partnership reports the net income (loss) attributable to the Tax Equity Investor as income (loss) attributable to non-controlling interest in the combined statement of comprehensive income. The Tax Equity Investor's balance including contributions, distributions, and allocation of net income is reflected as non-controlling interest on the combined statement of financial position.

## 11. Commitments and provisions

Easements and Leases - The Jupiter Partnership has easements and lease agreements with third parties related to the privately-owned land where the wind turbines, or solar panels, and related equipment have been installed and are operating. The annual payments under each easement are based on the minimum royalty payment calculated on installed capacity and acreage of the respective easement. The variable portion of the easements are not included in the measurement of lease liabilities.



easement. The variable portion of the easements are not included in the measurement of lease liabilities.

# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Condensed Notes to the Unaudited Combined Financial Statements  
For the nine months ended September 30, 2020

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Service and Maintenance Agreement - The Jupiter Partnership has long term service and maintenance agreements with third parties for Utility-Scale Projects.

Asset Retirement Obligation - The provisions for asset retirement obligation represent the present value of the future obligations that the Partnership has under easement and lease agreements. The Partnership records a provision for the present value of the expected obligation at the decommissioning date and recognizes a dismantling asset as the matching entry for the provision. The amount of the provision is adjusted each period to reflect the impact of unwinding of the discount and to reflect changes in the expected obligation based on new or improved information.

The Partnership's asset retirement obligation as at September 30, 2020 are listed below.

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	September 30, 2020
Balance, start of the year	\$ 20,268,688
Accretion	527,570
Addition	17,041,119
Balance, end of the year	\$ 37,837,377

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The asset retirement obligation was established using the following assumptions,

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Expected costs	\$ 223,864,289
Discount rate	6.1% - 7.1%
Expected remediation years	2049-2050

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O&M and AMA – The Jupiter Partnership has O&M and AMA with EGNA, in which each of the Utility-Scale Projects appointed EGNA as Operator and Asset Manager. Under the O&M Agreement, EGNA provides operation and maintenance services necessary to operate and maintain Utility-Scale Projects, as well as any development and construction management services for the projects' capital improvements. Under the AMA, EGNA provides administrative, financial, legal, regulatory, and governmental services to the Utility-Scale Projects.

## 12. Subsequent events

The Partnership has evaluated subsequent events through March 16, 2021, which is the date on which the unaudited combined financial statements were approved and authorized for issuance.

On October 8, 2020, a group of tax equity investors (Jupiter Solar Class A Member) and Jupiter Solar Class B Member amended and restated Jupiter Solar Holdco's Limited Liability Company Agreement

(Jupiter Solar LLCA). Under the Jupiter Solar LLCA, the Jupiter Solar Class A and the Jupiter Solar Class B members will fund the costs to develop, procure and construct certain of the Utility-Scale

# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Condensed Notes to the Unaudited Combined Financial Statements  
For the nine months ended September 30, 2020

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Projects in exchange for all the Jupiter Solar Class A and Class B units, respectively. Long Draw was dropped into Jupiter Solar Holdco on the same day.

King Plains and Triple H reached commercial operation on November 20 and November 23, 2020, respectively.

On November 25, 2020, King Plains and Triple H were dropped into Jupiter Wind Holdco.

On December 1, 2020, Phase V Class A LLC, an affiliate of Hannon, entered into DG Solar A&R LLCA with ESA to acquire an 85% equity interest in the DG Solar Partnership as the Class A Units, and ESA's interest in the DG Solar Partnership was converted into the Class B Units.

On December 3, 2020, Anson was dropped into Jupiter Solar Holdco.

On December 17, 2020, Prairie Hill reached commercial operation and was dropped into Jupiter Wind Holdco.

On December 30, Las Lomas was dropped into Jupiter Wind Holdco.

On December 31, 2020, Las Lomas and ENGIE Energy Market NA, Inc. (EEMNA), a wholly owned subsidiary of ENGIE, entered into the Tracking Account Transaction Confirmation (Las Lomas Tracking Account). Starting January 1, 2021, EEMNA may periodically advance funds to Las Lomas for up to \$12.5 million when Las Lomas production is less than the forecast, or the real-time settlement price is less than the price specified in Las Lomas VPPA. The Las Lomas Tracking Account ends on December 31, 2032.

On December 31, 2020, Anson and EEMNA entered into the Tracking Account Transaction Confirmation (Anson Tracking Account). Starting January 1, 2021, EEMNA may periodically advance funds to Anson for up to \$4 million when Anson production is less than the forecast, or the real-time settlement price is less than the price specified in Anson VPPA. The Anson Tracking Account ends on December 31, 2032.

On December 31, 2020, Anson, Long Draw and Las Lomas all reached commercial operation.

Throughout 2020, Hannon, ENGIE, the Tax Equity Investor together with Jupiter Wind Class A Member and Jupiter Solar Class A Member, collectively invested approximately \$2.5 billion to fund the construction of the Utility-Scale Projects and DG Solar Projects. In the same year, the Partnership distributed approximately \$1.9 billion in total to Hannon, ENGIE and Tax Equity Investor.

On February 11, 2021, Hannon contributed approximately \$21.7 million to DG Solar Partnership.

In the week of February 14, 2021, Texas, where some of the Utility-Sale Projects are located, faced an unprecedented statewide power outage caused by extreme winter weather and snowstorm, leaving

# HANNON ARMSTRONG'S INVESTMENT WITH ENGIE HOLDINGS INC.

Condensed Notes to the Unaudited Combined Financial Statements  
For the nine months ended September 30, 2020

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many homes and businesses on a rolling blackout of power and water for about a week. ERCOT, the agency that oversees Texas's electric grid, declared the state of energy emergency because of lower power supply and high demand due to the cold weather. The Partnership experienced some operational challenges and worked with ERCOT, turbine and solar manufacturers, and customers to review and mitigate the potential economic impact. To date, the Partnership is unsure about the total impacts and continues working with all the stakeholders.

On February 26, 2021, the Tax Equity Investor contributed \$7.8 million in total to Solomon Forks Holdco and Seymour Hills Holdco.







**HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.**  
**UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

The unaudited pro forma consolidated balance sheet as of September 30, 2020, is presented to reflect the adjustments to our historical consolidated balance sheet as of September 30, 2020, as if the acquisitions of the preferred equity interests described in this Form 8-K/A were completed on September 30, 2020. The unaudited pro forma combined consolidated statements of operations for the nine months ended September 30, 2020 and the year ended December 31, 2019, are presented to reflect adjustments to our historical statements of operations, as if the acquisitions of the preferred equity interests were completed on January 1, 2019. Further explanation and details concerning the pro forma adjustments are included in the notes accompanying the unaudited pro forma consolidated financial statements.

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**HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.**  
**PRO FORMA CONSOLIDATED BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2020**  
**(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)**  
**(UNAUDITED)**

	September 30, 2020	Pro forma Preferred Equity Portfolio Acquisitions		Adjustment for Utility Scale Equity Acquired before September 30, 2020	Pro forma September 30, 2020	Notes
		Utility Scale	Distributed Generation			
<b>Assets</b>	<i>(unaudited)</i>				<i>(unaudited)</i>	
Cash and cash equivalents	\$ 881,487	\$ (540,000)	\$ (93,000)	\$ 152,369	\$ 400,856	A
Equity method investments	718,793	540,000	93,000	(152,369)	1,199,424	B
Government receivables	250,914				250,914	
Commercial receivables, net of allowance of \$31 million	848,520				848,520	
Real estate	359,948				359,948	
Investments	51,638				51,638	
Securitization assets	146,549				146,549	
Other assets	86,649				86,649	
<b>Total Assets</b>	<b>\$ 3,344,498</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 3,344,498</b>	
<b>Liabilities and Stockholders' Equity</b>						
Liabilities:						
Accounts payable, accrued expenses and other	\$ 56,843				\$ 56,843	
Credit facilities	22,565				22,565	
Non-recourse debt (secured by assets of \$724 million)	599,958				599,958	
Senior unsecured notes	1,278,844				1,278,844	
Convertible notes	288,551				288,551	
Total Liabilities	2,246,761	—	—	—	2,246,761	
Stockholders' 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, 74,252,973 shares issued and outstanding	743				743	
Additional paid in capital	1,282,744				1,282,744	
Accumulated deficit	(202,914)				(202,914)	
Accumulated other comprehensive income (loss)	11,474				11,474	
Non-controlling interest	5,690				5,690	
Total Stockholders' Equity	1,097,737	—	—	—	1,097,737	
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 3,344,498</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 3,344,498</b>	

*See accompanying notes.*

**HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.**  
**PRO FORMA STATEMENT OF OPERATIONS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020**  
**(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)**  
**(UNAUDITED)**

	For the nine months ended September 30, 2020	Pro forma Preferred Equity Portfolio Acquisitions		Adjustment for Utility Scale Equity Acquired before September 30, 2020	Pro forma	Notes
		Utility Scale	Distributed Generation			
<b>Revenue</b>	<i>(unaudited)</i>				<i>(unaudited)</i>	
Interest income	\$ 71,046				\$ 71,046	
Rental income	19,408				19,408	
Gain on sale of receivables and investments	34,449				34,449	
Fee income	13,115				13,115	
<b>Total revenue</b>	<b>138,018</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>138,018</b>	
<b>Expenses</b>						
Interest expense	65,884	17,874			83,758	C
Provision for loss on receivables	5,629				5,629	
Compensation and benefits	27,223				27,223	
General and administrative	11,181				11,181	
<b>Total expenses</b>	<b>109,917</b>	<b>17,874</b>	<b>—</b>	<b>—</b>	<b>127,791</b>	
<b>Income before equity method investments</b>	<b>28,101</b>	<b>(17,874)</b>	<b>—</b>	<b>—</b>	<b>10,227</b>	
Income (loss) from equity method investments	32,505	(24,879)			7,626	D
<b>Income (loss) before income taxes</b>	<b>60,606</b>	<b>(42,753)</b>	<b>—</b>	<b>—</b>	<b>17,853</b>	
Income tax benefit (expense)	(2,860)	8,978			6,118	E
<b>Net income (loss)</b>	<b>57,746</b>	<b>(33,775)</b>	<b>—</b>	<b>—</b>	<b>23,971</b>	
Net income (loss) attributable to non-controlling interest holders	255	(149)			106	F
<b>Net income (loss) attributable to controlling stockholders</b>	<b>\$ 57,491</b>	<b>\$ (33,626)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 23,865</b>	
Basic earnings (loss) per common share	\$ 0.80	\$ (0.47)	\$ —	\$ —	\$ 0.33	G
Diluted earnings (loss) per common share	\$ 0.78	\$ (0.46)	\$ —	\$ —	\$ 0.32	G
Weighted average common shares outstanding—basic	71,376,004				71,376,004	
Weighted average common shares outstanding—diluted	72,644,626				72,644,626	

*See accompanying notes.*

**HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.**  
**PRO FORMA STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)**  
**(UNAUDITED)**

	For the year ended December 31, 2019	Pro forma Preferred Equity Portfolio Acquisitions			Financing of Acquisitions	Pro forma For the year ended December 31, 2019	Notes
		Utility Scale	Distributed Generation				
<b>Revenue</b>						<i>(unaudited)</i>	
Interest income	\$ 76,200				\$ 76,200		
Rental income	25,884				25,884		
Gain on sale of receivables and investments	24,423				24,423		
Fee income	15,074				15,074		
<b>Total revenue</b>	<b>141,581</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>141,581</b>		
<b>Expenses</b>							
Interest expense	64,241			39,930	104,171		<b>H</b>
Provision for loss on receivables	8,027				8,027		
Compensation and benefits	28,777				28,777		
General and administrative	14,693				14,693		
<b>Total expenses</b>	<b>115,738</b>	<b>—</b>	<b>—</b>	<b>39,930</b>	<b>155,668</b>		
<b>Income before equity method investments</b>	<b>25,843</b>	<b>—</b>	<b>—</b>	<b>(39,930)</b>	<b>(14,087)</b>		
Income (loss) from equity method investments	64,174	20,685			84,859		<b>D</b>
<b>Income (loss) before income taxes</b>	<b>90,017</b>	<b>20,685</b>	<b>—</b>	<b>(39,930)</b>	<b>70,772</b>		
Income tax benefit (expense)	(8,097)	(4,344)		8,385	(4,056)		<b>E</b>
<b>Net income (loss)</b>	<b>81,920</b>	<b>16,341</b>	<b>—</b>	<b>(31,545)</b>	<b>66,716</b>		
Net income (loss) attributable to non-controlling interest holders	356	71		(137)	290		<b>I</b>
<b>Net income (loss) attributable to controlling stockholders</b>	<b>\$ 81,564</b>	<b>\$ 16,270</b>	<b>\$ —</b>	<b>\$ (31,408)</b>	<b>\$ 66,426</b>		
Basic earnings (loss) per common share	\$ 1.25	\$ 0.25	\$ —	\$ (0.49)	\$ 1.01		<b>G</b>
Diluted earnings (loss) per common share	\$ 1.24	\$ 0.25	\$ —	\$ (0.48)	\$ 1.01		<b>G</b>
Weighted average common shares outstanding—basic	63,916,440				63,916,440		
Weighted average common shares outstanding—diluted	64,771,491				64,771,491		

*See accompanying notes.*

## HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.

## NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- A. Utilized funds available from operations and prior Senior unsecured notes issued to finance these acquisitions and other investments. Adjusted for \$152 million of preferred equity acquisitions made prior to September 30, 2020.
- B. Pro forma total acquisitions of preferred equity interest in the Utility Scale and Distributed Generation Portfolios. Adjusted for \$152 million of preferred equity acquisitions made prior to September 30, 2020.
- C. The financing of the Utility Scale and Distributed Generation preferred equity investments were financed in part through the issuance of the Senior unsecured notes. These notes were also used to partially finance other investments made by the Company. Pro forma interest expense was computed for the nine months ended September 30, 2020, as if the Senior unsecured notes were outstanding for the entire nine months ended September 30, 2020.

	<b>Principal</b>	<b>Effective rates</b>	<b>Pro forma Interest</b>
	<i>(\$ in thousands)</i>		<i>(\$ in thousands)</i>
2025 Notes	\$ 400,000	6.28 %	\$ 18,840
2030 Notes	375,000	3.95 %	11,107
Total Borrowings	\$ 775,000	5.15 %	29,947
		Less actual interest expense for these notes during 2020	(12,073)
		Incremental pro forma interest expense adjustment	\$ 17,874

- D. The Company's pro forma share of preferred equity earnings. The loss from the investments in 2020 and income in 2019 were due primarily to net unrealized losses and gains, respectively, from the mark-to-market of the project company customer power purchase agreements.
- E. Income tax (expense) benefit accrual at federal statutory rate of 21%.
- F. Non-controlling interest is approximately 0.44% of the Company's earnings during the applicable period.
- G. Represents the pro forma net income (loss) for controlling stockholders divided by the applicable basic or diluted weighted average common shares outstanding for the period.
- H. Pro forma interest expense for the full year 2019 as if the Senior unsecured notes issuances used to partially finance these acquisitions among others occurred on January 1, 2019.

	<b>Principal</b>	<b>Effective rates</b>	<b>Pro forma Interest</b>
	<i>(\$ in thousands)</i>		<i>(\$ in thousands)</i>
2025 Senior Unsecured Notes	\$ 400,000	6.28 %	\$ 25,120
2030 Senior Unsecured Notes	375,000	3.95 %	14,810
Total Borrowings	\$ 775,000	5.15 %	\$ 39,930

- I. Non-controlling interest is approximately 0.43% of the Company's earnings during the applicable period.