ELOYALTY CORP
Form 4
August 23, 2007

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
SUTTER HILL VENTURES

(Last) (First) (Middle)

755 PAGE MILL ROAD, SUITE A-200

(Street)

PALO ALTO, CA 943041005

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ELOYALTY CORP [ELOY]

3. Date of Earliest Transaction (Month/Day/Year)
08/21/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director __X__ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common (1)	08/21/2007		P		200	A	$ 15.5	1,562,153 (1)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SUTTER HILL VENTURES 755 PAGE MILL ROAD, SUITE A-200 PALO ALTO, CA 943041005		X		

Signatures

By: Robert Yin, by power of attorney	08/23/2007
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Includes 938,952 shares of Series B Preferred Stock that are currently convertible on a one-for-one basis into shares of Common Stock.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ont-size:10pt;">For additional information regarding known material factors that could cause our actual results to differ from our projected results, please see Part II, "Item 1A. Risk Factors" in this Form 10-Q and Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
Pattern Energy Group Inc.
Consolidated Balance Sheets
(In thousands of U.S. Dollars, except share data)
(Unaudited)

	September 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents (Note 5)	$ 65,733	$ 94,808
Restricted cash (Note 5)	11,562	14,609
Funds deposited by counterparty	46,643	—
Trade receivables (Note 5)	39,395	45,292
Related party receivable	913	734
Derivative assets, current	19,197	24,338
Prepaid expenses (Note 5)	15,529	14,498
Deferred financing costs, current, net of accumulated amortization of $9,111 and $5,192 as of September 30, 2016 and December 31, 2015, respectively	2,117	2,121
Other current assets (Note 5)	8,445	6,929
Total current assets	209,534	203,329
Restricted cash (Note 5)	13,652	36,875
Property, plant and equipment, net of accumulated depreciation of $540,774 and $409,161 as of September 30, 2016 and December 31, 2015, respectively (Note 5)	3,182,054	3,294,620
Unconsolidated investments	87,168	116,473
Derivative assets	30,259	44,014
Deferred financing costs	4,598	4,572
Net deferred tax assets	10,280	6,804
Finite-lived intangible assets, net of accumulated amortization of $9,441 and $4,357 as of September 30, 2016 and December 31, 2015, respectively (Note 5)	92,550	97,722
Other assets (Note 5)	23,879	25,183
Total assets	$ 3,653,974	$ 3,829,592
Liabilities and equity		
Current liabilities:		
Accounts payable and other accrued liabilities (Note 5)	$ 32,868	$ 42,776
Accrued construction costs (Note 5)	1,155	23,565
Counterparty deposit liability	46,643	—
Related party payable	1,965	1,646
Accrued interest (Note 5)	3,071	9,035
Dividends payable	35,282	28,022
Derivative liabilities, current	14,945	14,343
Revolving credit facility	35,000	355,000
Current portion of long-term debt, net of financing costs of $3,623 and $3,671 as of September 30, 2016 and December 31, 2015, respectively	46,324	44,144
Other current liabilities (Note 5)	2,668	2,156
Total current liabilities	219,921	520,687
Long-term debt, net of financing costs of $18,515 and $22,632 as of September 30, 2016 and December 31, 2015, respectively	1,145,428	1,174,380

Convertible senior notes, net of financing costs of $4,172 and $5,014 as of September 30, 2016 and December 31, 2015, respectively	201,504	197,362
Derivative liabilities	64,837	28,659
Net deferred tax liabilities	23,303	22,183
Finite-lived intangible liability, net of accumulated amortization of $4,770 and $2,168 as of September 30, 2016 and December 31, 2015, respectively	55,530	58,132
Other long-term liabilities (Note 5)	59,234	52,427
Total liabilities	1,769,757	2,053,830
Commitments and contingencies (Note 15)		
Equity:		
Class A common stock, $0.01 par value per share: 500,000,000 shares authorized; 87,469,506 and 74,644,141 shares outstanding as of September 30, 2016 and December 31, 2015, respectively	875	747
Additional paid-in capital	1,180,512	982,814
Accumulated loss	(108,065)	(77,159)
Accumulated other comprehensive loss	(94,149)	(73,325)
Treasury stock, at cost; 68,344 and 65,301 shares of Class A common stock as of September 30, 2016 and December 31, 2015, respectively	(1,641)	(1,577)
Total equity before noncontrolling interest	977,532	831,500
Noncontrolling interest	906,685	944,262
Total equity	1,884,217	1,775,762
Total liabilities and equity	$ 3,653,974	$ 3,829,592

See accompanying notes to consolidated financial statements.

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Pattern Energy Group Inc.
Consolidated Statements of Operations
(In thousands of U.S. Dollars, except share data)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Revenue:				
Electricity sales	$89,919	$88,256	$266,952	$235,252
Related party revenue	1,574	955	4,121	2,630
Other revenue	421	486	1,918	1,352
Total revenue	91,914	89,697	272,991	239,234
Cost of revenue:				
Project expense	31,384	28,848	96,989	82,075
Depreciation and accretion	43,693	38,599	130,782	101,997
Total cost of revenue	75,077	67,447	227,771	184,072
Gross profit	16,837	22,250	45,220	55,162
Operating expenses:				
General and administrative	11,191	7,218	31,122	22,309
Related party general and administrative	3,553	1,887	7,381	5,316
Total operating expenses	14,744	9,105	38,503	27,625
Operating income	2,093	13,145	6,717	27,537
Other income (expense):				
Interest expense	(19,798)	(19,941)	(62,134)	(56,802)
Gain (loss) on undesignated derivatives, net	1,825	(6,091)	(17,685)	(5,313)
Realized loss on designated derivatives	—	(11,221)	—	(11,221)
Earnings (loss) in unconsolidated investments, net	4,685	(9,951)	15,755	768
Related party income	1,593	605	3,697	2,029
Early extinguishment of debt	—	(4,113)	—	(4,113)
Net loss on transactions	(314)	(74)	(353)	(2,663)
Other income (expense), net	177	128	2,297	(1,280)
Total other expense	(11,832)	(50,658)	(58,423)	(78,595)
Net loss before income tax	(9,739)	(37,513)	(51,706)	(51,058)
Tax (benefit) provision	1,311	(2,181)	4,038	676
Net loss	(11,050)	(35,332)	(55,744)	(51,734)
Net loss attributable to noncontrolling interest	(7,037)	(5,927)	(24,838)	(16,747)
Net loss attributable to Pattern Energy	$(4,013)	$(29,405)	$(30,906)	$(34,987)
Weighted average number of shares:				
Class A common stock - Basic and diluted	81,531,775	72,789,583	76,821,811	69,233,698
Loss per share				
Class A common stock:				
Basic and diluted loss per share	$(0.05)	$(0.40)	$(0.40)	$(0.51)
Dividends declared per Class A common share	$0.40	$0.36	$1.17	$1.06

See accompanying notes to consolidated financial statements.

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Pattern Energy Group Inc.
Consolidated Statements of Comprehensive Loss
(In thousands of U.S. Dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net loss	$(11,050)	$(35,332)	$(55,744)	$(51,734)
Other comprehensive loss:				
Foreign currency translation, net of zero tax impact	(1,768)	(12,208)	9,874	(21,900)
Derivative activity:				
Effective portion of change in fair market value of derivatives, net of tax benefit of $198, $892, $4,300 and $948, respectively	(329)	(15,600)	(30,990)	(16,257)
Reclassifications to net loss due to termination/de-designation of interest rate derivatives, net of zero tax impact	—	11,221	—	11,221
Reclassifications to net loss, net of tax impact of $284, $170, $867 and $511, respectively	2,736	2,590	8,359	9,546
Total change in effective portion of change in fair market value of derivatives	2,407	(1,789)	(22,631)	4,510
Proportionate share of equity investee’s derivative activity:				
Effective portion of change in fair market value of derivatives, net of tax benefit of $244, $1,627, $4,213 and $2,486, respectively	(676)	(4,513)	(11,684)	(6,895)
Reclassifications to net loss, net of tax impact of $70, $194, $992 and $571, respectively	195	537	2,752	1,582
Total change in effective portion of change in fair market value of derivatives	(481)	(3,976)	(8,932)	(5,313)
Total other comprehensive income (loss), net of tax	158	(17,973)	(21,689)	(22,703)
Comprehensive loss	(10,892)	(53,305)	(77,433)	(74,437)
Less comprehensive loss attributable to noncontrolling interest:				
Net loss attributable to noncontrolling interest	(7,037)	(5,927)	(24,838)	(16,747)
Derivative activity:				
Effective portion of change in fair market value of derivatives, net of tax (provision) benefit of ($35), $268, $472 and $285, respectively	164	(1,023)	(1,206)	(2,008)
Reclassifications to net loss, net of tax impact of $39, $51, $126 and $153, respectively	106	138	341	1,959
Total change in effective portion of change in fair market value of derivatives	270	(885)	(865)	(49)
Comprehensive loss attributable to noncontrolling interest	(6,767)	(6,812)	(25,703)	(16,796)
Comprehensive loss attributable to Pattern Energy	$(4,125)	$(46,493)	$(51,730)	$(57,641)

See accompanying notes to consolidated financial statements.

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Pattern Energy Group Inc.
Consolidated Statements of Stockholders' Equity
(In thousands of U.S. Dollars, except share data)
(Unaudited)

	Class A Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Loss	Accumulated Other Comprehensive Loss	Total	Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount						
Balances at December 31, 2014	62,088,306	$621	(25,465)	$(717)	$723,938	$(44,626)	$(45,068)	$634,148	$530,586	$1,164,734
Issuance of Class A common stock, net of issuance costs	12,435,000	124	—	—	316,848	—	—	316,972	—	316,972
Issuance of Class A common stock under equity incentive award plan	186,136	2	—	—	(2)	—	—	—	—	—
Repurchase of shares for employee tax withholding	—	—	(12,027)	(331)	—	—	—	(331)	—	(331)
Stock-based compensation	—	—	—	—	3,234	—	—	3,234	—	3,234
Dividends declared	—	—	—	—	(75,117)	—	—	(75,117)	—	(75,117)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(4,382)	(4,382)
Acquisition of Post Rock	—	—	—	—	—	—	—	—	205,100	205,100
Conversion option of convertible senior notes, net of issuance costs	—	—	—	—	23,754	—	—	23,754	—	23,754
Buyout of noncontrolling interests	—	—	—	—	16,715	—	(7,944)	8,771	(95,047)	(86,276)
Contribution from noncontrolling interests	—	—	—	—	—	—	—	—	191,251	191,251

Other	—	—	—	—	11	—	—	11	—	11
Net loss	—	—	—	—	—	(34,987)	—	(34,987)	(16,747)	(51,734)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(22,654)	(22,654)	(49)	(22,703)
Balances at September 30, 2015	74,709,442	$747	(37,492)	$(1,048)	$1,009,381	$(79,613)	$(75,666)	$853,801	$810,712	$1,664,513

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Pattern Energy Group Inc.
Consolidated Statements of Stockholders' Equity
(In thousands of U.S. Dollars, except share data)
(Unaudited)

	Class A Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Loss	Accumulated Other Comprehensive Loss	Total	Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount						
Balances at December 31, 2015	74,709,442	$747	(65,301)	$(1,577)	$982,814	$(77,159)	$(73,325)	$831,500	$944,262	$1,775,762
Issuance of Class A common stock, net of issuance costs	12,540,504	125	—	—	286,115	—	—	286,240	—	286,240
Issuance of Class A common stock under equity incentive award plan	287,904	3	—	—	(3)	—	—	—	—	—
Repurchase of shares for employee tax withholding	—	—	(3,043)	(64)	—	—	—	(64)	—	(64
Stock-based compensation	—	—	—	—	4,362	—	—	4,362	—	4,362
Dividends declared	—	—	—	—	(92,818)	—	—	(92,818)	—	(92,818
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(11,771)	(11,771
Other	—	—	—	—	42	—	—	42	(103)	(61
Net loss	—	—	—	—	—	(30,906)	—	(30,906)	(24,838)	(55,744
Other comprehensive loss, net of tax	—	—	—	—	—	—	(20,824)	(20,824)	(865)	(21,689
Balances at September 30, 2016	87,537,850	$875	(68,344)	$(1,641)	$1,180,512	$(108,065)	$(94,149)	$977,532	$906,685	$1,884,217

See accompanying notes to consolidated financial statements.

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Pattern Energy Group Inc.
Consolidated Statements of Cash Flows
(In thousands of U.S. Dollars)
(Unaudited)

	Nine months ended September 30,	
	2016	2015
Operating activities		
Net loss	$(55,744)	$(51,734)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and accretion	130,782	102,108
Amortization of financing costs	5,242	5,581
Amortization of debt discount/premium, net	3,147	798
Amortization of power purchase agreements, net	2,278	1,175
Loss on derivatives, net	29,757	793
Stock-based compensation	4,362	3,234
Deferred taxes	3,681	340
Earnings in unconsolidated investments	(15,755)	(813)
Distributions from unconsolidated investments	377	—
Realized loss on derivatives, net	—	10,192
Early extinguishment of debt	—	3,958
Other reconciling items	44	1,221
Changes in operating assets and liabilities:		
Funds deposited by counterparty	(46,643)	—
Trade receivables	6,078	5,657
Prepaid expenses	(1,005)	3,994
Other current assets	(3,554)	(6,583)
Other assets (non-current)	865	(2,022)
Accounts payable and other accrued liabilities	(2,658)	4,180
Counterparty deposit liability	46,643	—
Related party receivable/payable	164	506
Accrued interest	(6,017)	1,970
Other current liabilities	492	764
Long-term liabilities	4,835	83
Increase in restricted cash	(1,972)	(2,120)
Net cash provided by operating activities	105,399	83,282
Investing activities		
Cash paid for acquisitions, net of cash acquired	(4,024)	(406,284)
Decrease in restricted cash	23,293	41,820
Increase in restricted cash	(79)	(33,890)
Capital expenditures	(31,554)	(315,954)
Distributions from unconsolidated investments	40,066	23,494
Other assets	1,619	4,650
Other investing activities	(136)	—
Net cash provided by (used in) investing activities	29,185	(686,164)

Pattern Energy Group Inc.
Consolidated Statements of Cash Flows
(In thousands of U.S. Dollars)
(Unaudited)

	Nine months ended September 30,	
	2016	2015
Financing activities		
Proceeds from public offering, net of issuance costs	$286,583	$317,822
Proceeds from issuance of convertible senior notes, net of issuance costs	—	219,557
Repurchase of shares for employee tax withholding	(64)	(331)
Dividends paid	(85,159)	(63,455)
Payment for deferred equity issuance costs	—	(1,940)
Buyout of noncontrolling interest	—	(121,224)
Capital contributions - noncontrolling interest	—	193,064
Capital distributions - noncontrolling interest	(11,771)	(4,382)
Decrease in restricted cash	41,054	41,429
Increase in restricted cash	(36,027)	(41,184)
Refund of deposit for letters of credit	—	3,425
Payment for deferred financing costs	(134)	(8,445)
Proceeds from revolving credit facility	20,000	295,000
Repayment of revolving credit facility	(340,000)	(100,000)
Proceeds from construction loans	—	294,502
Repayment of long-term debt	(39,322)	(405,036)
Payment for interest rate derivatives	—	(11,061)
Other financing activities	(569)	—
Net cash provided by (used in) financing activities	(165,409)	607,741
Effect of exchange rate changes on cash and cash equivalents	1,750	(3,319)
Net change in cash and cash equivalents	(29,075)	1,540
Cash and cash equivalents at beginning of period	94,808	101,656
Cash and cash equivalents at end of period	$65,733	$103,196
Supplemental disclosures		
Cash payments for income taxes	$233	$293
Cash payments for interest expense, net of capitalized interest	59,172	49,239
Acquired property, plant and equipment from acquisitions	—	579,712
Schedule of non-cash activities		
Change in property, plant and equipment	6,132	20,744
Non-cash increase in additional paid-in capital from buyout of noncontrolling interests	—	16,715
Equity issuance costs paid in prior period related to current period offerings	—	433

See accompanying notes to consolidated financial statements.

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Pattern Energy Group Inc.
Notes to Consolidated Financial Statements
(Unaudited)

1. Organization

Pattern Energy Group Inc. (Pattern Energy or the Company) was organized in the state of Delaware on October 2, 2012. Pattern Energy is an independent energy generation company focused on constructing, owning and operating energy projects with long-term energy sales contracts located in the United States, Canada and Chile. Pattern Development owns a 19% interest in the Company. Pattern Development is a leading developer of renewable energy and transmission projects.

The Company consists of the consolidated operations of certain entities and assets contributed by, or purchased principally from, Pattern Development, except for purchases of Lost Creek, Post Rock and certain additional interests in El Arrayán (each as defined below, which were purchased from third-parties). Each of the Company's wind projects are consolidated into the Company's subsidiaries which are organized by geographic location as follows:

- Pattern US Operations Holdings LLC (which consists primarily of 100% ownership of Hatchet Ridge Wind, LLC (Hatchet Ridge), Spring Valley Wind LLC (Spring Valley), Pattern Santa Isabel LLC (Santa Isabel), Ocotillo Express LLC (Ocotillo), Pattern Gulf Wind LLC (Gulf Wind) and Lost Creek Wind, LLC (Lost Creek), as well as the following consolidated controlling interest in Pattern Panhandle Wind LLC (Panhandle 1), Pattern Panhandle Wind 2 LLC (Panhandle 2), Post Rock Wind Power Project, LLC (Post Rock), Logan's Gap Wind LLC (Logan's Gap) and Fowler Ridge IV Wind Farm LLC (Amazon Wind Farm Fowler Ridge));
- Pattern Canada Operations Holdings ULC (which consists primarily of 100% ownership of St. Joseph Windfarm Inc. (St. Joseph) and noncontrolling interests in South Kent Wind LP (South Kent), Grand Renewable Wind LP (Grand) and K2 Wind Ontario Limited Partnership (K2), which are accounted for as equity method investments); and
- Pattern Chile Holdings LLC (which includes a controlling interest in Parque Eólico El Arrayán SpA (El Arrayán)).

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the results of wholly-owned and partially-owned subsidiaries in which the Company has a controlling interest with all significant intercompany accounts and transactions eliminated in consolidation.

Unaudited Interim Financial Information

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and Article 10 of Regulation S-X issued by the U.S. Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, the interim financial information reflects all adjustments of a normal recurring nature, necessary for a fair presentation of the Company’s financial position at September 30, 2016, the results of operations and comprehensive income (loss) for the three and nine months ended September 30, 2016 and 2015, respectively, and the cash flows for the nine months ended September 30, 2016 and 2015, respectively. The consolidated balance sheet at December 31, 2015 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. This Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

Use of Estimates

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

Reclassification
Certain prior period balances have been reclassified to conform to the current period presentation in the Company's consolidated financial statements and the accompanying notes.
Funds Deposited by Counterparty
As a result of a counterparty's credit rating downgrade, the Company received cash collateral related to an energy derivative agreement, as discussed in Note 10, Derivative Instruments. The Company does not have the right to pledge, invest, or use the cash collateral for general corporate purposes. As of September 30, 2016, the Company has recorded a current asset of $46.6 million to funds deposited by counterparty and a current liability of $46.6 million to counterparty deposit liability representing the cash collateral received and corresponding obligation to return the cash collateral, respectively. The cash was deposited into a separate custodial account for which the Company is not entitled to the interest earned on the cash collateral.
Recently Issued Accounting Standards
In addition to recently issued accounting standards disclosed in Note 2, Summary of Significant Accounting Policies, in the Notes to Consolidated Financial Statements, contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, the Company is evaluating or has adopted the following recently issued accounting standards.
In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (ASU 2016-15), which provides guidance on specific cash flow issues. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The adoption of ASU 2016-15 during the third quarter of fiscal 2016 did not have a material impact on the Company's consolidated financial statements and related disclosures.
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), which requires the measurement of all expected credit losses for financial assets including trade receivables held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company is currently assessing the future impact of this update on its consolidated financial statements and related disclosures.
In May 2014, the FASB issued ASU 2014-09, which creates FASB Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers and supersedes ASC Topic 605, Revenue Recognition (ASU 2014-09). The guidance replaces industry-specific guidance and establishes a single five-step model to identify and recognize revenue. The core principle of the guidance is that an entity should recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires the entity to disclose further quantitative and qualitative information regarding the nature and amount of revenues arising from contracts with customers, as well as other information about the significant judgments and estimates used in recognizing revenues from contracts with customers. The effective date of ASU 2014-09 was deferred by the issuance of ASU 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date, (Topic 606) by one year to make the guidance of ASU 2014-09 effective for annual reporting periods beginning after December 15, 2017, including interim periods therein. Early adoption is permitted, but not prior to the original effective date, which was for annual reporting periods beginning after December 15, 2016. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606) Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which clarifies how to apply the implementation guidance on principal versus agent considerations related to the sale of goods or services to a customer as updated by ASU 2014-09. In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606) Identifying Performance Obligations and Licensing, which clarifies two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas, as updated by ASU 2014-09. In May 2016, the FASB issued ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients (ASU 2016-12), which makes narrow scope amendments to Topic 606 including implementation issues on collectability, non-cash consideration and completed contracts at transition. The Company is currently assessing the

future impact of this guidance on its consolidated financial statements and related disclosures and expects to adopt these updates beginning January 1, 2018.

In March 2016, the FASB issued ASU 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (ASU 2016-09), which simplifies several aspects of the accounting for share-based payment

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award transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted. The Company is currently assessing the future impact of this update on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-05, Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships (ASU 2016-05), which clarifies that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria remain intact. ASU 2016-05 is effective for annual periods beginning after December 15, 2017, including interim reporting periods therein, with early adoption permitted. The adoption of ASU 2016-05 on January 1, 2016 had no impact on the Company's consolidated financial statements and related disclosures.

In September 2015, the FASB issued ASU 2015-16, Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments (ASU 2015-16), which requires an acquirer to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments under ASU 2015-16 require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. ASU 2015-16 also requires an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods, if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those fiscal years. The amendments in this update should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not been issued. The adoption of ASU 2015-16 on January 1, 2016 did not have a material impact on the Company’s consolidated financial statements and related disclosures.

In February 2015, the FASB issued ASU 2015-02, Consolidation: Amendments to the Consolidation Analysis (ASU 2015-02), which modifies the analysis that companies must perform in order to determine whether a legal entity should be consolidated. ASU 2015-02 simplifies current guidance by reducing the number of consolidation models; eliminating the risk that a reporting entity may have to consolidate based on a fee arrangement with another legal entity; placing more weight on the risk of loss in order to identify the party that has a controlling financial interest; reducing the number of instances that related party guidance needs to be applied when determining the party that has a controlling financial interest; and changing rules for companies in certain industries that ordinarily employ limited partnership or variable interest entity (VIE) structures. ASU 2015-02 is effective for public companies for fiscal years beginning after December 15, 2015 and interim periods within those fiscal periods. The adoption of ASU 2015-02 in the quarter ended March 31, 2016 resulted in certain entities formerly consolidated under the voting interest consolidation model to be consolidated in accordance with the variable interest model as further described in Note 5, Variable Interest Entities. The adoption of ASU 2015-02 did not result in the deconsolidation of any previously consolidated entities or the consolidation of any previously unconsolidated entities and had no impact on the Company's results of operations, and cash flows.

In June 2014, the FASB issued ASU 2014-12, Compensation – Stock Compensation (ASU 2014-12), which requires an entity to treat a performance target that affects vesting that could be achieved after an employee completes the requisite service period as a performance condition. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved.

ASU 2014-12 is effective for interim and annual periods beginning after December 15, 2015, with early adoption permitted either prospectively or retrospectively to all prior periods presented. The adoption of ASU 2014-12 on January 1, 2016 had no impact on the Company's consolidated financial statements and related disclosures.

3. Acquisitions

On May 15, 2015, pursuant to a Purchase and Sale Agreement, the Company acquired 100% of the membership interests in Lost Creek Wind Finco, LLC (Lost Creek Finco) from Wind Capital Group LLC, an unrelated third party, and 100% of the membership interests in Lincoln County Wind Project Holdco, LLC (Lincoln County Holdco) from Lincoln County Wind Project Finco, LLC, an unrelated third party. Lost Creek Finco owns 100% of the Class B membership interests in Lost Creek Wind Holdco, LLC (Lost

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Creek Wind Holdco), a company which owns a 100% interest in the Lost Creek wind project. Lincoln County Holdco owns 100% of the Class B membership interests in Post Rock Wind Power Project, LLC, a company which owns a 100% interest in the Post Rock wind project. The acquisition of 100% of the membership interests in Lost Creek Finco and Lincoln County Holdco was for an aggregate consideration of approximately $242.0 million, paid at closing. The Company also assumed certain project level indebtedness and ordinary course performance guarantees securing project obligations. Lost Creek is a 150 MW wind project in King City, Missouri, and Post Rock is a 201MW wind project in Ellsworth and Lincoln Counties, Kansas.

The Company acquired assets and operating contracts for Lost Creek and Post Rock, including assumed liabilities. The identifiable assets and liabilities assumed were recorded at their fair values, which corresponded to the sum of the cash purchase price and the fair value of the other investors' noncontrolling interests. The accounting for the Lost Creek and Post Rock acquisitions is final.

Supplemental pro forma data

The unaudited pro forma statement of operations data below gives effect to the Lost Creek and Post Rock acquisitions as if they had occurred on January 1, 2014. The pro forma net income (loss) for the three and nine month periods ended September 30, 2015 was adjusted to exclude nonrecurring transaction related credits of $0.2 million and expenses of $1.7 million, respectively. The unaudited pro forma data is presented for illustrative purposes only and is not intended to be indicative of actual results that would have been achieved had these acquisitions been consummated as of January 1, 2014. The unaudited pro forma data should not be considered representative of the Company's future financial condition or results of operations.

Unaudited pro forma data (in thousands)	Three months ended September 30, 2015	Nine months ended September 30, 2015
Pro forma total revenue	$ 89,697	$ 260,497
Pro forma total expenses	125,261	315,976
Pro forma net loss	(35,564)	(55,479)
Less: pro forma net loss attributable to noncontrolling interest	(5,927)	(23,539)
Pro forma net loss attributable to Pattern Energy	$ (29,637)	$ (31,940)

The following table presents the amounts included in the consolidated statements of operations for Lost Creek and Post Rock since their respective dates of acquisition:

Unaudited data (in thousands)	Three months ended September 30, 2015	Nine months ended September 30, 2015
Total revenue	$ 10,081	$ 15,253
Total expenses	15,197	21,547
Net loss	(5,116)	(6,294)
Less: net loss attributable to noncontrolling interest	(1,965)	(2,765)
Net loss attributable to Pattern Energy	$ (3,151)	$ (3,529)

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4. Property, Plant and Equipment

The table below presents the categories within property, plant and equipment as follows (in thousands):

	September 30, 2016	December 31, 2015
Operating wind farms	$ 3,713,775	$ 3,700,140
Furniture, fixtures and equipment	8,912	3,500
Land	141	141
Subtotal	3,722,828	3,703,781
Less: accumulated depreciation	(540,774)	(409,161)
Property, plant and equipment, net	$ 3,182,054	$ 3,294,620

The Company recorded depreciation expense related to property, plant and equipment of $43.0 million and $128.7 million for the three and nine months ended September 30, 2016, respectively, and recorded $38.1 million and $100.6 million for the same periods in the prior year.

5. Variable Interest Entities

As of January 1, 2016, certain operating entities that were formerly consolidated under the voting interest consolidation model are now consolidated in accordance with the VIE consolidation model as a result of the adoption of ASU 2015-02 as further discussed in Note 2, Summary of Significant Accounting Policies.

The operating entities determined to be VIEs by the Company are Logan's Gap, Panhandle 1, Panhandle 2, Post Rock and Amazon Wind Farm Fowler Ridge primarily because the tax equity interests lack substantive kick-out and participating rights. The Company determined that as the managing member it is the primary beneficiary of each VIE by reference to the power and benefits criterion under ASC 810, Consolidation. The Company considered responsibilities within the contractual agreements, which grant it the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. Such activities include management of the wind farms' operations and maintenance, budgeting, policies and procedures. In addition, the Company has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIEs on the basis of the income allocations and cash distributions.

The following presents the carrying amounts of the consolidated VIEs' assets and liabilities included in the consolidated balance sheet (in thousands). Assets presented below are restricted for settlement of the consolidated VIEs' obligations and all liabilities presented below can only be settled using the VIE resources.

	September 30, 2016
Assets	
Current assets:	
Cash and cash equivalents	$ 12,433
Restricted cash	4,289
Trade receivables	3,953
Prepaid expenses	3,919
Other current assets	1,771
Total current assets	26,365
Restricted cash	3,202
Property, plant and equipment, net	1,443,557
Finite-lived intangible assets, net	2,113
Other assets	16,155
Total assets	$ 1,491,392
Liabilities	
Current liabilities:	
Accounts payable and other accrued liabilities	$ 8,919
Accrued construction costs	754
Accrued interest	127
Other current liabilities	1,481
Total current liabilities	11,281
Other long-term liabilities	15,675
Total liabilities	$ 26,956

6. Unconsolidated Investments

The following projects are accounted for under the equity method of accounting and are presented in the Company's consolidated balance sheets for the periods below (in thousands):

			Percentage of Ownership	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
South Kent [(1)]	$ —	$ 6,185	50.0 %	50.0 %
Grand [(1)]	—	5,735	45.0 %	45.0 %
K2	87,168	104,553	33.3 %	33.3 %
Unconsolidated investments	$ 87,168	$ 116,473		

[(1)]As of September 30, 2016, the equity method investment balances in South Kent and Grand were $0. In accordance with ASC 323, Investments - Equity Method and Joint Ventures, the Company has suspended recognition of South Kent's and Grand's equity method earnings or losses and accumulated other comprehensive income (loss), if applicable, until such time as South Kent's and Grand's subsequent cumulative equity method earnings and other comprehensive income exceed cumulative distributions received, cumulative equity method losses and, where applicable, cumulative other comprehensive income (loss) during the suspension period. During the periods when South Kent's and Grand's equity method earnings or losses are suspended, the Company will record cash distributions received as gains in earnings (losses) in unconsolidated investments, net on the Company's consolidated statements of operations.

The following table summarizes the components of suspension during the period which are included in earnings (loss) in unconsolidated investments, net on the Company's consolidated statements of operations and components of suspension included in other comprehensive income (loss) (in thousands):

	Three months ended September 30, 2016	Nine months ended September 30, 2016
Earnings (loss) in unconsolidated investments, net		
Gains on distributions from unconsolidated investments	$ 5,777	$ 15,017
Suspended equity losses	$ 2,662	$ 4,556
Suspended other comprehensive income	$ (535)	$ (659)

The following table summarizes the aggregated operating results of the unconsolidated investments for the three and nine months ended September 30, 2016 and 2015, respectively (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Revenue	$40,863	$35,697	$167,426	$122,483
Cost of revenue	21,552	20,444	62,561	48,120
Operating expenses	2,675	3,133	8,734	8,447
Other expense	21,553	31,476	89,820	59,925
Net income (loss)	$(4,917)	$(19,356)	$6,311	$5,991

Significant Equity Method Investee

The following table presents summarized statements of operations information for the three and nine months ended September 30, 2016 and 2015, in thousands, as required for the Company's significant equity method investee, South Kent, pursuant to Regulation S-X Rule 10-01 (b)(1):

South Kent

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Revenue	$15,128	$17,137	$65,033	$69,883
Cost of revenue	7,888	8,518	22,663	23,640
Operating expenses	879	1,056	2,916	3,763
Other expense	7,319	19,727	40,276	39,159
Net income (loss)	$(958)	$(12,164)	$(822)	$3,321

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7. Accounts Payable and Other Accrued Liabilities

The following table presents the components of accounts payable and other accrued liabilities (in thousands):

	September 30, 2016	December 31, 2015
Accounts payable	$ 1,848	$ 625
Other accrued liabilities	9,420	9,583
Operating wind farm upgrade liability	1,012	4,909
Turbine operations and maintenance payable	836	985
Purchase agreement obligations	—	5,749
Land lease rent payable	1,396	2,513
Spare-parts inventory payables	550	1,181
Payroll liabilities	6,268	5,345