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, 2021

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	**46-1347456**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1906 Towne Centre Blvd **Suite 370** **Annapolis MD**	**21401**
(Address of principal executive offices)	(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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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, 2021, the aggregate market value of the registrant's common stock (includes unvested restricted stock) held by non-affiliates of the registrant was $ 4.3 billion based on the closing sales price of the registrant's common stock on June 30, 2021 as reported on the New York Stock Exchange.

On March 29, 2022, the registrant had a total of 86,755,344 shares of common stock, $0.01 par value, outstanding (which includes 195,660 shares of unvested restricted common stock).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for the 2022 annual meeting of stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

Auditor Name:	Ernst & Young LLP	Auditor Location:	Tysons, VA	PCAOB ID:	42

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, 2021, originally filed with the Securities and Exchange Commission (“SEC”) on February 22, 2022 (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 investments in Vivint Solar Asset 3 HoldCo Parent, LLC and subsidiaries and Rosie TargetCo, LLC and subsidiaries, which are not consolidated in our financial statements, were significant under the income test of Rule 3-09 in relationship to our financial results for the year ended December 31, 2021, and that our equity method investment in SunStrong Capital Holdings, LLC and 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. Since the financial statements as of and for the year ended December 31, 2021, 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, 2021. Therefore, this Form 10-K/A amends Item 15 of our Original Form 10-K filed on February 22, 2022, to include the following Exhibits:

- Exhibit 23.2 -- Consent of Ernst & Young LLP for the consolidated financial statements of Vivint Solar Asset 3 HoldCo Parent, LLC
- Exhibit 23.3 -- Consent of Ernst & Young LLP for the consolidated financial statements of Rosie TargetCo, LLC
- Exhibit 23.4 -- Consent of KPMG LLP for the consolidated financial statements of Rosie TargetCo, LLC
- Exhibit 23.5 -- Consent of KPMG LLP for the consolidated financial statements of SunStrong Capital Holdings, LLC
- Exhibit 99.1 -- Consolidated financial statements as of December 31, 2021 and 2020 and for the year ended December 31, 2021 and for the period from October 9, 2020 to December 31, 2020 of Vivint Solar Asset 3 HoldCo Parent, LLC LLC and subsidiaries
- Exhibit 99.2 -- Consolidated financial statements as of December 31, 2021 and 2020 and for the years then ended of Rosie TargetCo LLC and subsidiaries
- Exhibit 99.3 -- Consolidated financial statements as of December 31, 2020 and for the year then ended of Rosie TargetCo LLC and subsidiaries
- Exhibit 99.4 -- Consolidated financial statements as of December 31, 2021 and 2020 and for the three years ended December 31, 2021, of SunStrong Capital Holdings, LLC and subsidiaries

This Form 10-K/A does not amend or otherwise update any other information in the Original Form 10-K (including its exhibits, 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	Articles of Amendment and Restatement of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)
3.2	Bylaws of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)
3.3	Amended and Restated Agreement of Limited Partnership of Hannon Armstrong Sustainable Infrastructure, L.P. (incorporated by reference to Exhibit 3.3 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)
4.1	Specimen Common Stock Certificate of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (incorporated by reference to Exhibit 4.1 to 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	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).
4.7	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, L.P., 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).
4.8	Indenture, dated as of June 28, 2021, between HAT Holdings I LLC and HAT Holdings II LLC, as issuers, and Hannon Armstrong Sustainable Infrastructure Capital, Inc., Hannon Armstrong Sustainable Infrastructure, L.P., 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 3.375% Senior Notes due 2026) (incorporated by reference to Exhibit 4.1 on the Registrant's Form 8-K (No. 011-35877), filed on June 28, 2021).
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 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)
10.10	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)
10.11	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)
10.12	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)
10.13	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)
10.14	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)
10.15	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)
10.16	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)
10.17	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)
10.18	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)
10.19	Credit Agreement, dated as of April 19, 2021, by and among the Company, certain subsidiaries of the Company, JPMorgan Chase Bank, N.A. as administrative agent, sole bookrunner, sole lead arranger and sustainability structuring agent, Bank of America, N.A., Barclays Bank PLC, Credit Suisse AG, New York Branch, KeyBank National Association, Morgan Stanley Senior Funding, Inc., Royal Bank of Canada, Sumitomo Mitsui Banking Corporation and Wells Fargo Bank, National Association, as documentation agents, and each lender from time to time party thereto (incorporated by reference to Exhibit 1.1 on the Registrant's Form 8-K (No. 011-35877), filed on April 20, 2021)
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	Letter Agreement, dated as of January 6, 2021, between J. Brendan Herron, Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Hannon Armstrong Capital Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q for the quarter ended March 31, 2021 (No. 001-35877), filed on May 7, 2021)

10.24	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)
10.25	Employment Agreement, dated June 30, 2021, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Susan D. Nickey (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q for the quarter ended June 30, 2021 (No. 001-35877), filed on August 6, 2021)
10.26	Employment Agreement, dated June 30, 2021, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Marc T. Pangburn (incorporated by reference to Exhibit 10.4 to the Registrant's Form 10-Q for the quarter ended June 30, 2021 (No. 001-35877), filed on August 6, 2021)
10.27	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)
10.28	Amendment No. 1 to the At Market Issuance Sales Agreement, dated February 26, 2021, by and among Hannon Armstrong Sustainable Infrastructure Capital, Inc., B. Riley Securities, 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 1.2 to the Registrant's Form 8-K (No. 001-35877), filed on March 1, 2021)
10.29	Credit Agreement, dated as of February 7, 2022, by and among the Company, certain subsidiaries of the Company, JPMorgan Chase Bank, N.A. as administrative agent, sole bookrunner, sole lead arranger and sustainability structuring agent, Bank of America, N.A., Barclays Bank PLC, Credit Suisse AG, New York Branch, KeyBank National Association, Morgan Stanley Senior Funding, Inc., Royal Bank of Canada, Sumitomo Mitsui Banking Corporation and Wells Fargo Bank, National Association, as documentation agents, and each lender from time to time party thereto (incorporated by reference to Exhibit 1.1 to the Registrant's Form 8-K (No. 001-35877), filed on February 11, 2022.
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, 2022)
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, 2022)
23.2*	Consent of Ernst & Young LLP for Vivint Solar Asset 3 HoldCo Parent, LLC
23.3*	Consent of Ernst & Young LLP for Rosie TargetCo, LLC
23.4*	Consent of KPMG LLP for Rosie TargetCo, LLC
23.5*	Consent of KPMG LLP for SunStrong Capital 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, 2022)
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*	Consolidated financial statements as of December 31, 2021 and 2020 and for the year ended December 31, 2021 and for the period from October 9, 2020 to December 31, 2020 of Vivint Solar Asset 3 HoldCo Parent, LLC and subsidiaries
99.2*	Consolidated financial statements as of December 31, 2021 and 2020 and for the years then ended of Rosie TargetCo, LLC and subsidiaries
99.3*	Consolidated financial statements as of December 31, 2020 and for the year then ended of Rosie TargetCo, LLC and subsidiaries
99.4*	Consolidated financial statements as of December 31, 2021 and 2020 and for the three years ended December 31, 2021, of SunStrong Capital Holdings, LLC and subsidiaries
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, 2022)
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, 2022)

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, 2022)
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, 2022)
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 31, 2022

/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 following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-198158) of Hannon Armstrong Sustainable Infrastructure Capital, Inc.,
(2) Registration Statement (Form S-8 No. 333-230548) pertaining to the 2013 Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan, and
(3) Registration Statement (Form S-3ASR No. 333-263169) of Hannon Armstrong Sustainable Infrastructure Capital, Inc.

of our report dated March 30, 2022, with respect to the consolidated financial statements of Vivint Solar Asset 3 HoldCo Parent, LLC, included in this Amendment to the Annual Report (Form 10-K/A) of Hannon Armstrong Sustainable Infrastructure Capital, Inc. for the year ended December 31, 2021.

Ernst + Young LLP

Salt Lake City, Utah
March 30, 2022

Consent of Independent Auditors

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

(1) Registration Statement (Form S-3 No. 333-19858) of Hannon Armstrong Sustainable Infrastructure Capital, Inc.,
(2) Registration Statement (Form S-8 No. 333-230548) pertaining to the 2013 Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan, and
(3) Registration Statement (Form S-3ASR No. 333-263169) of Hannon Armstrong Sustainable Infrastructure Capital, Inc.

of our report dated March 29, 2022, with respect to the consolidated financial statements of Rosie TargetCo LLC and subsidiaries included in this Annual Report (Form 10-K/A) of Hannon Armstrong Sustainable Infrastructure Capital, Inc. for the year ended December 31, 2021.

Ernst & Young LLP

Philadelphia, Pennsylvania

March 29, 2022

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Consent of Independent Auditors

We consent to the incorporation by reference in the registration statement (No. 333-230548) on Form S-8 of Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan, (No. 333-198158) on Form S-3 of Hannon Armstrong Sustainable Infrastructure Capital, Inc. and (No. 333-263169) on Form S-3ASR of Hannon Armstrong Sustainable Infrastructure Capital, Inc. of our report dated April 29, 2021, with respect to the consolidated financial statements of Rosie TargetCo, LLC and subsidiaries, which report appears in the December 31, 2021 annual report on Form 10-K/A of Hannon Armstrong Sustainable Infrastructure Capital, Inc. dated March 31, 2022.

KPMG LLP

Philadelphia, Pennsylvania
March 31, 2022

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

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. 333-263169 on Form S-3ASR of Hannon Armstrong Sustainable Infrastructure Capital, Inc., of our audit report dated March 29, 2022, with respect to the consolidated balance sheets of SunStrong Capital Holdings, LLC as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income (loss), changes in members' equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes, which appears in this Annual Report on Form 10-K/A of Hannon Armstrong Sustainable Infrastructure Capital, Inc., for the year ended December 31, 2021.

KPMG LLP

San Francisco, California
March 29, 2022

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 31, 2022

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 31, 2022

By: /s/ Jeffrey A. Lipson
Name: Jeffrey A. Lipson
Title: Chief Financial Officer, Chief Operating Officer and Executive Vice President

EXHIBIT 32.1
CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002, 10 U.S.C. SECTION 1350

In connection with the Annual Report on Form 10-K/A of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (the “Company”) for the period ended December 31, 2021 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 31, 2022

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

EXHIBIT 32.2
CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002, 10 U.S.C. SECTION 1350

In connection with the Annual Report on Form 10-K/A of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (the "Company") for the period ended December 31, 2021 to be filed with the Securities and Exchange Commission on or about the date hereof (the "report"), I, Jeffrey A. Lipson, Chief Financial Officer, Chief Operating Officer and Executive Vice 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 31, 2022

By:	/s/ Jeffrey A. Lipson
Name:	Jeffrey A. Lipson
Title:	Chief Financial Officer, Chief Operating Officer and Executive Vice President

CONSOLIDATED FINANCIAL STATEMENTS

Vivint Solar Asset 3 HoldCo Parent, LLC
(A Delaware Limited Liability Company)
As of December 31, 2021 and 2020 and for the year ended December 31, 2021 and for the period from October 9, 2020 (date of acquisition) to December 31, 2020
With Report of Independent Auditors

Vivint Solar Asset 3 HoldCo Parent, LLC

Consolidated Financial Statements
As of December 31, 2021 and 2020 and for the year ended December 31, 2021 and for the period from October 9, 2020 (date of acquisition) to December 31, 2020

Report of Independent Auditors

The Members
Vivint Solar Asset 3 Holdco Parent, LLC

Opinion

We have audited the consolidated financial statements of Vivint Solar Asset 3 Holdco Parent, LLC (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020 and the related consolidated statements of operations and comprehensive (loss) income, non-controlling interests and members' equity and cash flows for the year ended December 31, 2021 and for the period from October 9, 2020 (date of acquisition) through December 31, 2020 and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020 and the results of its operations and its cash flows for the year ended December 31, 2021 and for the period from October 9, 2020 (date of acquisition) through December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

• Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ Ernst & Young LLP

Salt Lake City, Utah
March 30, 2022

Vivint Solar Asset 3 HoldCo Parent, LLC
(A Delaware Limited Liability Company)
Consolidated Balance Sheets
(In Thousands)

	As of December 31,			
		2021		2020
Assets				
Current assets:				
Cash	$	7,177	$	84,328
Restricted cash		1,296		469
Accounts receivable (net of allowance for credit losses of $454)		2,706		558
Accounts receivable, affiliates		1,481		465
Prepaid expenses aand other current assets		368		379
Total current assets		13,028		86,199
Solar energy systems, net		363,729		213,880
Other assets		7,594		2,659
Total assets	$	384,351	$	302,738
Liabilities and members' equity				
Current liabilities:				
Accounts payable	$	139	$	79
Distributions payable, noncontrolling interests		1,343		190
Notes payable, current portion		4,475		1,178
Accrued expenses		5,913		1,163
Deferred revenue, current portion		615		100
Total current liabilities		12,485		2,710
Notes payable, net of current portion		361,678		135,685
Deferred revenue, net of current portion		4,840		475
Other liabilities		-		209
Total liabilities		379,003		139,079
Members' (deficit) equity		(41,117)		86,253
Accumulated other comprehensive loss		(3,159)		-
Noncontrolling interests		49,624		77,406
Total equity		5,348		163,659
Total liabilities and members' equity	$	384,351	$	302,738

The accompanying notes are integral part of these consolidated financial statements.

Vivint Solar Asset 3 HoldCo Parent, LLC
(A Delaware Limited Liability Company)
Consolidated Statements of Operations
For the year ended December 31, 2021 and from October 9, 2020 (date of acquisition) to December 31, 2020
(In Thousands)

	Year ended December 31, 2021	From October 9, 2020 (date of acquistion) to December 31, 2020
Revenue:		
Customer agreements and incentives	$ 27,530	$ 1,170
Solar energy systems sales	147	-
Total revenue	27,677	1,170
Operating expenses:		
Cost of customer agreements and incentives	14,518	1,038
General and administrative	537	315
Cost of solar energy systems sales	68	-
Total operating expenses	15,123	1,353
Income (loss) from operations	12,554	(183)
Interest expense	16,307	1,365
Other (income) expense, net	(4,356)	235
Net income (loss)	603	(1,783)
Net loss attributable to noncontrolling interests	(165,341)	(41,291)
Net income attributable to equity members	$ 165,944	$ 39,508

The accompanying notes are integral part of these consolidated financial statements.

Vivint Solar Asset 3 HoldCo Parent, LLC
(A Delaware Limited Liability Company)
Consolidated Statements of Comprehensive Income
For the year ended December 31, 2021 and from October 9, 2020 (date of acquisition) to December 31, 2020
(In Thousands)

	Year ended December 31, 2021	From October 9, 2020 (date of acquistion) to December 31, 2020
Net income attributable to equity members	$ 165,944	$ 39,508
Unrealized loss on derivatives	(5,260)	-
Adjustment for net gain on derivatives recognized into earnings	2,101	-
Other comprehensive loss	(3,159)	-
Comprehensive income	$ 162,785	$ 39,508

The accompanying notes are integral part of these consolidated financial statements.

Vivint Solar Asset 3 HoldCo Parent, LLC
(A Delaware Limited Liability Company)
Consolidated Statements of Noncontrolling Interests and Members' Equity
For the year ended December 31, 2021 and from October 9, 2020 (date of acquisition) to December 31, 2020
(In Thousands)

	Vivint Solar Asset 3 Manager, LLC	HA Galileo LLC	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total
Balance at October 9, 2020 (date of acquisition)	$ 98,302	$ 10	$ -	$ 39,000	$ 137,312
Contributions	41,503	-	-	79,886	121,389
Distributions	(93,070)	-	-	(189)	(93,259)
Net income (loss)	39,518	(10)	-	(41,291)	(1,783)
Balance at December 31, 2020	86,253	-	-	77,406	163,659
Contributions	47,235	-	-	141,892	189,127
Distributions	(340,549)	-	-	(4,333)	(344,882)
Other comprehensive loss	-	-	(3,159)	-	(3,159)
Net income (loss)	165,944	-	-	(165,341)	603
Balance at December 31, 2021	$ (41,117)	$ -	$ (3,159)	$ 49,624	$ 5,348

The accompanying notes are integral part of these consolidated financial statements.

Vivint Solar Asset 3 HoldCo Parent, LLC
(A Delaware Limited Liability Company)
Consolidated Statements of Cash Flows
For the year ended December 31, 2021 and from October 9, 2020 (date of acquisition) to December 31, 2020
(In Thousands)

	Year ended December 31, 2021	From October 9, 2020 (date of acquistion) to December 31, 2020
Operating activities		
Net income (loss)	$ 603	$ (1,783)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	11,054	1,038
Bad debt expense	461	-
Other noncash items	(3,111)	51
Changes in operating assets and liabilities:		
Accounts receivable	(2,609)	(112)
Accounts receivable, affiliates	(1,094)	(1,437)
Other assets	(2,261)	(218)
Accounts payable	139	17
Accrued expenses and other liabilities	2,916	1,342
Deferred revenue	5,298	515
Net cash provided by (used in) operating activities	11,396	(587)
Investing activities		
Payments for the costs of solar energy systems	(161,169)	(80,344)
Proceeds from solar energy systems sales	147	-
Net cash used in investing activities	(161,022)	(80,344)
Financing activities		
Contributions from equity members	47,235	41,503
Contributions from noncontrolling interests	141,892	79,886
Distributions to equity members	(340,549)	(93,070)
Distributions to noncontrolling interests	(3,180)	(45)
Proceeds from issuance of notes payable	228,630	95,368
Repayment of notes payable	(726)	(5,256)
Net cash provided by financing activities	73,302	118,386
Net change in cash and restricted cash	(76,324)	37,455
Cash and restricted cash, beginning of period	84,797	47,342
Cash and restricted cash, end of period	$ 8,473	$ 84,797
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 11,473	$ 214

The accompanying notes are integral part of these consolidated financial statements.

VIVINT SOLAR ASSET 3 HOLDCO PARENT, LLC
As of December 31, 2021 and 2020 and for the year ended
December 31, 2021 and for the period from October 9, 2020
(date of acquisition) to December 31, 2020
Notes to Consolidated Financial Statements

1. General

Vivint Solar Asset 3 HoldCo Parent, LLC (the "Company"), a Delaware limited liability company, was formed on September 14, 2020 for the purpose of admitting HA Galileo, LLC (the "Hannon Member") as the Class A member in the Company and the conversion of Class B Member's limited liability company interest in the Company to Class B membership interest, and to further set forth the respective rights and obligations of the Member with respect to the Company. On October 8, 2020 (the "Closing Date"), Sunrun Inc. ("Sunrun") completed the acquisition of the Company by acquiring the Company's parent company, Vivint Solar, Inc. (the "Parent"), pursuant to the Agreement and Plan of Merger (the "Merger Agreement"), dated as of July 6, 2020, by and among Sunrun, the Parent and Viking Merger Sub, Inc., a direct wholly owned subsidiary of Sunrun ("Merger Sub"), pursuant to which Merger Sub merged with and into the Parent (the "Merger"). As a result of the Merger, the Company became a direct wholly owned subsidiary of Sunrun.

The respective membership interest in the Company are as follows: Hannon Member owns 100% of Class A membership in the Company and Vivint Solar Asset 3 Manager, LLC ("Manager") owns 100% of the Class B membership in the Company. Manager, through other wholly-owned subsidiaries, is a wholly-owned subsidiary of Sunrun Inc. ("Sunrun"), a developer of residential solar energy systems.

As of December 31, 2021, the Company owns 100% of the membership interest in Vivint Solar Asset 3 HoldCo Borrower, LLC ("HoldCo Borrower"), which owns 100% of the membership interest in Vivint Solar Senior Parent, LLC, which owns 100% of Vivint Solar Senior Borrower, LLC ("Senior Borrower"), which owns all of the outstanding membership interests in Vivint Solar Fund 28 Manager, LLC and Vivint Solar Fund 29 Manager, LLC. These entities own 100% of the Class B membership interest in their subsidiaries, and 100% of the Class A membership interests are held by third party tax equity investors ("Investors").

2. Summary of Significant Accounting Policies

Basis of Accounting and Principles of Consolidation

As a result of the Merger, the Company's assets and liabilities were adjusted to fair value on the Closing Date in accordance with business combination accounting rules.

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and reflect the accounts and operations of the Company, its subsidiaries in which the Company has a controlling financial interest and the investment funds formed to fund the purchase of solar energy systems, which are consolidated as variable interest entities ("VIEs"). The Company uses a qualitative approach in assessing the consolidation requirement for VIEs. This approach focuses on determining whether the Company has the power to direct the activities of the VIE that most significantly affect the VIE's economic performance and whether the Company has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The Company has determined that it is the primary beneficiary in all of its VIEs. Substantially all of the assets and liabilities except notes payable of the Company are related to its VIEs. The Company evaluates its relationships with the VIEs on an ongoing basis to ensure that it continues to be the primary beneficiary. All intercompany transactions and balances have been eliminated in consolidation.

Beginning in the quarter ended March 31, 2020, a strain of coronavirus (COVID-19) has spread throughout the

Beginning in the quarter ended March 31, 2020, a strain of coronavirus (COVID-19) has spread throughout the world, and at this point, the extent to which the coronavirus may impact operations of the Company is uncertain.

The extent of the impact of the coronavirus on the Company's business and operations will depend on several factors, such as the duration, severity, and geographic spread of the outbreak. The Company is monitoring the evolving situation closely and evaluating its potential exposure.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company regularly makes significant estimates and assumptions including, but not limited to, estimates that affect the Company's revenue recognition, the useful lives of solar energy systems, the valuation of derivative financial instruments, non-controlling interests and the recoverability of long-lived assets. The Company bases its estimates on historical experience and on various other assumptions believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ materially from those estimates.

Cash and Restricted Cash

Cash includes all cash balances on deposit with financial institutions. The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company has exposure to credit risk to the extent cash balances exceed amounts covered by federal deposit insurance. The Company believes that its credit risk is not significant.

Restricted cash represents the amount related to obligations under certain financing transactions and future replacements of solar energy system components.

Accounts Receivable, net

Accounts receivables consist of amounts due from customers, as well as state and utility rebates due from government agencies and utility companies. Under arrangements with customers, the customer typically assigns incentive rebates to the Company.

Accounts receivables are recorded at the net realizable value. The Company maintains allowances for the applicable portion of receivables using the expected credit loss model. The Company estimates expected credit losses from doubtful accounts based upon the expected collectability of all accounts receivables, which takes into account the number of days past due, collection history, identification of specific customer exposure, current economic trends, and management's expectation of future economic conditions. Once a receivable is deemed to be uncollectible, it is written off.

Solar Energy Systems, net

The customers enter into an agreement to obtain continuous access to a functioning solar energy system ("Customer Agreements"). The Company records solar energy systems subject to signed Customer Agreements as solar energy systems, net on its consolidated balance sheet. Solar energy systems, net is comprised of system equipment costs, less accumulated depreciation. Depreciation on solar energy systems is calculated on a straight-line basis over their estimated useful lives of 35 years. The Company periodically reviews its estimated useful life and recognizes changes in estimates by prospectively adjusting depreciation expense. Inverters and batteries are depreciated over their estimated useful life of 10 to 13 years.

Impairment of Long-Lived Assets

The carrying amounts of the Company's long-lived assets are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable or that the useful life is shorter than originally estimated. Recoverability of these assets is measured by comparison of the carrying amount of each asset to the future undiscounted cash flows that the asset is expected to generate over its remaining life. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset. If the useful life is shorter than originally estimated, the Company depreciates and amortizes the remaining carrying value over the new shorter useful life. No impairment of solar energy systems has been recorded for the year ended December 31, 2021 or for the period from October 9, 2020 (date of acquisition) to December 31, 2020.

Deferred Revenue

When the Company receives consideration, or when such consideration is unconditionally due, from a customer prior to delivering goods or services to the customer under the terms of a Customer Agreement, the Company records deferred revenue. Such deferred revenue consists of amounts for which the criteria for revenue recognition have not yet been met and includes amounts that are collected or assigned from customers, including upfront deposits and prepayments, and rebates. Deferred revenue relating to financing components represents the cumulative excess of interest expense recorded on financing component elements over the related revenue recognized to date and will eventually net to zero by the end of the initial term.

Solar Energy Performance Guarantees

The Company guarantees to customers certain specified minimum solar energy production output for solar facilities over the initial term of the Customer Agreements. The Company monitors the solar energy systems to determine whether these specified minimum outputs are being achieved. Annually or every two years, depending on the terms of the Customer Agreement, the Company will refund a portion of electricity payments to a customer if his or her solar energy production output was less than the performance guarantee. The Company considers this a variable component that offsets the transaction price.

Derivative Financial Instruments

The Company uses derivative financial instruments, primarily interest rate swaps, to manage its exposure to interest rate risks on its syndicated term loans, recognized on the consolidated balance sheet at their fair values. On the date that the Company enters into a derivative contract, the Company formally documents all relationships between the hedging instruments and the hedged items, as well as its risk management objective and strategy for undertaking each hedge transaction. Derivative instruments designated in a hedge relationship to mitigate exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Cash flow hedges are accounted for by recording the fair value of the derivative instrument on the consolidated balance sheet as either a freestanding asset or liability.

Changes in the fair value of a derivative that is designated and qualifies as an effective cash flow hedge are recorded in accumulated other comprehensive loss until earnings are affected by the variability of cash flows of the hedged item. Any derivative gains and losses that are not effective in hedging the variability of expected cash flows of the hedged item or that do not qualify for hedge accounting treatment are recognized directly into earnings. Changes in the fair value of a derivative not designated as a hedge are recorded directly into earnings.

At the hedge's inception and quarterly thereafter, a formal assessment is performed to determine whether changes in cash flows of the derivative instrument have been highly effective in offsetting changes in the cash flows of the hedged items and whether they are expected to be highly effective in the future.

The Company discontinues hedge accounting prospectively when (i) it determines that the derivative is no longer effective in offsetting changes in the cash flows of a hedged item; (ii) the derivative expires or is sold, terminated, or exercised; or (iii) management determines that designating the derivative as a hedging instrument is no longer appropriate. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the derivative instrument is carried at its fair market value on the consolidated balance sheet with the changes in fair value recognized in current period earnings. The remaining balance in accumulated other comprehensive loss associated with the derivative that has been discontinued is not recognized in the consolidated statement of operations unless it is probable that the forecasted transaction will not occur. Such amounts are recognized in earnings when earnings are affected by the hedged transaction.

The Company determines the fair value of its interest rate swaps using a discounted cash flow model which incorporates an assessment of the risk of non-performance by the interest rate swap counterparty and an evaluation of the Company's credit risk in valuing derivative instruments. The valuation model uses various inputs including contractual terms, interest rate curves, credit spreads, and measures of volatility.

Fair Value of Financial Instruments

The Company defines fair value as the exchange price that would be received for an asset or an exit price that would be paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company uses valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. The Financial Accounting Standards Board ("FASB") establishes a three-tier fair value hierarchy for disclosure of fair value measurements as follows:

- Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 - Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and
- Level 3 - Inputs that are unobservable, significant to the measurement of the fair value of the assets or liabilities and are supported by little or no market data

Revenue Recognition

The Company recognizes revenue when control of goods or services is transferred to its customers, in an amount that reflects the consideration it is expected to be entitled to in exchange for those goods and services.

Customer agreements and incentives

Customer agreements and incentives is primarily comprised of revenue from Customer Agreements in which the Company provides continuous access to a functioning solar system and revenue from the sales of SRECs generated by the Company's solar energy systems to third parties.

The Company begins to recognize revenue on Customer Agreements when permission to operate ("PTO") is given by the local utility company or on the date daily operation commences if utility approval is not required.

Revenue recognition does not necessarily follow the receipt of cash. For Customer Agreements that include a fixed fee per month which entitles the customer to any and all electricity generated by the system, and for which the Company's obligation is to provide continuous access to a functioning solar energy system, the Company recognizes revenue evenly over the time that it satisfies its performance obligations, which is over the initial term of the Customer Agreements. For Customer Agreements that charge a fixed price per kilowatt hour, and for which the Company's obligation is the provision of electricity from a solar energy system, revenue is recognized based on the actual amount of power generated at rates specified under the contracts. Customer Agreements typically have an initial term of 20 or 25 years. After the initial contract term, Customer Agreements typically automatically renew on an annual basis.

In determining the transaction price, the Company adjusts the promised amount of consideration for the effects of the time value of money when the timing of payments provides it with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. When adjusting the promised amount of consideration for a significant financing component, the Company uses the discount rate that would be reflected in a separate financing transaction between the entity and its customer at contract inception and recognizes the revenue amount on a straight-line basis over the term of the Customer Agreement, and interest expense using the effective interest rate method.

Consideration from customers is considered variable due to the performance guarantee under Customer Agreements. Performance guarantees provide a credit to the customer if the system's cumulative production, as measured on various PTO anniversary dates, is below the Company's guarantee of a specified minimum. Revenue is recognized to the extent it is probable that a significant reversal of such revenue will not occur.

Solar energy system sales

Solar energy systems sales is comprised of solar energy systems purchased by customers who had previously entered into a Customer Agreement with the Company. The Company recognizes revenue when the purchase and sale agreement is signed by both parties, provided all other revenue recognition criteria are met. Taxes assessed by government authorities that are directly imposed on revenue producing transactions are excluded from solar energy systems sales.

Cost of Revenue

Customer agreements and incentives

Cost of revenue for customer agreements and incentives is primarily comprised of (1) the depreciation of the cost of the solar energy systems, and (2) solar energy system operations, monitoring and maintenance costs including associated personnel costs.

Solar energy system sales

For solar energy systems sold to customers which have been previously subject to a Customer Agreement, the Company recognizes cost when the purchase and sale agreement is signed by both parties as the control transfers to the customer at that time.

Non-Controlling Interests

Non-controlling interests represent fund investors' interests in the net assets of certain consolidated investment funds, which have been entered into by the Company in order to finance the costs of solar energy systems under long-term customer contracts. The Company has determined that the provisions in the contractual arrangements represent substantive profit-sharing arrangements, which gives rise to the non-controlling interests. The Company has further determined that the appropriate methodology for attributing income and loss to the noncontrolling interests each period is a balance sheet approach referred to as the hypothetical liquidation at book value ("HLBV") method. Under the HLBV method, the amounts of income and loss attributed to the non-controlling interests in the consolidated statements of operations reflect changes in the amounts the fund investors would hypothetically receive at each balance sheet date under the liquidation provisions of the contractual agreements of these structures, assuming the net assets of these funding structures were liquidated at recorded amounts. The fund investors' non-controlling interest in the results of operations of these funding structures is determined as the difference in the non-controlling interests' claims under the HLBV method at the start and end of each reporting period, after considering any capital transactions, such as contributions or distributions, between the fund and the fund investors.

Attributing income and loss to the non-controlling interests under the HLBV method requires the use of significant assumptions and estimates to calculate the amounts that fund investors would receive upon a hypothetical liquidation. Changes in these assumptions and estimates can have a significant impact on the amount that fund investors would receive upon a hypothetical liquidation. The use of the HLBV methodology to allocate income to the non-controlling holders may create volatility in the Company's consolidated statements of operations as the application of HLBV can drive changes in net income available and loss attributable to non-controlling interests from year to year.

Income Taxes

The Company was organized as a limited liability company. Members are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in these consolidated financial statements. The Company's federal, state and local income tax returns since inception are still subject to audit.

Concentrations of Risk

Financial instruments which potentially subject the Company to concentrations of risk consist primarily of cash and accounts receivable. The associated risk of concentration for cash is mitigated by banking with institutions with high credit ratings. At certain times, amounts on deposit exceed Federal Deposit Insurance Corporation insurance limits. The Company does not require collateral or other security to support accounts receivable. To reduce risk, management performs periodic credit evaluations and ongoing evaluations of its customers' financial conditions. The Company is not dependent on any single customer. The loss of a customer would not adversely impact the Company's operating results or financial position. The Company's customers under Customer Agreements are located in several states in the U.S.

Recently Adopted Accounting Pronouncements

In January 2021, the FASB issued ASU No. 2021-01, Reference Rate Reform (Topic 848): Scope, which permits entities to elect certain optional expedients and exceptions when accounting for derivative contracts and certain hedging relationships affected by reference rate reform. This ASU is effective upon issuance and can generally be applied through December 31, 2022. The Company adopted ASU 2019-12 effective January 1, 2021, and there was no impact to its consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or other reference rates that are expected to be discontinued because of reference rate reform. This ASU is available for adoption as of the beginning of the interim period that includes March 12, 2020 through December 31, 2022, as contract modifications or hedging relationships entered into or evaluated after December 31, 2022 are excluded unless an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. For the Company's cash flow hedges in which the designated hedged risk is LIBOR or another rate that is expected to be discontinued, the Company has adopted the portion of the guidance that allows it to assert that it remains probable that the hedged forecasted transaction will occur. The Company adopted the remainder of this guidance effective January 1, 2021, and there was no impact to its consolidated financial statements.

3. Solar Energy Systems, Net

Solar energy systems, net consist of the following (in thousands):

	December 31,			
	2021		2020	
System equipment costs	$	375,820	$	214,918
Less: Accumulated depreciation		(12,091)		(1,038)
Solar energy systems, net	$	363,729	$	213,880

All solar energy systems have been leased to or are subject to signed Customer Agreements with customers. The Company recorded depreciation expense related to solar energy systems of $11.1 million and $1.0 million in cost of customer agreements and incentives for the year ended December 31, 2021 and or the period from October 9, 2020 (date of acquisition) to December 31, 2020, respectively.

4. Other Assets

Other assets consist of the following (in thousands):

	December 31,			
	2021		2020	
Unbilled receivables	$	2,789	$	83
Allowance for credit losses on unbilled receivables		(28)		(1)
Derivative assets		3,082		-
Other assets		1,751		2,577
Total	$	7,594	$	2,659

The majority of unbilled receivables arise from fixed price escalators included in the Company's long-term Customer Agreements. The escalator is included in calculating the total estimated transaction value for an individual Customer Agreement. The total estimated transaction value is then recognized over the term of the Customer Agreement. The amount of unbilled receivables increases while cumulative billings for an individual Customer Agreement are less than the cumulative revenue recognized for that Customer Agreement. Conversely, the amount of unbilled receivables decreases when the actual cumulative billings becomes higher than the cumulative revenue recognized. At the end of the initial term of a Customer Agreement, the cumulative amounts recognized as revenue and billed to date are the same, therefore the unbilled receivable balance for an individual Customer Agreement will be zero. The Company applies an estimated loss-rate in order to determine the current expected credit loss for unbilled receivables. The estimated loss-rate is determined by analyzing historical credit losses, residential first and second mortgage foreclosures and consumers' utility default rates, as well as current economic conditions. The Company reviews individual customer collection status of electricity billings to determine whether the unbilled receivables for an individual customer should be written off.

5. Notes Payable Obligations

In October 2020, HoldCo Borrower and Senior Borrower entered into a Loan Agreement and a Credit Agreement with a bank and a syndicate of banks, respectively, for up to $430.0 million in committed facilities. Specifically, HoldCo Borrower entered into a $140.0 million subordinated term loan ("HoldCo Debt"), which matures on October 6, 2032, and Senior Borrower entered into a $275.0 million senior term loan ("Senior Debt"), and a $15.0 million letter of credit facility for which draws are intended solely for the purposes of satisfying the required debt service reserve amount, if necessary, both of which mature on October 5, 2027. The Company's borrowings are limited to the lessor of the total commitment or the unused borrowing base capacity.

Senior Debt is a senior delayed draw term loan that bears interest at LIBOR (or other contractually stipulated benchmark if a benchmark transition event occurs), plus an applicable margin equal to 2.50% per annum. HoldCo Debt is a subordinated term loan that bears interest at a fixed rate of 8.50% per annum. Under Senior Debt, prepayments are permitted with no penalties after the availability period, ending April 2, 2022. Under HoldCo Debt, prepayments are permitted with associated penalties ranging from 1.00%-5.00% depending on the timing of prepayments. As of December 31, 2021, Senior Debt's and HoldCo Debt's unused borrowing capacities were $3.9 million and $0.0 million, respectively. As of December 31, 2020, Senior Debt's and HoldCo Debt's unused borrowing capacities were $3.9 million and $0.4 million, respectively. Of the total commitment related to the term loans, $370.9 million and $136.7 million was outstanding as of December 31, 2021 and December 31, 2020, respectively.

The aforementioned credit facility is secured by net cash flows of certain subsidiaries from Customer Agreements, less certain operating, maintenance, and other expenses, which are available to the borrowers after distributions to tax equity investors. Under the terms of this facility, the Company pays interest and principal from the net cash flows available to it. The facility contains customary covenants including the requirement to maintain certain financial measurements and provide lender reporting. The credit facility also contains certain provisions in the event of default, which entitle lenders to take certain actions including acceleration of amounts due under the facility. The Company was in compliance with all debt covenants as of December 31, 2021.

Financing costs incurred with securing a term loan are recorded in the Company's consolidated balance sheet as an offset to the term loan and amortized to interest expense in the Company's consolidated statement of operations over the contractual life of the loan.

The schedules maturities of Notes payable as of December 31, 2021 are as follows (in thousands):

2022	$	4,949
2023		6,245
2024		6,245
2025		6,094
2026		6,202
Thereafter		341,163
Subtotal		370,898
Less: Notes payable discount		(4,745)
Total	$	366,153

6. Derivatives

The Company uses interest rate swaps to hedge variable interest payments due on its loan. These swaps allow the Company to incur fixed interest rates on this loan and receive payments based on variable interest rates with the swap counterparty based on the three month LIBOR on the notional amounts over the life of the swaps.

Certain interest rate swaps have been designated as cash flow hedges. The credit risk adjustment associated with these swaps is the risk of non-performance by the counterparties to the contracts. In the year ended December 31, 2021, the hedge relationships on the Company's interest rate swaps have been assessed as highly effective as the quarterly assessment performed determined changes in cash flows of the derivative instruments have been highly effective in offsetting the changes in the cash flows of the hedged items and are expected to be highly effective in the future. Accordingly, changes in the fair value of these derivatives are recorded as a component of accumulated other comprehensive loss. Changes in the fair value of these derivatives are subsequently reclassified into earnings, and are included in interest expense in the Company's consolidated statement of operations, in the period that the hedged forecasted transactions affect earnings. To the extent that the hedge relationships are not effective, changes in the fair value of these derivatives are recorded in other expenses, net in the Company's consolidated statement of operations on a prospective basis. During the next twelve months, the Company expects to reclassify $2.7 million of net losses on derivative instruments from accumulated other comprehensive loss to earnings. There were no undesignated derivative instruments recorded by the Company as of December 31, 2021. Interest rate swaps as of December 31, 2020 were not designated as cash flow hedges. All accumulated other comprehensive loss activity is related to derivative activity.

At December 31, 2021, the Company has the following derivative instruments, of which $3.1 million were classified as derivative assets and $2.2 million were classified as derivative liabilities and were reported in other assets and accrued expense and other liabilities, respectively in the Company's consolidated balance sheet, all of which are measured at fair value on a recurring basis, based upon the fair value hierarchy defined below (in thousands, other than quantity and interest rates):

Type	Quantity	Effective Dates	Maturity Dates	Hedge Interest Rates	Notional Amount	Fair Market Value	Fair Value Hierarchy
Interest rate swaps	14	10/30/2020 - 7/30/2021	7/31/2039 - 7/31/2042	1.14% - 1.97%	$225,090	$931	Level 2

At December 31, 2020, the Company had the following derivative instruments classified as derivative liabilities, of which $0.3 million and $0.2 million were reported in accrued expenses and other liabilities, respectively on the Company's consolidated balance sheet, all of which are measured at fair value on a recurring basis, based upon the hierarchy defined below (in thousands, other than quantity and interest rates):

Type	Quantity	Effective Dates	Maturity Dates	Hedge Interest Rates	Notional Amount	Fair Market Value	Fair Value Hierarchy
Interest rate swaps	2	10/30/2020	4/30/2040	1.15% - 1.16%	$42,030	$526	Level 2

7. Variable Interest Entity Arrangements

The Company consolidated various VIEs at December 31, 2021 and December 31, 2020. The carrying amounts and classifications of the VIEs' assets and liabilities included in the consolidated balance sheets are as follows (in thousands):

(in thousands).

	December 31,			
	2021		2020	
Assets				
Current assets:				
Cash	$	6,390	$	57,828
Accounts receivable (net of allowance for credit losses)		2,706		558
Prepaid expenses and other current assets		368		379
Total current assets		9,464		58,765
Solar energy systems, net		363,729		213,880
Other assets		4,512		2,659
Total assets	$	377,705	$	275,304
Liabilities and members' equity				
Current liabilities:				
Accounts payable	$	139	$	79
Accounts payable, affiliates		2,257		605
Distributions payable, noncontrolling interests		1,343		190
Accrued expenses		494		31
Deferred revenue, current portion		615		100
Total current liabilities		4,848		1,005
Deferred revenue, net of current portion		4,840		475
Total liabilities	$	9,688	$	1,480

8. Commitments and Contingencies

As of December 31, 2021, the Company had an unused balance of $10.0 million on its letter of credit, which carries a fee of 0.75% per annum and a used balance of $5.0 million, which carries a fee of 2.50% per annum. The letter of credit carries a maturity date of September 2022.

As of December 31, 2020, the Company had an unused balance of $11.6 million on its letter of credit, which carries a fee of 0.75% per annum and a used balance of $3.4 million, which carries a fee of 2.50% per annum. The letter of credit expired on December 31, 2021.

9. Related Party Transactions

Sunrun, through its investment in Manager, is the managing member of the Company. As the managing member, Sunrun has full discretion to make decisions for, and manage the business of, the Company for the purposes stated in the management agreement between Sunrun and the Company.

Accounts Receivable, affiliates

The accounts receivable, affiliates account consists of miscellaneous receivables, net of any payables to Sunrun and its subsidiaries for rebates and SRECs where the cash has not been remitted.

Management and Administrative Services Fee

Prior to the Closing Date, the Company entered into the Administrative Services Agreement ("ASA") with Vivint Solar Provider, LLC ("Provider"), a wholly owned subsidiary of Sunrun. Pursuant to the ASA, Provider shall provide certain administrative services to the Company in exchange for an annual administrative services fee of \$4.50 per DC kilowatt of installed nameplate capacity, escalating annually according to the terms of the LLC Agreement (the "LLCA"), prorated for any capacity not available for a full year. The Company incurred management and administrative services fees to Provider of \$547 thousand and \$38 thousand, which is included in General and administrative in the statements of operations, for the year ended December 31, 2021 and for the period from October 9, 2020 (date of acquisition) to December 31, 2020, respectively.

Maintenance Services Fee

Prior to the Closing Date, the Company entered into the Maintenance Services Agreement ("MSA") with Provider. Pursuant to the MSA, Provider shall provide certain system maintenance services to the Company in exchange for an annual maintenance services fee of \$16.50 per DC kilowatt of installed nameplate capacity, escalating annually according to the terms of the LLCA, prorated for any capacity not available for a full year. The Company incurred maintenance services fees to Provider of \$2.0 million and \$139 thousand, which are included in General and administrative in the statements of operations, for the year ended December 31, 2021 and for the period from October 9, 2020 (date of acquisition) to December 31, 2020, respectively.

Distributions to Investor Members

In October 2020, the Company entered into the LLCA with the Managing Member and the Hannon Member pursuant to which the Company receives capital contributions for the purchase of projects from Vivint Solar Developer, LLC, a wholly owned subsidiary of Sunrun. In exchange for the contributions, the Hannon Member receives monthly distributions from the Company. For each month the Hannon Member will receive 50.00% of any distributable cash. For the year ended December 31, 2021 and for the period from October 9, 2020 (date of acquisition) to December 31, 2020, the Company paid no distributions to the Hannon Member.

10. Subsequent Events

Subsequent events have been evaluated through March 30, 2022, which is the date the consolidated financial statements were available to be issued. No subsequent events were noted during this evaluation that require recognition or disclosure in these financial statements.

ROSIE TARGETCO LLC AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2021 and 2020

(With Report of Independent Auditors)

ROSIE TARGETCO LLC AND SUBSIDIARIES

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Report of Independent Auditors

The Member
Rosie TE Holdco LLC

Opinion

We have audited the consolidated financial statements of Rosie TE Holdco LLC and subsidiaries (the Company), which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of operations, members' equity and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of Rosie TE Holdco LLC for the year ended December 31, 2020, were audited by another auditor who expressed an unmodified opinion on those financial statements on April 29, 2021.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Building a better working world

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst + Young LLP

March 29, 2022

ROSIE TARGETCO LLC AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(In thousands)

Assets		2021		2020
Current assets:				
Cash	$	944	$	1,069
Restricted cash		6,027		23,207
Accounts receivable – trade		1,636		730
Prepayments and other current assets		519		—
Total current assets		9,126		25,006
Property, plant, and equipment, net		250,657		257,608
Other assets:				
Derivative instruments		1,439		—
Right of use assets, net		14,160		14,428
Other non-current assets		1,381		1,467
Total other assets		16,980		15,895
Total assets	$	276,763	$	298,509
Liabilities and Equity				
Current liabilities:				
Current portion of long-term debt	$	1,828	$	1,625
Accounts payable – trade		1,641		16,697
Accounts payable – affiliate		203		101
Accrued liabilities		—		106
Derivative instruments		557		798
Lease liabilities		(104)		(188)
Accrued interest expense		494		8
Total current liabilities		4,619		19,147
Other liabilities:				
Long-term debt		74,888		76,350
Derivative instruments		—		2,473
Asset retirement obligations		5,385		5,019
Long-term lease liabilities		14,853		14,749
Total non-current liabilities		95,126		98,591
Total liabilities		99,745		117,738
Commitments and contingencies				
Equity:				
Members' equity		122,196		104,858
Noncontrolling interests		54,822		75,913
Total equity		177,018		180,771
Total liabilities and equity	$	276,763	$	298,509

See accompanying notes to consolidated financial statements.

ROSIE TARGETCO LLC AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Income

Years ended December 31, 2021 and 2020

(In thousands)

		2021		2020
Operating revenues:				
Total operating revenues	$	14,091	$	730
Operating costs and expenses:				
Cost of operations		5,696		1,416
Depreciation and accretion		9,288		1,125
Total operating costs and expenses		14,984		2,541
Operating loss		(893)		(1,811)
Other expense:				
Loss on debt extinguishment		—		(2,904)
Interest expense		(3,245)		(645)
Total other expense		(3,245)		(3,549)
Net loss		(4,138)		(5,360)
Less: net loss attributable to noncontrolling interest		(18,817)		(55,613)
Net income attributable to Rosie TargetCo LLC and subsidiaries		14,679		50,253
Other comprehensive income (loss):				
Unrealized gain (loss) on derivatives		4,153		(3,271)
Other comprehensive income (loss)		15		(8,631)
Less: comprehensive loss attributable to noncontrolling interest		(18,817)		(55,613)
Comprehensive income attributable to Rosie TargetCo LLC and subsidiaries	$	18,832	$	46,982

See accompanying notes to consolidated financial statements.

ROSIE TARGETCO LLC AND SUBSIDIARIES

Consolidated Statements of Equity

Years ended December 31, 2021 and 2020

(In thousands)

	Rosamond Solar Investment LLC Contributed capital	HA Lighthouse LLC Contributed capital	Renew Development HoldCo LLC Contributed capital	(Accumulated deficit) Retained earnings	Accumulated other comprehensive (loss) income	Noncontrolling interest	Total equity
Balance at December 31, 2019	$ —	$ —	$ 5,078	$ (9)	$ —	$ —	$ 5,069
Net income (loss)	—	—	—	50,253	—	(55,613)	(5,360)
Unrealized loss on derivatives	—	—	—	—	(3,271)	—	(3,271)
Transfer of membership interest	3,422	—	(3,422)	—	—	—	—
Non-cash contributions	—	—	34,510	—	—	—	34,510
Cash contributions	—	61,894	83,387	—	—	134,617	279,898
Cash distributions	—	—	(126,984)	—	—	—	(126,984)
Transfer of asset to Renew Development HoldCo LLC	—	—	7,431	(7,431)	—	—	—
Payment of transaction costs	—	—	—	—	—	(3,091)	(3,091)
Balance at December 31, 2020	$ 3,422	$ 61,894	$ —	$ 42,813	$ (3,271)	$ 75,913	$ 180,771
Net income (loss)	—	—	—	14,679	—	(18,817)	(4,138)
Unrealized gain on derivatives	—	—	—	—	4,153	—	4,153
Non-cash contributions	—	23	—	—	—	—	23
Cash contributions	—	2,499	—	—	—	—	2,499
Cash distributions	(3,257)	(759)	—	—	—	(2,118)	(6,134)
Payment of transaction costs	—	—	—	—	—	(156)	(156)
Balance at December 31, 2021	$ 165	$ 63,657	$ —	$ 57,492	$ 882	$ 54,822	$ 177,018

See accompanying notes to consolidated financial statements.

ROSIE TARGETCO LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2021 and 2020

(In thousands)

	2021	2020
Cash flows from operating activities:		
Net loss	$ (4,138)	$ (5,360)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and accretion	9,288	1,125
Reduction in carrying amount of right-of-use assets	268	41
Amortization of debt issuance costs	367	207
Loss on debt extinguishment	—	2,904
Cash (used) provided by changes in other working capital:		
Accounts receivable – trade	(906)	(730)
Prepayments and other current assets	(519)	—
Accounts payable – trade	1,023	(1,260)
Accounts payable – affiliate	125	219
Accrued liabilities	(106)	106
Accrued interest expense	486	—
Other non-current assets	86	(1,467)
Operating lease liabilities	188	92
Net cash provided (used) by operating activities	6,162	(4,123)
Cash flows from investing activity:		
Capital expenditures	(18,050)	(200,132)
Net cash used by investing activity	(18,050)	(200,132)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	—	235,974
Payments of long-term debt	(1,626)	(156,212)
Contributions from members	2,499	145,281
Contributions from noncontrolling interests	—	134,617
Distributions to members	(4,016)	(126,984)
Distributions to noncontrolling interests	(2,118)	—
Payment of debt issuance and transaction costs	(156)	(4,145)
Net cash (used) provided by financing activities	(5,417)	228,531
Net decrease (increase) in cash and restricted cash	(17,305)	24,276
Cash and restricted cash at beginning of year	24,276	—
Cash and restricted cash at end of year	$ 6,971	$ 24,276
Supplemental disclosures:		
Interest paid	$ 2,393	$ 675
Non-cash investing and financing activities:		
(Reductions) additions to fixed assets for accrued capital expenditures	(16,079)	53,756
Increase to fixed assets for capitalized asset retirement costs	—	5,019
Decrease to fixed assets for transfer of land	—	(7,223)
Increase to lease liabilities due to obtaining right-of-use assets	—	14,469
Non-cash contributions - intercompany settlements	23	34,510

See accompanying notes to consolidated financial statements.

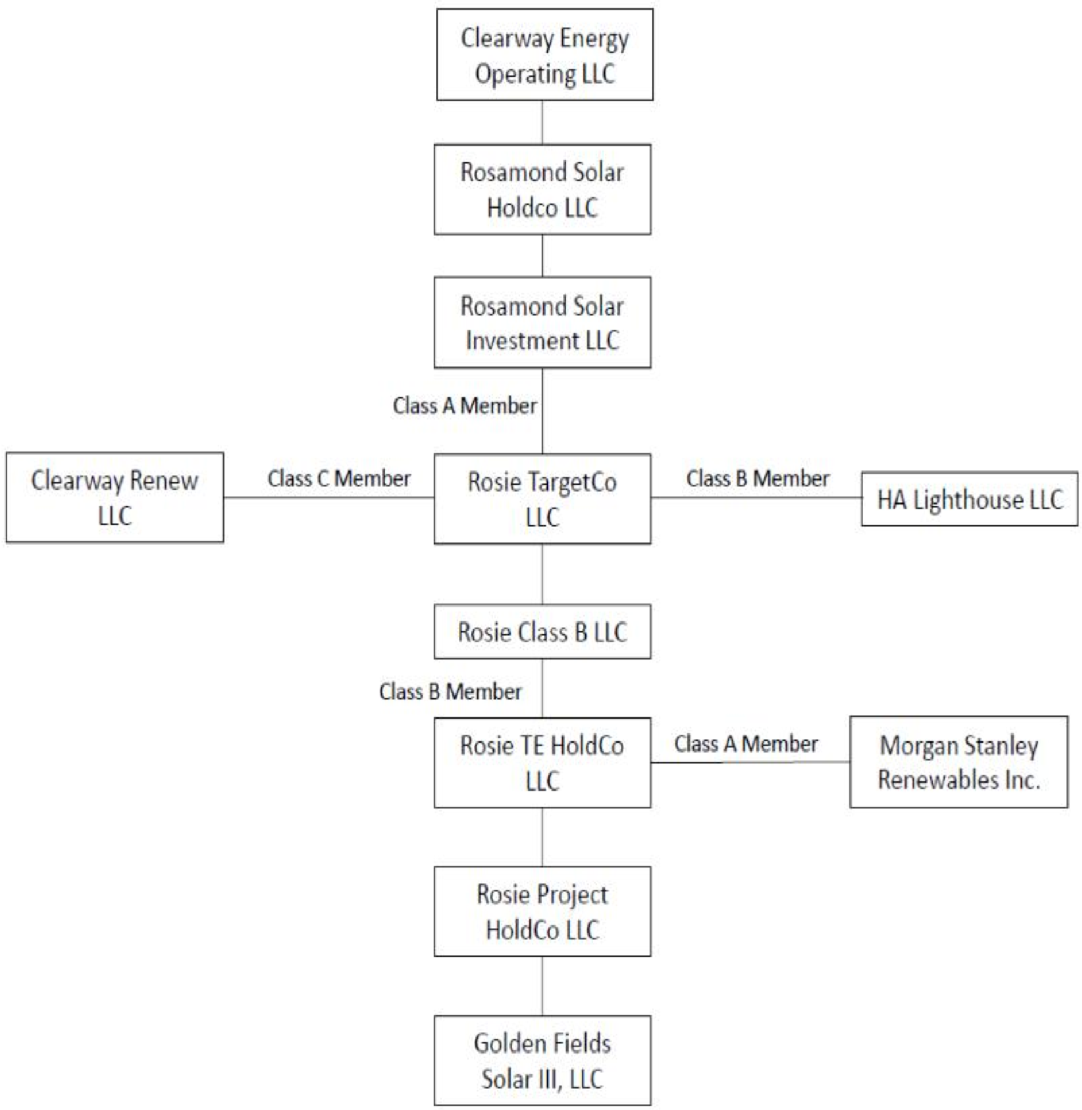
(1) Nature of Business

Rosie TargetCo LLC and subsidiaries, or the Company, a Delaware limited liability company, owns 100% of Rosie Class B LLC, or Rosie Class B, a Delaware limited liability company. Rosie Class B owns 100% of the Class B membership interests of Rosie TE HoldCo LLC or Rosie TE HoldCo. A third party investor, Morgan Stanley Renewables Inc., or Morgan Stanley, owns 100% of the Class A membership interests of Rosie TE HoldCo. Rosie TE HoldCo owns 100% of Rosie Project HoldCo LLC, or Rosie Project HoldCo, which directly owns 100% of Golden Fields Solar III, LLC, or Golden Fields Solar III. Golden Fields Solar III owns a 192-megawatt, or MW, photovoltaic solar generating facility located in Rosamond, California, referred to as the Facility. The Company was formed as the indirect owner of Rosie DevCo LLC, and the owner of Rosie Class B and Rosie Project HoldCo, for the purposes of developing, financing, and constructing the Facility. The Facility achieved 100% commercial operations, or COD, on December 22, 2020. Prior to the acquisition, Rosie DevCo LLC was transferred to a subsidiary of Clearway Renew LLC, or Clearway Renew, and on November 20, 2020, Rosie TE HoldCo acquired Rosie Project HoldCo from Rosie DevCo LLC.

The Company is a limited liability company, whose Class A membership interests are owned by Clearway Energy Operating LLC, through its indirect subsidiary Rosamond Solar Investment LLC, or Rosamond Solar Investment. Clearway Energy Operating LLC acquired its interest in the Company on December 21, 2020. Clearway Energy Operating LLC, is a wholly owned subsidiary of Clearway Energy LLC, which is owned by Clearway Energy, Inc. and Clearway Energy Group LLC, or Clearway Energy Group. The Company's Class B membership interests are owned by HA Lighthouse LLC, or HASI. HASI acquired its interest on November 20, 2020 for cash consideration of $61.9 million. In March 2021, HASI paid an additional $2.5 million as a purchase price adjustment for its Class B interest in the Company which was recorded as a distribution to Rosamond Solar Investment and ultimately to Clearway Energy Group, through its noncontrolling interest in Clearway Energy LLC. Prior to these ownership changes, the Company's Class A and Class B membership interests were owned by Clearway Renew, a direct wholly-owned subsidiary of Clearway Energy Group. Clearway Energy Group is a wholly-owned subsidiary of Global Infrastructure Partners III. Clearway Renew retains the Class C membership interests in the Company, which are not participating interests and provide for the potential future allocation of cash in the event of excess returns on investment to HASI. The Company is governed by an Amended and Restated Limited Liability Company Agreement, or LLCA, which is further described below.

As of December 31, 2021, Clearway Energy, Inc., through its ownership of Class A and Class C common stock, had a 57.65% economic interest in Clearway Energy LLC, while Clearway Energy Group, through its ownership of Class B and Class D common stock, had a 54.93% voting interest in Clearway Energy, Inc. and a 42.35% economic interest in Clearway Energy LLC.

The diagram below represents the ownership structure of the Company:



Prior to November 20, 2020, Rosie Class B directly owned 100% of Rosie TE HoldCo. On November 20, 2020, pursuant to an Equity Capital Contribution Agreement, or ECCA, dated February 25, 2020 and amended November 20, 2020, a portion of Rosie Class B's interest in Rosie TE HoldCo was converted into Class A membership interests and sold to Morgan Stanley for $134.6 million, which is reflected as a cash contribution from noncontrolling interests in the consolidated financial statements. The remaining interest was converted to Class B membership interests held by Rosie Class B. Rosie Class B utilized the tax equity proceeds to repay the tax equity bridge loan for $129.6 million and term converted the remaining construction loan of $79.8 million. See note 5, *Long-Term Debt*, for more information. Clearway Renew's contribution of $39.6 million was utilized to pay the remaining purchase price of Golden Fields Solar III and subsequently, recontributed to fund certain reserve accounts at Rosie TE HoldCo.

A summary of the major agreements entered into by the Company is set forth below:

(a) Power Purchase Agreements

Golden Fields Solar III is contracted under the following power purchase agreements, or PPA agreements, to deliver the energy output of the Facility as well as resource adequacy and renewable energy attributes. Revenue consists of payments based on fixed contract prices and variable market prices applied to actual production amounts. Under the terms of the PPA agreements, Golden Fields Solar III has guaranteed certain performance output that if not achieved could result in the payment of shortfall amounts commencing with COD. See note 2(i), *Revenue Recognition,* for more information.

PPA offtaker	Effective date	Contract capacity (MW)	PPA term [a]
City of Palo Alto	02/25/2020	26	25 years
East Bay Community Energy	07/26/2019	112	15 years
Clean Power Alliance	01/30/2020	40	15 years
		178	

(a) PPA term commenced on COD date or on January 1, 2023 with respect to City of Palo Alto.

(b) Edison Electric Institute Master Power Purchase and Sale Agreement

Golden Fields Solar III and EDF Trading North America, LLC, or EDF, are parties to an Edison Electric Institute Master Power Purchase and Sale Agreement, or Master Agreement, dated as of May 1, 2021. Under the Master Agreement, Golden Fields Solar III is contracted under a ten-year agreement to sell 20% of the green attributes and renewable energy credits, or RECs, generated by the Facility and in an amount no less than the guaranteed REC production with terms extending through April 30, 2031. In accordance with the Master Agreement, RECs are sold to EDF at a contract price for each MWh of product delivered to EDF consisting of an energy price as defined in the agreement plus a fixed green attribute price. Golden Fields Solar III has guaranteed certain performance output that if not achieved could result in the payment of shortfall amounts.

(c) Facility Engineering, Procurement and Construction, or EPC, Agreement

Golden Fields Solar III is party to a fixed-price contract with McCarthy Building Companies, Inc., or McCarthy, for the design, engineering, construction, and commissioning of the Facility for \$130.0 million, that was subject to price adjustments as defined in the agreement. During the years ended December 31, 2021 and 2020, the Company incurred costs under this agreement of \$0.6 million and \$115.4 million, respectively, all of which were reflected in property, plant, and equipment, net on the accompanying consolidated balance sheets. Amounts due to McCarthy of \$16.4 million were included in accounts payable – trade as of December 31, 2020 and were paid during 2021. Amounts due to McCarthy of \$330 thousand included in accounts payable – trade as of December 31, 2021 were paid in January 2022. The Company's obligations have been fulfilled under the agreement.

(d) Construction Administration Agreement

On February 25, 2020, Golden Fields Solar III entered into a Construction Administration Agreement with Renewables Construction LLC, or Renewables Construction, a subsidiary of Clearway Renew. Under the terms of the agreement, Renewables Construction provided certain construction administrative services for the Facility. As full compensation for the services provided, Renewables Construction was paid a construction administration fee of \$19.7 million. The service fee was payable on the Tranche B Funding date. The agreement also required Golden Fields Solar III to pay a bonus amount, as defined in the agreement, to Renewables Construction. As of December 31, 2020, \$2.2 million of costs incurred under this agreement were capitalized and reflected in property, plant, and equipment, net on the Company's consolidated balance sheet and \$17.5 million of costs representing a development margin was recorded as a distribution to Clearway Renew.

(e) Limited Liability Company Agreement

The Company is governed by an amended limited liability agreement, or LLCA. The LLCA provides for allocations of income, taxable items and available cash, which are 50.0% to the Class A Member and 50.0% to the Class B Member, except that allocations of available cash are first utilized to pay back member loans, if any. In addition, subsequent to November 20, 2035, up to 80% of the Class A Member's cash may be allocated to the Class B Member under the provisions of a related agreement, which provides a reallocation of cash in order to ensure that the Class B Member achieves its target return on investment. If the Class B Member achieves a return above a specified threshold, certain amounts may be allocated to Clearway Renew, through its ownership of the Class C membership interests.

In accordance with the provision of the LLCA, the Class A Member is the Manager, as defined, and conducts the activities of the Company on behalf of the members. The Manager has engaged Clearway Asset Services LLC to perform certain of its duties as Manager. All management services provided are at the direction of the Manager and the Manager retains its obligations with respect to its duties and responsibilities. In addition, the LLCA establishes both a review committee, which is responsible for material decisions that protect the interests of both the Class A Member and Class B Member, and is comprised of two members appointed by each of the Class A Member and Class B Member, and an operations committee, which is responsible for advising the Company and the review committee with respect to the Company's operations.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation and Principles of Consolidation

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The Accounting Standards Codification, or ASC, established by the Financial Accounting Standards Board, or FASB, is the source of authoritative U.S. GAAP to be applied by nongovernmental entities.

The consolidated financial statements include the Company's accounts and operations and those of its subsidiaries in which the Company has a controlling interest. All significant intercompany transactions and balances have been eliminated in the consolidated financial statements. The usual condition for a controlling financial interest is ownership of a majority of the voting interests of an entity. However, a controlling financial interest may also exist through arrangements that do not involve controlling voting interests. As such, the Company applies the guidance of ASC 810, *Consolidations*, to determine when an entity that is not controlled through its voting interests should be consolidated.

(b) Restricted Cash

The following table provides a reconciliation of cash and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows as of December 31, 2021 and 2020 (in thousands):

	2021	2020
Cash	$ 944	$ 1,069
Restricted cash	6,027	23,207
Cash and restricted cash shown in the consolidated statements of cash flows	$ 6,971	$ 24,276

Restricted cash consists of funds held in reserves for performance obligations and to fund operating expenses in addition to funds held in reserves to meet debt service reserve requirements per Rosie Class B's debt agreement. The decrease in restricted cash from December 31, 2020 to December 31, 2021 primarily reflects the payments made to McCarthy under the EPC Agreement of $16.4 million as described in note 1(c). In January 2022, $330 thousand was paid to McCarthy pursuant to the EPC Agreement and in February 2022, $3.0 million was distributed to Clearway Renew for reimbursement of construction payments.

(c) Accounts Receivable – Trade

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. There was no allowance for credit losses as of December 31, 2021 and 2020.

(d) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost; however impairment adjustments are recorded whenever events or changes in circumstances indicate that their carrying values may not be recoverable. Significant additions or improvements extending asset lives are capitalized as incurred, while repairs and maintenance that do not improve or extend the life of the respective asset are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Certain assets and their related accumulated depreciation amounts are adjusted for asset retirements and disposals with the resulting gain or loss included in cost of operations in the consolidated statement of operations and comprehensive income. See note 4, *Property, Plant, and Equipment,* for additional information.

Interest incurred on funds borrowed to finance capital projects is capitalized until the project under construction is ready for its intended use. The amount of interest capitalized for the year ended December 31, 2020 was $4.2 million, which includes interest related to debt issuance costs of $1.2 million.

(e) Asset Impairments

Long-lived assets that are held and used are reviewed for impairment whenever events or changes in circumstances indicate their carrying values may not be recoverable. Such reviews are performed in accordance with ASC 360, *Property, Plant, and Equipment*. An impairment loss is indicated if the total future estimated undiscounted cash flows expected from an asset are less than its carrying value. An impairment charge is measured as the excess of an asset's carrying amount over its fair value with the difference recorded in operating costs and expenses in the consolidated statement of operations and comprehensive income. Fair values are determined by a variety of valuation methods, including third-party appraisals, sales prices of similar assets, and present value techniques. There were no indicators of impairment loss as of December 31, 2021 and 2020.

(f) Debt Issuance Costs

Debt issuance costs consist of legal fees and closing costs incurred by the Company in obtaining its financing. These costs are capitalized and amortized as interest expense using the effective interest method over the term of the financing obligation and are presented on the consolidated balance sheets as a direct deduction from the carrying amount of the related debt. During construction, these amounts were included in the calculation of capitalized interest.

Amortization expense, included in interest expense in the consolidated statement of operations and comprehensive income was $367 thousand and $207 thousand for the years ended December 31, 2021 and 2020, respectively. In addition, the Company recorded a $2.9 million loss on extinguishment of debt associated with writing off a portion of the debt issuance costs for the year ended December 31, 2020.

(g) Leases

The Company accounts for its leases under ASC 842 *Leases*, or Topic 842. Topic 842 requires the establishment of a lease liability and related right-of-use asset for all leases with a term longer than 12 months. The Company evaluates each arrangement at inception to determine if it contains a lease.

The Company records its operating lease liabilities at the present value of the lease payments over the lease term at lease commencement date. Lease payments include fixed payment amounts. The Company determines the relevant lease term by evaluating whether renewal and termination options are reasonably certain to be exercised. The Company uses its incremental borrowing rate to calculate the present value of the lease payments, based on information available at the lease commencement date.

All of the Company's leases are operating leases. See note 9, *Leases* for information on the Company's leases.

(h) Income Taxes

For the period November 20, 2020 through December 31, 2021, the Company is classified as a partnership for federal and state income tax purposes. Therefore, federal and state income taxes are assessed at the partner level. Accordingly, no provision has been made for federal or state income taxes in the accompanying consolidated financial statements. The Company has determined that, based on a more-likely-than not evaluation of the tax positions taken, there are no material uncertain tax positions to be recognized as of December 31, 2021 by the Company.

For the period January 1, 2020 through November 19, 2020, the Company was a disregarded entity of a partnership for federal and state income tax purposes. Therefore, federal and state income taxes were assessed at the partner level. Accordingly, no provision has been made for federal or state income taxes in the accompanying consolidated financial statements.

(i) Revenue Recognition

Revenue from Contracts with Customers

The Company applies the guidance in ASC 606, *Revenue from Contracts with Customers*, or ASC 606, when recognizing revenue associated with its contracts with customers. The Company's policies with respect to its various revenue streams are detailed below. In general, the Company applies the invoicing practical expedient to recognize revenue for the revenue streams detailed below, except in circumstances where the invoiced amount does not represent the value transferred to the customer.

Power Purchase Agreements

Operating revenues consist of revenue from electricity sales obtained through PPAs, of which 152 MWs were effective during 2021. The Company sells power as described in note 1(a), *Power Purchase Agreements*. The PPAs are derivative financial instruments that qualify for the normal purchase normal sale exception and as such, the PPAs are accounted for under the revenue recognition guidance in ASC 606, and revenue is recognized when the underlying power is delivered

For the years ended December 31, 2021 and 2020, the Company recorded revenue of $8.0 million (net of losses under the PPAs of $7.6 million) and losses of $136 thousand, respectively, included in operating revenues in the consolidated statements of operations and comprehensive income. During 2021, the losses under the PPAs were primarily due to unfavorable market prices as the Company's PPAs with counterparties provide for adjustments to the contract price per contract for realized locational marginal price. During 2020, losses under the PPAs mostly comprised of test energy revenues. For test energy revenues, the Company had to pay the counterparties the difference between a percentage of the contract price as defined in the respective PPAs and the locational marginal price.

Merchant Revenue

For the years ended December 31, 2021 and 2020, the Company recorded $4.1 million and $866 thousand, respectively, of merchant revenue included in operating revenues in the consolidated statements of operations and comprehensive income for power sold to Tenaska Power Services, a qualified scheduling entity for the Facility This merchant revenue is accounted for in accordance with ASC 606, utilizing the invoicing practical expedient, which represents the electricity delivered.

Renewable Energy Certificates/Credits, or RECs

Golden Fields Solar III has an agreement with EDF to sell RECs generated by the Facility as described in note 1(b), *Edison Electric Institute Master Power Purchase and Sale Agreement.* Effective June 1, 2021, Golden Fields Solar III contracted with Verdant Energy Services LLC to sell RECS generated by the Facility in accordance with the quantities and contract prices in the agreement through August 2021. The REC agreements are derivative financial instruments that qualify for the normal purchase normal sale exception and as such, the REC agreements are accounted for under the revenue recognition guidance in ASC 606. Revenue is recognized as the REC is generated based on actual production multiplied by the contract price. REC revenue is accrued and billed on a monthly basis. For the year ended December 31, 2021, the Company recorded $1.7 million of REC revenues under these agreements included in operating revenues in the consolidated statement of operations and comprehensive income.

Resource Adequacy

The Company's PPAs provide for the sale of resource adequacy for 178 MW to the Company's PPA counterparties. In 2021, Golden Fields Solar III entered into resource adequacy agreements for previously uncontracted MWs governed by the Master Agreement. Golden Fields Solar III contracted with Direct Energy Business Marketing, LLC to sell up to 12.28 MW of resource adequacy at a fixed price commencing on June 1, 2021 and delivered through December 31, 2022. Golden Fields Solar III also contracted with Valley Electric Association, Inc. to sell 3.03 MW of resource adequacy at a fixed price for May 1, 2021 through May 31, 2021. For the year ended December 31, 2021, the Company recorded $338 thousand of revenues under these agreements included in operating revenues in the consolidated statement of operations and comprehensive income.

(j) Derivative Financial Instruments

The Company accounts for derivative financial instruments in accordance with ASC 815, *Derivatives and Hedging*, which requires the Company to recognize all derivative instruments on the balance sheet as either assets or liabilities and to measure them at fair value each reporting period unless they qualify for a normal purchase normal sale exception. Changes in the fair value of non-hedge derivatives are immediately recognized in earnings.

The Company uses interest rate swaps to manage its interest rate exposure on long-term debt, which have been designated as cash flow hedges, if certain conditions are met. Changes in the fair value of derivatives accounted for as cash flow hedges are deferred and recorded as a component of

accumulated other comprehensive income, or OCI, until the hedged transactions occur and are recognized in earnings.

On an ongoing basis, the Company qualitatively assesses the effectiveness of its derivatives that are designated as cash flow hedges for accounting purposes in order to determine that each derivative continues to be highly effective in offsetting changes in cash flows of hedged items. If necessary, the Company will perform an analysis to measure the statistical correlation between the derivative and the associated hedged item to determine the effectiveness of such an interest rate swap designated as a hedge. The Company will discontinue hedge accounting if it is determined that the hedge is no longer effective. In this case, the gain or loss previously deferred in accumulated OCI would be frozen until the underlying hedged instrument is delivered, unless the transactions being hedged are no longer probable of occurring in which case the amount in OCI would be immediately reclassified into earnings. See note 3, *Accounting for Derivative Instruments and Hedging Activities*, for more information.

(k) Risks and Uncertainties

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable – trade and derivative instruments. Accounts receivable are concentrated with a small group of customers. The concentration with these customers may impact the Company's overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in the economic, industry, or other conditions. The Company is also exposed to credit losses in the event of noncompliance by counterparties to its derivative financial instruments.

Due to the concentration of sales to a small group of customers through PPAs, the Company is exposed to credit risk of potential nonperformance by its customers, which could impact liquidity if a customer was to experience financial difficulties. The maximum amount of loss due to credit risk, should the customers fail to perform, is the amount of the outstanding receivable and any losses associated with replacing these customers.

Risks associated with the Company's operations include the performance of Golden Fields Solar III below expected levels of efficiency and output, shutdowns due to the breakdown or failure of equipment, or catastrophic events such as extreme weather, fires, earthquakes, floods, explosions, pandemics, or other similar occurrences affecting a power generation facility or its energy purchaser.

(l) Fair Value of Financial Instruments

The Company accounts for the fair value of financial instruments in accordance with ASC 820, *Fair Value Measurement*, or ASC 820. The Company does not hold or issue financial instruments for trading purposes.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.
- Level 2 – Inputs other than quoted prices included in Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
- Level 3 – Unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

In accordance with ASC 820, the Company determines the level in the fair value hierarchy within which each fair value measurement in its entirety falls, based on the lowest level input that is significant to the fair value measurement in its entirety.

For cash, restricted cash, accounts receivable – trade, accounts payable – trade, accounts payable – affiliate, and accrued liabilities, the carrying amounts approximate fair value because of the short-term maturity of those instruments and are classified as Level 1 within the fair value hierarchy.

The carrying amount and estimated fair value of the Company's recorded financial instrument not carried at fair market value or that does not approximate fair value as of December 31, 2021 and 2020 is as follows (in thousands):

	2021		2020	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Long-term debt, including current portion [a]	$ 78,136	$ 77,545	$ 79,762	$ 81,690

[a] Excludes net debt issuance costs, as shown in note 5, *Long-Term Debt.*

The fair value of long-term debt is based on expected future cash flows discounted at current interest rates for similar instruments with equivalent credit quality and is classified as Level 3 within the fair value hierarchy.

Derivative instruments, consisting of interest rate swaps, are recorded at fair value on the Company's balance sheets on a recurring basis and are classified as Level 2 within the fair value hierarchy as the fair value can be determined based on observable values of underlying interest rates. The fair value of each contract is discounted using a risk free interest rate. In addition, the Company applies a credit reserve to reflect credit risk, which for interest rate swaps is calculated using the bilateral method based on published default probabilities. The credit reserve is added to the discounted fair value to reflect the exit price that a market participant would be willing to receive to assume the Company's liabilities or that a market participant would be willing to pay for the Company's assets. For further discussion of interest rate swaps, see note 3, *Accounting for Derivative Instruments and Hedging Activities.*

(m) Commitments and Contingencies

In the normal course of business, the Company is subject to various claims and litigation. Management of the Company expects that these various litigation items will not have a material adverse effect on the results of operations, cash flows, or financial position of the Company.

(n) Asset Retirement Obligations

The Company accounts for its asset retirement obligations, or AROs, in accordance with ASC 410-20, *Asset Retirement Obligations*, or ASC 410-20. Retirement obligations associated with long-lived assets included within the scope of ASC 410-20 are those for which a legal obligation exists under enacted laws, statutes, and written or oral contracts, including obligations arising under the doctrine of promissory estoppel, and for which the timing and/or method of settlement may be conditional on a future event. ASC 410-20 requires the Company to recognize the fair value of a liability for an ARO in the period in which it is incurred and a reasonable estimate of fair value can be made.

Upon initial recognition of a liability for an ARO, other than when an ARO is assumed in an acquisition of the related long-lived asset, the Company capitalizes the asset retirement cost by increasing the carrying amount of the related long-lived asset by the same amount. Over time, the liability is accreted to its future value, while the capitalized cost is depreciated over the useful life of the related asset. See note 6, *Asset Retirement Obligations*, for further information.

(o) Tax Equity Arrangements

The Company's noncontrolling interest in subsidiaries represents the Class A Member's interest in the net assets of Rosie TE HoldCo under a tax equity arrangement, which is consolidated by the Company. The Company has determined that the provisions in the contractual agreements of this structure represents a substantive profit sharing arrangement. Further, the Company has determined that the appropriate methodology for calculating the noncontrolling interest that reflects the substantive profit sharing arrangements is a balance sheet approach utilizing the hypothetical liquidation at book value, or HLBV, method. Under the HLBV method, the amounts reported as noncontrolling interests represent the amounts the Class A Member would hypothetically receive at each balance sheet date under the liquidation provisions of the contractual agreements, assuming the net assets of the funding structures were liquidated at their recorded amounts determined in accordance with U.S. GAAP. The Class A Member's interests in the results of operations of the funding structure are determined as the difference in noncontrolling interests at the start and end of each reporting period, after taking into account any capital transactions between the structure and its investors. The calculations utilized to apply the HLBV method include estimated calculations of taxable income or losses for each reporting period.

(o) Use of Estimates

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

(3) Accounting for Derivative Instruments and Hedging Activities

(a) Interest Rate Swaps

In accordance with the credit agreement described in note 5, *Long-Term Debt*, the Company has a series of fixed for floating interest rate swaps for 95% of the outstanding term loan amount, intended to hedge the risks associated with floating interest rates. The interest rate swap agreements were entered into on February 25, 2020, became effective on December 31, 2020, amortize through July 31, 2044, and have a mandatory early termination date of January 31, 2028. The Company will pay its counterparties quarterly the equivalent of a weighted average rate of 1.446% fixed interest payment on a predetermined notional value, and the Company will receive quarterly the equivalent of a floating interest payment based on three-month LIBOR calculated on the same notional value.

(b) Volumetric Underlying Derivative Transactions

The total notional amount of the forward-starting interest rate swaps was $74.2 million and $75.7 million at December 31, 2021 and 2020, respectively. The notional amount of the interest rate swaps will decrease in proportion to the principal balance of the loan.

(c) *Fair Value of Derivative Transactions*

The following table summarizes the Company's derivative assets and liabilities on the consolidated balance sheets as of December 31, 2021 and 2020 (in thousands):

	2021	2020
Derivatives designated as cash flow hedges:		
Derivative assets:		
Interest rate contracts long-term	$ 1,439	$ —
Total assets	$ 1,439	$ —
Derivative liabilities:		
Interest rate contracts current	$ 557	$ 798
Interest rate contracts long-term	—	2,473
Total liabilities	$ 557	$ 3,271

(d) *Accumulated Other Comprehensive Income (Loss)*

The following table summarizes the effects on the Company's accumulated OCI balance attributable to interest rate swaps designated as cash flow hedge derivatives (in thousands):

Accumulated OCI balance at December 31, 2019	$ —
Mark-to-market of cash flow hedge accounting contracts	(7,133)
Reclassified from accumulated OCI into income due to realization of previously deferred amounts	3,862
Accumulated OCI balance at December 31, 2020	(3,271)
Mark-to-market of cash flow hedge accounting contracts	3,830
Reclassified from accumulated OCI into income due to realization of previously deferred amounts	323
Accumulated OCI balance at December 31, 2021	$ 882

Amounts reclassified from accumulated OCI into income are recorded to interest expense. As of December 31, 2021, $557 thousand of losses are expected to be realized from accumulated OCI during the next 12 months. Actual amounts reclassified into earnings could vary from the amounts currently recorded as a result of future changes in interest rates.

(4) Property, Plant, and Equipment

The Company's major classes of property, plant, and equipment as of December 31, 2021 and 2020 were as follows (in thousands):

		2021		2020	Depreciable lives
Plant equipment	$	248,862	$	246,891	10 - 30 years
Buildings		125		125	30 years
Land improvements		8,332		8,332	20 - 25 years
Transmission assets		3,385		3,385	25 years
Total property, plant, and equipment		260,704		258,733	
Less accumulated depreciation		(10,047)		(1,125)	
Net property, plant, and equipment	$	250,657	$	257,608	

(5) Long-Term Debt

Rosie DevCo LLC and Rosie Class B, designated co-borrowers on behalf of Rosamond Central, executed a borrowing arrangement with a consortium of banking institutions, or the Rosamond Central Financing Agreement, for the construction financing of assets. The Rosamond Central Financing Agreement provided for up to $246.5 million in financing and total letters of credit of $23.8 million. The facility consists of a $90.7 million construction loan that converted to a term loan upon completion of construction, $132.1 million investment tax credit, or ITC bridge loan, and a $23.7 million cash equity bridge loan. The loans had an interest rate of one-month LIBOR plus an applicable margin of 1.50% per annum and commitment fees of 0.50% per annum on any unused portion of the financing agreements described above. On November 17, 2020, $4.4 million of the construction loan and $0.9 million of the ITC bridge loan was repaid as part of the recalculation of debt sizing associated with an increase in site lease payments. On November 20, 2020, the cash equity bridge loan outstanding of $21.3 million was repaid from the first tax equity funding. On December 31, 2020, Rosie Class B converted the remaining construction loan to a $79.8 million term loan and repaid the remaining ITC bridge loan of $129.6 million, utilizing proceeds from tax equity funding. The term loan has an interest rate of three-month LIBOR plus an applicable margin of 1.75% per annum, which escalates 0.25% on the fourth anniversary of term conversion. The term loan will mature on December 31, 2027 and is secured by the Company's interests in the Facility. The term loan was assigned to Rosie Class B.

At December 31, 2021, outstanding letters of credit totaled $16.8 million, $14.6 million supporting the PPAs and Master Agreement and $2.2 million to support the debt service reserve requirement under the Rosamond Central Financing Agreement. The Company pays on a quarterly basis a letter of credit fee of 1.875% per annum on amounts outstanding on the letter of credit facility, which escalates 0.25% on the fourth anniversary of term conversion.

As of December 31, 2021 and 2020, long-term debt consists of the following (in thousands):

	2021	2020
Total long-term debt (including current maturities)	$ 78,136	$ 79,762
Less current maturities	(1,828)	(1,625)
Less debt issuance costs, net	(1,420)	(1,787)
Long-term debt	$ 74,888	$ 76,350

Distributions from the Company are subject to compliance with the terms and conditions defined in the Rosamond Central Financing Agreement, including a covenant to meet a required debt service coverage ratio of 1.20 to 1.0. At December 31, 2021, Rosie Class B is in compliance with the various restrictive covenants defined in the Rosamond Central Financing Agreement.

Annual payments based on the maturities of the Company's debt as of December 31, 2021 are summarized as follows (in thousands):

Year ending December 31:	
2022	$ 1,828
2023	2,608
2024	2,804
2025	2,793
2026	2,855
Thereafter	65,248
	$ 78,136

In March 2020, the FASB issued ASU No. 2020-4, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments provide for optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. These amendments apply only to contracts that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, which affects the Company's debt and interest rate swap agreements. The guidance is effective for all entities as of March 12, 2020 through December 31, 2022. As of December 31, 2021, the Company has applied the amendments to all its eligible contract modifications where applicable during the reference rate reform period. Additionally, the Company has not elected any optional expedients provided in the standard.

(6) Asset Retirement Obligations

The Company's AROs are primarily related to future costs associated with site reclamation, facilities dismantlement, and removal of environmental hazards. The following table represents the balance of the ARO as of December 31, 2021 and 2020, along with accretion expense related to the Company's ARO for the year ended December 31, 2021 (in thousands):

Balance as of December 31, 2020	$	5,019
Accretion expense		366
Balance as of December 31, 2021	$	5,385

(7) Variable Interest Entities, or VIEs

The Company has a controlling financial interest in Rosie TE Holdco, a tax equity arrangement entered into with a third party, which has been identified as a VIE under ASC 810, *Consolidations*.

As described in note 1, *Nature of Business*, the Company's subsidiary, Rosie Class B, is the Class B Member of the Rosie TE HoldCo tax equity arrangement and under the Rosie TE HoldCo LLCA, Rosie Class B conducts and directs all operating activities of Rosie TE HoldCo and is obligated to obtain and maintain letters of credit, guarantees or other security as required by the terms of any major agreement entered into by Golden Fields Solar III.

The Company, through its ownership of Rosie Class B, consolidates Rosie TE HoldCo, as it is the primary beneficiary through its role as the managing member of the tax equity arrangement, and has the ability to direct the activities that most significantly impact the economics of the business. Rosie Class B also has an obligation to absorb losses as well as the right to receive residual returns, through its ownership interests. Accordingly, Rosie Class B continues to consolidate Rosie TE HoldCo subsequent to the sale of Class A membership interests to Morgan Stanley on November 20, 2020. The Company shows the Class A membership interests owned by Morgan Stanley as noncontrolling interests on the Company's consolidated balance sheet.

The summarized financial information for Rosie TE HoldCo consisted of the following (in thousands):

	As of December 31,	
	2021	**2020**
Other current and non-current assets	$ 22,026	$ 39,470
Property, plant, and equipment, net	250,657	257,608
Total assets	272,683	297,078
Current liabilities	1,542	16,644
Non-current liabilities	20,238	19,768
Total liabilities	21,780	36,412
Net assets	$ 250,903	$ 260,666

(8) Related Party Transactions

The Company has the following related party transactions and relationships in addition to the Construction Administration Agreement, described in note 1, *Nature of Business* and lease agreement described in note 9, *Leases*. Amounts due to Clearway Energy Group subsidiaries are recorded as accounts payable – affiliate and amounts due to the Company from Clearway Energy Group subsidiaries are recorded as accounts receivable – affiliate on the Company's consolidated balance sheets. These account balances are netted by affiliate party.

Rosie TE Holdco has a Project Administration Agreement, or PAA, with Clearway Asset Services LLC, a subsidiary of Clearway Energy Group. The PAA has an initial term of twenty years commencing on February 25, 2020, with provisions for extension until terminated. The PAA provides for the payment of fixed fees that escalate annually, as defined in the agreement, and for the reimbursement of reasonable expenses incurred in connection with its services. For the years ended December 31, 2021 and 2020, the Company incurred costs of $183 thousand and $165 thousand, respectively, under this agreement. These costs are included in cost of operations in the consolidated statements of operations and comprehensive income.

Golden Fields Solar III has an amended Operations and Maintenance Agreement, or O&M Agreement, with Clearway Renewable Operation & Maintenance LLC, or RENOM, a subsidiary of Clearway Energy Group. The initial term of the agreement is twenty years commencing on February 25, 2020, and will automatically renew for an additional five year period unless terminated by either party as provided for in the O&M Agreement. Golden Fields Solar III is obligated to reimburse RENOM its mobilization fees, commissioning and start-up expenses, direct operating expenses, capital improvement expenses, and corporate overhead expenses on a monthly basis. The O&M Agreement also requires Golden Fields Solar III to pay an annual profit fee, with an annual escalation of 2.00%, to RENOM if certain conditions are met. For the year ended December 31, 2021, the Company incurred costs of $1.3 million under this agreement. These costs are included in cost of operations in the consolidated statement of operations and comprehensive income. No costs were incurred under this agreement for the year ended December 31, 2020.

(9) Leases

Golden Fields Solar III was assigned a solar facility ground lease agreement with HA Rosamond LLC, an affiliate of HASI, which grants Golden Fields Solar III nonexclusive easement rights to use the land on which the solar power facilities are located for a period of 35 years commencing June 15, 2017. On November 18, 2020, Golden Fields Solar III entered into a solar facility ground lease agreement with Rosie Land Holdings LLC, a subsidiary of Clearway Renew, which grants Golden Fields Solar III nonexclusive easement rights to use the land on which the solar power facilities are located for a period of 35 years through March 31, 2056. Golden Fields Solar III has the right to extend the terms for two additional five-year periods.

Lease expense for the years ended December 31, 2021 and 2020 was $1.1 million and was $160 thousand, respectively. These costs are included in cost of operations in the consolidated statements of operations and comprehensive income.

Operating lease information as of December 31, 2021 and 2020 was as follows (in thousands, except term and rate):

		2021		2020
Right-of-use assets - operating leases, net	$	14,160	$	14,428
Short-term lease liability - operating leases	$	(104)	$	(188)
Long-term lease liability - operating leases		14,853		14,749
Total lease liabilities	$	14,749	$	14,561
Weighted average remaining lease term		34 years		35 years
Weighted average discount rate		5.49 %		5.49 %

		Year ended December 31,	
		2021	2020
Cash paid for operating leases	$	564	27

Minimum future rental payments of operating lease liabilities as of December 31, 2021 are as follows (in thousands):

2022	$	709
2023		726
2024		744
2025		763
2026		782
Thereafter		32,786
Total lease payments		36,510
Less imputed interest		(21,761)
Total lease liability - operating leases	$	14,749

(10) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through March 29, 2022, the date at which the consolidated financial statements were available to be issued, and determined that there are no other items to disclose.

ROSIE TARGETCO LLC AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2020

(With Independent Auditors' Report Thereon)

ROSIE TARGETCO LLC AND SUBSIDIARIES

Table of Contents

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Member
Rosie Targetco, LLC:

We have audited the accompanying financial statements of Rosie Targetco, LLC, which comprise the balance sheet as of December 31, 2020, and the related statements of operations and comprehensive loss, member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in 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 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 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rosie Targetco, LLC as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Philadelphia, Pennsylvania
April 29, 2021

ROSIE TARGETCO LLC AND SUBSIDIARIES

Consolidated Balance Sheet

December 31, 2020

(In thousands)

Assets		**2020**
Current assets:		
Cash	$	1,069
Restricted cash		23,207
Accounts receivable – trade		730
Total current assets		25,006
Property, plant, and equipment, net		257,608
Other assets:		
Right of use assets, net		14,428
Other non-current assets		1,467
Total other assets		15,895
Total assets	$	298,509
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	$	1,625
Accounts payable – trade		16,697
Accounts payable – affiliate		101
Accrued liabilities		106
Derivative instruments		798
Lease liabilities		(188)
Accrued interest expense		8
Total current liabilities		19,147
Other liabilities:		
Long-term debt		76,350
Derivative instruments		2,473
Asset retirement obligations		5,019
Long-term lease liabilities		14,749
Total non-current liabilities		98,591
Total liabilities		117,738
Commitments and contingencies		
Equity:		
Member's equity		104,858
Total Rosie TargetCo member's equity		104,858
Noncontrolling interests		75,913
Total equity		180,771
Total liabilities and equity	$	298,509

See accompanying notes to consolidated financial statements.

See accompanying notes to consolidated financial statements.

ROSIE TARGETCO LLC AND SUBSIDIARIES

Consolidated Statement of Operations and Comprehensive Income

Year ended December 31, 2020

(In thousands)

		2020
Operating revenues:		
Total operating revenues	$	730
Operating costs and expenses:		
Cost of operations		1,416
Depreciation		1,125
Total operating costs and expenses		2,541
Operating loss		(1,811)
Other expense:		
Loss on debt extinguishment		(2,904)
Interest expense		(645)
Total other expense		(3,549)
Net loss		(5,360)
Less: net loss attributable to noncontrolling interest		(55,613)
Net income attributable to Rosie TargetCo LLC and subsidiaries		50,253
Other comprehensive loss:		
Unrealized loss on derivatives		(3,271)
Other comprehensive loss		(8,631)
Less: comprehensive loss attributable to noncontrolling interest		(55,613)
Comprehensive income attributable to Rosie TargetCo LLC and subsidiaries	$	46,982

See accompanying notes to consolidated financial statements.

ROSIE TARGETCO LLC AND SUBSIDIARIES

Consolidated Statement of Equity

Year ended December 31, 2020

(In thousands)

	Rosamond Solar Investment LLC Contributed capital	HA Lighthouse LLC Contributed capital	Renew Development HoldCo LLC Contributed capital	(Accumulated deficit) Retained earnings	Accumulated other comprehensive loss	Noncontrolling interest	Total equity
Balance at December 31, 2019	$ —	$ —	$ 5,078	$ (9)	$ —	$ —	$ 5,069
Net income (loss)	—	—	—	50,253	—	(55,613)	(5,360)
Unrealized loss on derivatives	—	—	—	—	(3,271)	—	(3,271)
Transfer of membership interest	3,422	—	(3,422)	—	—	—	—
Non-cash contributions	—	—	34,510	—	—	—	34,510
Cash contributions	—	61,894	83,387	—	—	134,617	279,898
Cash distributions	—	—	(126,984)	—	—	—	(126,984)
Transfer of asset to Renew Development HoldCo LLC	—	—	7,431	(7,431)	—	—	—
Payment of transaction costs	—	—	—	—	—	(3,091)	(3,091)
Balance at December 31, 2020	$ 3,422	$ 61,894	$ —	$ 42,813	$ (3,271)	$ 75,913	$ 180,771

See accompanying notes to consolidated financial statements.

ROSIE TARGETCO LLC AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year ended December 31, 2020

(In thousands)

		2020
Cash flows from operating activities:		
Net loss	$	(5,360)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation		1,125
Reduction in carrying amount of right-of-use assets		41
Amortization of debt issuance costs		207
Loss on debt extinguishment		2,904
Cash (used) provided by changes in other working capital:		
Accounts receivable – trade		(730)
Accounts payable – trade		(1,260)
Accounts payable – affiliate		219
Accrued liabilities		106
Other non-current assets		(1,467)
Operating lease liabilities		92
Net cash used by operating activities		(4,123)
Cash flows from investing activity:		
Capital expenditures		(200,132)
Net cash used by investing activity		(200,132)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt		235,974
Payments of long-term debt		(156,212)
Contributions from members		145,281
Contributions from noncontrolling interests		134,617
Distributions to parent		(126,984)
Payment of debt issuance and transaction costs		(4,145)
Net cash provided by financing activities		228,531
Net increase in cash and restricted cash		24,276
Cash and restricted cash at beginning of period		—
Cash and restricted cash at end of period	$	24,276
Supplemental disclosures:		
Interest paid	$	675
Non-cash investing and financing activities:		
Additions to fixed assets for accrued capital expenditures		53,756
Increase to fixed assets for capitalized asset retirement costs		5,019
Decrease to fixed assets for transfer of land		(7,223)
Increase to lease liabilities due to obtaining ROU assets		14,469
Non-cash contributions - intercompany settlements		34,510

See accompanying notes to consolidated financial statements.

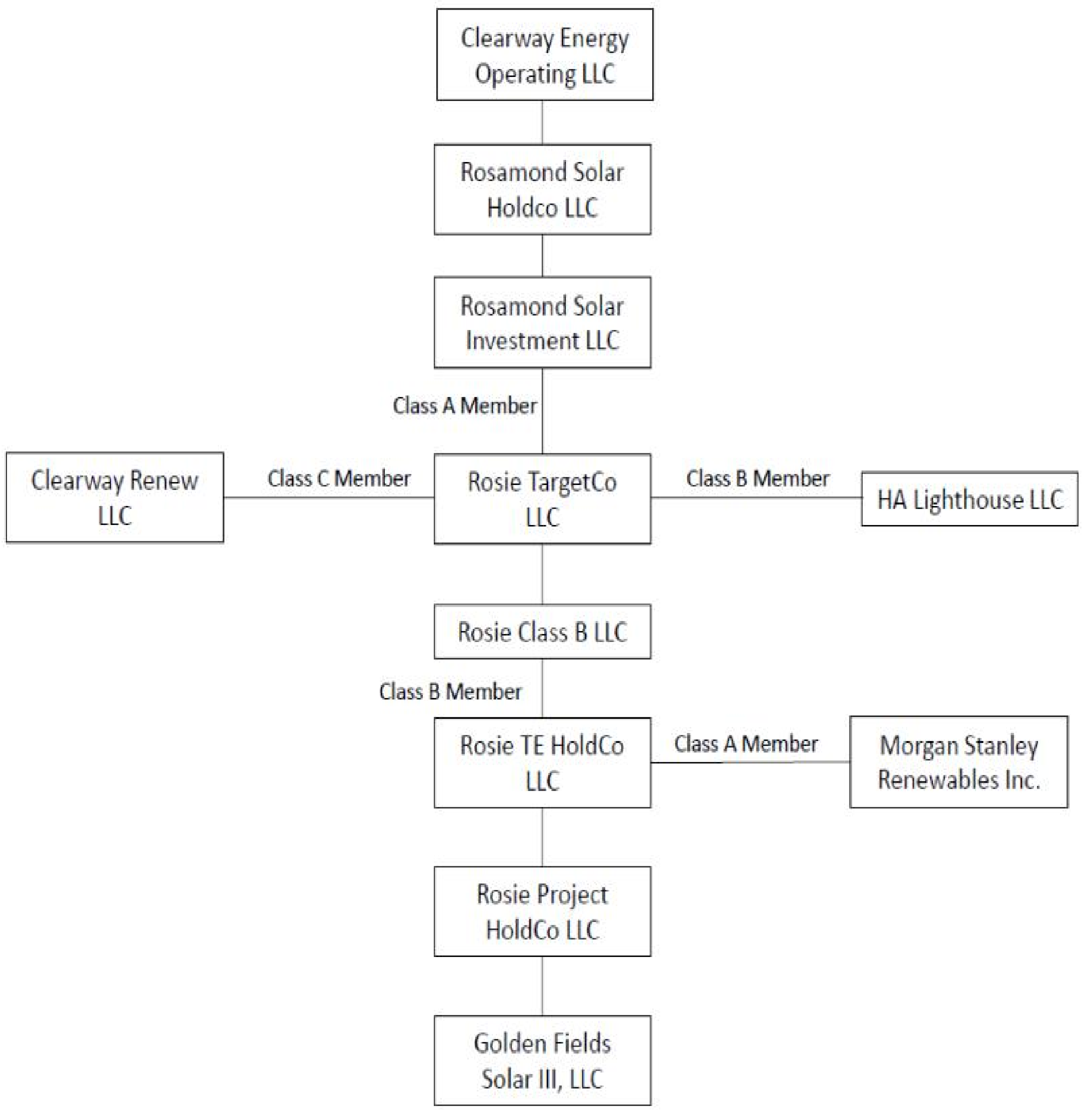
(1) Nature of Business

Rosie TargetCo LLC and subsidiaries, or the Company, a Delaware limited liability company, owns 100% of Rosie Class B LLC, or Rosie Class B, a Delaware limited liability company. Rosie Class B owns 100% of the Class B membership interests of Rosie TE HoldCo LLC or Rosie TE HoldCo. A third party investor, Morgan Stanley Renewables Inc., or Morgan Stanley, owns 100% of the Class A membership interests of Rosie TE HoldCo. Rosie TE HoldCo owns 100% of Rosie Project HoldCo LLC, or Rosie Project HoldCo, which directly owns 100% of Golden Fields Solar III, LLC, or Golden Fields Solar III. Golden Fields Solar III owns a 192-megawatt, or MW, photovoltaic solar generating facility located in Kern County, California, known as the Facility. The Company was formed as the indirect owner of Rosie DevCo LLC, and the owner of Rosie Class B and Rosie Project HoldCo, for the purposes of developing, financing, and constructing the Facility. The Facility achieved 100% commercial operations, or COD, on December 22, 2020. Prior to the acquisition, Rosie DevCo LLC was transferred to a subsidiary of Clearway Renew LLC, or Clearway Renew, and on November 20, 2020, Rosie TE HoldCo acquired Rosie Project HoldCo from Rosie DevCo LLC.

The Company is a limited liability company, whose Class A membership interests are owned by Clearway Energy Operating LLC, through its indirect subsidiary Rosamond Solar Investment LLC, or Rosamond Solar Investment. Clearway Energy Operating LLC acquired its interest in the Company on December 21, 2020. Clearway Energy Operating LLC, is a wholly owned subsidiary of Clearway Energy LLC, which is owned by Clearway Energy, Inc. and Clearway Energy Group LLC, or Clearway Energy Group. The Company's Class B membership interests are owned by HA Lighthouse LLC, or HASI. HASI acquired its interest on November 20, 2020 for cash consideration of $61.9 million. Prior to these ownership changes, the Company's Class A and Class B membership interests were owned by Clearway Renew, a wholly owned subsidiary of Clearway Energy Group. Clearway Energy Group is a wholly owned subsidiary of Global Infrastructure Partners III. Clearway Renew retains the Class C membership interests in the Company, which are not participating interests and provide for the potential future allocation of cash in the event of excess returns on investment to HASI. The Company is governed by an Amended and Restated Limited Liability Company Agreement, or LLCA, which is further described below.

As of December 31, 2020, Clearway Energy, Inc., through its ownership of Class A and Class C common stock, had a 57.61% economic interest in Clearway Energy LLC, while Clearway Energy Group, through its ownership of Class B and Class D common stock, had a 54.93% voting interest in Clearway Energy, Inc. and a 42.39% economic interest in Clearway Energy LLC.

The diagram below represents the organizational structure of the Company:



Prior to November 20, 2020, Rosie Class B directly owned 100% of Rosie TE HoldCo. On November 20, 2020, pursuant to an Equity Capital Contribution Agreement, or ECCA, dated February 25, 2020 and amended November 20, 2020, a portion of Rosie Class B's interest in Rosie TE HoldCo was converted into Class A membership interests and sold to Morgan Stanley for $134.6 million, which is reflected as a cash contribution from noncontrolling interests in the consolidated financial statements. The remaining interest was converted to Class B membership interests held by Rosie Class B. Rosie Class B utilized the tax equity proceeds to repay the tax equity bridge loan for $129.6 million and term converted the remaining construction loan of $79.8 million. See note 5, *Long-Term Debt*, for more information. Clearway Renew's contribution of $39.6 million was utilized to pay the remaining purchase price of Golden Fields Solar III and subsequently, recontributed to fund certain reserve accounts at Rosie TE HoldCo.

A summary of the major agreements entered into by the Company is set forth below:

(a) Power Purchase Agreements

Golden Fields Solar III is contracted under the following power purchase agreements, or PPA agreements, to deliver the energy output of the Facility as well as resource adequacy and renewable energy attributes. Revenue consists of payments based on fixed price applied to actual production amounts. Under the terms of the PPA agreements, Golden Fields Solar III has guaranteed certain performance output that if not achieved could result in the payment of shortfall amounts commencing with COD. See note 2(i), *Revenue Recognition,* for more information.

PPA offtaker	Effective date	Contract capacity (MW)	PPA term [(a)]
City of Palo Alto	02/25/2020	26	25 years
East Bay Community Energy	07/26/2019	112	15 years
Clean Power Alliance	01/30/2020	40	15 years
		178	

(a) PPA term commences on COD date.

(b) Facility Engineering, Procurement and Construction, or EPC, Agreement

Golden Fields Solar III is party to a fixed-price contract with McCarthy Building Companies, Inc., or McCarthy, for the design, engineering, construction, and commissioning of the Facility for \$127.2 million. As of December 31, 2020, Golden Fields Solar III incurred costs under this agreement of \$129.1 million, all of which were capitalized and reflected in property, plant, and equipment, net on the accompanying consolidated balance sheet. In 2020, the agreement was amended to include change orders totaling \$2.7 million, of which \$0.8 million has not been incurred as of December 31, 2020. Amounts due to McCarthy of \$16.4 million was included in accounts payable – trade as of December 31, 2020.

(c) Construction Administration Agreement

On February 25, 2020, Golden Fields Solar III entered into a Construction Administration Agreement with Renewables Construction LLC, or Renewables Construction, a subsidiary of Clearway Renew. Under the terms of the agreement, Renewables Construction provided certain construction administrative services for the Facility. As full compensation for the services provided, Renewables Construction was paid a construction administration fee of \$19.7 million. The service fee was payable on the Tranche B Funding date. The agreement also required Golden Fields Solar III to pay a bonus amount, as defined in the agreement, to Renewables Construction. As of December 31, 2020, \$2.2 million of costs incurred under this agreement were capitalized and reflected in property, plant, and equipment, net on the Company's consolidated balance sheet and \$17.5 million of costs representing a development margin was recorded as a distribution to Clearway Renew.

(d) Limited Liability Company Agreement

The Company is governed by an amended limited liability agreement, or LLCA. The LLCA provides for allocations of income, taxable items and available cash, which are 50.0% to the Class A Member and 50.0% to the Class B Member, except that allocations of available cash are first utilized to pay back member loans, if any. In addition, subsequent to November 20, 2035, up to 80% of the Class A Member's cash may be allocated to the Class B Member under the provisions of a related agreement, which provides a reallocation of cash in order to ensure that the Class B Member achieves its target return on investment. If the Class B Member achieves a return above a specified threshold, certain amounts may be allocated to Clearway Renew, through its ownership of the Class C membership interests.

In accordance with the provision of the LLCA, the Class A Member is the Manager, as defined, and conducts the activities of the Company on behalf of the members. The Manager has engaged Clearway Asset Services LLC to perform certain of its duties as Manager. All management services provided are at the direction of the Manager and the Manager retains its obligations with respect to its duties and responsibilities. In addition, the LLCA establishes both a review committee, which is responsible for material decisions that protect the interests of both the Class A Member and Class B Member, and is comprised of two members appointed by each of the Class A Member and Class B Member, and an operations committee, which is responsible for advising the Company and the

Member, and an operations committee, which is responsible for advising the Company and the review committee with respect to the Company’s operations.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation and Principles of Consolidation

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The Accounting Standards Codification, or ASC, established by the Financial Accounting Standards Board, or FASB, is the source of authoritative U.S. GAAP to be applied by nongovernmental entities.

The consolidated financial statements include the Company's accounts and operations and those of its subsidiaries in which the Company has a controlling interest. All significant intercompany transactions and balances have been eliminated in the consolidated financial statements. The usual condition for a controlling financial interest is ownership of a majority of the voting interests of an entity. However, a controlling financial interest may also exist through arrangements that do not involve controlling voting interests. As such, the Company applies the guidance of ASC 810, *Consolidations*, to determine when an entity that is not controlled through its voting interests should be consolidated.

(b) Restricted Cash

The following table provides a reconciliation of cash and restricted cash reported within the consolidated balance sheet that sum to the total of the same such amounts shown in the consolidated statement of cash flows as of December 31, 2020 (in thousands):

		2020
Cash	$	1,069
Restricted cash		23,207
Cash and restricted cash shown in the consolidated statement of cash flows	$	24,276

Restricted cash consists primarily of funds held to satisfy the requirements of the Rosie Class B's debt agreement. These funds are restricted for current debt service payments and payment of construction related costs such as the labor, time, and materials, per the restrictions of the debt agreement.

(c) Accounts Receivable – Trade

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. There was no allowance for doubtful accounts as of December 31, 2020.

(d) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Significant additions or improvements extending asset lives are capitalized as incurred, while repairs and maintenance that do not improve or extend the life of the respective asset are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Certain assets and their related accumulated depreciation amounts are adjusted for asset retirements and disposals with the resulting gain or loss included in cost of operations in the consolidated statement of operations and comprehensive income. See note 4, *Property, Plant, and Equipment,* for additional information.

Interest incurred on funds borrowed to finance capital projects is capitalized until the project under construction is ready for its intended use. The amount of interest capitalized for the year ended December 31, 2020 was $4.2 million, which includes interest related to debt issuance costs of $1.2 million.

(e) Asset Impairments

Long-lived assets that are held and used are reviewed for impairment whenever events or changes in circumstances indicate their carrying values may not be recoverable. Such reviews are performed in accordance with ASC 360, *Property, Plant, and Equipment*. An impairment loss is indicated if the total future estimated undiscounted cash flows expected from an asset are less than its carrying value. An impairment charge is measured by the difference between an asset's carrying amount and fair value with the difference recorded in operating costs and expenses in the consolidated statement of operations and comprehensive income. Fair values are determined by a variety of valuation methods, including third-party appraisals, sales prices of similar assets, and present value techniques. There were no indicators of impairment loss as of December 31, 2020.

(f) Debt Issuance Costs

Debt issuance costs consist of legal fees and closing costs incurred by the Company in obtaining its financing. These costs are capitalized and amortized as interest expense using the effective interest method over the term of the financing obligation and are presented as a direct deduction from the carrying amount of the related debt. During construction, these amounts were included in the calculation of capitalized interest.

Amortization expense, included in interest expense in the consolidated statement of operations and comprehensive income was $207 thousand for the year ended December 31, 2020.

(g) Leases

The Company accounts for its leases under ASC 842 *Leases*, or Topic 842. Topic 842 requires the establishment of a lease liability and related right-of-use, or ROU, asset for all leases with a term longer than 12 months. The Company evaluates each arrangement at inception to determine if it contains a lease.

The Company records its operating lease liabilities at the present value of the lease payments over the lease term at lease commencement date. Lease payments include fixed payment amounts. The Company determines the relevant lease term by evaluating whether renewal and termination options are reasonably certain to be exercised. The Company uses its incremental borrowing rate to calculate the present value of the lease payments, based on information available at the lease commencement date.

All of the Company's leases are operating leases. See note 9, *Leases* for information on the Company's leases.

(h) Income Taxes

For the period November 20, 2020 through December 31, 2020, the Company is classified as a partnership for federal and state income tax purposes. Therefore, federal and state income taxes are assessed at the partner level. Accordingly, no provision has been made for federal or state income taxes in the accompanying consolidated financial statements.

For the period January 1, 2020 through November 19, 2020, the Company was a disregarded entity of a partnership for federal and state income tax purposes. Therefore, federal and state income taxes were assessed at the partner level. Accordingly, no provision has been made for federal or state income taxes in the accompanying consolidated financial statements.

(i) Revenue Recognition

Power Purchase Agreements

Operating revenues consist of revenue from electricity sales obtained through PPAs. The Company sells power at a fixed price as described in note 1(a), *Power Purchase Agreements*. The PPAs are derivative financial instruments that qualify for the normal purchase normal sale exception and as such, the PPAs are accounted for under the revenue recognition guidance in ASC 606, *Revenue from Contracts with Customers,* or Topic 606, and revenue will be recognized when the underlying power is delivered

During 2020, the Company recorded losses under the PPAs of $136 thousand, included in operating revenues in the consolidated statement of operations and comprehensive income, mostly comprised of test energy revenues. For test energy revenues, the Company had to pay the offtakers the difference between a percentage of the contract price as defined in the respective PPAs and the locational marginal price.

Merchant Revenue

During 2020, the Company recorded $866 thousand of estimated merchant revenue for power sold to Tenaska Power Services, a qualified scheduling entity for the PPA offtakers. This merchant revenue is accounted for in accordance with Topic 606, utilizing the invoicing practical expedient, which represents the electricity delivered.

(j) Derivative Financial Instruments

The Company accounts for derivative financial instruments in accordance with ASC 815, *Derivatives and Hedging*, which requires the Company to recognize all derivative instruments on the balance sheet as either assets or liabilities and to measure them at fair value each reporting period unless they qualify for a normal purchase normal sale exception. Changes in the fair value of non-hedge derivatives are immediately recognized in earnings.

The Company uses interest rate swaps to manage its interest rate exposure on long-term debt, which have been designated as cash flow hedges, if certain conditions are met. Changes in the fair value of derivatives accounted for as cash flow hedges are deferred and recorded as a component of accumulated other comprehensive income, or OCI, until the hedged transactions occur and are recognized in earnings.

On an ongoing basis, the Company qualitatively assesses the effectiveness of its derivatives that are designated as cash flow hedges for accounting purposes in order to determine that each derivative continues to be highly effective in offsetting changes in cash flows of hedged items. If necessary, the Company will perform an analysis to measure the statistical correlation between the derivative and the associated hedged item to determine the effectiveness of such an interest rate swap designated as a hedge. The Company will discontinue hedge accounting if it is determined that the hedge is no longer effective. In this case, the gain or loss previously deferred in accumulated OCI would be frozen until the underlying hedged instrument is delivered, unless the transactions being hedged are no longer probable of occurring in which case the amount in OCI would be immediately reclassified into earnings. See note 3, *Accounting for Derivative Instruments and Hedging Activities*, for more information.

(k) Risks and Uncertainties

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable – trade and derivative instruments. Accounts receivable are concentrated with a small group of customers. The concentration with these companies may impact the Company's overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in the economic, industry, or other conditions. The Company is exposed to credit losses in the event of noncompliance by counterparties on its derivative financial instruments.

Due to the concentration of sales to a small group of customers through PPAs, the Company is exposed to credit risk of potential nonperformance by its customers, which could impact liquidity if a customer was to experience financial difficulties. The maximum amount of loss due to credit risk, should the customers fail to perform, is the amount of the outstanding receivable and any losses associated with replacing these customers.

Risks associated with the Company's operations include the performance of Golden Fields Solar III below expected levels of efficiency and output, shutdowns due to the breakdown or failure of equipment, or catastrophic events such as fires, earthquakes, floods, explosions, pandemics, or other similar occurrences affecting a power generation facility or its energy purchaser.

(l) Fair Value of Financial Instruments

The Company accounts for the fair value of financial instruments in accordance with ASC 820, *Fair Value Measurement*, or ASC 820. The Company does not hold or issue financial instruments for trading purposes.

The carrying amounts of cash, restricted cash, accounts receivable – trade, accounts payable – trade, accounts payable – affiliate, and accrued liabilities approximate fair value because of the short-term maturity of those instruments and are classified as Level 1 within the fair value hierarchy.

Derivative instruments consisting of interest rate swaps are recorded at fair value on the Company's balance sheets on a recurring basis and are classified as Level 2 within the fair value hierarchy as the fair value can be determined based on observable values of underlying interest rates. The fair value of each contract is discounted using a risk free interest rate. In addition, the Company applies a credit reserve to reflect credit risk, which for interest rate swaps is calculated using the bilateral method based on published default probabilities. The credit reserve is added to the discounted fair value to reflect the exit price that a market participant would be willing to receive to assume the Company's liabilities or that a market participant would be willing to pay for the Company's assets. For further discussion of interest rate swaps, see note 3, *Accounting for Derivative Instruments and Hedging Activities*.

The fair value of long-term debt is based on expected future cash flows discounted at current interest rates for similar instruments with equivalent credit quality and is classified as Level 3 within the fair value hierarchy. The estimated carrying amount and fair value of the Company's recorded financial instrument not carried at fair market value as of December 31, 2020 is as follows (in thousands):

	2020	
	Carrying Amount	**Fair Value**
Long-term debt, including current portion [a]	$ 79,762	$ 81,690

[a] Excludes net debt issuance costs, as shown in note 5, *Long-Term Debt.*

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.
- Level 2 – Inputs other than quoted prices included in Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
- Level 3 – Unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

In accordance with ASC 820, the Company determines the level in the fair value hierarchy within which each fair value measurement in its entirety falls, based on the lowest level input that is significant to the fair value measurement in its entirety.

(m) Commitments and Contingencies

In the normal course of business, the Company is subject to various claims and litigation. Management of the Company expects that these various litigation items will not have a material adverse effect on the results of operations, cash flows, or financial position of the Company.

(n) Asset Retirement Obligations

The Company accounts for its asset retirement obligations, or AROs, in accordance with ASC 410-20, *Asset Retirement Obligations*, or ASC 410-20. Retirement obligations associated with long-lived assets included within the scope of ASC 410-20 are those for which a legal obligation exists under enacted laws, statutes, and written or oral contracts, including obligations arising under the doctrine of promissory estoppel, and for which the timing and/or method of settlement may be conditional on a future event. ASC 410-20 requires the Company to recognize the fair value of a liability for an ARO in the period in which it is incurred and a reasonable estimate of fair value can be made.

Upon initial recognition of a liability for an ARO, the Company capitalizes the asset retirement cost by increasing the carrying amount of the related long-lived asset by the same amount. Over time, the liability is accreted to its future value, while the capitalized cost is depreciated over the useful life of the related asset. See note 6, *Asset Retirement Obligations*, for further information.

(o) Tax-Equity Arrangements

Rosie Class B's noncontrolling interest in subsidiaries represents the Class A Member's interest in the net assets of Rosie TE HoldCo under a tax-equity arrangement, which is consolidated by Rosie Class B. Rosie Class B has determined that the provisions in the contractual agreements of this structure represents a substantive profit sharing arrangement. Further, Rosie Class B has determined that the appropriate methodology for calculating the noncontrolling interest that reflects the substantive profit sharing arrangements is a balance sheet approach utilizing the hypothetical liquidation at book value, or HLBV, method. Under the HLBV method, the amounts reported as noncontrolling interests represent the amounts the Class A Member would hypothetically receive at each balance sheet date under the liquidation provisions of the contractual agreements, assuming the net assets of the funding structures were liquidated at their recorded amounts determined in accordance with U.S. GAAP. The Class A Member's interests in the results of operations of the funding structure are determined as the difference in noncontrolling interests at the start and end of each reporting period, after taking into account any capital transactions between the structure and its investors. The calculations utilized to apply the HLBV method include estimated calculations of taxable income or losses for each reporting period.

(o) Use of Estimates

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

(3) Accounting for Derivative Instruments and Hedging Activities

(a) Interest Rate Swaps

In accordance with the credit agreement described in note 5, *Long-Term Debt*, the Company has a series of fixed for floating interest rate swaps for 95% of the outstanding term loan amount, intended to hedge the risks associated with floating interest rates. The interest rate swap agreements were entered into on February 25, 2020, became effective on December 31, 2020, amortize through July 31, 2044, and have a mandatory early termination date of January 31, 2028. The Company will pay its counterparties quarterly the equivalent of a weighted average rate of 1.446% fixed interest payment on a predetermined notional value, and the Company will receive quarterly the equivalent of a floating interest payment based on three-month LIBOR calculated on the same notional value.

(b) Volumetric Underlying Derivative Transactions

The total notional amount of the forward-starting interest rate swaps was $75.7 million at December 31, 2020. The notional amount of the interest rate swaps will decrease in proportion to the loan.

(c) *Fair Value of Derivative Transactions*

The following table summarizes the Company's derivative liabilities on the consolidated balance sheet as of December 31, 2020 (in thousands):

		2020
Derivatives designated as cash flow hedges:		
Interest rate contracts current	$	798
Interest rate contracts long-term		2,473
Total derivatives	$	3,271

(d) *Accumulated Other Comprehensive Loss*

The following table summarizes the effects on the Company's accumulated OCI balance attributable to interest rate swaps designated as cash flow hedge derivatives (in thousands):

Accumulated OCI balance at December 31, 2019	$	—
Mark-to-market of cash flow hedge accounting contracts		(7,133)
Reclassified from accumulated OCI into income due to realization of previously deferred amounts		3,862
Accumulated OCI balance at December 31, 2020	$	(3,271)

Amounts reclassified from accumulated OCI into income are recorded to interest expense. As of December 31, 2020, $797 thousand of losses are expected to be realized from accumulated OCI during the next 12 months. Actual amounts reclassified into earnings could vary from the amounts currently recorded as a result of future changes in interest rates.

(4) Property, Plant, and Equipment

The Company's major classes of property, plant, and equipment as of December 31, 2020 were as follows (in thousands):

		2020	**Depreciable lives**
Plant equipment	$	258,733	20 - 31 years
Total property, plant, and equipment		258,733	
Less accumulated depreciation		(1,125)	
Net property, plant, and equipment	$	257,608	

(5) Long-Term Debt

On December 30, 2019, Rosie DevCo LLC and Rosie Class B, designated co-borrowers on behalf of Rosamond Central, executed a borrowing arrangement with a consortium of banking institutions, or the Rosamond Central Financing Agreement, for the construction financing of assets. The Rosamond Central Financing Agreement provided for up to $246.5 million in financing and total letters of credit of $23.8 million. The facility consists of a $90.7 million construction loan that converted to a term loan upon completion of construction, $132.1 million investment tax credit, or ITC bridge loan, and a $23.7 million cash equity bridge loan. The loans had an interest rate of one-month LIBOR plus an applicable margin of 1.50% per annum and commitment fees of 0.50% per annum on any unused portion of the financing agreements described above. On November 17, 2020, $4.4 million of the construction loan and $0.9 million of the ITC bridge loan was repaid as part of the recalculation of debt sizing associated with an increase in site lease payments. On November 20, 2020, the cash equity bridge loan outstanding of $21.3 million was repaid from the first tax equity funding. On December 31, 2020, Rosie Class B converted the remaining construction loan to a $79.8 million term loan and repaid the remaining ITC bridge loan of $129.6 million, utilizing proceeds from tax equity funding. The term loan has an interest rate of LIBOR plus an applicable margin of 1.75% per annum, which escalates 0.25% on the fourth anniversary of term conversion. The term loan will mature on December 31, 2027 and is secured by the Company's interests in the Facility. The term loan was assigned to Rosie Class B.

At December 31, 2020, outstanding letters of credit totaled $19.5 million, $13.4 million supporting the PPAs and $6.1 million to support the debt service reserve requirement under the Rosamond Central Financing Agreement. The Company pays on a quarterly basis a letter of credit fee of 1.875% per annum on amounts outstanding on the letter of credit facility, which escalates 0.25% on the fourth anniversary of term conversion. In addition, Clearway Energy Group had issued a construction letter of credit in favor of the administrative agent pursuant to the Rosamond Central Financing Agreement for $35.4 million as of December 31, 2020, which was cancelled on January 4, 2021.

As of December 31, 2020, long-term debt consists of the following (in thousands):

		2020
Total long-term debt (including current maturities)	$	79,762
Less current maturities		(1,625)
Less debt issuance costs, net		(1,787)
Long-term debt	$	76,350

Distributions from the Company are subject to compliance with the terms and conditions defined in the Rosamond Central Financing Agreement, including a covenant to meet a required debt service coverage ratio of 1.20 to 1.0. At December 31, 2020, Rosie Class B is not subject to the requirements to perform the calculation or make distributions.

Long-term debt maturities as of December 31, 2020 are summarized as follows (in thousands):

Year ending December 31:		
2021	$	1,625
2022		1,828
2023		2,608
2024		2,804
2025		2,793
Thereafter		68,104
	$	79,762

(6) Asset Retirement Obligations

The Company's AROs are primarily related to future costs associated with site reclamation, facilities dismantlement, and removal of environmental hazards. The following table represents the balance of the ARO as of December 31, 2020, along with additions related to the Company's ARO for the year ended December 31, 2020 (in thousands):

Balance as of December 31, 2019	$	—
Additions		5,019
Balance as of December 31, 2020	$	5,019

(7) Variable Interest Entities, or VIEs

As described in note 1, *Nature of Business*, the Company's subsidiary, Rosie Class B, is the Class B Member of the Rosie TE HoldCo tax-equity arrangement and under the Rosie TE HoldCo LLCA, Rosie Class B conducts and directs all operating activities of Rosie TE HoldCo and is obligated to obtain and maintain letters of credit, guarantees or other security as required by the terms of any major agreement entered into by Golden Fields Solar III.

The Company, through its ownership of Rosie Class B, consolidates Rosie TE HoldCo, which is a VIE, as it is the primary beneficiary through its role as the Managing Member and it has the ability to direct the activities that most significantly impact the economics of the business. Rosie Class B also has an obligation to absorb losses as well as the right to receive residual returns, through its ownership interests. Accordingly, Rosie Class B continues to consolidate Rosie TE HoldCo subsequent to the sale of Class A membership interests to Morgan Stanley on November 20, 2020. The Company shows the Class A membership interests owned by Morgan Stanley as noncontrolling interests on the Company's consolidated balance sheet.

The summarized financial information for Rosie TE HoldCo as of December 31, 2020 consisted of the following (in thousands):

		2020
Other current and non-current assets	$	39,470
Property, plant, and equipment, net		257,608
Total assets		297,078
Current liabilities		16,644
Non-current liabilities		19,768
Total liabilities		36,412
Net assets	$	260,666

(8) Related Party Transactions

The Company has the following related party transactions and relationships in addition to the Construction Administration Agreement, described in note 1, *Nature of Business* and lease agreement in note 9, *Leases*. Amounts due to Clearway Energy Group subsidiaries are recorded as accounts payable – affiliate and amounts due to the Company from Clearway Energy Group subsidiaries are recorded as accounts receivable – affiliate on the Company's consolidated balance sheet. These account balances are netted by affiliate party.

Rosie TE Holdco has a Project Administration Agreement, or PAA, with Clearway Asset Services LLC, a subsidiary of Clearway Energy Group. The PAA has an initial term of twenty years commencing on February 25, 2020, with provisions for extension until terminated. The PAA provides for the payment of fixed fees that escalate annually, as defined in the agreement, and for the reimbursement of reasonable expenses incurred in connection with its services. For the year ended December 31, 2020, the Company incurred costs of $165 thousand under this agreement. These costs are included in cost of operations in the consolidated statement of operations and comprehensive income.

Golden Fields Solar III has an amended Operations and Maintenance Agreement, or O&M Agreement, with Clearway Renewable Operations & Maintenance LLC, or RENOM, a subsidiary of Clearway Energy Group. The initial term of the agreement is twenty years commencing on February 25, 2020, and will automatically renew for an additional five year period unless terminated by either party as provided for in the O&M Agreement. Golden Fields Solar III is obligated to reimburse RENOM its mobilization fees, commissioning and start-up expenses, direct operating expenses, capital improvement expenses, and corporate overhead expenses on a monthly basis. The O&M Agreement also requires Golden Fields Solar III to pay an annual profit fee, with an annual escalation of 2.00%, to RENOM if certain conditions are met. No costs were incurred under this agreement for the year ended December 31, 2020.

(9) Leases

Golden Fields Solar III was assigned a solar facility ground lease agreement with HA Rosamond LLC, an affiliate of HASI, which grants Golden Fields Solar III nonexclusive easement rights to use the land on which the solar power facilities are located for a period of 35 years commencing June 15, 2017. On November 18, 2020, Golden Fields Solar III entered into a solar facility ground lease agreement with Rosie Land Holdings LLC, a subsidiary of Clearway Renew, which grants Golden Fields Solar III nonexclusive easement rights to use the land on which the solar power facilities are located for a period of 35 years through March 31, 2056. Golden Fields Solar III has the right to extend the terms for two additional five-year periods.

Lease expense for the year ended December 31, 2020 was $160 thousand. These costs are included in cost of operations in the consolidated statement of operations and comprehensive income.

Operating lease information as of December 31, 2020 was as follows (in thousands, except term and rate):

		2020
ROU assets - operating leases, net	$	14,428
Short-term lease liability - operating leases	$	(188)
Long-term lease liability - operating leases		14,749
Total lease liability	$	14,561
Weighted average remaining lease term		35 years
Weighted average discount rate		5.49 %

		Year ended December 31, 2020
Cash paid for operating leases	$	27

Maturities of operating lease liabilities as of December 31, 2020 are as follows (in thousands):

2021	$	618
2022		709
2023		726
2024		744
2025		763
Thereafter		33,567
Total lease payments	$	37,127
Less imputed interest		(22,566)
Total lease liability - operating leases	$	14,561

(10) Subsequent Events

In March 2021, HASI paid an additional $2.5 million as a purchase price adjustment for its Class B interest in the Company which was distributed to Clearway Renew.

The Company has evaluated subsequent events from the balance sheet date through April 29, 2021, the date at which the consolidated financial statements were available to be issued, and determined that there are no other items to disclose.

SUNSTRONG CAPITAL HOLDINGS, LLC

Consolidated Financial Statements

December 31, 2021 and 2020, and for each of the years in the three-year period ended December 31, 2021

(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:

Opinion

We have audited the consolidated financial statements of SunStrong Capital Holdings, LLC and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income (loss), changes in members' equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

KPMG

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

San Francisco, California
March 29, 2022

SUNSTRONG CAPITAL HOLDINGS, LLC

Consolidated Balance Sheets

December 31, 2021 and 2020

Assets		**2021**	**2020**
Current assets:			
Cash and cash equivalents	$	37,700,413	40,504,760
Restricted cash, current portion		13,340,108	16,031,336
Operating lease receivables, net		11,294,399	11,143,981
Service contract receivables, net		8,308,564	4,954,894
Finance lease receivables, current portion, net		5,171,712	6,291,172
Other current assets		12,274,439	13,566,693
Total current assets		88,089,635	92,492,836
Restricted cash, net of current portion		91,556,455	82,590,378
Investment in unconsolidated subsidiaries		17,029,358	218,913
Finance lease receivable, net of current portion, net		463,766,323	478,732,486
Solar power systems, net		1,071,325,974	860,415,935
Deferred lease costs and other noncurrent assets		15,700,160	17,161,000
Total assets	$	1,747,467,905	1,531,611,548
Liabilities and Members' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$	15,753,611	14,846,554
Accounts payable to affiliates, current portion		7,288,763	6,482,185
Deferred revenue, current portion		6,501,134	5,836,240
Derivative liability, current portion		452,977	—
Nonrecourse debt financing, current portion		32,032,481	20,693,756
Total current liabilities		62,028,966	47,858,735
Deferred revenue, net of current portion		49,002,086	46,885,806
Accounts payable to affiliates, net of current portion		125,688,661	107,776,253
Derivative liability, net of current portion		9,277,194	13,245,454
Nonrecourse debt financing, net of current portion		1,130,356,296	1,000,797,377
Other long-term liabilities		3,510,956	—
Total liabilities		1,379,864,159	1,216,563,625
Members' equity:			
Equity attributable to members		39,566,444	26,800,490
Accumulated other comprehensive loss		(6,334,261)	(7,640,060)
Noncontrolling interests		334,371,563	295,887,493
Total members' equity		367,603,746	315,047,923
Total liabilities and members' equity	$	1,747,467,905	1,531,611,548

See accompanying notes to consolidated financial statements.

SUNSTRONG CAPITAL HOLDINGS, LLC

Consolidated Statements of Comprehensive Income (Loss)

Years ended December 31, 2021, 2020 and 2019

		2021	2020	2019
Revenue:				
Interest on finance lease receivables	$	43,264,553	43,556,004	42,152,268
Operating leases		42,869,527	43,284,113	41,465,401
Service contract revenue		33,204,474	20,394,857	3,901,340
Rebates and other		20,148,650	20,170,485	14,722,337
		139,487,204	127,405,459	102,241,346
Cost of revenue:				
Depreciation		34,330,558	26,097,559	17,980,094
Asset management fees		21,563,986	18,781,342	15,542,846
Other		2,993,044	2,000,890	2,344,018
		58,887,588	46,879,791	35,866,958
Gross profit		80,599,616	80,525,668	66,374,388
Operating expenses		8,259,214	15,940,115	17,446,568
Income from operations		72,340,402	64,585,553	48,927,820
Other expenses (income):				
Interest expense		71,814,643	62,713,754	49,883,656
Equity in earnings of unconsolidated investee		(878,147)	—	—
Loss on termination of financing obligations		—	3,115,680	—
Unrealized (gain) loss on interest rate swaps		(2,209,485)	2,445,517	6,554,707
(Gain) loss on lease terminations, net		(2,094,941)	1,808,196	7,447,951
Other expense		1,130,332	2,638,663	730,084
		67,762,402	72,721,810	64,616,398
Income (loss) before income taxes		4,578,000	(8,136,257)	(15,688,578)
Income taxes		—	—	—
Net income (loss)		4,578,000	(8,136,257)	(15,688,578)
Net loss (income) attributable to noncontrolling interests		6,265,351	(6,810,068)	29,174,392
Net income (loss) attributable to members		10,843,351	(14,946,325)	13,485,814
Other comprehensive income (loss) – unrealized gain (loss) on interest rate swaps, net		1,305,799	(4,400,922)	(3,239,138)
Comprehensive income (loss) attributable to members	$	12,149,150	(19,347,247)	10,246,676

See accompanying notes to consolidated financial statements.

SUNSTRONG CAPITAL HOLDINGS, LLC

Consolidated Statements of Changes in Members' Equity

Years ended December 31, 2021, 2020 and 2019

	SunPower	HA Member	Equity attributable to members	Accumulated other comprehensive loss	Noncontrolling interests	Total
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
Contributions	—	—	—	—	225,421,052	225,421,052
Distributions	(434,590)	—	(434,590)	—	(175,502,364)	(175,936,954)
Redemption of noncontrolling interests	1,202,168	1,155,025	2,357,193	—	(5,169,267)	(2,812,074)
Net income (loss)	5,530,109	5,313,242	10,843,351	—	(6,265,351)	4,578,000
Other comprehensive income	—	—	—	1,305,799	—	1,305,799
Balances, December 31, 2021	$ 26,694,904	12,871,540	39,566,444	(6,334,261)	334,371,563	367,603,746

See accompanying notes to consolidated financial statements.

SUNSTRONG CAPITAL HOLDINGS, LLC

Consolidated Statements of Cash Flows

Years ended December 31, 2021, 2020 and 2019

		2021	2020	2019
Cash flows from operating activities:				
Net income (loss)	$	4,578,000	(8,136,257)	(15,688,578)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation		34,330,558	26,097,559	17,980,094
Equity in earnings of unconsolidated investee		(878,147)	—	—
Amortization of debt issuance costs		2,491,910	1,939,386	2,695,142
Impairment of solar power systems		—	714,683	—
Loss on termination of financing obligations		—	3,115,680	—
Unrealized (gain) loss on interest rate swaps		(2,209,485)	2,445,517	6,554,707
(Gain) loss on lease terminations		(2,094,941)	1,808,196	7,447,951
Changes in operating assets and liabilities:				
Lease receivables		25,062,805	17,202,391	18,225,578
Service contract receivables		(2,978,464)	(2,730,169)	(1,566,399)
Other current assets		1,633,329	(3,881,143)	2,587,567
Deferred lease costs and other assets		(1,192)	932,487	999,557
Accounts payable and accrued expenses		12,842,259	19,460,938	(8,565,068)
Deferred lease revenue and other liabilities		2,356,947	13,020,992	3,915,474
Net cash provided by operating activities		75,133,579	71,990,260	34,586,025
Cash flows from investing activities:				
Payments for solar power systems		(216,302,094)	(216,968,779)	(130,725,414)
Acquisition of membership interests in consolidated subsidiaries, net of cash acquired		(16,510,339)	—	16,351,475
Investment in unconsolidated LLCs		(17,127,756)	—	(218,913)
Distributions from unconsolidated LLCs		1,195,458	—	—
Net cash used in investing activities		(248,744,731)	(216,968,779)	(114,592,852)
Cash flows from financing activities:				
Proceeds from nonrecourse debt financing, net of issuance cost		176,748,051	423,427,106	116,568,403
Repayment of nonrecourse debt financing		(46,229,300)	(277,875,742)	(44,124,003)
Equity contributions		225,421,052	161,420,113	99,342,390
Equity distributions		(176,046,075)	(155,635,030)	(59,141,005)
Redemption of noncontrolling interests		(2,812,074)	(2,813,888)	(3,896,303)
Net cash provided by financing activities		177,081,654	148,522,559	108,749,482
Net increase in cash, cash equivalents and restricted cash		3,470,502	3,544,040	28,742,655
Cash, cash equivalents and restricted cash at beginning of year		139,126,474	135,582,434	106,839,779
Cash, cash equivalents and restricted cash at end of year	$	142,596,976	139,126,474	135,582,434
Cash paid during the year for:				
Interest	$	58,883,280	51,233,002	40,212,486
Noncash activities:				
Equity distributions payable	$	6,486,510	6,595,631	6,157,705
Solar power systems payable		16,691,763	24,889,758	7,088,065
Paid-in-kind interest		7,886,983	11,454,988	7,088,065

See accompanying notes to consolidated financial statements.

(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 25 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.

(b) 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.

(c) 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

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.

(d) 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 25 years. The Company recognizes service contract revenue evenly over the time performance obligations are satisfied over the contract term.

(e) 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) 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.

(iii) 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.

(iv) Deferred Revenue

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

(f) 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.

(g) 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 25 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.

(h) 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.

(i) 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, 2021 and 2020, 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.

(j) 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 and cash equivalents and restricted cash:

		2021	2020
Cash and cash equivalents	$	37,700,413	40,504,760
Restricted cash, current portion		13,340,108	16,031,336
Restricted cash, net of current portion		91,556,455	82,590,378
	$	142,596,976	139,126,474

(k) Equity Method Investments

Investments in entities in which the Company can exercise significant influence but does not own a majority equity interest or otherwise control are accounted for under the equity method. The Company records its share of the operating results of these entities as equity in earnings of unconsolidated investees on the consolidated statements of comprehensive income (loss).

(l) 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.

(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.

Derivative instruments (note 7) 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 6) 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 Company has entered into arrangements with third-party investors (Investor Members) under which the Investor Members 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) 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 July 1, 2021, the Company, through its wholly owned subsidiary, 8point3 InvestCo 3 Holdings, LLC, acquired 100% of the memberships interests in SunPower Residential IV LLC, a company that owns a residential lease portfolio, for $8.3 million, net of cash acquired.

On July 2, 2021, the Company, through its wholly owned subsidiary, SunStrong Commercial Holdings, LLC, acquired 100% of the membership interests in certain project companies that own and operate commercial power systems under power purchase agreements (PPAs) with various off takers, for a purchase price of $8.2 million, net of cash acquired.

These acquisitions have been accounted for as business combinations, and the assets acquired and liabilities assumed are based on their estimated fair values at the date of acquisition. The following table presents the fair values of assets and liabilities acquired:

Solar power systems	$	18,370,092
Finance lease receivables		1,325,107
Accounts receivable and other current assets		789,673
Accounts payable and accrued liabilities		(11,741)
Other long-term liabilities		(3,962,792)
	$	16,510,339

(4) Partnerships

Pursuant to the respective operating agreements of the Partnerships, 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 the Partnerships' 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, 2021, 2020 and 2019, as purchase options became exercisable for certain funds, the Company exercised its option to purchase noncontrolling interests with a carrying value of $5.2 million, $23.2 million, and $12.4 million, respectively, for total consideration of $2.8 million, $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 members' equity, which reflects the members' increased ownership in the Partnerships' net assets.

(5) Equity Method Investments

On July 2, 2021, the Company, through its wholly owned subsidiary, SunStrong Commercial Holdings, LLC, acquired 100% of the membership interests in HA Helix LLC for $17.1 million. HA Helix LLC owns 100% of the Class B membership interests in Helix Fund I, LLC, which owns a portfolio of commercial project companies that own and operate commercial power systems under PPAs with various off takers. The Company's ownership interests in Helix Fund I, LLC are accounted for under the equity method.

(6) Third Party Financing Arrangements

Nonrecourse debt financing consists of the following as of December 31, 2021 and 2020:

Borrowing entity	Maximum principal amount	Date issued	Maturity date	Interest rate	Debt outstanding 2021	Debt outstanding 2020
SunStrong Commercial Holdings, LLC	$ 26,004,630	7/2/2021	6/30/2038	6.50	$ 25,063,239	—
SunStrong Capital Acquisition OF, LLC and SunStrong Capital Acquisition 3, LLC [1, 2]	146,714,000	1/13/2020	1/13/2045	11.66 %	52,255,539	55,257,579
Borrowed Sunshine, LLC and Borrowed Sunshine II, LLC	216,216,000	1/13/2020	1/13/2040	4.09	206,298,887	211,706,817
Ultralight 2 Residential Solar, LLC	132,000,000	9/17/2020	9/17/2040	4.25	93,184,668	12,200,409
Ultralight 2 Mezzanine Borrower, LLC [1]	59,400,000	9/17/2020	9/17/2065	3.50	59,624,011	23,237,310
Ultralight 2 Mezzanine Borrower, LLC [1,2,3]	38,000,000	9/17/2020	3/31/2047	11.00	22,022,750	—
Ultralight Mezzanine Borrower, LLC [1,2]	33,000,000	6/6/2019	6/5/2044	11.50	23,818,078	27,942,965
Ultralight Mezzanine Borrower, LLC [1]	45,000,000	6/6/2019	6/6/2065	3.50	51,624,921	49,759,951
Ultralight Residential Solar, LLC	113,000,000	6/6/2019	6/6/2039	Based upon lenders' weighted average rates	94,352,567	99,201,732
8Point3 Solar InvestCo 3, LLC	63,525,063	6/26/2018	6/26/2025	LIBOR + Margin (2.25%–2.5%)	44,568,807	48,094,017
8Point3 Solar InvestCo 3, Holdings LLC [1,2]	39,196,662	6/14/2019/amended 7/1/2021	4/30/2044	9.76	37,255,134	29,848,204
SunStrong Capital Acquisition, LLC [1,2]	110,500,000	8/10/2018	8/10/2043	12.00	32,763,587	32,695,168
SunStrong Capital Acquisitions, LLC [1,2]	80,385,000	11/28/2018	8/10/2043	12.00	86,900,229	87,078,852
SunStrong 2019-1 Issuer, LLC [4]	400,000,000	11/28/2018	11/1/2048	5.68	352,627,123	366,930,803
Total nonrecourse debt financing					1,182,359,540	1,043,953,807
Unamortized deferred issuance costs					(19,970,763)	(22,462,674)
Nonrecourse debt financing, net					1,162,388,777	1,021,491,133
Current portion, net of debt issuance costs					(32,032,481)	(20,693,756)
Nonrecourse debt financing, net of current portion					$ 1,130,356,296	1,000,797,377

[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 is the sole obligor of the ABS Notes and the ABS Notes are not an obligation of the Company or any of its other subsidiaries.

(Continued)

As of December 31, 2021, and 2020, the aggregate carrying value and fair value of nonrecourse debt is as follows:

	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
Total nonrecourse debt	$ 1,182,359,540	1,169,835,651	1,043,953,807	1,063,599,434

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 December 31, 2021, future principal payments due under the loans are as follows:

2022	$ 32,043,052
2023	30,326,932
2024	38,892,124
2025	77,482,958
2026	42,469,286
Thereafter	961,145,188
Total	$ 1,182,359,540

(7) Derivative Financial Instruments

The Company recognizes all derivative instruments on the consolidated balance sheets at fair value. Changes in the fair value of derivatives are recorded each period in current earnings if a derivative is not designated as a cash flow hedge, or other comprehensive income (loss) if a derivative is designated as a cash flow hedge.

As of December 31, 2021 and 2020, the Company had non-designated interest rate swap agreements with aggregate notional values of $66.2 million and $69.0 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 income (loss). The fair value of the swaps of $9.7 million and $13.2 million is included in derivative liability as of December 31, 2021 and 2020, respectively. During the years ended December 31, 2021, 2020 and 2019, the Company recognized in earnings unrealized gains of $2.2 million, unrealized losses of $2.4 million, and unrealized losses of $6.6 million, respectively, on interest rate swaps.

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 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, 2021 and 2020, the unrealized loss in accumulated other comprehensive loss was $6.3 million and $7.6 million, respectively.

(8) Sales-Type Leases

As of December 31, 2021 and 2020, the Company's net investment in sales-type leases, presented in finance lease receivables, net on the consolidated balance sheets, consists of the following:

		2021	2020
Gross minimum lease payments receivable	$	785,258,159	847,713,076
Unguaranteed residual value		92,548,109	93,476,923
Unearned income		(397,635,975)	(442,785,854)
Finance lease receivables		480,170,293	498,404,145
Allowance for doubtful accounts		(11,232,258)	(13,380,487)
Finance lease receivables, net		468,938,035	485,023,658
Current portion		(5,171,712)	(6,291,172)
Noncurrent portion	$	463,766,323	478,732,486

As of December 31, 2021, future gross minimum lease payments receivable for sales-type leases are as follows:

2022	$	52,376,498
2023		52,052,805
2024		52,518,267
2025		52,996,232
2026		53,482,563
Thereafter		521,831,794
Total	$	785,258,159

During the years ended December 31, 2021, 2020 and 2019, the allowance for doubtful accounts decreased by $2.1 million, increased by $2.1 million, and increased by $2.0 million, respectively.

(Continued)

(9) Solar Power Systems

Solar power systems consist of the following at December 31, 2021 and 2020:

	2021	2020
Solar power systems leased under operating leases	$ 448,263,055	452,222,334
Solar power systems with related service contracts	613,903,108	381,495,416
Construction in process	170,206,178	153,676,967
Less accumulated depreciation	(161,046,367)	(126,978,782)
	$ 1,071,325,974	860,415,935

The following table presents the Company's future minimum rental receipts on operating leases placed in service as of December 31, 2021.

2022	$ 42,042,590
2023	41,706,777
2024	41,813,753
2025	41,932,590
2026	42,054,431
Thereafter	390,213,453
Total	$ 599,763,594

The following table presents the Company's future minimum receipts on solar service contracts as of December 31, 2021.

2022	$ 37,568,662
2023	37,317,587
2024	37,491,018
2025	37,668,545
2026	37,849,742
Thereafter	563,795,085
Total	$ 751,690,639

(10) Deferred Revenue

Deferred revenue consists of the following at December 31, 2021 and 2020:

		2021	2020
Deferred lease and service contract revenue	$	14,692,416	14,585,223
Deferred rebate revenue		40,061,620	37,334,394
Other		749,184	802,429
Total		55,503,220	52,722,046
Current portion		(6,501,134)	(5,836,240)
Noncurrent portion	$	49,002,086	46,885,806

(11) 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 income (loss) for the years ended December 31, 2021, 2020 and 2019.

The significant components of deferred tax assets and liabilities as of December 31, 2021 and 2020 are as follows:

		2021	2020
Deferred tax assets:			
Net operating loss carryforward	$	139,044,362	125,238,241
Capital leases		40,037,410	48,812,078
Property and equipment		26,170,868	44,855,819
Interest expense		15,787,477	17,255,106
Investment in partnerships		3,819,164	3,930,468
Other		7,869,195	1,731,528
Total deferred tax assets		232,548,476	241,823,240
Valuation allowance		(232,548,476)	(241,823,240)
Net deferred taxes	$	—	—

At December 31, 2021, the Company had net operating losses (NOL) totaling $139 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, 2021 and 2020. 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, 2021, 2020 and 2019, the valuation allowance decreased by approximately $9.3 million, $5.2 million, and $29.2 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, 2021, 2020, and 2019, 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%.

(12) 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, as defined, related to the proceeds from SREC Capital Contribution Reimbursements, Credit Agricole and Mezzanine Loans.

(13) Related Party Transactions

SunPower has offered the Company 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.

homeowners.

(Continued)

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 $7.8 million, $6.6 million, and $5.2 million for the years ended December 31, 2021, 2020 and 2019, 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 $12.9 million, $11.5 million, and $9.7 million for the years ended December 31, 2021, 2020, and 2019, 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 $0.9 million, $0.7 million, and $0.5 million for the years ended December 31, 2021, 2020, and 2019, 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 income (loss).

(14) 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.

(15) 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.

(16) Subsequent Events

During the first quarter of 2022, as the purchase option became exercisable, the Company exercised its option to purchase the noncontrolling interest in one of the Partnerships with a carrying value of $22.9 million, for total consideration of $4.9 million.

The Company has evaluated subsequent events through March 29, 2022, the date the consolidated financial statements were available to be issued, and determined there were no other items to disclose.