

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

FORM 10-K/A

Amendment No. 1

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

For the fiscal year ended December 31, 2020

OR

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

For the transition period from _____ to _____

Commission File Number: 001-35877

**HANNON ARMSTRONG SUSTAINABLE
INFRASTRUCTURE CAPITAL, INC.**

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)
1906 Towne Centre Blvd
Suite 370
Annapolis MD
(Address of principal executive offices)

46-1347456
(I.R.S. Employer
Identification No.)
21401

(Zip Code)

(410) 571-9860

(Registrant's telephone number, including area code)

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

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

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

None

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

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

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

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

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal controls over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

As of June 30, 2020, the aggregate market value of the registrant's common stock (includes unvested restricted stock) held by non-affiliates of the registrant was \$ 2.0 billion based on the closing sales price of the registrant's common stock on June 30, 2020 as reported on the New York Stock Exchange.

On March 23, 2021, the registrant had a total of 78,662,832 shares of common stock, \$0.01 par value, outstanding (which 343,698 shares of unvested restricted common stock).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for the 2021 annual meeting of stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

AMENDMENT NO. 1

EXPLANATORY NOTE

Hannon Armstrong Sustainable Infrastructure Capital, Inc. (the “Company,” “we,” “our,” or “us”) is filing this amendment (the “Form 10-K/A”) to our Annual Report on Form 10-K for the year ended December 31, 2020, originally filed with the Securities and Exchange Commission (“SEC”) on February 22, 2021 (the “Original Form 10-K”), solely for the purpose of complying with Regulation S-X, Rule 3-09 (“Rule 3-09”). Rule 3-09 requires that Form 10-K contain separate financial statements for unconsolidated subsidiaries and investees accounted for by the equity method when such entities are individually significant. We have determined that our equity method investment in SunStrong Capital Holdings, LLC and its subsidiaries, which is not consolidated in our financial statements, was significant under the income test of Rule 3-09 in relationship to our financial results for the year ended December 31, 2020, and that our equity method investment in Buckeye Wind Energy Class B Holdings LLC and its subsidiaries, which is not consolidated in our financial statements, was significant under the income test of Rule 3-09 in relationship to our financial results for the year ended December 31, 2018. Since the financial statements as of and for the year ended December 31, 2020, of the aforementioned investees were not available until after the date of the filing of our Original Form 10-K, Rule 3-09 provides that the financial statements may be filed as an amendment to our Original Form 10-K within 90 days after the end of our fiscal year ended December 31, 2020. Therefore, this Form 10-K/A amends Item 15 of our Original Form 10-K filed on February 22, 2021, to include the following Exhibits:

- Exhibit 23.2 -- Consent of KPMG LLP for the consolidated financial statements of SunStrong Capital Holdings, LLC
- Exhibit 23.3 -- Consent of Deloitte & Touche LLP for the consolidated financial statements of Buckeye Wind Energy Class B Holdings LLC
- Exhibit 99.1 -- Consolidated financial statements as of and for the years ended December 31, 2020 and 2019, and consolidated statements of comprehensive (loss) income, members equity and cash flows for the period from November 5, 2018 (inception) to December 31, 2018 of SunStrong Capital Holdings, LLC and its subsidiaries
- Exhibit 99.2 -- Consolidated financial statements as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 of Buckeye Wind Energy Class B Holdings LLC and its subsidiaries

This Form 10-K/A does not amend or otherwise update any other information in the Original Form 10-K (including the exhibits to the Original Form 10-K, except for Exhibits 31.1, 31.2, 32.1 and 32.2). Accordingly, this Form 10-K/A should be read in conjunction with our Original Form 10-K and with our filings with the SEC subsequent to the Original Form 10-K filing. In addition, in accordance with applicable rules and regulations promulgated by the SEC, this Form 10-K/A includes updated certifications from our Chief Executive Officer and Chief Financial Officer as Exhibits 31.1, 31.2, 32.1 and 32.2.

Item 15. Exhibits and Financial Statement Schedules

Documents filed as part of the report

The following documents are filed as part of this Form 10-K/A in Part II, Item 8 and are incorporated by reference:

(a)(1) Financial Statements:

See index in Item 8—“Financial Statements and Supplementary Data,” filed with the Original Form 10-K for a list of financial statements.

(3) Exhibits Files:

Exhibit number	Exhibit description
3.1	<u>Articles of Amendment and Restatement of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant’s Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)</u>
3.2	<u>Bylaws of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant’s Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)</u>
3.3	<u>Amended and Restated Agreement of Limited Partnership of Hannon Armstrong Sustainable Infrastructure, L.P. (incorporated by reference to Exhibit 3.3 to the Registrant’s Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)</u>

- 4.1 [Specimen Common Stock Certificate of Hannon Armstrong Sustainable Infrastructure Capital, Inc. \(incorporated by reference to Exhibit 4.1 to Amendment No. 3 to the Registrant's Form S-11 \(No. 333-186711\), filed on April 12, 2013\)](#)
- 4.2 [Description of Hannon Armstrong Sustainable Infrastructure Capital, Inc.'s Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 \(incorporated by reference to Exhibit 4.2 to the Registrant's Form 10-K \(No. 001-35877\), filed on February 25, 2020\)](#)
- 4.3 [Indenture, dated as of August 22, 2017, between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and U.S. Bank National Association, as Trustee \(incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K \(No. 001-35877\), filed on August 22, 2017\)](#)
- 4.4 [First Supplemental Indenture, dated as of August 22, 2017, between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and U.S. Bank National Association, as Trustee \(including the form of 4.125% Convertible Senior Note due 2022\) \(incorporated by reference to Exhibit 4.2 to the Registrant's Form 8-K \(No. 001-35877\), filed on August 22, 2017\)](#)
- 4.5 [Indenture, dated as of July 2, 2019 between HAT Holdings I LLC and HAT Holdings II LLC, as issuers, and Hannon Armstrong Sustainable Infrastructure Capital, Inc., Hannon Armstrong Sustainable Infrastructure, LP., and Hannon Armstrong Capital, LLC, as guarantors, and U.S. Bank National Association, as trustee \(including the form of HAT Holdings I LLC and HAT Holdings II LLC's 5.25% Senior Notes due 2024\) \(incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K \(No. 001-35877\), filed on July 2, 2019\)](#)
- 4.6 [Indenture, dated as of April 21, 2020, between HAT Holdings I LLC and HAT Holdings II LLC, as issuers, and Hannon Armstrong Sustainable Infrastructure Capital, Inc., Hannon Armstrong Sustainable Infrastructure, LP., and Hannon Armstrong Capital, LLC, as guarantors, and U.S. Bank National Association, as trustee \(including the form of HAT Holdings I LLC and HAT Holdings II LLC's 6.00% Senior Notes due 2025\) \(incorporated by reference to Exhibit 4.1 on the Registrant's Form 8-K \(No. 001-35877\), filed on April 21, 2020\)](#)
- 4.7 [Second Supplemental Indenture, dated as of August 21, 2020, between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and U.S. Bank National Association, as Trustee \(including the form of Hannon Armstrong Sustainable Infrastructure Capital, Inc.'s 0% Convertible Senior Note due 2023\) \(incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K \(No. 001-35877\), filed on August 21, 2020\).](#)
- 4.8 [Indenture, dated as of August 25, 2020, between HAT Holdings I LLC and HAT Holdings II LLC, as issuers, and Hannon Armstrong Sustainable Infrastructure Capital, Inc., Hannon Armstrong Sustainable Infrastructure, LP., and Hannon Armstrong Capital, LLC, as guarantors, and U.S. Bank National Association, as trustee \(including the form of HAT Holdings I LLC and HAT Holdings II LLC's 3.750% Senior Notes due 2030\) \(incorporated by reference to Exhibit 4.1 on the Registrant's Form 8-K \(No. 011-35877\), filed on August 25, 2020\).](#)
- 10.1 [Form of Indemnification Agreement \(incorporated by reference to Exhibit 10.5 to Amendment No. 3 to the Registrant's Form S-11 \(No. 333-186711\), filed on April 12, 2013\)](#)
- 10.2 [Amended and Restated 2013 Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan \(incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q for the quarter ended March 31, 2017 \(No. 001-35877\), filed on May 4, 2017\)](#)
- 10.3 [Restricted Stock Award Agreement dated April 23, 2013 between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Jeffrey W. Eckel \(incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 \(No. 001-35877\), filed on August 9, 2013\)](#)
- 10.4 [Form of Restricted Stock Award Agreement \(Executive Officers\) \(incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 \(No. 001-35877\), filed on August 9, 2013\)](#)
- 10.5 [Form of Restricted Stock Award Agreement \(Non-employee Directors\) \(incorporated by reference to Exhibit 10.4 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 \(No. 001-35877\), filed on August 9, 2013\)](#)
- 10.6 [Amended and Restated Form of Restricted Stock Unit Award Agreement \(incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q for the quarter ended March, 31 2017 \(No. 001-35877\), filed on May 4, 2017\)](#)
- 10.7 [Registration Rights Agreement, dated April 23, 2013, by and among Hannon Armstrong Sustainable Infrastructure Capital, Inc. and the parties listed on Schedule I thereto \(incorporated by reference to Exhibit 10.6 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 \(No. 001-35877\), filed on August 9, 2013\)](#)
- 10.8 [Employment Agreement, dated April 17, 2013, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Jeffrey Eckel \(incorporated by reference to Exhibit 10.7 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 \(No. 001-35877\), filed on August 9, 2013\)](#)
- 10.9 [Employment Agreement, dated April 17, 2013, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and J. Brendan Herron, Jr. \(incorporated by reference to Exhibit 10.8 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 \(No. 001-35877\), filed on August 9, 2013\)](#)

- 10.10 [Employment Agreement, dated April 17, 2013, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Steven L. Chuslo \(incorporated by reference to Exhibit 10.9 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 \(No. 001-35877\), filed on August 9, 2013\)](#)
- 10.11 [Employment Agreement, dated April 17, 2013, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Nathaniel J. Rose \(incorporated by reference to Exhibit 10.10 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 \(No. 001-35877\), filed on August 9, 2013\)](#)
- 10.12 [Employment Agreement, dated April 17, 2013, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Daniel McMahon \(incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q for the quarter ended June 30, 2015 \(No. 001-35877\), filed on August 7, 2015\)](#)
- 10.13 [Indemnity Agreement, dated as of September 30, 2015, by Hannon Armstrong Sustainable Infrastructure Capital, Inc. in favor of the Bank of New York Mellon \(incorporated by reference to Exhibit 10.7 to the Registrant's Form 10-Q for the quarter ended September 30, 2015 \(No. 001-35877\), filed on November 5, 2015\)](#)
- 10.14 [Employment Agreement, dated March 15, 2017, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Charles Melko \(incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q for the quarter ended March 31, 2017 \(No. 001-35877\), filed on May 4, 2017\)](#)
- 10.15 [Form of Amended and Restated Restricted Stock Unit Agreement \(incorporated by reference to Exhibit 10.57 to the Registrant's Form 10-K \(No. 001-35877\) for the year ended December 31, 2017, filed on February 23, 2018\)](#)
- 10.16 [Loan Agreement \(Rep-Based\), dated as of December 13, 2018 by and among certain subsidiaries of the Company, Bank of America, N.A., as administrative agent, and each lender from time to time party thereto \(incorporated by reference to Exhibit 10.26 on the Registrant's Form 10-K \(No. 001-35877\) for the year ended December 31, 2018, filed on February 22, 2019\)](#)
- 10.17 [Loan Agreement \(Approval-Based\), data as of December 13, 2018, by and among certain subsidiaries of the Company, Bank of America, N.A., as administrative agent, and each lender from time to time party thereto \(incorporated by reference to Exhibit 10.27 on the Registrant's Form 10-K \(No. 001-35877\) for the year ended December 31, 2018, filed on February 22, 2019\)](#)
- 10.18 [Limited Guaranty \(Rep-Based\), dated as of December 13, 2018, by the Company and Hannon Armstrong Capital, LLC \(incorporated by reference to Exhibit 10.28 on the Registrant's Form 10-K \(No. 001-35877\) for the year ended December 31, 2018, filed on February 22, 2019\)](#)
- 10.19 [Guaranty \(Approval-Based\), dated as of December 13, 2018, by the Company and Hannon Armstrong Capital, LLC \(incorporated by reference to Exhibit 10.29 on the Registrant's Form 10-K \(No. 001-35877\) for the year ended December 31, 2018, filed on February 22, 2019\)](#)
- 10.20 [Form of LTIP Unit Vesting Agreement under the 2013 Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan \(incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q for the quarter ended March 31, 2019 \(No. 001-35877\), filed on May 3, 2019\)](#)
- 10.21 [Form of Hannon Armstrong Sustainable Infrastructure, L.P. Time-Based LTIP Unit Award Agreement \(incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q for the quarter ended March 31, 2019 \(No. 001-35877\), filed on May 3, 2019\)](#)
- 10.22 [Form of Hannon Armstrong Sustainable Infrastructure, L.P. Performance-Based LTIP Unit Award Agreement \(incorporated by reference to Exhibit 10.4 to the Registrant's Form 10-Q for the quarter ended March 31, 2019 \(No. 001-35877\), filed on May 3, 2019\)](#)
- 10.23 [Amended and Restated Employment Agreement, dated April 13, 2020, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Jeffrey A. Lipson \(incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q for the quarter ended March 31, 2020 \(No. 001-35877\), filed on May 11, 2020\)](#)
- 10.24 [At Market Issuance Sales Agreement, dated May 13, 2020, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc., B. Riley FBR, Inc., Robert W. Baird & Co. Incorporated, BofA Securities, Inc., Loop Capital Markets LLC, SMBC Nikko Securities America, Inc. and Nomura Securities International, Inc. \(incorporated by reference to Exhibit 1.1 to the Registrant's Form 8-K \(No. 001-35877\), filed on May 13, 2020\)](#)
- 21.1 [List of subsidiaries of Hannon Armstrong Sustainable Infrastructure Capital, Inc. \(incorporated by reference to Exhibit 21.1 to the Registrant's Form 10-K \(No. 001-35877\), filed on February 22, 2021\)](#)
- 23.1 [Consent of Ernst & Young LLP for Hannon Armstrong Sustainable Infrastructure Capital, Inc. \(incorporated by reference to Exhibit 23.1 to the Registrant's Form 10-K \(No. 001-35877\), filed on February 22, 2021\)](#)
- 23.2* [Consent of KPMG LLP for SunStrong Capital Holdings, LLC](#)
- 23.3* [Consent of Deloitte & Touche LLP for Buckeye Wind Energy Class B Holdings LLC](#)
- 24.1 [Power of Attorney \(incorporated by reference to Exhibit 24.1 to the Registrant's Form 10-K \(No. 001-35877\), filed on February 22, 2021\)](#)

31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes—Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes—Oxley Act of 2002
32.1**	Certification of Chief Executive Officer pursuant to section 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes—Oxley Act of 2002
32.2**	Certification of Chief Financial Officer pursuant to section 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes—Oxley Act of 2002
99.1*	SunStrong Capital Holdings, LLC consolidated financial statements as of and for the years ended December 31, 2020 and 2019, and for the period from November 5, 2018 (inception) to December 31, 2018
99.2*	Buckeye Wind Energy Class B Holdings LLC and Subsidiaries consolidated financial statements as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020
101.SCH	Inline XBRL Taxonomy Extension Schema (incorporated by reference to Exhibit 101.SCH to the Registrant’s Form 10-K (No. 001-35877), filed on February 22, 2021)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase (incorporated by reference to Exhibit 101.CAL to the Registrant’s Form 10-K (No. 001-35877), filed on February 22, 2021)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase (incorporated by reference to Exhibit 101.DEF to the Registrant’s Form 10-K (No. 001-35877), filed on February 22, 2021)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase (incorporated by reference to Exhibit 101.LAB to the Registrant’s Form 10-K (No. 001-35877), filed on February 22, 2021)
101 PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File Included as Exhibit 101 (embedded within the Inline XBRL document)

* Filed herewith.

** Furnished with this report.

SIGNATURES

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

**HANNON ARMSTRONG SUSTAINABLE
INFRASTRUCTURE CAPITAL, INC.**
(Registrant)

Date: March 30, 2021

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

/s/ Jeffrey A. Lipson
Jeffrey A. Lipson
Chief Financial Officer, Chief Operating Officer and Executive Vice President

/s/ Charles W. Melko
Charles W. Melko
Chief Accounting Officer, Treasurer and Senior Vice President

Consent of Independent Auditors

We consent to the incorporation by reference in the registration statements No. 333-230548 on Form S-8 of Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan, and No. 333-198158 on Form S-3 and No. 333-230546 on Form S-3ASR of Hannon Armstrong Sustainable Infrastructure Capital, Inc., of our report dated March 29, 2021, with respect to the consolidated balance sheets of SunStrong Capital Holdings, LLC as of December 31, 2020 and 2019, the related consolidated statements of comprehensive (loss) income, changes in members' equity, and cash flows for the years then ended and the period from November 5, 2018 (inception) to December 31, 2018, and the related notes, which report appears in this Annual Report on Form 10-K/A of Hannon Armstrong Sustainable Infrastructure Capital, Inc., for the year ended December 31, 2020.

/s/ KPMG LLP

San Francisco

March 29, 2021

Exh. 23.2-1

CONSENT OF INDEPENDENT AUDITORS

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-3 ASR No. 333-230546) of Hannon Armstrong Sustainable Infrastructure Capital, Inc.

of our report dated March 4, 2021, relating to the consolidated financial statements of Buckeye Wind Energy Class B Holdings LLC and Subsidiaries as of December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, appearing in this Annual Report on Form 10-K/A of Hannon Armstrong Sustainable Infrastructure Capital, Inc. for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP

Chicago, Illinois
March 25, 2021

**EXHIBIT 31.1
CERTIFICATIONS**

I, Jeffrey W. Eckel, certify that:

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

Date: March 30, 2021

By: /s/ Jeffrey W. Eckel

Name: Jeffrey W. Eckel

Title: Chief Executive Officer and President

**EXHIBIT 31.2
CERTIFICATIONS**

I, Jeffrey A. Lipson, certify that:

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

Date: March 30, 2021

By: /s/ Jeffrey A. Lipson

Name: Jeffrey A. Lipson

Title: Chief Financial Officer, Chief Operating Officer and Executive Vice President

Exh. 31.2-1

EXHIBIT 32.1
CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

In connection with the Annual Report on Form 10-K/A of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (the "Company") for the period ended December 31, 2020 to be filed with the Securities and Exchange Commission on or about the date hereof (the "report"), I, Jeffrey W. Eckel, Chief Executive Officer and President of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

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

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

Date: March 30, 2021

By: /s/ Jeffrey W. Eckel

Name: Jeffrey W. Eckel

Title: Chief Executive Officer and President

Exh. 32.1-1



SUNSTRONG CAPITAL HOLDINGS, LLC

Consolidated Financial Statements

December 31, 2020 and 2019, and for each of the years then ended and
the period from November 5, 2018 (inception) to December 31, 2018

(With Independent Auditors' Report Thereon)

SUNSTRONG CAPITAL HOLDINGS, LLC
Consolidated Financial Statements

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KPMG LLP
Suite 1400
55 Second Street
San Francisco, CA 94105

Independent Auditors' Report

The Members

SunStrong Capital Holdings, LLC:

We have audited the accompanying consolidated financial statements of SunStrong Capital Holdings, LLC and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the related consolidated statements of comprehensive (loss) income, changes in members' equity, and cash flows for the years then ended and the period from November 5, 2018 (inception) to December 31, 2018, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of SunStrong Capital Holdings, LLC and its subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended and the period from November 5, 2018 (inception) to December 31, 2018, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

March 29, 2021

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SUNSTRONG CAPITAL HOLDINGS, LLC

Consolidated Balance Sheets

December 31, 2020 and 2019

Assets	2020	2019
Current assets:		
Cash and cash equivalents	\$ 40,504,760	54,846,162
Restricted cash, current portion	16,031,336	17,883,869
Operating lease receivables, net	11,143,981	9,780,571
Service contract receivables, net	4,954,894	2,225,228
Finance lease receivables, current portion, net	6,291,172	4,325,263
Other current assets	13,566,693	9,602,711
Total current assets	92,492,836	98,663,804
Restricted cash, net of current portion	82,590,378	62,852,403
Finance lease receivable, net of current portion, net	478,732,486	499,796,167
Solar power systems, net	860,415,935	654,213,995
Deferred lease costs and other noncurrent assets	17,379,913	19,268,487
Total assets	\$ 1,531,611,548	1,334,794,856
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 14,846,554	15,109,502
Accounts payable to affiliates, current portion	6,482,185	4,357,362
Deferred revenue, current portion	5,836,240	4,540,710
Derivative liability, current portion	—	1,754,012
Nonrecourse debt financing, current portion	20,693,756	28,127,347
Total current liabilities	47,858,735	53,888,933
Deferred revenue, net of current portion	46,885,806	35,581,758
Accounts payable to affiliates, net of current portion	107,776,253	83,463,925
Derivative liability, net of current portion	13,245,454	15,895,526
Nonrecourse debt financing, net of current portion	1,000,797,377	820,912,881
Total liabilities	1,216,563,625	1,009,743,023
Members' equity:		
Equity attributable to members	26,800,490	51,705,702
Accumulated other comprehensive loss	(7,640,060)	(3,239,138)
Noncontrolling interests	295,887,493	276,585,269
Total members' equity	315,047,923	325,051,833
Total liabilities and members' equity	\$ 1,531,611,548	1,334,794,856

See accompanying notes to consolidated financial statements.



SUNSTRONG CAPITAL HOLDINGS, LLC

Consolidated Statements of Comprehensive (Loss) Income

Years ended December 31, 2020 and 2019 and the period from November 5, 2018 (inception) to December 31, 2018

	2020	2019	2018
Revenue:			
Interest on finance lease receivables	\$ 43,556,004	42,152,268	6,136,571
Operating leases	43,284,113	41,465,401	5,866,323
Service contract revenue	20,394,857	3,901,340	—
Sales of solar systems	—	—	11,343,620
Rebates and other	20,170,485	14,722,337	1,916,880
	<u>127,405,459</u>	<u>102,241,346</u>	<u>25,263,394</u>
Cost of revenue:			
Depreciation	26,097,559	17,980,094	2,644,010
Asset management fees	18,781,342	15,542,846	2,441,024
Cost of solar systems sold	—	—	7,057,441
Other	2,000,890	2,344,018	1,025,940
	<u>46,879,791</u>	<u>35,866,958</u>	<u>13,168,415</u>
Gross profit	80,525,668	66,374,388	12,094,979
Operating expenses	<u>15,940,115</u>	<u>17,446,568</u>	<u>1,621,311</u>
Income from operations	64,585,553	48,927,820	10,473,668
Interest expense	62,713,754	49,883,656	6,247,370
Loss on termination of financing obligations	3,115,680	—	18,440,005
Unrealized loss on interest rate swaps	2,445,517	6,554,707	3,111,293
Loss on lease terminations, net	1,808,196	7,447,951	—
Other expense, net	2,638,663	730,084	422,146
Loss before income taxes	(8,136,257)	(15,688,578)	(17,747,146)
Income taxes	<u>—</u>	<u>—</u>	<u>—</u>
Net loss	(8,136,257)	(15,688,578)	(17,747,146)
Net (income) loss attributable to noncontrolling interests	<u>(6,810,068)</u>	<u>29,174,392</u>	<u>22,479,242</u>
Net (loss) income attributable to members	(14,946,325)	13,485,814	4,732,096
Other comprehensive loss – unrealized loss on interest rate swaps, net	<u>(4,400,922)</u>	<u>(3,239,138)</u>	<u>—</u>
Comprehensive (loss) income attributable to members	<u>\$ (19,347,247)</u>	<u>10,246,676</u>	<u>4,732,096</u>

See accompanying notes to consolidated financial statements.



SUNSTRONG CAPITAL HOLDINGS, LLC

Statement of Changes in Members' Equity

Years ended December 31, 2020 and 2019 and the period from November 5, 2018 (inception) to December 31, 2018

	SunPower	HA Member	Equity attributable to members	Accumulated other comprehensive loss	Noncontrolling interests	Total
Balances, November 5, 2018	\$ 9,684,390	10,000,000	19,684,390	—	231,614,133	251,298,523
Contributions	—	—	—	—	4,288,443	4,288,443
Distributions	—	(868,512)	(868,512)	—	(10,592,077)	(11,460,589)
Net income (loss)	2,413,369	2,318,727	4,732,096	—	(22,479,242)	(17,747,146)
Balances, January 1, 2019	12,097,759	11,450,215	23,547,974	—	202,831,257	226,379,231
Contributions	3,169,548	3,032,968	6,202,516	—	93,139,874	99,342,390
Distributions	—	—	—	—	(54,956,706)	(54,956,706)
Noncontrolling interests in acquired entities	—	—	—	—	77,110,937	77,110,937
Redemption of noncontrolling interests	4,319,393	4,150,005	8,469,398	—	(12,365,701)	(3,896,303)
Net income (loss)	6,877,765	6,608,049	13,485,814	—	(29,174,392)	(15,688,578)
Other comprehensive loss	—	—	—	(3,239,138)	—	(3,239,138)
Balances, January 1, 2020	26,464,465	25,241,237	51,705,702	(3,239,138)	276,585,269	325,051,833
Contributions	214,259	138,117	352,376	—	161,067,737	161,420,113
Distributions	(9,038,673)	(21,625,122)	(30,663,795)	—	(125,409,161)	(156,072,956)
Redemption of noncontrolling interests	10,379,791	9,972,741	20,352,532	—	(23,166,420)	(2,813,888)
Net income (loss)	(7,622,625)	(7,323,700)	(14,946,325)	—	6,810,068	(8,136,257)
Other comprehensive loss	—	—	—	(4,400,922)	—	(4,400,922)
Balances, December 31, 2020	\$ 20,397,217	6,403,273	26,800,490	(7,640,060)	295,887,493	315,047,923

See accompanying notes to consolidated financial statements.



SUNSTRONG CAPITAL HOLDINGS, LLC

Consolidated Statements of Cash Flows

Years ended December 31, 2020 and 2019 and the period from November 5, 2018 (inception) to December 31, 2018

	2020	2019	2018
Cash flows from operating activities:			
Net loss	\$ (8,136,257)	(15,688,578)	(17,747,146)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation	26,097,559	17,980,094	2,644,010
Amortization of debt issuance costs	1,939,386	2,695,142	448,867
Impairment of solar power systems	714,683	—	—
Loss on termination of financing obligations	3,115,680	—	18,440,005
Unrealized loss on interest rate swaps	2,445,517	6,554,707	3,111,293
Loss on lease terminations	1,808,196	7,447,951	—
Changes in operating assets and liabilities:			
Lease receivables	17,202,391	18,225,578	(15,202,863)
Solar power systems to be leased under sales-type leases	—	—	28,524,978
Service contract receivables	(2,730,169)	(1,566,399)	—
Deferred lease costs and other assets	932,487	999,557	1,380,923
Accounts payable and accrued expenses	19,460,938	(8,565,068)	(60,275,153)
Deferred lease revenue	13,020,992	3,915,474	752,723
Other current assets	(3,881,143)	2,587,567	(1,501,258)
Net cash provided by (used in) operating activities	<u>71,990,260</u>	<u>34,586,025</u>	<u>(39,423,621)</u>
Cash flows from investing activities:			
Payments for solar power systems	(216,968,779)	(130,725,414)	(7,047,934)
Acquisition of membership interest in SSCA3, net of cash acquired	—	16,397,243	—
Acquisition of membership interest in 8p3 Holdings, net of cash acquired	—	(45,768)	—
Investment in unconsolidated LLC	—	(218,913)	—
Net cash used in investing activities	<u>(216,968,779)</u>	<u>(114,592,852)</u>	<u>(7,047,934)</u>
Cash flows from financing activities:			
Proceeds from nonrecourse debt financing, net of issuance cost	423,427,106	116,568,403	437,969,666
Repayment of nonrecourse debt financing	(277,875,742)	(44,124,003)	(379,236,084)
Equity contributions	161,420,113	99,342,390	4,288,443
Equity distributions	(155,635,030)	(59,141,005)	(1,118,585)
Redemption of noncontrolling interests	(2,813,888)	(3,896,303)	—
Net cash provided by financing activities	<u>148,522,559</u>	<u>108,749,482</u>	<u>61,903,440</u>
Net increase in cash, cash equivalents and restricted cash	3,544,040	28,742,655	15,431,885
Cash, cash equivalents and restricted cash at beginning of period	<u>135,582,434</u>	<u>106,839,779</u>	<u>91,407,894</u>
Cash, cash equivalents and restricted cash at end of period	<u>\$ 139,126,474</u>	<u>135,582,434</u>	<u>106,839,779</u>
Cash paid during the period for:			
Interest	\$ 51,233,002	40,212,486	1,863,245
Noncash activities:			
Accrued equity distributions	\$ 6,595,631	6,157,705	10,342,004
Accrual for purchases of solar power systems	24,889,758	84,463,636	5,486,320
Paid-in-kind interest	11,454,988	7,088,065	—

See accompanying notes to consolidated financial statements.



SUNSTRONG CAPITAL HOLDINGS, LLC

Notes to Consolidated Financial Statements

December 31, 2020 and 2019, and for each of the years then ended and
the period from November 5, 2018 (inception) to December 31, 2018

(1) The Company

SunStrong Capital Holdings, LLC (the Company) was initially formed on July 10, 2018 and 100% owned by SunPower Corporation (SunPower). At various dates through November 5, 2018, SunPower Capital, LLC (SunPower Capital), a wholly owned subsidiary of SunPower, transferred 100% of its managing member interests in the majority of its residential lease portfolios to wholly owned subsidiaries of the Company. Because these transfers were made between entities under common control, the assets and liabilities transferred were recorded by the Company at the historical carrying amounts of the transferring entity.

On November 5, 2018, SunPower entered into an agreement with HA SunStrong Capital LLC (HA Member), a subsidiary of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (HASI), to acquire, operate, finance, and maintain a portfolio of residential rooftop or ground-mounted solar photovoltaic electric generating systems (Solar Assets). Pursuant to the terms of the Purchase and Sale Agreement (PSA), SunPower sold to HA Member membership units representing a 49% membership interest in the Company.

The Company and its direct and indirect subsidiaries offer a solar lease program, in partnership with third-party financial institutions, which allows its residential customers to obtain SunPower systems under lease agreements for terms of up to 20 years, in the North America residential market. The Company forms or acquires membership interests in various subsidiaries to expand its portfolio of Solar Assets.

Limited liability companies (LLCs) are formed in accordance with the laws of the state in which they are organized. An LLC is generally an unincorporated association of one or more persons and its members have limited personal liability for the obligations or debts of the entity. An LLC can elect to be taxed as a corporation or partnership for federal income tax purposes. The Company has elected to be taxed as a corporation.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and include the accounts of the Company, its subsidiaries, and its subsidiaries' jointly owned partnerships (Partnerships) in which the Company holds controlling interests, as determined under consolidation accounting guidelines. Intercompany transactions and balances have been eliminated in consolidation.

To ascertain whether the Company is required to consolidate an entity, management determines whether the entity is a variable interest entity (VIE) and if the Company is the primary beneficiary in accordance with the accounting guidance. Factors considered in determining whether the Company is the VIE's primary beneficiary include the decision making authority of each member, which member manages the day-to-day operations of the entity, and each member's obligation to absorb losses or right to receive benefits from the entity in relation to that of the other members.

The Company is deemed to be the primary beneficiary of a VIE when the Company has the power to direct the activities that most directly impact the economic performance of the VIE and the Company is required to absorb losses or has a right to receive benefits that are significant to the VIE.

SUNSTRONG CAPITAL HOLDINGS, LLC

Notes to Consolidated Financial Statements

December 31, 2020 and 2019, and for each of the years then ended and the period from November 5, 2018 (inception) to December 31, 2018

(b) Financial Statements Periods Presented

The consolidated balance sheets have been presented for the years ended December 31, 2020 and 2019, and the related consolidated statements of comprehensive (loss) income, changes in members' equity, and cash flows have been presented for each of the years then ended and the period from November 5, 2018 (inception) to December 31, 2018. On November 5, 2018, SunPower and HA Member entered into an Amended and Restated Limited Liability Company Operating Agreement (the Operating Agreement) that resulted in the operation of the Company as a joint venture entity. Management has determined that November 5, 2018 is the appropriate inception date for the consolidated financial statements as this is the date when the Company became a joint venture entity.

(c) Management Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates in these consolidated financial statements include allowances for doubtful lease and service contract receivables; estimates for future cash flows and economic useful lives of solar power systems and other long-lived assets; and the fair values and residual values of solar power systems. Actual results could materially differ from those estimates.

(d) Adoption of ASC Topic 842, Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases (ASC Topic 842), which supersedes the existing guidance for lease accounting (ASC Topic 840). In July 2018, the FASB issued several ASUs to clarify and improve certain aspects of the new lease standard including, among many other things, the rate implicit in the lease, variable payments that depend on an index or rate, and methods of transition including an optional transition method to continue recognizing and disclosing leases entered into prior to the adoption date under ASC Topic 840.

Effective January 1, 2019, the Company adopted ASC 842 using the optional transitional method for all leases that existed at or commenced before that date. The Company elected to apply the practical expedients in ASC Topic 842 and therefore:

- 1) did not reassess expired contracts for presence of lease components, and if it was already concluded that such contracts had lease components, then the classification of the respective lease components was not re-assessed;
- 2) did not re-assess initial direct costs for any existing leases;
- 3) used hindsight for determining the lease term for all leases for which ASC 842 has been applied;
- 4) elected not to separate the lease and non-lease components;
- 5) elected not to apply the recognition and measurement requirements of the new guidance to short-term leases: and

SUNSTRONG CAPITAL HOLDINGS, LLC

Notes to Consolidated Financial Statements

December 31, 2020 and 2019, and for each of the years then ended and the period from November 5, 2018 (inception) to December 31, 2018

- 6) did not assess whether existing or expired land easements that were not previously assessed under legacy guidance on leases are or contain a lease under the new guidance.

Upon adoption of ASC Topic 842, the Company's solar energy system leases no longer meet the criteria for lease accounting, as the Company's contracts do not allow the customer to direct the use of the underlying solar energy system. As a result, the Company will account for any arrangements entered into on or after January 1, 2019 as contracts with customers pursuant to ASC Topic 606, Revenue from Contracts with Customers. Solar energy contracts entered into on or before December 31, 2018 continue to be accounted for as operating or sales-type leases.

(e) Cash and Cash Equivalents

Highly liquid investments with original or remaining maturities of ninety days or less at the date of purchase are considered cash equivalents. At December 31, 2020 and 2019, cash and cash equivalents include balances held at banks. Such cash deposits periodically exceed the Federal Deposit Insurance Corporation insured limit for each account. It is the Company's policy to invest with high credit quality financial institutions.

(f) Contracts with Customers

Service contract revenue represents solar services which allow residential customers to obtain continuous access to solar power systems under contracts for terms of up to 20 years. The Company recognizes service contract revenue evenly over the time performance obligations are satisfied over the contract term.

(g) Leasing Activities

(i) Revenue Recognition

Homeowner leases are classified as either sales-type leases or operating leases in accordance with the relevant accounting guidelines.

For those systems classified as sales-type leases, the net present value of the minimum lease payments, net of executory costs, is recognized as revenue when the lease is placed in service. This net present value as well as the net present value of the residual value of the lease at termination are recorded as finance lease receivables in the consolidated balance sheets. The difference between the initial net amounts and the gross amounts is amortized to revenue over the lease term using the interest method. The residual values of the Company's solar systems are determined at the inception of the lease and are generally based on the estimated fair value of the lease at inception.

For those systems classified as operating leases, rental revenue is recognized, net of executory costs, on a straight-line basis over the term of the lease.

(ii) Solar Power Systems Leased

Solar power systems leased to residential customers under operating leases are stated at cost, less accumulated depreciation and are depreciated to their estimated residual value using the straight-line method over the life of the lease term of up to 20 years.



SUNSTRONG CAPITAL HOLDINGS, LLC

Notes to Consolidated Financial Statements

December 31, 2020 and 2019, and for each of the years then ended and the period from November 5, 2018 (inception) to December 31, 2018

(iii) Deferred Lease Costs

Initial direct costs for sales-type leases are recognized as cost of sales when the solar power systems are placed in service. Initial direct costs for operating leases are capitalized and amortized over the term of the related customer lease agreements.

(iv) Finance Lease Receivables

Finance lease receivables are generated by solar power systems leased to residential customers under sales-type leases. Finance lease receivables represent gross minimum lease payments to be received from customers and the systems' estimated residual value, net of unearned income and an allowance for estimated losses. The Company recognizes an allowance for losses on lease receivables in an amount equal to the probable losses net of recoveries.

(v) Deferred Revenue

Payments received in advance for executory costs are deferred and amortized to other revenue ratably over the life of the lease.

(h) Solar Power Systems

Solar power systems are stated at cost, less accumulated depreciation and are depreciated to their estimated residual value using the straight-line method over the term of the customer contract or lease of up to 20 years. The residual values of the Company's solar systems are determined at the inception of the contract or lease and are generally based on the estimated fair value of the system at inception.

Construction in process represents systems that are under installation or which have not been interconnected. Systems included in construction in process are not depreciated until systems are placed in service.

(i) Impairment of Long-lived Assets

The Company reviews the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance, and may differ from actual cash flows. If the estimate of future undiscounted net cash flows is insufficient to recover the carrying value of the assets over the remaining estimated lives, the Company records an impairment loss in the amount by which the carrying value of the assets exceeds the fair value.

(j) Rebates

Some residential solar systems qualify for local and state rebates. The Company records a rebate receivable when the qualifying system is placed in service. The benefit for rebates on sales-type leases is recognized as revenue when the system is placed in service. The benefit for rebates on operating leases and service contracts is recognized as deferred revenue and amortized to rebate revenue ratably over the life of the lease.

SUNSTRONG CAPITAL HOLDINGS, LLC

Notes to Consolidated Financial Statements

December 31, 2020 and 2019, and for each of the years then ended and the period from November 5, 2018 (inception) to December 31, 2018

(k) Income Taxes

The Company is a multiple-member limited liability corporation that has elected to be treated as a C-Corporation for federal income tax purposes. Accordingly, the Company is subject to U.S. federal income taxes at regular corporate rates on its net taxable income.

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Deferred tax assets and liabilities are recognized for temporary differences between financial statement and income tax bases of assets and liabilities. Valuation allowances are provided against deferred tax assets when it is not more likely than not that some portion or all deferred tax assets will be realized.

ASC Topic 740, Income Taxes, establishes consistent thresholds as it relates to accounting for income taxes. It defines the threshold for recognizing the benefits of tax return positions in the financial statements as more likely than not to be sustained by the taxing authority and requires measurement of a tax position meeting the more-likely than-not criterion, based on the largest benefit that is more than 50% likely to be realized. In accordance with this accounting standard, management has analyzed the Company's inventory of tax positions taken with respect to all applicable income tax issues for all open tax years (in each respective jurisdiction) and has concluded that the Company has no uncertain tax positions.

(l) Restricted Cash

Restricted cash consists of cash reserved in accordance with the terms of the nonrecourse debt financing agreements for interest and principal payments, collection of certain rebates, and the Company's purchase options with respect to the noncontrolling interests.

The following table provides a reconciliation of cash, cash equivalents and restricted cash:

	2020	2019
Cash	\$ 40,504,760	54,846,162
Restricted cash, current portion	16,031,336	17,883,869
Restricted cash, net of current portion	82,590,378	62,852,403
	<u>\$ 139,126,474</u>	<u>135,582,434</u>

SUNSTRONG CAPITAL HOLDINGS, LLC

Notes to Consolidated Financial Statements

December 31, 2020 and 2019, and for each of the years then ended and the period from November 5, 2018 (inception) to December 31, 2018

(m) Fair Value Measurements

Fair value is defined as the amount that would either be received when an asset is sold or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses valuation approaches that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. U.S. GAAP establishes a three-tier fair value hierarchy based on the inputs used in measuring fair value. These tiers are: Level 1, for which quoted market prices for identical assets and liabilities are available in active markets; Level 2, for which there are inputs other than quoted prices included within Level 1 that are observable for assets and liabilities; and Level 3, for assets and liabilities that do not fall into Level 1 or Level 2 and for which little or no market data exists, therefore requiring the Company to develop its own assumptions.

The carrying values of cash, cash equivalents, restricted cash, accounts receivable, and accounts payable approximate their respective fair values due to their short-term maturities. Derivative instruments (note 6) consist of interest rate swap agreements with various bank counterparties. The valuations of the interest rate swap agreements are determined using a discounted cash flow analysis of the expected cash flows of each agreement. These interest rate swaps are over-the-counter contracts and are classified as Level 2 instruments within the fair value hierarchy.

The fair value of the Company's long-term debt (note 5) is measured based on a discounted cash flow model that estimates the present value of the future loan payments by discounting such payments using market interest rates currently offered for debt with similar maturities and terms. These inputs are classified as Level 2 within the fair value hierarchy.

(n) Noncontrolling Interests

Noncontrolling interests represent the portions of members' equity in consolidated subsidiaries that are not attributable, directly or indirectly, to the Company. The holders of noncontrolling interests in the Company include third-party investors (Investor Members) under the tax equity financing facilities. The Company has entered into arrangements with third-party investors under which the investors hold noncontrolling interests in the Partnerships, which are controlled and consolidated by the Company. The net assets of the Partnerships are attributed to the controlling and noncontrolling interests based on the terms of the governing contractual arrangements. The Company uses the hypothetical liquidation at book value (HLBV) method to attribute members' equity to the controlling and noncontrolling interests as this method most closely mirrors the economics of the governing contractual arrangements. Under the HLBV method, the Company allocates recorded income (loss) to each investor based on the change during the reporting period in the amount of members' equity each investor is entitled to under the governing contractual arrangements in a liquidation scenario.

(o) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. Such reclassifications had no impact on comprehensive (loss) income as previously reported.

SUNSTRONG CAPITAL HOLDINGS, LLC

Notes to Consolidated Financial Statements

December 31, 2020 and 2019, and for each of the years then ended and the period from November 5, 2018 (inception) to December 31, 2018

(p) Recent Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13) and subsequent amendment to the initial guidance: ASU 2018-19 (collectively, Topic 326). Topic 326 requires measurement and recognition of expected credit losses for financial assets held. The amendment applies to entities which hold financial assets and net investments in leases that are not accounted for at fair value through net income as well as loans, debt securities, accounts receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. Topic 326 is effective for nonpublic entities and public business entities that are not SEC filers beginning in 2023, with early adoption permitted. The Company is currently evaluating the impact of the provisions of ASU 2016-13 on the consolidated financial statements and disclosures.

(3) Purchase Accounting

On June 14, 2019, the Company, SPWR SunStrong Holdings LLC and HA Terrier Acquisition LLC acquired the membership interests of 8point3 Solar InvestCo 3 Holdings, LLC (8p3 Holdings), a company that owns and operates a portfolio of residential solar assets. The Company paid \$2,815,000 for a 10% controlling financial interest. This acquisition has been accounted for as a business combination. Accordingly, the purchase price of \$28,150,000 was allocated to the assets acquired, including intangible assets, and liabilities assumed based on their estimated fair values at the date of acquisition.

The following table presents the fair values of assets and liabilities acquired as of June 14, 2019 (in thousands):

Restricted cash	\$	2,769
Solar power systems		36,488
Finance lease receivables		46,090
Other assets		408
Accounts payable and accrued liabilities		(1,677)
Nonrecourse debt financing		(52,677)
Derivative liability		(3,251)
	\$	<u>28,150</u>

On September 27, 2019, the Company acquired 100% of the membership interests of SunStrong Capital Acquisition 3 LLC (SSCA3) from SunPower Capital. SSCA3 owns and operates a portfolio of residential solar assets and owns 100% interest of a controlling Class B Managing member interest in a tax equity partnership with an investor member, whose interest is presented as a noncontrolling interest. This acquisition has been accounted for as a business combination. The assets acquired and liabilities assumed are based on their estimated fair values at the date of acquisition.

SUNSTRONG CAPITAL HOLDINGS, LLC

Notes to Consolidated Financial Statements

December 31, 2020 and 2019, and for each of the years then ended and the period from November 5, 2018 (inception) to December 31, 2018

The following table presents the fair values of assets and liabilities acquired as of September 27, 2019 (in thousands):

Cash, cash equivalents, and restricted cash	\$	16,397
Solar power systems		94,953
Finance lease receivables		18,990
Accounts receivable and other assets		2,460
Accounts payable and other liabilities		(9,358)
Nonrecourse debt financing		(71,666)
Noncontrolling interests		(51,776)
	\$	<u> —</u>

(4) Partnerships

Pursuant to the respective Partnership operating agreements, the members have commitments to make capital contributions to the Partnerships, up to specified maximum amounts. The contributions are used by the Partnerships to acquire solar power systems from SunPower Capital.

Managing member entities are wholly owned subsidiaries of the Company that are created for the purpose of managing the activities of the Partnerships and serving as consolidation vehicles for the Company. The managing member entities make capital contributions to the Partnerships on behalf of the Company and record the Company's allocation of Partnership income or loss related to the investor members' noncontrolling interests.

The Partnerships are set up as flip structures; returns are allocated substantially to the investor member initially, and then "flipped" to the managing member once a specified amount of time has elapsed.

The Company holds options to purchase the noncontrolling interests in the Partnerships from the investor members after a given period of time, typically 5 to 6 years after all solar power systems have been sold into the Partnerships. For some Partnerships, the investor members hold a right to sell their interests to the Company, if the Company does not exercise the purchase option, at a price determined as the lesser of a fixed amount or the fair market value at the time the option is exercised. During the years ended December 31, 2020 and 2019, as purchase options became exercisable for certain funds, the Company exercised its option to buy out noncontrolling interests with a carrying value of \$23.2 million and \$12.4 million, respectively, for total consideration of \$2.8 million and \$3.9 million, respectively. The difference between the consideration paid by the Company and the carrying amount of the noncontrolling interest was recognized directly in member's equity, which reflects the members' increased ownership in the Partnerships' net assets.

SUNSTRONG CAPITAL HOLDINGS, LLC

Notes to Consolidated Financial Statements

December 31, 2020 and 2019, and for each of the years then ended and the period from November 5, 2018 (inception) to December 31, 2018

(5) Third Party Financing Arrangements

Nonrecourse debt financing consists of the following as of December 31, 2020 and 2019:

Borrowing entity	Maximum principal amount	Date issued	Maturity date	Interest rate	Debt outstanding	
					2020	2019
SunStrong Capital Acquisition OF, LLC and SunStrong Capital Acquisition 3, LLC ^{1,2}	\$ 146,714,000	1/13/2020	1/13/2045	11.66 %	\$ 55,257,579	—
Borrowed Sunshine, LLC and Borrowed Sunshine II, LLC	216,216,000	1/13/2020	1/13/2040	4.09 %	211,706,817	—
Ultralight 2 Residential Solar, LLC	132,000,000	9/17/2020	9/17/2040	4.25 %	12,200,409	—
Ultralight 2 Mezzanine Borrower, LLC ¹	59,400,000	9/17/2020	9/17/2065	3.50 %	23,237,310	—
Ultralight 2 Mezzanine Borrower, LLC ^{1,2,3}	38,000,000	9/17/2020	3/31/2047	11.00 %	—	—
Ultralight Mezzanine Borrower, LLC ^{1,2}	33,000,000	6/6/2019	6/5/2044	11.50 %	27,942,965	5,550,000
Ultralight Mezzanine Borrower, LLC ¹	45,000,000	6/6/2019	6/5/2039	3.50 %	49,759,951	32,349,674
Ultralight Residential Solar, LLC	113,000,000	6/6/2019	6/5/2039	Based upon lenders' weighted average rates LIBOR + Margin (2.25%–2.5%)	99,201,732	34,354,273
8Point3 Solar InvestCo 3, LLC	63,525,063	6/26/2018	6/26/2025	(2.25%–2.5%)	48,094,017	51,896,244
8Point3 Solar InvestCo 3, LLC ^{1,2}	30,696,662	6/14/2019	12/31/2037	10.30 %	29,848,204	30,237,653
SunStrong Capital Acquisition 3, LLC ^{1,2}	37,300,000	4/12/2019	4/11/2044	11.50 %	—	25,134,942
Borrowed Sunshine II, LLC	55,000,000	1/31/2019	7/31/2021	LIBO + Margin (1.75%–2.5%)	—	47,390,152
Borrowed Sunshine, LLC	170,000,000	1/5/2018	1/4/2022	LIBO + Margin (1.75%–3.75%)	—	113,344,255
SunStrong Capital Acquisition, LLC ^{1,2}	110,500,000	8/10/2018	8/10/2043	12.00 %	32,695,168	30,068,670
SunStrong Capital Acquisition OF, LLC ^{1,2}	32,000,000	11/5/2018	11/5/2043	11.75 %	—	32,360,672
SunStrong Capital Acquisitions, LLC ^{1,2}	80,385,000	11/28/2018	8/10/2043	12.00 %	87,078,852	81,335,303
SunStrong 2019-1 Issuer, LLC ⁴	400,000,000	11/28/2018	11/1/2048	5.68 %	366,930,803	382,240,458
Total nonrecourse debt financing					1,043,953,807	866,262,296
Unamortized deferred issuance costs					(22,462,674)	(17,222,068)
Nonrecourse debt financing, net					1,021,491,133	849,040,228
Current portion, net of debt issuance costs					(20,693,756)	(28,127,347)
Nonrecourse debt financing, net of current portion					\$ 1,000,797,377	820,912,881

¹ Accrued interest may be capitalized into the loan principal.

² Mandatory repayment in the event of excess cash flows as defined in the loan agreement.

³ No draws have been made on the loan as of December 31, 2020.

⁴ SunStrong 2019-1 Issuer, LLC will be the sole obligor of the ABS Notes and the ABS Notes will not be an obligation of the Company or any of its other subsidiaries.

As of December 31, 2020, and 2019, the aggregate carrying value and fair value of nonrecourse debt is as follows:

	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
Total nonrecourse debt	\$ 1,043,953,807	1,063,599,434	866,262,296	876,193,690

SUNSTRONG CAPITAL HOLDINGS, LLC

Notes to Consolidated Financial Statements

December 31, 2020 and 2019, and for each of the years then ended and the period from November 5, 2018 (inception) to December 31, 2018

As of December 31, 2019, certain subsidiary entities were parties to various loan agreements with multiple lenders. On January 13, 2020, these loans totaling \$218.3 million were repaid with the proceeds from new mezzanine and senior debt and the Company recognized a loss on debt extinguishment of \$3.1 million.

As of November 5, 2018, certain subsidiary managing member entities and Partnerships were parties to various loan agreements with multiple lenders. On November 28, 2018, the loans were repaid with the proceeds from the ABS Notes and the Company recognized a loss on debt extinguishment of \$18.4 million.

As of December 31, 2020, future principal payments due under the loans are as follows:

2021	\$ 22,619,922
2022	36,048,497
2023	33,355,237
2024	39,553,661
2025	41,985,207
Thereafter	<u>870,391,283</u>
	<u>\$ 1,043,953,807</u>

(6) Derivative Financial Instruments

The Company recognizes all derivative instruments on the balance sheets at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive (loss) income if a derivative is designated as a cash flow hedge.

As of December 31, 2020 and 2019, the Company had non-designated interest rate swap agreements with aggregate notional values of \$69.0 million and \$230.2 million, respectively, and interest rate swap agreements designated as cash flow hedges with aggregate notional values of \$255.2 million and \$255.2 million, respectively. These swap agreements allow the Company to effectively convert floating rate payments into fixed rate payments periodically over the life of the agreements. These derivatives have a maturity term of more than 12 months. All changes in the fair value of non-designated interest rate swap agreements are recognized immediately in current period earnings. The effective portion of a cash flow hedge is reclassified into interest expense when hedged transactions are recognized in the consolidated statements of comprehensive (loss) income. The fair value of the swaps of \$13.2 million and \$17.6 million is included in derivative liability as of December 31, 2020 and 2019, respectively. During the years ended December 31, 2020 and 2019 and the period from November 5, 2018 (inception) to December 31, 2018, the Company recognized \$2.4 million, \$6.6 million, and \$3.1 million, respectively, of unrealized losses on interest rate swaps in earnings.

The Company analyzes its designated interest rate swaps quarterly to determine if the hedge remains effective. The Company may discontinue hedge accounting prospectively if certain conditions are no longer met, the swap is terminated or exercised, or if the Company elects to remove the cash flow hedge designation.

As of December 31, 2020 and 2019, the unrealized loss in accumulated other comprehensive loss was \$7.6 million and \$2.2 million, respectively.

\$7.0 million and \$3.2 million, respectively.

SUNSTRONG CAPITAL HOLDINGS, LLC

Notes to Consolidated Financial Statements

December 31, 2020 and 2019, and for each of the years then ended and the period from November 5, 2018 (inception) to December 31, 2018

(7) Sales-Type Leases

As of December 31, 2020 and 2019, the Company's net investment in sales-type leases, presented in finance lease receivables, net on the consolidated balance sheets, consists of the following:

	<u>2020</u>	<u>2019</u>
Gross minimum lease payments receivable	\$ 847,713,076	910,748,594
Unguaranteed residual value	93,476,923	94,480,712
Unearned income	<u>(442,785,854)</u>	<u>(489,854,991)</u>
Finance lease receivables	498,404,145	515,374,315
Allowance for doubtful accounts	<u>(13,380,487)</u>	<u>(11,252,885)</u>
Finance lease receivables, net	485,023,658	504,121,430
Current portion	<u>(6,291,172)</u>	<u>(4,325,263)</u>
Noncurrent portion	<u>\$ 478,732,486</u>	<u>499,796,167</u>

As of December 31, 2020, future gross minimum lease payments receivable for sales-type leases are as follows:

2021	\$ 53,197,924
2022	52,340,635
2023	52,804,803
2024	53,279,937
2025	53,767,102
Thereafter	<u>582,322,675</u>
Total	<u>\$ 847,713,076</u>

During the years ended December 31, 2020 and 2019 and the period from November 5, 2018 (inception) to December 31, 2018, the allowance for doubtful accounts increased by \$2.1 million, \$2.0 million, and \$0.3 million, respectively.

SUNSTRONG CAPITAL HOLDINGS, LLC

Notes to Consolidated Financial Statements

December 31, 2020 and 2019, and for each of the years then ended and the period from November 5, 2018 (inception) to December 31, 2018

(8) Solar Power Systems

Solar power systems consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Solar power systems leased under operating leases	\$ 452,222,334	452,106,724
Solar power systems with related service contracts	381,495,416	180,381,679
Construction in process	153,676,967	122,086,151
Less accumulated depreciation	<u>(126,978,782)</u>	<u>(100,360,559)</u>
	<u>\$ 860,415,935</u>	<u>654,213,995</u>

The following table presents the Company's future minimum rental receipts on operating leases placed in service as of December 31, 2020.

2021	\$ 42,493,640
2022	42,038,708
2023	42,093,098
2024	42,201,988
2025	42,322,798
Thereafter	<u>435,779,161</u>
	<u>\$ 646,929,393</u>

The following table presents the Company's future minimum receipts on solar service contracts as of December 31, 2020.

2021	\$ 25,072,502
2022	24,985,177
2023	25,107,477
2024	25,232,554
2025	25,360,137
Thereafter	<u>371,075,467</u>
	<u>\$ 496,833,314</u>

SUNSTRONG CAPITAL HOLDINGS, LLC

Notes to Consolidated Financial Statements

December 31, 2020 and 2019, and for each of the years then ended and the period from November 5, 2018 (inception) to December 31, 2018

(9) Deferred Revenue

Deferred revenue consists of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Deferred lease and service contract revenue	\$ 14,585,223	13,697,159
Deferred rebate revenue	37,334,394	25,573,096
Deferred executory cost revenue	769,372	819,155
Other	<u>33,057</u>	<u>33,058</u>
Total	52,722,046	40,122,468
Current portion	<u>(5,836,240)</u>	<u>(4,540,710)</u>
Noncurrent portion	<u>\$ 46,885,806</u>	<u>35,581,758</u>

(10) Income Taxes

Income taxes are recognized for the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets are established for the future tax consequences of events that have been recognized in the consolidated financial statements or tax returns. The effects of income taxes are measured based on enacted tax laws and rates.

Based on the Company's current period taxable loss and fully reserved net deferred tax asset position, there is no provision for income taxes included in the statements of comprehensive (loss) income for the years ended December 31, 2020 and 2019 and the period from November 5, 2018 (inception) to December 31, 2018.

The significant components of deferred tax assets and liabilities as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Deferred tax assets:		
Net operating loss carryforward	\$ 125,238,241	68,580,892
Capital leases	48,812,078	67,688,679
Property and equipment	44,855,819	61,216,249
Interest expense	17,255,106	15,154,980
Investment in partnerships	3,930,468	32,653,425
Other	<u>1,731,528</u>	<u>1,719,188</u>
Total deferred tax assets	241,823,240	247,013,413
Valuation allowance	<u>(241,823,240)</u>	<u>(247,013,413)</u>
Net deferred taxes	<u>\$ —</u>	<u>—</u>

SUNSTRONG CAPITAL HOLDINGS, LLC

Notes to Consolidated Financial Statements

December 31, 2020 and 2019, and for each of the years then ended and the period from November 5, 2018 (inception) to December 31, 2018

At December 31, 2020, the Company had net operating losses (NOL) totaling \$413 million, to be carried forward indefinitely to offset future taxable income. The Company does not believe the net operating loss will be limited under Internal Revenue Code (IRC) Section 382 and believes it will also be available for state income tax purposes subject to state carryforward limitations. IRC Section 382 limits the utilization of net operating loss in years subsequent to an owner shift based upon the value of the Company at the date of the owner shift. The Company has not undertaken a detailed study in connection with IRC Section 382 in order to determine if there is any limitation of the utilization of its net operating loss carryforward. The 2017 Tax Cuts and Jobs Act revised the use of net operating loss carryforwards and limits them to 80% of taxable income each year but removed the limitation on years carried forward.

The provision for income taxes reflects the establishment of a full valuation allowance against deferred tax assets as of December 31, 2020 and 2019. Accounting Standards Codification Topic 740 Income Taxes requires management to evaluate its deferred tax assets on a regular basis to reduce them to an amount that is realizable on a more likely than not basis. During the years ended December 31, 2020 and 2019 and the period from November 5, 2018 (inception) to December 31, 2018, the valuation allowance (decreased) increased by approximately (\$5.2 million), (\$29.2 million), and \$2.5 million, respectively, due to continuing operations. In determining the provision for income taxes, net deferred tax assets, liabilities and valuation allowances, management is required to make judgments and estimates related to projections of profitability, the timing and extent of the utilization of net operating loss carryforwards and applicable tax rates. Judgments and estimates related to these projections and assumptions are inherently uncertain; therefore, actual results could differ materially from the projections.

The Company's provision for income taxes for the years ended December 31, 2020 and 2019, and the period from November 5, 2018 (inception) to December 31, 2018, differs from the expected tax benefit amount computed by applying the statutory federal income tax rate of 21% to income before taxes primarily as a result of net operating losses and the change in the valuation allowance. Accordingly, the Company's effective federal and state income tax rate is 0%.

(11) Members' Equity

On November 5, 2018, SunPower and HASI entered into an Amended and Restated Limited Liability Company Operating Agreement (the Operating Agreement) that resulted in the operation of the Company as a joint venture entity. Under the Operating Agreement, SunPower and HASI are given equal governing rights and all major decisions, including among others, approving or modifying the budget, terminating service providers, incurring indebtedness, refinancing any existing loans, declaring distributions, commencing or settling any claims, require unanimous consent. The Company shall distribute to the Members all distributable cash, on a quarterly basis, pro rata in proportion to each Member's respective interest, subject to any restrictions under any applicable financing, hedging, or other agreement (including the Mezzanine Loan Agreements).

Under the Operating Agreement, SunPower is entitled to certain Special Distributions related to the proceeds from SREC Capital Contribution Reimbursements, Credit Agricole and Mezzanine Loans as defined in the Operating Agreement.

SUNSTRONG CAPITAL HOLDINGS, LLC

Notes to Consolidated Financial Statements

December 31, 2020 and 2019, and for each of the years then ended and the period from November 5, 2018 (inception) to December 31, 2018

(12) Related Party Transactions

SunPower has offered SunStrong certain substantive, nonstandard indemnifications related to cash flow losses arising from a recapture of California property taxes on account of a change in ownership, recapture of federal tax attributes and cash flow losses from leases that do not generate the promised savings to homeowners.

SunPower Capital (the Developer), a wholly owned subsidiary of SunPower Corporation, Systems (SunPower Systems), which is in turn wholly owned by SunPower, enters into solar agreements with residential homeowners to supply and install electricity-generating solar panel systems on the rooftops of their homes and to provide electricity interconnection to generate electricity from the solar panels. The Company, through certain of its subsidiary Partnerships, has elected to purchase a number of these systems (subject to the associated leases or service contracts) from the Developer.

SunPower Capital Services, LLC, (SunPower Services), a wholly owned subsidiary of the Developer, also provides lease servicing to the Company's lease portfolios for a specified fee. Such fees totaled \$6.6 million, \$5.2 million, and \$1.0 million for the years ended December 31, 2020 and 2019 and the period from November 5, 2018 (inception) to December 31, 2018, respectively.

The Partnerships have entered into operation and maintenance agreements with SunPower Systems, under which SunPower Systems provides maintenance services for the lease portfolios for a specified fee. Such fees totaled \$11.5 million, \$9.7 million, and \$1.4 million for the years ended December 31, 2020 and 2019, and the period from November 5, 2018 (inception) to December 31, 2018, respectively. SunPower Systems also provides solar power system performance guarantees under the customer lease contracts.

On November 5, 2018, SunPower Services and the Company entered into a Management Agreement whereby SunPower Services will provide all day-to-day management with respect to the Solar Assets, including but not limited to administrative, collection and other management services, monitoring, operational performance and maintenance of the Solar Assets by the maintenance services provider, administering communications with and providing reporting to Investor Members with respect to their investments in the Solar Assets, and compliance with the respective obligations of the Company's subsidiaries with the related project documents. Such fees totaled \$0.7 million, \$0.5 million, and \$0.0 million for the years ended December 31, 2020 and 2019, and the period from November 5, 2018 (inception) to December 31, 2018, respectively.

Unpaid amounts related to the above transactions are included in accounts payable to affiliates in the accompanying consolidated balance sheets. Lease servicing fees and operations and maintenance services fees are included in asset management fees in the accompanying consolidated statements of comprehensive (loss) income.

(13) Commitments and Contingencies

From time to time, the Company may become involved in claims and other legal matters arising from the ordinary course of business. Management is not currently aware of any matters that will have a material effect on the financial position, results of operations, or cash flows of the Company.

SUNSTRONG CAPITAL HOLDINGS, LLC

Notes to Consolidated Financial Statements

December 31, 2020 and 2019, and for each of the years then ended and
the period from November 5, 2018 (inception) to December 31, 2018

(14) Risks and Uncertainties

Certain impacts from the COVID-19 outbreak may have a significant negative impact on the Company's operations. These circumstances may continue for an extended period of time, and may have an adverse impact on economic conditions. The ultimate economic fallout from the pandemic, and the long-term impact on economies, markets, industries and individual companies, are not known. The extent of the impact to the operations of the Company will depend on future developments, which are highly uncertain and cannot be predicted.

(15) Subsequent Events

The Company has evaluated subsequent events through March 29, 2021, the date the consolidated financial statements were available to be issued, and determined there are no other items to disclose.



Buckeye Wind Energy Class B Holdings LLC and Subsidiaries

Consolidated Financial Statements as of December 31, 2020,
and 2019, and for each of the Three Years in the Period Ended
December 31, 2020 and
Independent Auditors' Report



Deloitte & Touche LLP
111 S. Wacker Drive
Chicago, IL 60606
USA

Tel: 312-486-1000
Fax: 312-486-1486
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Managing Member of
Buckeye Wind Energy Class B Holdings LLC and Subsidiaries
Chicago, Illinois

We have audited the accompanying consolidated financial statements of Buckeye Wind Energy Class B Holdings LLC and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated 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 Company'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Buckeye Wind Energy Class B Holdings LLC and Subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

March 4, 2021

BUCKEYE WIND ENERGY CLASS B HOLDINGS LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS	As of December 31,	
	2020	2019
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,632,707	\$ 1,849,701
Accounts receivable	1,059,433	1,128,291
Prepaid expenses and other current assets	869,086	820,950
Total current assets	3,561,226	3,798,942
LONG-TERM ASSETS:		
Property, plant and equipment — net	249,463,444	261,158,989
Other long-term assets	902,604	775,268
Total long-term assets	250,366,048	261,934,257
TOTAL(1)	\$ 253,927,274	\$ 265,733,199
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 195,539	\$ 46,340
Accounts payable — related parties	294,995	261,888
Risk management liabilities	—	35,530
Other liabilities and accrued expenses	1,132,239	595,820
Total current liabilities	1,622,773	939,578
LONG-TERM LIABILITIES:		
Asset retirement obligations	8,190,519	9,410,491
Other long-term liabilities	2,357,611	1,907,705
Total long-term liabilities	10,548,130	11,318,196
Total liabilities(1)	12,170,903	12,257,774
COMMITMENTS AND CONTINGENCIES	—	—
EQUITY:		
Members' equity	139,564,371	132,929,425
Noncontrolling interest	102,192,000	120,546,000
Total equity	241,756,371	253,475,425
TOTAL	\$ 253,927,274	\$ 265,733,199

⁽¹⁾ Consolidated assets at December 31, 2020 and 2019 include total assets of \$253,927,274 and \$265,709,224, respectively, of a certain variable interest entity (VIE) that can only be used to settle the liabilities of the VIE. Consolidated liabilities at December 31, 2020 and 2019 include total liabilities of \$12,135,216 and \$12,224,076, respectively, of a certain VIE. See Note 8.

See notes to consolidated financial statements.

BUCKEYE WIND ENERGY CLASS B HOLDINGS LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,		
	2020	2019	2018
OPERATING REVENUES	\$ 14,149,303	\$ 14,532,620	\$ 13,638,315
OPERATING EXPENSES:			
Plant operating and maintenance expense ⁽¹⁾	6,778,465	6,824,861	7,642,906
Depreciation and accretion expense	10,484,006	10,532,382	10,631,486
General and administrative expense	763,307	641,810	525,667
Taxes (other than income taxes)	828,548	820,979	811,668
Total operating expenses	18,854,326	18,820,032	19,611,727
LOSS FROM OPERATIONS	(4,705,023)	(4,287,412)	(5,973,412)
OTHER — NET	(6,279)	22,275	24,520
NET LOSS	(4,711,302)	(4,265,137)	(5,948,892)
NONCONTROLLING INTEREST SHARE	(20,992,369)	(16,170,338)	(39,582,199)
NET INCOME ATTRIBUTABLE TO MEMBER	\$ 16,281,067	\$ 11,905,201	\$ 33,633,307

⁽¹⁾ For each of the three years in the period ended December 31, 2020, related party transactions in the amount of \$2,009,452, \$1,912,165, and \$1,926,614, respectively, are included in plant operating and maintenance expense (see Note 11).

See notes to consolidated financial statements.

BUCKEYE WIND ENERGY CLASS B HOLDINGS LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

	<u>Total</u>	<u>Members' Equity</u>	<u>Noncontrolling Interest</u>
BEGINNING EQUITY — January 1, 2018	\$ 274,855,928	\$ 102,672,557	\$ 172,183,371
Capital contributions	4,106,840	—	4,106,840
Capital distributions	(8,345,359)	(7,129,347)	(1,216,012)
Net income (loss)	(5,948,892)	33,633,307	(39,582,199)
ENDING EQUITY — December 31, 2018	<u>\$ 264,668,517</u>	<u>\$ 129,176,517</u>	<u>\$ 135,492,000</u>
Capital contributions	3,185,508	—	3,185,508
Capital distributions	(10,113,463)	(8,152,293)	(1,961,170)
Net income (loss)	(4,265,137)	11,905,201	(16,170,338)
ENDING EQUITY — December 31, 2019	<u>\$ 253,475,425</u>	<u>\$ 132,929,425</u>	<u>\$ 120,546,000</u>
Capital contributions	4,444,294	—	4,444,294
Capital distributions	(11,452,046)	(9,646,121)	(1,805,925)
Net income (loss)	(4,711,302)	16,281,067	(20,992,369)
ENDING EQUITY — December 31, 2020	<u><u>\$ 241,756,371</u></u>	<u><u>\$ 139,564,371</u></u>	<u><u>\$ 102,192,000</u></u>

See notes to consolidated financial statements.

BUCKEYE WIND ENERGY CLASS B HOLDINGS LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (4,711,302)	\$ (4,265,137)	\$ (5,948,892)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and accretion expense	10,484,006	10,532,382	10,631,486
Unrealized (gains) losses on risk management contracts	(35,530)	35,530	—
Changes in assets and liabilities:			
Accounts receivable	68,858	(28,775)	(54,573)
Prepaid expenses and other current assets	(48,137)	(39,103)	138,785
Other long-term assets	(127,336)	227,370	5,730
Accounts payable	149,199	(116,497)	(55,461)
Accounts payable — related parties	33,107	(271,006)	(68,322)
Other liabilities and accrued expenses	986,326	759,135	420,375
Net cash provided by operating activities	6,799,191	6,833,899	5,069,128
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(8,433)	—	—
Net cash used in investing activities	(8,433)	—	—
CASH FLOWS FROM FINANCING ACTIVITIES:			
Capital contributions from noncontrolling interest	4,444,294	3,185,508	4,106,840
Capital distributions	(9,646,121)	(8,152,293)	(7,129,347)
Capital distributions to noncontrolling interest	(1,805,925)	(1,961,170)	(1,216,012)
Net cash used in financing activities	(7,007,752)	(6,927,955)	(4,238,519)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(216,994)	(94,056)	830,609
CASH AND CASH EQUIVALENTS — Beginning of year	1,849,701	1,943,757	1,113,148
CASH AND CASH EQUIVALENTS — End of year	\$ 1,632,707	\$ 1,849,701	\$ 1,943,757

See notes to consolidated financial statements.

BUCKEYE WIND ENERGY CLASS B HOLDINGS LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020 AND 2019

AND FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2020

1. DESCRIPTION OF BUSINESS

Buckeye Wind Energy Class B Holdings LLC, a Delaware limited liability company, together with its subsidiaries is herein defined as the “Company.” The purpose of the Company is to own, operate and maintain the Buckeye Wind Energy Center (the “Project”) located in Ellis County, Kansas.

The Project is a 200.5 megawatt (“MW”) electricity generating facility with 112 wind turbine generator units. The Project commenced commercial operations in September 2015.

On December 18, 2015, the Company executed the Amended and Restated Limited Liability Company Agreement of Buckeye Wind Energy Class B Holdings LLC (“Operating Agreement”), between Invenergy Renewables Global LLC (“Class B Member” and “Managing Member”) and HA INV Buckeye LLC (“Class A Member”). The Class B Member is appointed to manage the day-to-day business and affairs of the Company.

The Operating Agreement calls for available cash amounts to be allocated as follows: first, 100% to the Class A Member, until the Class A Member has received the Minimum Distribution Amount, as outlined in Schedule 1.1 of the Operating Agreement; second, 100% to the Class B Member, until the Class B Member has received the amount outlined in Schedule 1.1 of the Operating Agreement; third, 66.225% to the Class A Member and 33.775% to the Class B Member until the Class A Member has achieved the targeted internal rate of return; and thereafter, 18.000% to the Class A Members and 82.000% to Class B Member.

The Company owns 100% of the Class B membership interest in Buckeye Wind Energy Holdings LLC (“Holdings”), which directly owns 100% of the membership interest in Buckeye Wind Energy LLC (“Buckeye”), the direct owner of the Project.

At December 31, 2020, consolidated members’ equity of \$139.6 million was allocated \$75.3 million to the Class A Member and \$64.3 million to the Class B Member.

At December 31, 2019, consolidated members’ equity of \$132.9 million was allocated \$77.4 million to the Class A Member and \$55.5 million to the Class B Member.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation — The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). All intercompany accounts and transactions are eliminated in consolidation.

Subsequent events were evaluated through March 4, 2021, the date the consolidated financial statements were available to be issued.

Management Estimates — The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Fair Value Measurements — Fair value refers to the price that would be received to sell an asset or paid to

transfer a liability in an orderly transaction in the principal market in which the reporting entity transacts based on the assumptions market participants would use when pricing the asset or liability. The fair value

measurements incorporate various factors such as the liquidity premiums that may be demanded by market participants and the credit standing of the counterparties involved. Such credit risk adjustments are based on current market inputs where available such as credit default hedge spreads. Internal models may be utilized when market information is not available.

Financial assets and liabilities are recorded at fair value on the consolidated balance sheets using inputs from the three levels of the fair value hierarchy. A financial asset or liability classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement (see Note 4). The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The Company also incorporates non-performance risk in net liability positions based on an assessment of market participants' assumptions of the Company's potential risk of default. The three levels are as follows:

- Level 1 – Inputs are quoted prices (unadjusted) for identical financial assets or liabilities in active markets that the Company has the ability to access at the measurement date.
- Level 2 – Inputs other than quoted prices that are directly observable for similar financial assets or liabilities or indirectly observable through corroboration with observable market data.
- Level 3 – Unobservable inputs for assets or liabilities that are only used when there is little, if any, market data available at the measurement date. The Company develops these inputs based on the best information available, including its own data.

Observable and unobservable third-party forward price inputs used in the valuation are obtained from a third-party pricing source and are subject to a review by the Company's management at each reporting period. Company management performs procedures around both inputs and industry standard techniques utilized to ensure that the results of the valuation are reasonable.

Cash and Cash Equivalents — Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less. The carrying amount of cash equivalents approximates fair value because of the short maturity of these instruments. The Company has not experienced any losses in such accounts.

Inventory — Inventory is stated at the lower of cost or net realizable value using the average cost method. Inventory consists primarily of spare parts used to generate electricity. The Company recorded \$605,710 and \$402,806 of inventory in other long-term assets on the consolidated balance sheets as of December 31, 2020 and 2019, respectively.

Property, Plant and Equipment — net — Property, plant and equipment is categorized as the following:

- Land improvements – costs associated with making the land ready for use.
- Plant – costs related to the purchase, construction or improvement of the Project.
- Other property and equipment – any costs not associated with either land improvements or plant activities that add lasting value to the Project.

Property, plant and equipment is recorded at cost and is depreciated on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 30 years. Maintenance and repairs are expensed in the period incurred, while plant and equipment improvements which extend the useful lives or improve the quality of the assets are capitalized (see Note 5).

Impairment of Long-Lived Assets — The Company assesses the recoverability of its long-lived tangible assets when conditions are present which may indicate a potential impairment. The Company compares the carrying value of the assets to the undiscounted cash flows of the related operations to determine whether any impairment exists. Relevant factors, along with management's plans with respect to operations, are considered in assessing the recoverability of long-lived assets. If the Company determines, based on such

considered in assessing the recoverability of long-lived assets. If the Company determines, based on such measures, that the carrying amount is impaired, the long-lived assets will be written down to their fair value

with a corresponding charge to the consolidated statements of operations. No impairment was recorded in 2020, 2019 and 2018.

Derivative Instruments and Hedging Activities — The Company utilized derivative instruments to manage its exposure to fluctuations in transmission congestion (“FTRs”) (see Note 6). Revenue related to net settlements under the FTRs was recognized per the settlement terms of the FTR contracts. The derivatives matured in May 2020.

The Company recognized its derivative instruments on the consolidated balance sheets as either assets or liabilities at fair value. The change in fair value is immediately recognized in earnings as a component of operating revenues on the consolidated statements of operations.

Asset Retirement Obligation — The Company enters into agreements to lease land on which to construct and operate its wind energy project. Pursuant to certain lease agreements, the Company is required to decommission its wind energy project to provide for the restoration of the leased property at the end of the lease terms.

The Company recognizes an asset retirement obligation (“ARO”) when it has a legal obligation to perform decommissioning, reclamation or removal activities upon retirement of an asset.

When recording an ARO, the present value of the projected liability is recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. The liability is accreted each period over the maximum term of the contractual agreements. The Company records an offsetting asset to the obligation as an increase to the carrying amount of the related long-lived asset and depreciates the asset over the maximum term of the contractual agreements. The residual value of the related long-lived asset is excluded from the calculation.

The Company uses significant assumptions and estimates to determine the amount of the asset retirement obligations, including the amount and timing of future expenditures, the discount rate, and the inflation effect on decommissioning costs. Since these estimates can change based on new information, the Company periodically re-evaluates these assumptions and estimates. During 2020, the Company recorded adjustments related to revised cost estimates (see Note 7).

Variable interest entities – An entity is considered to be a VIE when its total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support, or its equity investors, as a group, lack the characteristics of having a controlling financial interest. A reporting company is required to consolidate a VIE as its primary beneficiary when it has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company evaluates whether an entity is a VIE whenever reconsideration events as defined by the accounting guidance occur (see Note 8).

Noncontrolling Interest — The Company maintains control of Holdings through its management and contractual rights even though ownership interests are held by owners other than the Company or its related parties. As a result, the Company is required to consolidate Holdings and present the other owners’ interests as noncontrolling interests on the consolidated financial statements. Noncontrolling interest represents the portion of the Company’s net income (loss) and net assets that is allocated to the third party owners. Noncontrolling interest is included as a component of equity on the consolidated balance sheets.

The Operating Agreement of Holdings calls for the allocation of profit and loss on an income tax basis. Additionally, cash and other benefits associated with this agreement are allocated in varying amounts throughout the life of the Holdings. Therefore, the Company’s and other investors’ (collectively the “Owners”) interests in Holdings are not fixed, and Holdings applies the Hypothetical Liquidation at Book Value (“HLBV”) method in allocating book profit or loss measured on a pre-tax basis to the Owners.

The HLBV method measures the amount of cash that each owner would receive at each reporting date, including tax benefits realized by the Owners, upon a hypothetical liquidation of Holdings at the net book value of its underlying assets. The change in the amount of cash that each owner would receive at the reporting date compared to the amount it would have received on the previous reporting date represents the amount of profit or loss allocated to each owner for the reporting period.

Revenue Recognition — The Company earns operating revenues primarily from electricity sales. Electricity sales encompass energy and capacity sales for electricity delivered under the power purchase agreements (“PPAs”) (see Note 9), electricity sold to wholesale electric power markets, sales of renewable energy credits (“RECs”), and settlements of FTRs (see Note 6). The terms of the contracts will determine whether the Company accounts for the contracts as leases Accounting Standards Codification (“ASC”) 840, *Leases*, derivatives under ASC 815, *Derivatives and Hedging*, or contracts with customers under ASC 606, *Revenues from Contracts with Customers*. For contracts accounted for as operating leases, including PPAs, the Company records operating revenue when all output is delivered to customers. For all other contracts, the Company records revenues in accordance with ASC 606 as disclosed below.

Electricity Sales – The Company sells electricity directly to an electric power market, through day ahead offerings or real time deliveries. The Company's performance obligations are generally satisfied over time as the customer simultaneously receives and consumes benefits upon the delivery of electricity and related products. Revenue is recorded based upon the output delivered at market rates. The invoiced amounts reasonably represent the value to the customer for the Company's performance. As such, the Company has elected the invoicing practical expedient and recognizes revenues in the amount to which the Company has a right to invoice. There are no significant judgments in allocating the transaction price since the performance obligations are satisfied simultaneously upon the generation of electricity from the facility. Payment terms generally require that the customer pays for the power or the energy-related commodity within the month following delivery to the customer.

Renewable Energy Credits – The Company sells stand-alone RECs to customers either under long-term agreements or spot sales. The Company's performance obligation, the transfer of a REC from a wind facility to a customer, is satisfied at a point in time. One REC is evidence that one megawatt-hour (“MWh”) of electricity was generated from a renewable energy source. Revenue related to the RECs is recognized at the transfer of the REC certificate. Payment terms generally require customers pay within the month following delivery of the invoice of the REC attributes being billed.

The following table presents the Company's revenues for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Electricity sales	\$ 2,160,652	\$ 2,895,865
Renewable energy credits	116,300	89,068
Other ⁽¹⁾	11,872,351	11,547,687
Total operating revenue	<u>\$ 14,149,303</u>	<u>\$ 14,532,620</u>

⁽¹⁾ Includes revenues earned primarily from contingent rentals under ASC 840 and derivatives accounted for under ASC 815.

The Company's receivables associated with revenues earned from contracts with customers consist of billed and unbilled amounts, which are recorded in accounts receivable on the Company's consolidated balance sheets. The amount of accounts receivable outstanding from contracts with customers as of December 31, 2020, December 31, 2019 and December 31, 2018 was \$76,661, \$171,205 and \$70,706, respectively.

Concentration of Credit Risk — The Company has three main customers, the Lincoln Electric System (“LES”), SPP electric power market, and the Kansas Municipal Electric Authority (“KMEA”). All significant

revenues are for energy delivered under the Company's PPAs and power sold to the wholesale electric power market.

The Company has experienced no credit losses to date on its sales, therefore, no allowance for doubtful accounts has been provided.

Land Contracts and Easements — The Company has entered into land lease agreements and easement agreements, all of which are accounted for as operating leases. Lease expense is recognized on a straight-line basis if the agreement includes known escalating payments over the existing lease term. Some of the lease agreements include contingent rent payments based on a predetermined percentage of operating revenues of the Project. Contingent rent payments are recognized in the period in which they occur (see Note 10).

Income Taxes — As a limited liability company that elected to be taxed as a partnership, the Company is not subject to income taxation under United States federal law or the state laws of Kansas, where it operates. Therefore, the Company has made no accrual for United States federal or state income taxes as of December 31, 2020, 2019, and 2018.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The following table provides a brief description of recent accounting pronouncements that could have a material effect on the Company's consolidated financial statements:

Standard	Description	Expected Date of Adoption	Effect on the consolidated financial statements or other significant matters
<i>Standards that are not yet adopted as of December 31, 2020</i>			
ASU 2016-02 <i>Leases (Topic 842) and related ASUs</i>	The standard requires lease assets and lease liabilities, including operating leases, to be recognized on the consolidated balance sheet for all leases with terms longer than twelve months. The guidance also requires disclosure of key information about leasing arrangements. The effective date of adoption for private companies has been extended to January 1, 2022. Early adoption is permitted.	January 1, 2022	The Company is currently reviewing its portfolio of contracts and evaluating the proper application of the standards update to these contracts in order to determine the impact the adoption will have on its consolidated financial statements and related disclosures.
ASU 2016-13 <i>Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Statements and related ASUs</i>	The standard requires the replacement of the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. During 2019, the FASB changed the effective date of adoption for private companies to January 1, 2023. Early adoption is permitted.	January 1, 2023	The Company is currently evaluating the potential impact of the updated guidance on its consolidated financial statements and related disclosures.
ASU 2018-17 <i>Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities</i>	The standard provides private companies the option to elect not to apply VIE guidance to legal entities under common control if both the parent and the legal entity being evaluated for consolidation are not public business entities.	January 1, 2021	The Company is currently evaluating the potential impact of the updated guidance on its consolidated financial statements and related disclosures.

Early adoption is permitted.

ASU 2020-01 <i>Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the interactions between Topic 321, Topic 323, and Topic 815</i>	The standard clarifies that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting under Topic 323 for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. Early adoption is permitted.	January 1, 2022	The Company is currently evaluating the potential impact of the updated guidance on its consolidated financial statements and related disclosures.
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4. FAIR VALUE MEASUREMENT

The Company identified its FTRs as items governed under fair value accounting during the year ended December 31, 2020. The FTRs, which were classified as Level 3, matured in May 2020.

The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to value the FTRs. The Company has determined that unobservable inputs have a significant impact on the measurement of fair value and are designated Level 3 inputs for purposes of disclosure.

The following table presents the Company's liabilities measured and recorded at fair value on the consolidated balance sheets on a recurring basis and their level within the fair value hierarchy:

	Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Risk Management Liabilities				
FTRs	\$ —	\$ —	\$ —	\$ —
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Risk Management Liabilities				
FTRs	\$ —	\$ —	\$ 35,530	\$ 35,530
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The following table presents the activity for the derivative instruments that are designated Level 3 for the years ended December 31:

Level 3	2020	2019	2018
Total gains or losses (realized/unrealized):			
Included in earnings	\$ 15,170	\$ (48,136)	\$ —
Settlements	20,360	12,606	—

5. PROPERTY, PLANT AND EQUIPMENT — NET

Property, plant and equipment — net, consisted of the following for the periods presented:

	As of December 31,	
	2020	2019
Land improvements	\$ 8,809,634	\$ 8,809,634
Plant	292,176,956	292,176,956
Other property and equipment	7,796,249	9,339,328
Subtotal	308,782,839	310,325,918
Less accumulated depreciation	(59,319,395)	(49,166,929)
Property, plant, and equipment — net	<u>\$ 249,463,444</u>	<u>\$ 261,158,989</u>

The Company recorded \$10,152,466, \$10,198,804, and \$10,309,777 of depreciation expense for the years ended December 31, 2020, 2019, and 2018, respectively, on the consolidated statements of operations.

6. RISK MANAGEMENT AND HEDGING ACTIVITIES

As of December 31, 2020, the Company did not have any derivative instruments outstanding.

The following table summarizes the fair value of the derivative instruments recorded on the Company's consolidated balance sheets for the periods presented:

	As of December 31, 2020		As of December 31, 2019	
	Risk Management Liabilities		Risk Management Liabilities	
	Current	Long-Term	Current	Long-Term
Derivative Instruments Not Designated for Hedge Accounting				
FTRs	\$ —	\$ —	\$ 35,530	\$ —

Gains or losses related to the Company's derivative instruments are recorded in operating revenues on the consolidated statements of operations as follows for the years ended:

	December 31, 2020	
	Net Settlement Payments	Changes in Fair Value in Operating Revenues
Derivative Instruments Not Designated for Hedge Accounting		
FTRs	\$ (20,360)	\$ 35,530
	December 31, 2019	
	Net Settlement Payments	Changes in Fair Value in Operating Revenues
Derivative Instruments Not Designated for Hedge Accounting		
FTRs	\$ (12,606)	\$ (35,530)
	December 31, 2018	
	Net Settlement Payments	Changes in Fair Value in Operating Revenues
Derivative Instruments Not Designated for Hedge Accounting		
FTRs	\$ —	\$ —

7. ASSET RETIREMENT OBLIGATION

The following table provides a reconciliation of the ending aggregate carrying amount of the ARO for the years ended December 31:

	2020	2019	2018
Balance — January 1	\$ 9,410,491	\$ 9,076,913	\$ 8,755,204
Revisions in ARO estimate	(1,551,512)	—	—
Accretion expense	331,540	333,578	321,709
Balance — December 31	<u>\$ 8,190,519</u>	<u>\$ 9,410,491</u>	<u>\$ 9,076,913</u>

8. VARIABLE INTEREST ENTITIES

The Company is an equity investor in the Project in which it shares ownership rights with third-parties. Under the arrangement, the Company maintains the decision rights around operations and maintenance of the Project and has the obligation to absorb a significant portion of expected losses through its equity interest. Accordingly, the Company is determined to be the primary beneficiary under the arrangement and consolidates the entity within the consolidated financial statements.

Total assets and total liabilities of the VIE were as follows for the periods presented:

	As of December 31,	
	2020	2019
Assets		
Current assets	\$ 3,561,226	\$ 3,774,967
Property, plant and equipment — net	249,463,444	261,158,989
Other long-term assets	902,604	775,268
Total assets	<u>\$ 253,927,274</u>	<u>\$ 265,709,224</u>
Liabilities		
Current liabilities	\$ 1,587,086	\$ 905,880
Asset retirement obligations	8,190,519	9,410,491
Other long-term liabilities	2,357,611	1,907,705
Total liabilities	<u>\$ 12,135,216</u>	<u>\$ 12,224,076</u>

9. POWER PURCHASE AGREEMENTS

On December 17, 2014, the Company entered into a 25-year PPA with LES, whereby it will sell 100.2 MWs of its electrical output from the initial delivery date through December 2040. Pursuant to terms under the PPA, the Company is required to make payments to LES if the Expected Annual Output of electrical output is not delivered each annual period. No such amounts were paid by the Company in 2020, 2019 or 2018 and management does not believe that such payments are likely to be required in the future.

On November 22, 2017, the Company entered into a 15-year PPA with Kansas Municipal Energy Agency, whereby it will sell 41.0 MWs of its electrical output beginning in June 2018 through 2033. Pursuant to terms under the PPA, the Company is required to make payments to KMEA if the Company doesn't meet or exceed the guaranteed mechanical availability percentage. No such amounts were paid by the Company in 2020, 2019, or 2018 and management does not believe that such payments are likely to be required in the future.

These PPAs qualify as operating leases under ASC 840, *Leases*. All lease revenues are contingent on units of output.

10. COMMITMENTS AND CONTINGENCIES

The Company leases land used by the Project under various operating lease agreements that extend through 2040. The Company recorded \$1,817,420, of which \$1,362,323 represented minimum rent payments, \$449,905, represented straight-line rent payments and \$5,192 represented contingent payments for the year ended December 31, 2020. For 2019, total lease expense incurred was \$2,109,139, of which \$1,362,323 represented minimum rent payments, \$449,905 represented straight-line rent payments and \$296,911 represented contingent payments. For 2018, total lease expense incurred was \$1,970,442, of which \$1,362,323 represented minimum rent payments, \$449,905 represented straight-line rent payments, and \$158,214 represented contingent rent payments.

The following is a schedule by years of future minimum lease payments required under operating leases that have an initial or remaining non-cancellable lease terms in excess of one year as of December 31, 2020:

Years Ending December 31

2021	\$ 1,362,323
2022	1,362,323
2023	1,362,323
2024	1,362,323
2025	1,632,266
Thereafter	30,958,421
Total	<u>\$ 38,039,979</u>

11. RELATED PARTY TRANSACTIONS

On May 14, 2015, the Company entered into a Facility Management Agreement (“Agreement”) with Invenergy Services LLC (“Services”). The Agreement calls for a fixed monthly payment of \$16,580, escalating annually for the Consumer Price Index (“CPI”), which covers all direct and indirect administrative expenses and reimbursement for Services’ operating costs, home office labor and out-of-pocket expenses. Per the Agreement, the Company shall pay Services a monthly management fee of \$15,640, escalated annually for CPI, and an energy services fee for an amount no greater than \$10,000 until the termination of the Agreement. The Agreement requires an annual remote monitoring and reset fee of \$1,459 per wind turbine generator (“WTG”) escalating annually for CPI until the termination of the Agreement. Under the Agreement, Services shall also be reimbursed for direct operating expenses. The Company recorded in plant operating and maintenance expense on the consolidated statements of operations \$2,009,452, \$1,912,165, and \$1,926,614 of such related party transactions for the years ended December 31, 2020, 2019, and 2018, respectively.

Some third party invoices are paid by Services or other related affiliates on behalf of the Company. Such invoices are billed to the Company and reimbursed at cost.

12. SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES

Noncash activities for the Company that have been excluded from the consolidated statements of cash flows include the following for the years ended:

	<u>December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Noncash investing activities:			
Revisions in ARO estimate in current year	\$ 1,551,512	\$ —	\$ —
