Pattern Energy Group Inc.
Form 10-K/A
May 05, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

(Amendment No.1)

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

For the Fiscal Year Ended December 31, 2013.

-OR-

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

Commission File Number 001-36087

PATTERN ENERGY GROUP INC.

(Exact name of Registrant as specified in its charter)

Delaware	**90-0893251**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

Pier 1, Bay 3, San Francisco, CA 94111

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: (415) 283-4000

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

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, par value $0.01 per share	NASDAQ Global Market
	Toronto Stock Exchange

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

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

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 x No ¨

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x	Smaller reporting company	¨

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

As of June 28, 2013, the last business day of the registrant s most recently completed second fiscal quarter, there was no established public market for registrant s common stock. The registrant s Class A common stock began trading on the NASDAQ Global Market under the symbol PEGI and on the Toronto Stock Exchange under the symbol PEG on October 2, 2013.

On February 24, 2014, the registrant had 35,548,051 shares of Class A common stock outstanding, $0.01 par value, and 15,555,000 shares of Class B common stock outstanding, $0.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive proxy statement relating to its 2014 annual meeting of stockholders (the 2014 Proxy Statement) are incorporated by reference into Part III of this Form 10-K where indicated. The 2014 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

EXPLANATORY NOTE

Pattern Energy Group Inc. (the Company) is filing this Amendment No. 1 on Form 10-K/A (this Amendment) for the sole purpose of including the Independent Auditor s Report dated February 21, 2014, provided by PricewaterhouseCoopers LLP, to the partners at Grand Renewable Wind LP, that were omitted from Part IV of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2013, as filed with the U.S. Securities and Exchange Commission on February 28, 2014 (the Original Filing). This Amendment does not modify or update in any way the disclosures contained in the Original Filing other than Part IV.

As required by Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, the Company s principal executive officer and principal financial officer are providing Rule 13a-14(a) certifications in connection with this Form 10-K/A (but otherwise identical to their prior certifications) and are also furnishing, but not filing, Rule 13a-14(b) certifications in connection with this Form 10-K/A (but otherwise identical to their prior certifications).

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(a) Documents filed as part of this report

(1) Financial statements Pattern Energy Group Inc.

(2) Supplemental financial statements

(3) Exhibits

The following documents are filed or furnished as part of this Form 10-K/A. The Company will furnish a copy of any exhibit listed to requesting stockholders upon payment of the Company s reasonable expenses in furnishing those materials.

Exhibit No.	Description Of Exhibit
3.1	Amended and Restated Certificate of Incorporation of Pattern Energy Group Inc. (Incorporated by reference to Exhibit 3.1 to the Registrant s Registration Statement on Form S-1/A dated September 20, 2013 (Registration No. 333-190538)).
3.2	Amended and Restated Bylaws of Pattern Energy Group Inc. (Incorporated by reference to Exhibit 3.2 to the Registrant s Registration Statement on Form S-1/A dated September 3, 2013 (Registration No. 333-190538)).
4.1	Form of Class A Stock Certificate (Incorporated by reference to Exhibit 4.1 to the Registrant s Registration Statement on Form S-1/A dated September 3, 2013 (Registration No. 333-190538)).
10.1	Credit and Guaranty Agreement, among Pattern US Finance Company LLC, Pattern Canada Finance Company ULC, as borrowers, certain subsidiaries of the borrowers, the lenders party thereto from time to time, Royal Bank of Canada, as Administrative Agent and Collateral Agent, Bank of Montreal, as Syndication Agent, and Morgan Stanley Bank, N.A., as

	Documentation Agent, dated as of November 15, 2012. (Incorporated by reference to Exhibit 10.1 to the Registrant s Registration Statement on Form S-1/A dated September 3, 2013 (Registration No. 333-190538)).
10.2	Pattern Energy Group Inc. 2013 Equity Incentive Award Plan (Incorporated by reference to Exhibit 10.2 to the Registrant s Registration Statement on Form S-1/A dated September 3, 2013 (Registration No. 333-190538)).
10.3	Form of Pattern Energy Group Inc. 2013 Incentive Bonus Plan. (Incorporated by reference to Exhibit 10.3 to the Registrant s Registration Statement on Form S-1/A dated September 3, 2013 (Registration No. 333-190538)).

Exhibit No.	Description Of Exhibit
10.4	Form of Stock Option Agreement under 2013 Equity Incentive Award Plan. (Incorporated by reference to Exhibit 10.4 to the Registrant s Registration Statement on Form S-1/A dated September 3, 2013 (Registration No. 333-190538)).
10.5	Form of Restricted Stock Agreement under 2013 Equity Incentive Award Plan. (Incorporated by reference to Exhibit 10.5 to the Registrant s Registration Statement on Form S-1/A dated September 20, 2013 (Registration No. 333-190538)).
10.6	Form of Restricted Stock Unit Agreement under 2013 Equity Incentive Award Plan. (Incorporated by reference to Exhibit 10.6 to the Registrant s Registration Statement on Form S-1/A dated September 3, 2013 (Registration No. 333-190538)).
10.7	Form of Indemnification Agreement between the Registrant and each of its Executive Officers and Directors. (Incorporated by reference to Exhibit 10.7 to the Registrant s Registration Statement on Form S-1/A dated September 3, 2013 (Registration No. 333-190538)).
10.8	Registration Rights Agreement between the Company and Pattern Energy Group LP, dated as of October 2, 2013. (Incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K dated September 26, 2013).
10.9	Contribution Agreement among the Company, Pattern Renewables LP, Pattern Energy Group LP, and Pattern Renewable Holdings Canada ULC, dated as of October 2, 2013. (Incorporated by reference to Exhibit 10.2 to the Registrant s Current Report on Form 8-K dated September 26, 2013).
10.10	Purchase Rights Agreement among the Company, Pattern Energy Group LP, Pattern Energy Group Holdings LP and Pattern Energy GP LLC, dated as of October 2, 2013. (Incorporated by reference to Exhibit 10.3 to the Registrant s Current Report on Form 8-K dated September 26, 2013).
10.11	Bilateral Management Services Agreement between the Company and Pattern Energy Group LP, dated as of October 2, 2013. (Incorporated by reference to Exhibit 10.4 to the Registrant s Current Report on Form 8-K dated September 26, 2013).
10.12	Non-Competition Agreement between the Company and Pattern Energy Group LP, dated October 2, 2013. (Incorporated by reference to Exhibit 10.5 to the Registrant s Current Report on Form 8-K dated September 26, 2013).
10.13	Shareholder Approval Rights Agreement between the Company and Pattern Energy Group LP, dated as of October 2, 2013. (Incorporated by reference to Exhibit 10.6 to the Registrant s Current Report on Form 8-K dated September 26, 2013).
10.15	Purchase and Sale Agreement, dated as of December 20, 2013, by and between Pattern Canada Operations Holdings ULC and Pattern Energy Group LP (Grand PSA) . (Incorporated by reference to Exhibit 2.1 to the Registrant s Current Report on Form 8-K dated December 24, 2013).
10.16	Purchase and Sale Agreement, dated as of December 20, 2013, by and among Pattern Energy Group Inc., Panhandle B Holdco 2 LLC and Pattern Energy Group LP (PH2 PSA) ((Incorporated by reference to Exhibit 2.2 to the Registrant s Current Report on Form 8-K dated December 24, 2013).
10.17	Management, Operation and Maintenance Agreement, dated as of December 20, 2013, by and between Pattern Panhandle Wind 2 LLC and Pattern Operators LP (PH2 MOMA) (Incorporated

	by reference to Exhibit 2.3 to the Registrant s Current Report on Form 8-K dated December 24, 2013).
10.18	Project Administration Agreement, dated as of December 20, 2013, by and between Pattern Panhandle Wind 2 LLC and Pattern Operators LP (PH2 PAA) (Incorporated by reference to Exhibit 2.4 to the Registrant s Current Report on Form 8-K dated December 24, 2013).

Exhibit No.	Description Of Exhibit
10.19	Employment Agreement between Pattern Energy Group Inc. and Michael M. Garland dated October 2, 2013 (Incorporated by reference to Exhibit 10.19 to the Registrant s Annual Report on Form 10-K dated February 28, 2014).
10.20	Employment Agreement between Pattern Energy Group Inc. and Hunter H. Armistead dated October 2, 2013 (Incorporated by reference to Exhibit 10.20 to the Registrant s Annual Report on Form 10-K dated February 28, 2014).
10.21	Employment Agreement between Pattern Energy Group Inc. and Daniel M. Elkort dated October 2, 2013 (Incorporated by reference to Exhibit 10.21 to the Registrant s Annual Report on Form 10-K dated February 28, 2014).
21.1	List of Subsidiaries (Incorporated by reference to Exhibit 21.1 to the Registrant s Annual Report on Form 10-K dated February 28, 2014).
23.1	Consent of Ernst & Young LLP.
23.2	Consent of PricewaterhouseCoopers LLP.
24.1	Powers of Attorney (Incorporated by reference to Exhibit 10.6 to the Registrant s Annual Report on Form 10-K dated February 28, 2014).
31.1	Certification of the Company s Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Company s Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*	Certifications of the Company s Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act.

SIGNATURE

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

Dated: May 5, 2014	PATTERN ENERGY GROUP INC.
	By: /s/ Dyann Blaine
	Name: Dyann Blaine
	Title: Vice President and Secretary

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Pattern Energy Group Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Pattern Energy Group Inc. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), stockholders equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits. We did not audit the financial statements of South Kent Wind LP and Grand Renewable Wind LP, partnerships in which the Company has a 50% and 45% interest, respectively. In the consolidated financial statements, the Company s investment in South Kent Wind LP and Grand Renewable Wind LP is stated at $85,952,000 at December 31, 2013 and the Company s equity in the net income of South Kent Wind LP and Grand Renewable Wind LP is stated at $8,212,000 for the year ended December 31, 2013. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for South Kent Wind LP and Grand Renewable Wind LP, is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pattern Energy Group Inc. and subsidiaries at December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

San Francisco, California

February 28, 2014

Pattern Energy Group Inc.

Consolidated Balance Sheets

(In thousands of U.S. Dollars, except share data)

	December 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 103,569	$ 17,574
Trade receivables	20,951	13,715
Related party receivable	167	
Reimbursable interconnection costs	1,455	51,307
Derivative assets, current	13,937	17,177
Current deferred tax assets	573	
Prepaid expenses and other current assets	13,927	13,794
Total current assets	154,579	113,567
Restricted cash	32,636	13,904
Turbine advances		44,150
Deferred development costs		26,544
Construction in progress		6,081
Property, plant and equipment, net of accumulated depreciation of $179,778 and $100,247 in 2013 and 2012, respectively	1,476,142	1,668,302
Unconsolidated investments	107,055	36,218
Derivative assets	82,167	62,895
Deferred financing costs, net of accumulated amortization of $16,225 and $9,311 in 2013 and 2012, respectively	35,792	42,654
Net deferred tax assets	2,017	4,940
Other assets	13,243	16,475
Total assets	$ 1,903,631	$ 2,035,730
Liabilities and equity		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 15,550	$ 7,750
Accrued construction costs	3,204	67,206
Related party payable	1,245	198
Accrued interest	495	559
Dividend payable	11,103	
Contingent liabilities		8,001
Derivative liabilities, current	16,171	13,462
Current portion of long-term debt	48,851	137,258
Total current liabilities	96,619	234,434
Long-term debt	1,200,367	1,153,312

Derivative liabilities	7,439	35,326
Asset retirement obligations	20,834	19,056
Net deferred tax liabilities	9,930	3,662
Other long-term liabilities	438	528
Total liabilities	1,335,627	1,446,318
Equity:		
Class A common stock, $0.01 par value per share: 500,000,000 shares authorized; 35,530,786 and 100 shares issued and outstanding as of December 31, 2013 and 2012, respectively	355	
Class B common stock, $0.01 par value per share: 20,000,000 shares authorized; 15,555,000 shares issued and outstanding at December 31, 2013	156	
Additional paid-in capital	489,388	1
Capital		545,471
Accumulated (loss) income	(13,336)	2,903
Accumulated other comprehensive loss	(8,353)	(34,264)
Total equity before noncontrolling interest	468,210	514,111
Noncontrolling interest	99,794	75,301
Total equity	568,004	589,412
Total liabilities and equity	$ 1,903,631	$ 2,035,730

See accompanying notes to consolidated financial statements.

Pattern Energy Group Inc.

Consolidated Statements of Operations

(In thousands of U.S. Dollars, except share data)

	Year ended December 31,		
	2013	**2012**	**2011**
Revenue:			
Electricity sales	$ 173,270	$ 101,835	$ 108,770
Energy derivative settlements	16,798	19,644	9,512
Unrealized (loss) gain on energy derivative	(11,272)	(6,951)	17,577
Related party revenue	911		
Other revenue	21,866		
Total revenue	201,573	114,528	135,859
Cost of revenue:			
Project expense	57,677	34,843	31,343
Depreciation and accretion	83,180	49,027	39,424
Total cost of revenue	140,857	83,870	70,767
Gross profit	60,716	30,658	65,092
Operating expenses:			
Development expense		174	704
General and administrative	4,819	858	866
Related party general and administrative	8,169	10,604	8,098
Total operating expenses	12,988	11,636	9,668
Operating income	47,728	19,022	55,424
Other income (expense):			
Interest expense	(63,614)	(36,502)	(29,404)
Equity in earnings (losses) in unconsolidated investments	7,846	(40)	(205)
Interest rate derivative settlements	(2,099)		
Unrealized gain (loss) on derivatives	15,601	(4,953)	(345)
Net gain on transactions	5,995	4,173	
Related party income	665		
Other income, net	2,496	1,320	1,125
Total other expense	(33,110)	(36,002)	(28,829)
Net income (loss) before income tax	14,618	(16,980)	26,595
Tax provision (benefit)	4,546	(3,604)	689

Net income (loss)	10,072	(13,376)	25,906
Net (loss) income attributable to noncontrolling interest	(6,887)	(7,089)	16,981
Net income (loss) attributable to controlling interest	$ 16,959	$ (6,287)	$ 8,925
Earnings per share information:			
Less: Net income attributable to controlling interest prior to the IPO on October 2, 2013	(30,295)		
Net loss attributable to controlling interest subsequent to the IPO	$ (13,336)		
Weighted average number of shares:			
Basic and diluted Class A common stock	35,448,056		
Basic and diluted Class B common stock	15,555,000		
Earnings per share for period subsequent to the IPO			
Class A common stock:			
Basic and diluted loss per share	$ (0.17)		
Class B common stock:			
Basic and diluted loss per share	$ (0.48)		
2012 pro forma information:			
Unaudited pro forma net loss after tax:			
Net loss before income tax		*$ (16,980)*	
Pro forma tax provision		*818*	
Pro forma net loss		*$ (17,798)*	

See accompanying notes to consolidated financial statements.

Pattern Energy Group Inc.

Consolidated Statements of Comprehensive Income (Loss)

(In thousands of U.S. Dollars)

	Year ended December 31,		
	2013	**2012**	**2011**
Net income (loss)	$ 10,072	$ (13,376)	$ 25,906
Other comprehensive income (loss):			
Foreign currency translation, net of tax	(8,309)	2,749	(2,406)
Effective portion of change in fair market value of derivatives, net of tax	36,875	(11,170)	(23,667)
Proportionate share of equity investee s other comprehensive income (loss), net of tax	2,473	(1,475)	
Total other comprehensive income (loss), net of tax	31,039	(9,896)	(26,073)
Comprehensive income (loss)	41,111	(23,272)	(167)
Less comprehensive income attributable to noncontrolling interest:			
Net (loss) income attributable to noncontrolling interest	(6,887)	(7,089)	16,981
Effective portion of change in fair market value of derivatives, net of tax	5,088	(784)	(6,135)
Comprehensive (loss) income attributable to noncontrolling interest	(1,799)	(7,873)	10,846
Comprehensive income (loss) attributable to controlling interest	$ 42,910	$ (15,399)	$ (11,013)

See accompanying notes to consolidated financial statements.

Pattern Energy Group Inc.

Consolidated Statement of Stockholders Equity

(In thousands of U.S. Dollars, except share data)

Controlling Interest									Noncontrolling Interest		
A Common Stock		Class B Common Stock									
res	Amount	Shares	Amount	Additional Paid-in Capital	Capital	Accumulated Income (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total	Capital	Accumulated Income (Deficit)	Accumulated Other Comprehensive Income (Loss)
	$		$	$	$ 260,109	$ 265	$ (5,214)	$ 255,160	$ 82,633	$ 2,474	$ (4,323)
					232,277			232,277			
					(114,198)			(114,198)	(7,158)		
						8,925		8,925		16,981	
							(19,938)	(19,938)			(6,135)
					378,188	9,190	(25,152)	362,226	75,475	19,455	(10,458)
					281,519			281,519			
					(114,236)			(114,236)	(1,298)		
100				1				1			
						(6,287)		(6,287)		(7,089)	
							(9,112)	(9,112)			(784)
100				1	545,471	2,903	(34,264)	514,111	74,177	12,366	(11,242)
					32,677			32,677			
					(104,634)			(104,634)	(1,426)		
				2				2			
						30,295		30,295		(690)	
							20,633	20,633			3,559

100				3	473,514	33,198	(13,631)	493,084	72,751	11,676	(7,683)
					(18,332)	(13,122)	2,870	(28,584)	18,332	13,122	(2,870)
					(4,207)			(4,207)			
5,000	194	15,555,000	156	470,701	(450,975)	(20,076)					
				(232,640)				(232,640)			
0,000	160			316,882				317,042			
3,183	1			155				156			
3,437				93				93			
(934)				(24)				(24)			
				263				263			
				(11,103)				(11,103)			
				(54,942)			(2,910)	(57,852)			
									(866)		

						(13,336)		(13,336)		(6,197)	
							5,318	5,318			1,529
0,786	$ 355	15,555,000	$ 156	$ 489,388	$	$ (13,336)	$ (8,353)	$ 468,210	$ 90,217	$ 18,601	$ (9,024)

See accompanying notes to consolidated financial statements.

Pattern Energy Group Inc.

Consolidated Statement of Cash Flows

(In thousands of U.S. Dollars)

	Year ended December 31, 2013	2012	2011
Operating activities			
Net income (loss)	$ 10,072	$ (13,376)	$ 25,906
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and accretion	83,180	49,027	39,424
Amortization of financing costs	6,816	2,546	1,477
Unrealized (gain) loss on derivatives	(4,329)	11,904	(17,232)
Stock-based compensation	511		
Net gain on transactions	(5,995)	(4,173)	
Deferred taxes	4,546	(3,604)	809
Equity in (earnings) loss in unconsolidated investments	(7,846)	40	205
Changes in operating assets and liabilities:			
Trade receivables	(8,721)	(298)	(6,438)
Reimbursable interconnection receivable	(11)		
Prepaid expenses and other current assets	(2,698)	(5,842)	2,793
Other assets (non current)	(566)	(428)	(422)
Accounts payable and other accrued liabilities	3,036	(379)	167
Income taxes payable			(259)
Related party receivable/payable	190	(100)	54
Accrued interest payable	(33)	(78)	446
Contingent liabilities		(188)	
Net cash provided by operating activities	78,152	35,051	46,930
Investing activities			
Receipt of ITC Cash Grant	173,446	79,910	
Payment for acquisition from Pattern Development	(30,070)		
Proceeds from sale of investments and tax credits	14,254	4,173	
Decrease in restricted cash interconnect and PPA security	66,517	28,431	9,988
Increase in restricted cash interconnect and PPA security	(80,569)	(36,576)	(1,889)
Capital expenditures	(123,517)	(641,422)	(392,212)
Deferred development costs	(528)	(7,093)	(17,777)
Distribution from unconsolidated investments	10,463		
Contribution to unconsolidated investments	(9,678)	(22,387)	(13,173)
Short-term notes receivable			80,311
Reimbursable interconnection receivable	49,715	(47,055)	
Other assets (non current)	2,358	3,066	(6,225)
Net cash provided by (used in) investing activities	72,391	(638,953)	(340,977)

See accompanying notes to consolidated financial statements.

Pattern Energy Group Inc.

Consolidated Statement of Cash Flows

(In U.S. Dollars)

	Year ended December 31,		
	2013	**2012**	**2011**
Financing activities			
Proceeds from IPO, net of expenses	$ 317,926	$	$
Repurchase of shares for employee tax withholding	(24)		
Capital distributions Contribution Transactions	(232,640)		
Payment for acquisition from Pattern Development	(49,430)		
Capital contributions controlling interest	32,679	281,519	232,277
Capital distributions controlling interest	(98,886)	(114,236)	(114,198)
Capital distributions noncontrolling interest	(2,292)	(1,298)	(7,158)
Decrease in restricted cash debt service reserves	122,689	26,669	13,048
Increase in restricted cash debt service reserves	(127,369)	(15,850)	(14,096)
Payment for deferred financing costs	(294)	(19,989)	(17,001)
Proceeds from revolving credit facility	56,000		
Proceeds from long-term debt	138,620	497,226	260,794
Repayment of revolving credit facility	(56,000)		
Repayment of long-term debt	(50,324)	(27,546)	(22,330)
Repayment of construction and grant loans	(114,056)	(53,328)	
Net cash (used in) provided by financing activities	(63,401)	573,167	331,336
Effect of exchange rate changes on cash and cash equivalents	(1,147)	637	1,455
Net change in cash and cash equivalents	85,995	(30,098)	38,744
Cash and cash equivalents at beginning of period	17,574	47,672	8,928
Cash and cash equivalents at end of period	$ 103,569	$ 17,574	$ 47,672
Supplemental disclosure			
Cash payments for interest and commitment fees	$ 57,505	$ 43,474	$ 30,648
Cash payments for income taxes			141
Schedule of non-cash activities			
Change in fair value of interest rate swaps	52,244	(11,173)	(23,667)
Change in fair value of contingent liabilities		(2,015)	(486)
Amortization of deferred financing costs included as construction in progress	175	3,824	595
Capitalized interest	4,171	9,386	3,621
Capitalized commitment fee	39	873	599
Change in property, plant and equipment	(192,461)	30,154	(61,338)
Transfer of capitalized assets to South Kent joint venture	49,275		
Non-cash distribution to Pattern Development	(5,748)		
Assumption of liabilities related to Contribution Transactions	(4,207)		

Accrued IPO stock issuance costs	(884)

See accompanying notes to consolidated financial statements.

Pattern Energy Group Inc.

Notes to Consolidated Financial Statements

1. Organization

Pattern Energy Group Inc. (Pattern Energy or the Company) was organized in the state of Delaware on October 2, 2012. Pattern Energy issued 100 shares on October 17, 2012 to Pattern Renewables LP, a 100% owned subsidiary of Pattern Energy Group LP (Pattern Development). On September 24, 2013, Pattern Energy s charter was amended, and the number of shares that Pattern Energy is authorized to issue was increased to 620,000,000 total shares; 500,000,000 of which are designated Class A Common Stock, 20,000,000 of which are designated Class B Common Stock, and 100,000,000 of which are designated Preferred Stock.

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. The Company consists of the consolidated operations of certain entities and assets contributed by Pattern Development. The Company owns 100% of Hatchet Ridge Wind, LLC (Hatchet Ridge), St. Joseph Windfarm Inc. (St. Joseph), Spring Valley Wind LLC (Spring Valley), Pattern Santa Isabel LLC (Santa Isabel) and Ocotillo Express LLC (Ocotillo). The Company owns a controlling interest in Pattern Gulf Wind Holdings LLC (Gulf Wind) and noncontrolling interests in South Kent Wind LP (South Kent), Grand Renewable Wind LP (Grand) and AEI-Pattern Holding Limitada (El Arrayán). The principal business objective of the Company is to produce stable and sustainable cash flows through the generation and sale of energy.

Initial Public Offering and Contribution Transactions

On October 2, 2013, Pattern Energy issued 16,000,000 shares of Class A common stock in an initial public offering (IPO) generating net proceeds of approximately $317.0 million. Concurrent with the IPO, Pattern Energy issued 19,445,000 shares of Class A common stock and 15,555,000 shares of Class B common stock to Pattern Development and utilized approximately $232.6 million of the net proceeds of the IPO as a portion of the consideration to Pattern Development for certain entities and assets contributed to Pattern Energy (Contribution Transactions) consisting of interests in eight wind power projects, including six projects in operation (Gulf Wind, Hatchet Ridge, St. Joseph, Spring Valley, Santa Isabel and Ocotillo), and two projects under construction (El Arrayán and South Kent). In accordance with ASC 805-50-30-5, *Transactions between Entities under Common Control*, Pattern Energy recognized the assets and liabilities contributed by Pattern Development at their historical carrying amounts at the date of the Contribution Transactions. On October 8, 2013, Pattern Energy s underwriters exercised in full their overallotment option to purchase 2,400,000 shares of Class A common stock from Pattern Development, the selling stockholder, pursuant to the overallotment option granted by Pattern Development.

In connection with the Contribution Transactions, Pattern Development retained a 40% portion of the interest in Gulf Wind previously held by it such that, at the completion of the IPO, Pattern Energy, Pattern Development and the joint venture partner held interests of approximately 40%, 27% and 33%, respectively, of the distributable cash flow of Gulf Wind, together with certain allocated tax items.

Effective with Pattern Energy s IPO, Pattern Development s project operations and maintenance personnel and certain of its executive officers became Pattern Energy employees and their employment with Pattern Development was terminated. Pattern Development retained those employees whose primary responsibilities relate to project development, legal, financial or other administrative functions. Pattern Energy entered into a bilateral services agreement with Pattern Development, or the Management Services Agreement , that provides for Pattern Energy and Pattern Development to benefit, primarily on a cost-reimbursement basis, from the respective management and other professional, technical and administrative personnel of the respective companies, all of whom report to and are managed by Pattern Energy s executive officers.

Basis of Presentation

Pattern Energy was formed by Pattern Development for the purpose of an IPO and does not have any historical financial operating results. For periods prior to October 2, 2013, Pattern Energy was a shell company, with expenses of less than $10,000 for 2013 and 2012. In accordance with ASC 805-50-30-6, the historical financial statements of Pattern Energy s predecessor, which consist of the combined financial statements of a combination of entities and assets contributed by Pattern Development to Pattern Energy, are consolidated with Pattern Energy (the Company) from the beginning of the earliest period presented.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). They 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.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 those estimates, and such differences may be material to the consolidated financial statements.

Unaudited Pro Forma Income Tax

In order to present the tax effect of the Contribution Transactions, the Company has presented a 2012 pro forma income tax provision as if the Contribution Transactions occurred effective January 1, 2012 and as if the Company were under control of a Subchapter C-Corporation for U.S. federal income tax purposes.

Variable Interest Entities

ASC 810, *Consolidation of Variable Interest Entities*, defines the criteria for determining the existence of Variable Interest Entities (VIEs) and provides guidance for consolidation. The Company consolidates VIEs where the Company is the primary beneficiary. The primary beneficiary of a VIE is the party that has the power to direct the activities that most significantly impact the performance of the entity and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the entity.

Investments or joint ventures in which the Company does not have a majority ownership interest and are not VIEs for which the Company is considered the primary beneficiary are accounted for using the equity method. These amounts are included in unconsolidated investments in the consolidated balance sheets.

Noncontrolling Interests

Noncontrolling interests represent third-party interests in Gulf Wind which resulted from the sale of a noncontrolling interest to an unrelated third party on September 3, 2010 and the interest retained by Pattern Development in connection with the Contribution Transactions on October 2, 2013. The Company has determined that the operating partnership agreement for Gulf Wind does not allocate economic benefits pro rata to its two classes of investors and the appropriate methodology for calculating the noncontrolling interest balance that reflects the substantive profit sharing arrangement is a balance sheet approach using the hypothetical liquidation at book value (HLBV) method.

Under the HLBV method, the amounts reported as noncontrolling interest in the consolidated balance sheets and consolidated statements of operations represent the amounts the third party would hypothetically receive at each balance sheet reporting date under the liquidation provisions of the operating partnership agreement assuming the net assets of Gulf Wind were liquidated at recorded amounts determined in accordance with U.S. GAAP and distributed to the investors. The third-party interest in the results of operations of Gulf Wind and the Company s net income and comprehensive income is determined as the difference in noncontrolling interests in the consolidated balance sheets at the start and end of each reporting period, after taking into account any capital transactions between Gulf Wind and the third party. The noncontrolling interest balance in Gulf Wind is reported as a component of equity in the consolidated balance sheets.

Foreign Currency Translation

The assets and liabilities of foreign subsidiaries, where the local currency is the functional currency, are translated from their respective functional currencies into U.S. dollars at the rates in effect at the balance sheet date, with resulting foreign currency translation adjustments recorded in other comprehensive income (loss), net of tax in the accompanying consolidated statements of stockholders equity and comprehensive income (loss). Revenue and expense amounts are translated at average rates during the period. Where the U.S. dollar is the functional currency, translation adjustments are recorded in other income, net in the accompanying consolidated statements of operations.

Gains and losses realized from transactions, including related party balances not considered permanent investments, denominated in currencies other than an entity s functional currency are included in other income, net in the accompanying consolidated statements of operations.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, trade receivables and derivative assets. The Company places its cash and cash equivalents with high quality institutions.

The Company sells electricity and environmental attributes, including renewable energy credits, primarily to creditworthy utilities under long-term, fixed-priced PPAs. The table below presents significant customers who accounted for the following percentages of total revenues:

	Year ended December 31,		
	2013	**2012**	**2011**
Manitoba Hydro	17.62%	32.06%	20.91%
San Diego Gas & Electric	17.23%	0.18%	0.00%
Pacific Gas & Electric Company	14.54%	23.12%	20.67%
Electric Reliability Council of Texas	12.24%	18.28%	35.23%

The Company s derivative assets are placed with counterparties that are creditworthy institutions. A derivative asset was generated from Credit Suisse Energy LLC, the counterparty to a 10-year fixed-for-floating swap related to annual electricity generation at the Company s Gulf Wind project. The Company s reimbursements for prepaid interconnect network upgrades are with large creditworthy utility companies.

Fair Value of Financial Instruments

ASC 820, *Fair Value Measurements*, defines fair value as the price at which an asset could be exchanged or a liability transferred in an orderly transaction between knowledgeable, willing parties in the principal or most advantageous market for the asset or liability. Where available, fair value is based on observable market prices or derived from such prices. Where observable prices or inputs are not available, valuation models are applied.

These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments complexity. See Note 12 on Fair Value Measurements.

U.S. Treasury Grants

The Company received U.S. Treasury grants on certain wind power projects as defined under Section 1603 of the American Recovery and Reinvestment Act of 2009, as amended by the Tax Relief Unemployment Insurance Reauthorization and Job Creation Act of December 2010, upon approval by the U.S. Treasury Department. The Company records the U.S. Treasury grant proceeds as a deduction from the carrying amount of the related asset which results in a reduction of depreciation expense over the life of the asset. The Company records a catch-up adjustment in the period in which the grant is approved to recognize the portion of the grant that proportionally matches the depreciation for the period between the date of placement in service of the wind power project and approval by the U.S. Treasury Department. See Note 5 on Property, Plant and Equipment.

Cash and Cash Equivalents

Cash and cash equivalents consist of all cash balances and highly-liquid investments with original maturities of three months or less. The Company maintains cash and cash equivalents, which consist principally of demand deposits with high credit quality financial institutions. The Company has exposure to credit risk to the extent cash and cash equivalent balances, including restricted cash, exceed amounts covered by federal deposit insurance. The Company believes that its credit risk is immaterial.

Restricted Cash

Restricted cash consists of cash balances which are restricted as to withdrawal or usage and include cash to collateralize bank letters of credit related primarily to interconnection rights and power purchase agreements (PPAs) and for certain reserves required under the Company s loan agreements.

Trade Receivables

The Company s trade receivables are generated by selling energy and renewable energy credits in the California, Texas, Nevada, Manitoba (Canada) and Puerto Rico energy markets. The Company believes that all amounts are collectible and an allowance for doubtful accounts is not required as of December 31, 2013 and 2012.

Reimbursable Interconnect Costs

During 2013 and 2012, the Company paid to construct interconnect network upgrades for one of its utility customers. The utility owns the interconnect upgrades and reimbursed the Company with interest when the project reached commercial operations in 2013.

Turbine Advances

Turbine advances represent amounts advanced to turbine suppliers for the manufacture of wind turbines in accordance with turbine supply agreements for the Company s wind power projects and for which the Company has not taken title. Turbine advances are reclassified to construction in progress when the Company takes legal title to the related turbines and are reclassified to property, plant and equipment when the project achieves commercial operation. Depreciation does not commence until projects enter commercial operation and assets are placed in service.

Deferred Development Costs

Deferred development costs consist primarily of initial permitting, environmental reviews, land rights and obligations and preliminary design and engineering work. The Company expenses all project development costs until a project is determined to be technically feasible and likely to achieve commercial success. Capitalized deferred project development costs are reclassified to construction in progress upon start of construction and recorded to property, plant and equipment upon commercial operation.

Construction in Progress

Construction in progress represents the accumulated costs of projects in construction. Construction costs include turbines for which the Company has taken legal title, civil engineering, electrical and other related costs. Other capitalized costs include reclassified deferred development costs, amortization of intangible assets, amortization of deferred financing costs, capitalized interest and other costs required to place a project into commercial operation. Construction in progress is reclassified to property, plant and equipment when the project begins commercial operation.

Property, Plant and Equipment

Property, plant and equipment represents the costs of completed and operational projects transferred from construction in progress as well as land, computer equipment and software, furniture and fixtures, leasehold improvements and other equipment. Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the assets useful lives. Wind farms are depreciated over twenty years and the remaining assets are depreciated over three to five years. Land is not depreciated. Improvements to property, plant and equipment deemed to extend the useful economic life of an asset are capitalized. Repair and maintenance costs are expensed as incurred.

Accounting for Impairment of Long-Lived Assets

The Company periodically evaluates whether events have occurred that would require revision of the remaining useful life of equipment and improvements and purchased intangible assets or render them not recoverable. If such circumstances arise, the Company uses an estimate of the undiscounted value of expected future operating cash flows to determine whether the long-lived assets are impaired. If the aggregate undiscounted cash flows are less than the carrying amount of the assets, the resulting impairment charge to be recorded is calculated based on the excess of the carrying value of the assets over the fair value of such assets, with the fair value determined based on an estimate of discounted future cash flows. Through December 31, 2013, no impairment charges have been recorded.

Derivatives

The Company recognizes its derivative instruments as assets or liabilities at fair value in the consolidated balance sheets. Accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated as part of a hedging relationship and on the type of hedging relationship.

For derivative instruments that are designated as cash flow hedges the effective portion of change in fair value of the derivative is reported as a component of other comprehensive income (loss) (OCI). Changes in the fair value of these derivatives are subsequently reclassified into earnings in the period that the hedged transaction affects earnings. The ineffective portion of change in fair value is recorded as a component of net income (loss) on the consolidated statement of operations.

For undesignated derivative instruments their change in fair value is reported as a component of net income on the consolidated statement of operations.

The Company enters into derivative transactions for the purpose of reducing exposure to fluctuations in interest rates and electricity prices. The Company has entered into interest rate swaps, an interest rate cap and an electricity price derivative.

Interest rate swaps are instruments used to fix the interest rate on variable interest rate debt. The Company entered into interest rate swaps in 2013, 2012 and 2011.

An interest rate cap is an instrument that is used to reduce exposure to future variable interest rates when the related debt is expected to be refinanced. The Company entered into an interest rate cap in 2010. The cap remains in place as of December 31, 2013.

The Company entered into an electricity price arrangement, which qualifies as a derivative, that fixes the price of approximately 58% of the electricity expected to be produced and sold by Gulf Wind through April 2019, and which reduces the Company s exposure to spot electricity prices.

Deferred Financing Costs

Financing costs incurred in connection with obtaining construction and term financing are deferred and amortized over the lives of the respective loans using the effective-interest method. Amortization of deferred financing costs is capitalized during construction and recorded as interest expense in the consolidated statements of operations following commencement of commercial operation.

Income Taxes

Prior to October 2, 2013, the Company s predecessor did not provide for income taxes as it was treated as a pass-through entity for U.S. federal and state income tax purposes, except for several specific circumstances involving its Canadian entities, which are subject to Canadian income taxes, its Chilean entities, which are subject to Chilean income taxes, a U.S. entity that is subject to Puerto Rican taxes and a U.S. entity which became subject to U.S. income taxes in 2012. Federal and state income taxes were assessed at the owner level and each owner was liable for its own tax payments. Certain consolidated entities are corporations or have elected to be taxed as corporations. In these circumstances, income tax was accounted for under the asset and liability method.

Subsequent to October 2, 2013, following the Contribution Transactions, 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 financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax bases 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. The Company recognizes deferred tax assets to the extent that it believes these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning and results of recent operations. If the Company determines that it would be able to realize its deferred tax assets in the future in excess of their net recorded amount, it would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes. The Company records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process whereby (1) it determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, it recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The Company has a policy to classify interest and penalties associated with uncertain tax positions together with the related liability, and the expenses incurred related to such accruals, if any, are included in the provision for income taxes.

Contingent Liabilities

The Company s contingent liabilities represent deferred and contingent purchase price obligations related to projects acquired through business combinations and are recorded at fair value at each reporting date.

Asset Retirement Obligation

The Company records asset retirement obligations for the estimated costs of decommissioning turbines, removing above-ground installations and restoring sites, at the time when a contractual decommissioning obligation materializes. The Company records accretion expense, which represents the increase in the asset retirement obligations, over the remaining or operational life of the associated wind project. Accretion expense is recorded as cost of revenue in the statement of operations using accretion rates based on credit adjusted risk free interest rates.

Revenue Recognition

The Company sells the electricity it generates under the terms of PPAs or at spot market prices. Revenue is recognized based upon the amount of electricity delivered at rates specified under the contracts, assuming all other revenue recognition criteria are met. The Company evaluates its PPAs to determine whether they are in substance leases or derivatives and, if applicable, recognizes revenue pursuant to ASC 840 *Leases* and ASC 815 *Derivatives and Hedging*, respectively. As of December 31, 2013, there were no PPAs that are accounted for as leases or derivatives and revenue is recognized on an accrual basis.

The Company also generates renewable energy credits as it produces electricity. Certain of these energy credits are sold independently in an open market and revenue is recognized at the time title to the energy credits is transferred to the buyer.

The Company acquired a ten-year energy derivative instrument as part of its acquisition of Gulf Wind in 2010, which fixes approximately 58% of the Project s expected electricity generation through April 2019. The energy derivative instrument reduces exposure to changes in commodity prices by allowing the Company to lock in a fixed price per MWh for a specified amount of annual electricity generation. The monthly settlement amounts under the energy hedge are accounted for as energy derivative settlements in the consolidated statements of operations. The change in the fair value of the energy hedge is classified as unrealized (loss) gain on energy derivative revenue in the consolidated statements of operations.

The Company recognizes revenue for warranty settlements and liquidated damages from turbine manufacturers in other revenue upon resolution of outstanding contingencies. Any cash receipts for amounts subject to future adjustment or repayment are deferred in other liabilities until the final settlement amount is considered fixed and determinable.

Cost of Revenue

The Company s cost of revenue is comprised of direct costs of operating and maintaining its wind project facilities, including labor, turbine service arrangements, land lease royalties, depreciation, accretion, property taxes and insurance.

Stock-Based Compensation

The Company accounts for stock-based compensation related to stock options granted to employees by estimating the fair value of the stock-based awards using the Black-Scholes option-pricing model. The fair value of the stock options granted are amortized over the applicable vesting period. The Black-Scholes option pricing model includes assumptions regarding dividend yields, expected volatility, expected option term, expected forfeiture rate and risk-free interest rates. The Company estimates expected volatility based on the historical volatility of comparable publicly traded companies for a period that is equal to the expected term of the options. The risk-free interest rate is based on the U.S. treasury yield curve in effect at the time of grant for a period commensurate with the estimated expected life. The expected term of options granted is derived using the simplified method as allowed under the provisions of the

ASC 718, *Compensation Stock Compensation,* and represents the period of time that options granted are expected to be outstanding.

The Company accounts for stock-based compensation related to restricted stock award grants by amortizing the fair value of the restricted stock award grants, which is the grant date market price, over the applicable vesting period.

Stock-based compensation expense is recorded as a component of general and administrative expenses in the Company s consolidated statements of operations.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss), net of tax. Other comprehensive income (loss), net of tax included in accumulated other comprehensive income (loss) in the accompanying consolidated statements of stockholders equity, is comprised of changes in foreign currency translation adjustments and changes in the fair value of derivatives designated as hedges.

Segment Data

Operating segments are defined as components of a company about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company s chief operating decision maker is the chief executive officer. Based on the financial information presented to and reviewed by the chief operating decision maker in deciding how to allocate the resources and in assessing the Company s performance, the Company has determined its wind projects represent individual operating segments with similar economic characteristics that meet the criteria for aggregation into a single reporting segment for financial statement purposes.

3. Acquisition from Pattern Development

On December 20, 2013, the Company acquired from Pattern Development a 45% equity interest in Grand for $79.5 million, paid in 2013, plus a contingent payment of up to $4.7 million, payable in 2014. Grand is a joint venture established to develop, construct, and own a wind power project located in Ontario, Canada. The project has a 20-year PPA and commenced construction in September 2013. The Company s investment in Grand was paid from general corporate funds. Grand is accounted for under the equity method of accounting. In accordance with ASC 805-50-30-5, *Transactions between Entities under Common Control*, the Company recognized the investment at the historical carrying amount at the date of acquisition.

4. Prepaid expenses and other current assets

The following table presents the components of prepaid expenses and other current assets (in thousands):

	December 31,	
	2013	2012
Prepaid expenses	$ 10,132	$ 7,202
Sales tax	50	3,275
Interconnection network upgrade receivable	2,512	1,854
Other current assets	1,233	1,463
Prepaid expenses and other current assets	$ 13,927	$ 13,794

5. Property, Plant and Equipment

The following presents the categories within property, plant and equipment (in thousands):

	December 31, 2013	December 31, 2012
Operating wind farms	$ 1,652,119	$ 1,765,200
Furniture, fixtures and equipment	3,785	3,333
Land	16	16
Subtotal	1,655,920	1,768,549
Less: accumulated depreciation	(179,778)	(100,247)
	$ 1,476,142	$ 1,668,302

The Company recorded depreciation expense related to property, plant and equipment of $82.0 million, $48.3 million and $38.9 million for the years ended December 31, 2013, 2012 and 2011, respectively.

In June 2013, the Company received $115.9 million and $57.6 million for Ocotillo and Santa Isabel, respectively, under a cash grant in lieu of investment tax credit (Cash Grant) from the U.S. Department of the Treasury. In December 2012, the Company received $79.9 million for Spring Valley under a Cash Grant from the U.S. Department of the Treasury. The Company recorded the cash proceeds as a deduction from the carrying amount of the related wind farm assets which resulted in the assets being recorded at lower amounts.

The Cash Grants received for Ocotillo, Santa Isabel, and Spring Valley reduced depreciation expense recorded in the consolidated statements of operations by approximately $13.0 million and $1.5 million for the years ended December 31, 2013 and 2012, respectively.

6. Unconsolidated Investments

The following presents projects that are accounted for under the equity method of accounting (in thousands):

	December 31,		Percentage of Ownership December 31,	
	2013	2012	2013	2012
South Kent	$ 59,488	$ 17,895	50.0%	50.0%
El Arrayán	21,103	18,323	31.5%	31.5%
Grand	26,464		45.0%	N/A
Unconsolidated investments	$ 107,055	$ 36,218		

South Kent

The Company is a noncontrolling investor in a joint venture established to develop, construct, and own a wind power project located in Ontario, Canada. The project has a 20-year PPA. Construction commenced in March 2013.

El Arrayán

The Company is a noncontrolling investor in a joint venture established to develop, construct, and own a wind power project located in Chile. The project has a 20-year PPA and commenced construction in May 2012.

Grand

On December 20, 2013, the Company acquired from Pattern Development a 45% equity interest in Grand for $79.5 million, paid in 2013, plus a contingent payment of up to $4.7 million, payable in 2014. Grand is a joint venture established to develop, construct, and own a wind power project located in Ontario, Canada. The project has a 20-year PPA and commenced construction in September 2013. The Company s investment in Grand was paid from general corporate funds. The Company is a noncontrolling investor in Grand and the investment is accounted for under the equity method of accounting.

The following summarizes the aggregated balance sheets as of December 31, 2013 and 2012, and operating results of the unconsolidated joint ventures for the years ended December 31, 2013, 2012 and 2011, respectively (in thousands):

	December 31,	
	2013	2012
Current assets	$ 78,906	$ 33,578
Non-current assets	1,097,018	142,522
Total assets	$ 1,175,924	$ 176,100
Current liabilities	$ 128,076	$ 5,153
Non-current liabilities	810,936	71,709
Total liabilities	$ 939,012	$ 76,862
Total equity	$ 236,912	$ 99,238
Total liabilities and equity	$ 1,175,924	$ 176,100

	Year ended December 31,		
	2013	2012	2011
Revenue	$	$	$
Other (income) expense	(13,322)	275	455
Net income (loss)	$ 13,322	$ (275)	$ (455)

7. Accounts payable and other accrued liabilities

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

	December 31,	
	2013	2012
Accounts payable	$ 168	$ 331
Other accrued liabilities	7,282	3,847

Warranty settlement payments	2,187	
Payroll liabilities	2,162	
Property tax payable	3,490	3,444
Sales tax payable	261	128
Accounts payable and other accrued liabilities	$ 15,550	$ 7,750

8. Long term debt

The Company s long term debt as of December 31, 2013 and 2012 is presented below (in thousands):

	December 31,		Interest Rate as of December 31,		Interest	
	2013	**2012**	**2013**	**2012**	**Type**	**Maturity**
Santa Isabel bridge loan	$	$ 38,337	N/A	2.31%	Variable	N/A
Ocotillo bridge loan		56,586	N/A	3.31%	Variable	N/A
Hatchet Ridge term loan	239,865	251,119	1.43%	1.43%	Imputed	December 2032
Gulf Wind term loan	166,448	174,969	3.25%	3.36%	Variable	March 2020
St. Joseph term loan	215,330	238,737	5.88%	5.88%	Fixed	May 2031
Spring Valley term loan	173,110	178,900	2.63%	2.62%	Variable	June 2030
Santa Isabel term loan	115,721	119,035	4.57%	4.57%	Fixed	September 2033
Ocotillo commercial term loan	230,944	160,299	3.00%	3.31%	Variable	August 2020
Ocotillo development term loan	107,800	72,588	2.35%	2.41%	Variable	August 2033
	1,249,218	1,290,570				
Less: current portion	(48,851)	(137,258)				
	$ 1,200,367	$ 1,153,312				

The following are amounts due for long-term debt as of December 31, 2013 (in thousands):

For the year ending December 31,	
2014	$ 48,851
2015	58,888
2016	60,442
2017	61,571
2018	66,547
Thereafter	952,919
	$ 1,249,218

Interest and commitment fees incurred, and interest expense recorded in the Company s consolidated statements of operations are as follows (in thousands):

	Year ended December 31,		
	2013	**2012**	**2011**
Interest and commitment fees incurred	$ 57,478	$ 43,496	$ 31,610
Capitalized interest, commitment fees, and letter of credit fees	(4,210)	(10,259)	(4,220)
Letter of credit fees	3,530	720	537
Amortization of financing costs	6,816	2,545	1,477

Interest expense	$ 63,614	$ 36,502	$ 29,404

Hatchet Ridge

In December 2010, Hatchet Ridge entered into sale-leaseback transactions to finance the facility for 22 years. In accordance with ASC 840, *Leases*, Hatchet Ridge accounts for the sale-leaseback as a financing transaction.

Collateral for the sale-leaseback financing includes Hatchet Ridge s tangible assets and contractual rights and cash on deposit with the depository agent. Its loan agreement contains a broad range of covenants that, subject to certain exceptions, restrict Hatchet Ridge s ability to incur debt, grant liens, sell or lease assets, transfer equity interests, dissolve, pay distributions and change its business.

Gulf Wind

The Company acquired Gulf Wind in March 2010. Concurrent with its acquisition, Gulf Wind entered into a $195.4 million credit facility. The Gulf Wind credit facility has a term of ten years. In connection with the facility, Gulf Wind entered into interest rate swaps and cap agreements to reduce its exposure to variable interest rates of the term of the facility and to hedge its exposure to re-financing rate risk.

Collateral for the Gulf Wind credit facility includes Gulf Wind s tangible assets and contractual rights and cash on deposit with the depository agent. Its loan agreement contains a broad range of covenants that, subject to certain exceptions, restrict Gulf Wind s ability to incur debt, grant liens, sell or lease assets, transfer equity interests, dissolve, pay distributions and change its business.

St. Joseph

In March 2010, St. Joseph entered into a $259.5 million construction and term loan facility that was converted to a 20-year term loan in May 2011.

Collateral for the St. Joseph facility includes St. Joseph s tangible assets and contractual rights and cash on deposit with the depository agent. Its loan agreement contains a broad range of covenants that, subject to certain exceptions, restrict St. Joseph s ability to incur debt, grant liens, sell or lease certain assets, transfer equity interests, dissolve, make distributions and change its business.

Spring Valley

In August 2011, Spring Valley entered into a $178.9 million construction loan facility and a $53.3 million cash grant bridge loan. Spring Valley reached commercial operations on August 16, 2012 and the construction loan was converted to a term loan on November 16, 2012. The cash grant bridge loan was repaid in December 2012 from funds the Company received under a Cash Grant from the U.S. Department of Treasury following the wind project being placed in service. In connection with the term loan, Spring Valley entered into interest rate swaps for the term of the loan to hedge its exposure to variable interest rates following term conversion of the facility.

Collateral for the loan consists of Spring Valley s tangible assets and contractual rights, and cash on deposit with the depository agent. Its loan agreement contains a broad range of covenants that, subject to certain exceptions, restrict Spring Valley s ability to incur debt, grant liens, sell or lease assets, transfer equity interests, dissolve, pay distributions and change its business.

Santa Isabel

In October 2011, Santa Isabel entered into a $119.0 million construction loan facility and a $57.5 million cash grant bridge loan facility. On December 5, 2012, Santa Isabel achieved commercial operations under the terms of its PPA. The construction loan converted to a term loan on May 15, 2013 and matures on September 30, 2033. The cash grant bridge loan was repaid from funds the Company received under a Cash Grant in May 2013.

Collateral for the Santa Isabel facility consists of Santa Isabel s tangible assets and contractual rights, and cash on deposit with the depository agent. Its loan agreement contains a broad range of covenants that, subject to certain exceptions, restrict Santa Isabel s ability to incur debt, grant liens, sell or lease assets, transfer equity interests, dissolve, pay distributions and change its business.

Ocotillo

In October 2012, Ocotillo entered into a $467.3 million financing agreement comprised of two construction loan facilities totaling $351.5 million, a network upgrade bridge loan facility of $56.6 million and a letter of credit facility of $59.2 million. The two loan facilities consist of a development bank tranche of $110.0 million and a commercial bank tranche of $241.5 million. Ocotillo reached full commercial operations in July 2013, and the two construction loans converted to term loans on September 20, 2013 and mature 20 years and 7 years after the term loan conversion, respectively. The network upgrade bridge loan was repaid in August 2013 from reimbursements received from the utility related to the construction of network upgrade costs. In connection with the financing agreement, the Company entered into interest rate swaps on 90% of the loan commitment. In addition, in September 2013, Ocotillo prepaid $2.2 million of the development bank loan and $5.3 million of the commercial bank loan pursuant to a proposal initiated by Ocotillo and accepted by the lenders.

Collateral under the Ocotillo financing agreement consists of Ocotillo s tangible assets and contractual rights, and cash on deposit with the depository agent. Its loan agreement contains a broad range of covenants that, subject to certain exceptions, restrict Ocotillo s ability to incur debt, grant liens, sell or lease assets, transfer equity interests, dissolve, pay distributions and change its business.

Revolving Credit Facility

On November 15, 2012, the Company entered into a $120.0 million revolving credit agreement for working capital with a four-year term comprised of a revolving loan facility and a letter of credit facility. The revolving credit agreement has an accordion feature under which the Company has the right to increase available borrowings by up to $35.0 million if its lenders or other additional lenders are willing to lend on the same terms and meet certain other conditions. As of December 31, 2013 and 2012, letters of credit of $44.8 million and $39.1 million, respectively, have been issued and loans of $56.0 million and zero were drawn and repaid in 2013 and 2012, respectively. As of December 31, 2013 and 2012, there was no outstanding balance on the revolving credit facility.

Loans, when and if drawn, are either base rate loans or Eurodollar rate loans. The base rate loans accrue interest at 2.5% plus the greatest of the (i) the prime rate, (ii) the federal funds rate plus 0.5% and (iii) the Eurodollar rate that would be in effect for a Eurodollar rate loan with an interest period of one month plus 1.0%. The Eurodollar rate loans will accrue interest at a rate per annum equal to LIBOR, as published by Reuters plus 3.5%. Collateral for the revolving credit facility consists of the Company s membership interests in certain of the Company s holding company subsidiaries. The revolving credit facility contains a broad range of covenants that, subject to certain exceptions, restrict the Company s ability to incur debt, grant liens, sell or lease assets, transfer equity interests, dissolve, pay distributions and change its business.

9. Asset Retirement Obligations

The Company s asset retirement obligations represent the estimated cost of decommissioning the turbines, removing above-ground installations and restoring the sites at a date that is 20 years from the commencement of commercial operation of the facility.

The following table presents a reconciliation of the beginning and ending aggregate carrying amounts of asset retirement obligations as of December 31, 2013, 2012 and 2011 (in thousands):

	December 31,		
	2013	2012	2011
Beginning asset retirement obligations	$ 19,056	$ 10,342	$ 9,365
Additions during the year	767	7,971	467
Foreign currency translation adjustment	(172)	59	(43)
Accretion expense	1,183	684	553

Ending asset retirement obligations	$ 20,834	$ 19,056	$ 10,342

10. Derivative Instruments

The Company employs a variety of derivative instruments to manage its exposure to fluctuations in interest rates and electricity prices. The following tables present the amounts that are recorded in the Company s consolidated balance sheets as of December 31, 2013, 2012 and 2011 (in thousands):

Undesignated Derivative Instruments Classified as Assets (Liabilities):

Derivative Type	Quantity	Maturity Dates	As of Fair Market Value Current Portion	Long-Term Portion	Year ended YTD Gain (Loss) Recognized into Income
December 31, 2013					
Interest rate swaps	6	6/30/2030	$ (3,899)	$ 14,358	$ 15,367
Interest rate cap	1	12/31/2024		681	234
Energy derivative	1	4/30/2019	13,937	54,416	(11,272)
			$ 10,038	$ 69,455	$ 4,329
December 31, 2012					
Interest rate swaps	6	6/30/2030	$ (1,980)	$ (2,931)	$ (4,909)
Interest rate cap	1	12/31/2024		447	(44)
Energy derivative	1	4/30/2019	17,177	62,448	(6,951)
			$ 15,197	$ 59,964	$ (11,904)
December 31, 2011					
Interest rate cap	1	12/31/2024	$	$ 491	$ (345)
Energy derivative	1	4/30/2019	18,687	67,890	17,577
			$ 18,687	$ 68,381	$ 17,232

Designated Derivative Instruments Classified as Assets (Liabilities):

Derivative Type	Quantity	Maturity Dates	As of Fair Market Value Current Portion	Long-Term Portion	Year ended YTD Gain (Loss) Recognized in OCI
December 31, 2013					
Interest rate swaps	6	6/30/2033	$ (2,105)	$ 9,625	$ 10,434
Interest rate swaps	7	3/15/2020	(5,289)	(7,439)	9,398
Interest rate swaps	2	6/28/2030	(4,878)	3,087	17,043
			$ (12,272)	$ 5,273	$ 36,875

December 31, 2012

Interest rate swaps	6	6/30/2033	$ (952)	$ (1,962)	$ (2,914)
Interest rate swaps	7	3/15/2020	(5,558)	(16,568)	(1,835)
Interest rate swaps	2	6/28/2030	(4,972)	(13,865)	(6,421)
			$ (11,482)	$ (32,395)	$ (11,170)
December 31, 2011					
Interest rate swaps	7	3/15/2020	$ (4,929)	$ (15,362)	$ (11,251)
Interest rate swaps	2	6/28/2030		(12,416)	(12,416)
			$ (4,929)	$ (27,778)	$ (23,667)

Gulf Wind

In 2010, Gulf Wind entered into interest rate swaps with each of its lenders to manage exposure to interest rate risk on its long-term debt. The interest rate swaps exchange variable interest rate payments for fixed interest rate payments that were approximately 6.6% for the years ended December 31, 2013, 2012 and 2011. The fixed interest rate is set at 6.6% for years two through eight and 7.1% and 7.6% for the last two years of the loan term, respectively. The interest rate swaps qualify for hedge accounting and were designated as cash flow hedges. No ineffectiveness was recorded for the years ended December 31, 2013, 2012 and 2011. The Company expects to reclassify $5.3 million into earnings from accumulated other comprehensive income (loss) during 2014 as quarterly hedge payments occur.

In 2010, Gulf Wind also entered into an interest rate cap to manage exposure to future interest rates when its long-term debt is expected to be refinanced at the end of the ten-year term. The cap protects the Company if future interest rates exceed approximately 6.0%. The cap has an effective date of March 31, 2020, terminates on December 31, 2024, and has a notional amount of $42.1 million which reduced quarterly during its term. The cap is a derivative but does not qualify for hedge accounting and has not been designated. The Company recognized unrealized gains (losses) of $0.2 million, zero and ($0.3) million for the years ended December 31, 2013, 2012 and 2011, respectively, in unrealized gain (loss) on derivatives in the consolidated statements of operations. The derivative instrument s asset value as of December 31, 2013, 2012 and 2011, was approximately $0.7 million, $0.4 million and $0.5 million, respectively.

In 2010, Gulf Wind acquired an energy derivative instrument to manage its exposure to variable electricity prices. The energy price swap fixes the price of approximately 58% of its electricity generation through April 2019. The energy derivative instrument is a derivative but did not meet the criteria required to adopt hedge accounting. The energy derivative instrument s fair value as of December 31, 2013, 2012 and 2011 was $68.4 million, $79.6 million and $86.6 million, respectively. Gulf Wind recognized unrealized (losses) gain of ($11.3) million, ($7.0) million, and $17.6 million for the years ended December 31, 2013, 2012 and 2011, respectively, in unrealized (loss) gain on energy derivative in the consolidated statements of operations.

Spring Valley

In 2011, Spring Valley entered into interest rate swaps with its lenders to manage exposure to interest rate risk on its long-term debt. The interest rate swaps exchange variable interest rate payments for fixed interest rate payments of approximately 5.5% for the first four years of its term debt and increases by 0.25% every four years, thereafter. The interest rate swaps qualify for hedge accounting and were designated as cash flow hedges. No ineffectiveness was recorded for the years ended December 31, 2013, 2012 and 2011. The Company expects to reclassify $4.9 million into earnings from accumulated other comprehensive income (loss) during 2014 as quarterly swap settlement payments occur.

Ocotillo

In October 2012, Ocotillo entered into interest rate swaps with its lenders to manage exposure to interest rate risk on its long-term debt. The interest rate swaps exchange variable interest rate payments for fixed interest rate payments of approximately 2.5% and 2.2% for the development bank term loans and the commercial bank term loans, respectively. The interest rate swaps for the development bank loans qualify for hedge accounting and were designated as cash flow hedges. No ineffectiveness was recorded for the years ended December 31, 2013, 2012 and 2011. The Company expects to reclassify $2.1 million into earnings from accumulated other comprehensive income (loss) during 2014 as quarterly hedge payments occur. The interest rate swaps for the commercial bank loans are undesignated derivatives that are used to mitigate exposure to variable interest rate debt.

11. Accumulated Other Comprehensive Income (Loss)

The following table summarizes changes in the accumulated other comprehensive income (loss) balance by component:

	Foreign Currency	Effective Portion of Change in Fair Value of Derivatives	Proportionate Share of Equity Investee s OCI	Total
Balances at January 1, 2011	$ (497)	$ (9,040)	$	$ (9,537)
Current period other comprehensive loss	(2,406)	(23,667)		(26,073)
Income tax benefit (expense)				
Balances at December 31, 2011	(2,903)	(32,707)		(35,610)
Current period other comprehensive income (loss)	2,749	(11,170)	(1,475)	(9,896)
Income tax benefit (expense)				
Balances at December 31, 2012	(154)	(43,877)	(1,475)	(45,506)
Current period other comprehensive income (loss)	(8,309)	36,875	2,621	31,187
Income tax expense			(148)	(148)
Grand acquisition			(4,217)	(4,217)
Income tax benefit Grand acquisition			1,307	1,307
Balances at December 31, 2013	$ (8,463)	$ (7,002)	$ (1,912)	$ (17,377)

12. Fair Value Measurements

The Company s fair value measurements incorporate various factors, including the credit standing and performance risk of the counterparties, the applicable exit market, and specific risks inherent in the instrument. Nonperformance and credit risk adjustments on risk management instruments are based on current market inputs when available, such as credit default hedge spreads. When such information is not available, internal models may be used.

Assets and liabilities recorded at fair value in the consolidated financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels directly related to the amount of subjectivity associated with the inputs to valuation of these assets or liabilities are as follows:

Level 1 Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument s anticipated life.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities and which reflect management s best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuations technique and the risk inherent in the inputs to the model.

Short-term financial instruments consist principally of cash, cash equivalents, accounts receivable, notes receivable, accounts payable and other accrued liabilities. Based on the nature and short maturity of these instruments their fair value is approximated using carrying cost and they are presented in the Company s financial statements at carrying cost. The fair values of cash, cash equivalents and restricted cash are a Level 1 hierarchy. The fair values of accounts receivable, notes receivable, accounts payable and other accrued liabilities are Level 2 hierarchy.

Long term debt is presented on the consolidated balance sheet at amortized cost. The fair value of variable interest rate long-term debt is approximated by its carrying cost. The fair value of fixed interest rate long-term debt is estimated based on observable market prices or parameters or derived from such prices or parameters (Level 2). Where observable prices or inputs are not available, valuation models are applied, using the net present value of cash flow streams over the term using estimated market rates for similar instruments and remaining terms (Level 3).

Derivatives and contingent liabilities subject to re-measurement are presented in the financial statements at fair value. The interest rate swaps and interest rate cap were valued by discounting the net cash flows using the forward LIBOR curve with the valuations adjusted by the counterparties credit default hedge rate (Level 2). The fair value of contingent liabilities is based upon the time of realization and the probability of the contingent event (Level 3). The energy derivative instrument was valued by discounting the projected net cash flows over the remaining life of the derivative using forward energy curves adjusted by a nonperformance risk factor (Level 3).

The following tables present the fair values according to each defined level (in thousands):

Financial assets and (liabilities) measured on a recurring basis:

	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
December 31, 2013			
Interest rate swaps	$	$ 3,460	$
Interest rate cap		681	
Energy derivative			68,353
	$	$ 4,141	$ 68,353
December 31, 2012			
Interest rate swaps	$	$ (48,788)	$
Interest rate cap		447	
Energy derivative			79,625
Contingent liabilities			(8,001)
	$	$ (48,341)	$ 71,624

Reconciliation of energy derivative and contingent liabilities measured at fair value using unobservable inputs (Level 3):

	Contingent Liabilities	Energy Derivative	Total
Balances at January 1, 2012	$ (5,986)	$ 86,577	$ 80,591
Settlements		(19,644)	(19,644)
Change in fair value, net of settlements	(2,015)	12,692	10,677
Balances at December 31, 2012	(8,001)	79,625	71,624
Settlements	8,001	(16,798)	(8,797)
Change in fair value, net of settlements		5,526	5,526

Balances at December 31, 2013	$	$ 68,353	$ 68,353

The change in fair value for the years ended December 31, 2013, 2012 and 2011 related to assets and liabilities still held at the end of the respective period, except for contingent liabilities which were settled during the year ended December 31, 2013.

The following table presents the carrying amounts and fair values of the Company s long term debt (in thousands):

	December 31, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total long term debt	$ 1,249,218	$ 1,165,119	$ 1,290,570	$ 1,247,449

13. Income Taxes

The following table presents significant components of the provision for income taxes (in thousands):

	Year ended December 31,		
	2013	2012	2011
Current			
U.S. federal	$	$	$
State			
Foreign			
Deferred			
U.S. federal	2,961		
State			
Foreign	1,585	(3,604)	689
	4,546	(3,604)	689
Total income tax (benefit) provision	$ 4,546	$ (3,604)	$ 689

The following table presents the domestic and foreign components of net income (loss) before income tax (benefit) expense (in thousands):

	Year ended December 31,		
	2013	2012	2011
U.S.	$ 4,022	$ (17,810)	$ 25,957
Foreign	10,596	830	638
Total	$ 14,618	$ (16,980)	$ 26,595

The following table presents a reconciliation of the statutory U.S federal income tax rate to the Company s effective tax rate, as a percentage of income before taxes for the years ended December 31, 2013, 2012 and 2011:

	Year ended December 31,		
	2013	2012	2011
Statutory U.S. federal tax rate	35.0%	35.0%	35.0%
Book/tax basis difference		27.2%	
Partnership income not subject to taxes		(40.9)%	(32.4)%
Adjustment for income in non-taxable entities allocable to noncontrolling interest	16.5%		
Foreign rate difference			
Tax rate differential on pre-tax book income, other	2.1%		
Local tax on branch profits/(losses) Puerto Rico	13.1%		
Permanent book/tax differences (domestic only)	(2.2)%		
Valuation allowance	187.2%		
Other	3.1%		
ARRA Section 1603 grant-basis reduction deferred tax assets	(223.7)%		
Effective income tax rate	31.1%	21.3%	2.6%

The following table presents significant components of the Company s deferred tax assets and deferred tax liabilities as of December 31, 2013 and 2012 (in thousands):

	December 31, 2013	2012
Deferred tax assets/liabilities current		
Other current deferred tax assets and liabilities	$ 2,399	$
Basis difference in derivatives	2,835	
Total gross deferred tax assets/(liabilities)	5,234	
Less: valuation allowance	(4,661)	
Total net deferred tax assets/(liabilities) current	573	
Deferred tax assets/(liabilities) non-current:		
Property, plant and equipment	(36,548)	(47,894)
Basis difference in foreign subsidiaries	40,097	
Partnership interest	(4,917)	
Lease Hatchet Ridge	29,314	
Asset retirement obligation	4,649	
Equity method	3,794	
Unrealized loss on derivatives	(5,830)	
Net operating loss carryforwards	61,441	45,302
Other non current deferred tax assets and liabilities	(4,595)	(690)
Change in tax status		4,599
Accruals not currently deductible		443
Total gross deferred tax assets/(liabilities) non-current	87,405	1,760
Less: valuation allowance	(95,318)	(482)
Total net deferred tax assets/(liabilities) non-current	(7,913)	1,278
Total net deferred tax assets/(liabilities)	$ (7,340)	$ 1,278

The deferred tax assets and deferred tax liabilities resulted primarily from temporary differences between book and tax basis of assets and liabilities. The Company regularly assesses the likelihood that future taxable income levels will be sufficient to ultimately realize the tax benefits of the deferred tax assets. Should the Company determine that future realization of the tax benefits is not more likely than not, additional valuation allowance would be established which would increase the Company s tax provision in the period of such determination. The net deferred tax assets and net deferred tax liabilities as of December 31, 2013 and 2012 are attributed primarily to the Company s Canadian and Puerto Rico entities. The net change in valuation allowance increased by $99.5 million during year ended December 31, 2013. The net increase is attributable to the contribution transactions of $79.3 million and the three month activity ended December 31, 2013 in the U.S. consolidated filing group of $20.2 million.

As of December 31, 2013, the Company had U.S federal and state net operating loss carryforwards of approximately $77.6 million and $77.8 million, respectively. These net operating loss carryforwards are available to reduce future taxable income and will begin to expire commencing in 2033 for federal and state purposes.

Internal Revenue Code Section 382 places a limitation (the Section 382 Limitation) on the amount of taxable income that can be offset by net operating loss (NOL) carryforwards after a change in control (generally greater than 50% change in ownership) of a loss corporation. California has similar rules. The Company did not have any historic US net operating losses prior to October 2, 2013 except for net operating losses from its Puerto Rico entity which may be subject to Section 382 limitation.

The Company is required to recognize in the financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. As of December 31, 2013, the Company does not have any unrecognized tax benefits and does not have any tax positions for which it is reasonably possible that the amount of gross unrecognized tax benefits will increase or decrease within 12 months after the year ended December 31, 2013.

The Company files income tax returns in the U.S federal jurisdiction, various state jurisdictions and foreign jurisdictions for its Canadian and Chilean operations. The Company s U.S and foreign income tax returns for 2009 and forward are subject to examination.

The Company has a policy to classify accrued interest and penalties associated with uncertain tax positions together with the related liability, and the expenses incurred related to such accruals are included in the provision for income taxes. The Company did not incur any interest expense or penalties associated with unrecognized tax benefits for the years ended December 31, 2013, 2012 and 2011.

The Company operates under a tax holiday in Puerto Rico which enacted a special tax rate of 4% for business dedicated to the production of energy for consumption through the use of renewal sources. Pursuant to Act 83 as of July 19, 2010, the Green Energy Incentives Act (GEIA), promotes the development of green energy projects through economic incentives so as to reduce the island s dependency on oil. The GEIA provides for a 4% flat income tax rate on green energy income (GEI) in lieu of any income tax imposed by the Puerto Rico Code for a 25 year period and is scheduled to terminate on December 31, 2036. The impact of the tax holiday decreased foreign deferred tax benefit by $0.2 million for 2013. The impact of the tax holiday on net income per diluted share was $0.006.

14. Stockholders Equity
Common Stock

A summary of the rights and preferences of the Company s Class A and Class B common stock as of December 31, 2013 is as follows:

Voting Rights

The rights of the holders of the Company s Class A and Class B shares are identical other than in respect of dividends and the conversion rights of the Class B shares. While each Class A and Class B share have one vote on all matters submitted to a vote of the Company s stockholders, Class B shares have no rights to dividends or distributions (other than upon liquidation). In the case of a proposed amendment to the Company s amended and restated certificate of incorporation affecting its Class A shares and/or its Class B shares, holders of Class A shares and holders of Class B shares will each be entitled to vote separately as a class to approve such amendment. Upon the later of December 31, 2014 and the date on which its South Kent project has achieved commercial operations (Conversion Event), all of the outstanding Class B shares will automatically convert, on a one-for-one basis, into Class A shares. Other than upon occurrence of the Conversion Event, there are no conversion rights attaching to the Class B shares. Other than in certain circumstances involving a take-over bid, tender offer or merger or similar business combination in respect of the Company, in which circumstance a transfer of Class B shares to the acquirer, and subsequently among the acquirer and its officers, employees and affiliates, would be permitted, the Company s Class B shares will not be transferrable except to and among Pattern Development, the Company and its respective officers, employees and affiliates. No subdivision or consolidation of Class B shares can be made unless the same subdivision or consolidation of the Class A shares is made concurrently.

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Dividend Rights

Holders of Class A stock are eligible to receive dividends on common stock held when funds are available and as approved by the Board of Directors. Holders of Class B common stock are not entitled to dividends. In November 2013, the Company s Board of Directors declared a quarterly cash dividend of $0.3125 per Class A share for the fourth quarter, which represents $1.25 on an annualized basis. The dividend was paid on January 30, 2014 to stockholders of record as of December 31, 2013.

Liquidation Rights

In the event of any liquidation, dissolution or winding-up of the Company, holders of Class A shares will be entitled to share ratably, together with holders of Class B shares, in the Company s assets that remain after payment or provision for payment of all of its debts and obligations and after liquidation payments to holders of outstanding shares of preferred stock, if any.

Preferred Stock

The Company has 100,000,000 shares of authorized preferred stock issuable in one or more series. The Company s Board of Directors is authorized to determine the designation, powers, preferences and relative, participating, optional or other special rights of any such series. As of December 31, 2013 and 2012, there was no preferred stock issued and outstanding.

15. Equity Incentive Award Plan

In September 2013, the Company adopted the 2013 Equity Incentive Award Plan (2013 Plan) , which permits the Company to issue 3,000,000 aggregate number of Class A common shares for equity awards including incentive and nonqualified stock options, restricted stock awards (RSAs) and restricted stock units to employees, directors and consultants. RSAs provide the holder with immediate voting rights, but are restricted in all other respects until released. Upon cessation of services to the Company, any unreleased RSAs will be cancelled. All unreleased RSAs accrue dividends and distributions, and are paid in cash upon release. In 2013, the Company made an initial grant of 444,823 stock options and 83,183 RSAs to certain employees in connection with the IPO and additional grants of 3,437 RSAs to certain directors. As of December 31, 2013, 2,468,557 aggregate number of Class A shares were available for issuance under the 2013 Plan.

Restricted Stock Awards

The following table summarizes restricted stock awards activity under the 2013 Plan for the year ended December 31, 2013:

	Number of RSAs Outstanding	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Balance at October 2, 2013		$	
Granted	86,620	22.71	
Released	(9,424)	24.15	
Repurchased for employee tax withholding	(934)	22.53	

Balance at December 31, 2013	76,262	$	22.53	$ 2,311,501

For the year ended December 31, 2013, the total fair value of restricted stock awards released was $0.2 million, based on the weighted average grant date fair value.

Stock Options

The following table summarizes stock option activity under the 2013 Plan for the year ended December 31, 2013:

	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Instrinsic Value
Balance at October 2, 2013		$		
Granted	444,823	22.00		
Vested	(37,069)	22.00		
Exercised				
Expired				
Forfeited				
Balance at December 31, 2013	407,754	$ 22.00	9.8	$ 3,388,436
Exercisable at December 31, 2013	37,069	$ 22.00	9.8	$ 308,043

Aggregate intrinsic value represents the value of the Company s closing stock price of $30.31 on the last trading day of the period in excess of the weighted-average exercise price multiplied by the number of options outstanding or exercisable.

Stock-Based Compensation

The Company accounts for stock-based compensation related to stock options granted to employees by estimating the fair value of the stock-based awards using the Black-Scholes option-pricing model. The fair value of the stock options granted are amortized over the applicable vesting period. The Black-Scholes option pricing model includes assumptions regarding dividend yields, expected volatility, expected option term, expected forfeiture rate and risk-free interest rates. The Company estimates expected volatility based on the historical volatility of comparable publicly traded companies for a period that is equal to the expected term of the options. The risk-free interest rate is based on the U.S. treasury yield curve in effect at the time of grant for a period commensurate with the estimated expected life. The expected term of options granted is derived using the simplified method as allowed under the provisions of the ASC 718, *Compensation Stock Compensation,* due to insufficient historical exercise history data to provide a reasonable basis upon which to estimate expected term due to the limited period of time its equity shares have been publicly traded. As such, expected term of options represents the period of time that options granted are expected to be outstanding.

As of December 31, 2013, the fair value of employee stock options was estimated using the Black-Scholes option pricing model. The following weighted average assumptions were used:

	Year ended December 31, 2013

Stock options:	
Risk-free interest rate	1.68%
Expected life (in years)	5.8
Expected volatility	36%
Expected dividend yield	5.7

The Company measures the fair value of RSAs at the grant date and accounts for stock-based compensation by amortizing the fair value on a straight line basis over the related vesting period.

The stock-based compensation expense related to stock options and RSAs is recorded as a component of general and administrative expenses in the Company s consolidated statements of operations and totaled $0.5 million for the year ended December 31, 2013.

As of December 31, 2013, the total unrecorded stock-based compensation expense for unvested restricted stock awards was $1.7 million, which is expected to be amortized over a weighted-average period of 2.8 years. As of December 31, 2013 the total unrecorded stock-based compensation expense for unvested stock options shares was $1.7 million, which is expected to be amortized over a weighted-average period of 2.8 years.

16. Earnings Per Share

The Company computes earnings per share (EPS) for Class A and Class B common stock using the two-class method for participating securities. The rights, including voting and liquidation rights, of the holders of the Class A and Class B common stock are identical, except with respect to dividends, as the Class B common stock is not entitled to dividends.

Basic EPS is computed by dividing the net income attributable to common stockholders by the weighted-average number of common shares outstanding, for each respective class of stock. Net income attributable to common stockholders is allocated to each class of common stock considering dividends declared or accumulated during the current period that must be paid for the current period and the allocation of undistributed earnings to the extent that each class of stock may share in earnings as if all of the earnings for the period had been distributed. Because our Class B shares are not entitled to dividends, undistributed earnings, if any, would be allocated entirely to the Class A shares.

Diluted EPS is computed by dividing net income attributable to common stockholders by the weighted-average number of common shares and potentially dilutive common shares outstanding, for each respective class of stock. Potentially dilutive common stock includes the dilutive effect of the common stock underlying in-the-money stock options and is calculated based on the average share price for each period using the treasury stock method. Potentially dilutive common stock also reflects the dilutive effect of unvested restricted stock awards.

Class B common stock is a contingently convertible security which is convertible to Class A common stock on a one-to-one basis on the later of December 31, 2014 or commencement of commercial operations of the South Kent wind project. The computation of diluted EPS of Class A common stock would include the impact of the conversion of the Class B common stock, if dilutive for Class A, using the if-converted method once the contingency surrounding the conversion has been met.

In periods of net loss, the loss is allocated by first considering any dividends declared or accumulated to Class A common stock. While Class B is not entitled to dividends, because it has the same voting, liquidation and residual rights as Class A, the remaining undistributed loss is allocated equally per share to weighted average Class A and Class B common stock outstanding during the year. For the period from October 2, 2013 to December 31, 2013, potentially dilutive securities were excluded from the diluted EPS calculation as their effect is anti-dilutive.

The following table provides a disaggregated presentation of the Company s consolidated statements of operations before and after its IPO on October 2, 2103:

Pattern Energy Group Inc.

Consolidated Statements of Operations

(In thousands of U.S. dollars, except share data)

	From October 2, 2013 to December 31, 2013	From January 1, 2013 to October 1, 2013	For Year Ended December 31, 2013
Revenue:			
Electricity sales	$ 41,836	$ 131,434	$ 173,270
Energy derivative settlements	4,035	12,763	16,798
Unrealized loss on energy derivative	(4,916)	(6,356)	(11,272)
Related party revenue	446	465	911
Other revenue	701	21,165	21,866
Total revenue	42,102	159,471	201,573
Cost of revenue:			
Project expense	15,455	42,222	57,677
Depreciation and accretion	21,193	61,987	83,180
Total cost of revenue	36,648	104,209	140,857
Gross profit	5,454	55,262	60,716
Total operating expenses	3,456	9,532	12,988
Operating income	1,998	45,730	47,728
Other expense	(10,217)	(22,893)	(33,110)
Net (loss) income before income tax	(8,219)	22,837	14,618
Tax provision (benefit)	11,314	(6,768)	4,546
Net (loss) income	(19,533)	29,605	10,072
Net loss attributable to noncontrolling interest	(6,197)	(690)	(6,887)
Net (loss) income attributable to controlling interest	$ (13,336)	$ 30,295	$ 16,959
Earnings per share information:			
Less: Net income attributable to controlling interest prior to the IPO on October 2, 2013			(30,295)

Net loss attributable to controlling interest subsequent to the IPO	$	(13,336)
Numerator for basic and diluted earnings (loss) per share:		
Net earnings (loss)	$	(13,336)
Less: dividends declared		
Class A common stock		(11,103)
Class B common stock		
	$	(24,439)
Undistributed earnings (loss)		
Denominator for basic and diluted earnings (loss) per share:		
Weighted average number of shares:		
Class A common stock		35,448,056
Class B common stock		15,555,000
Total		51,003,056
Calculation of basic and diluted earnings (loss) per share:		
Class A common stock:		
Dividends	$	0.31
Undistributed loss		(0.48)
Basic and diluted loss per share	$	(0.17)
Class B common stock:		
Dividends	$	
Undistributed loss		(0.48)
Basic and diluted loss per share	$	(0.48)

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17. Geographic Information

The table below provides information, by country, about the Company s consolidated operations. Revenue is recorded in the country in which it is earned and assets are recorded in the country in which they are located (in thousands):

	Revenue Year ended December 31,			Property, Plant and Equipment, net December 31,	
	2013	**2012**	**2011**	**2013**	**2012**
United States	$ 161,505	$ 73,089	$ 103,773	$ 1,210,319	$ 1,367,149
Canada	40,068	41,439	32,086	265,823	301,153
Total	$ 201,573	$ 114,528	$ 135,859	$ 1,476,142	$ 1,668,302

18. Commitments, Contingencies and Warranties

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

Power Purchase Agreements

The Company has various PPAs that terminate from 2025 to 2039. The terms of the PPAs generally provide for the annual delivery of a minimum amount of electricity at fixed prices and in some cases include price escalation over the term of the respective PPAs. As of December 31, 2013, under the terms of the PPAs, the Company issued irrevocable letters of credit totaling $57.2 million to ensure its performance for the duration of the PPAs.

Project Finance Agreements

The Company has various project finance agreements which obligate the Company to provide certain reserves to enhance its credit worthiness and facilitate the availability of credit. As of December 31, 2013, the Company issued irrevocable letters of credit totaling $91.8 million, of which $44.8 million was from the Company s revolving credit facility, to ensure performance under these various project finance agreements.

Turbine Operations and Maintenance

The following table presents turbine operations and maintenance commitments over the next five years (in thousands):

For the year ending December 31,	
2014	$ 16,465
2015	3,845
2016	2,188
2017	1,965
2018	55
Thereafter	591
Total	$ 25,109

The Company has six operating projects that have entered into turbine service and maintenance agreements with the turbine supplier or a third party to provide turbine maintenance for terms between two to five years from the in-service date for each of the project s turbines. Total annualized base fees at December 31, 2013, are approximately $19.4 million, adjusted for inflation.

Contingent Liabilities

The Company has recorded contingent purchase price payment obligations related to acquired assets that were recorded at fair value and re-measured at each reporting date. The amount of recorded contingent purchase price obligations was zero and $8.0 million as of December 31, 2013 and 2012, respectively.

In addition, the Company has unrecorded purchase price payment obligations related to asset acquisitions that are contingent on future events. The amount of unrecorded contingent purchase price obligations was $4.7 million and $2.8 million as of December 31, 2013 and 2012, respectively.

Land Leases

The Company has entered into various long-term land leases. Rent expense, included in project expense in the consolidated statements of operations, was $6.1 million, $4.2 million and $4.6 million for the years ended December 31, 2013, 2012 and 2011, respectively.

The future minimum payments related to these leases as of December 31, 2013, are as follows (in thousands):

For the year ending December 31,	
2014	$ 3,713
2015	3,717
2016	3,725
2017	3,731
2018	3,738
Thereafter	91,876
Total	$ 110,500

Purchase Commitments

The Company has entered into various commitments with service providers related to the Company s projects and operations of its business. Outstanding commitments with these vendors, excluding turbine operations and maintenance commitments were $4.1 million and $5.1 million as of December 31, 2013 and 2012, respectively. The Company has open commitments for the purchase of new wind turbines of zero and $1.7 million, as of December 31, 2013 and 2012, respectively, and for construction of zero and $22.3 million as of December 31, 2013 and 2012, respectively.

Purchase and Sales Agreement

On December 20, 2013, the Company entered into an agreement with Pattern Development to acquire approximately 80% of the ownership interest in Panhandle 2, a 182 MW wind project being built in Carson County, Texas, for approximately $122.9 million in cash. The acquisition, which includes assumption by the Company of certain tax indemnities, is expected to close in fourth quarter of 2014 upon completion of construction, and the Company expects to fund the purchase with available cash and credit facilities.

Indemnity

The Company provides a variety of indemnities in the ordinary course of business to contractual counterparties and to our lenders and other financial partners. Hatchet Ridge agreed to indemnify the lender that provided financing for Hatchet Ridge against certain tax losses in connection with its sale-leaseback financing transaction in December 2010. The indemnity agreement is effective for the duration of the sale-leaseback financing.

The Company is party to certain indemnities for the benefit of the Spring Valley, Santa Isabel and Ocotillo project finance lenders. These indemnity obligations consist principally of indemnities that protect the project finance lenders from the potential effect of any recapture by the U.S. Department of the Treasury, or U.S. Treasury, of any amount of the ITC cash grants previously received by the projects. The ITC cash grant indemnity obligations guarantee amounts of any cash grant made to each of the respective projects that may subsequently be recaptured. In addition, the Company is also party to an indemnity of our Ocotillo project finance lenders in connection with certain legal matters, which is limited to the amount of certain related costs and expenses.

Santa Isabel agreed to indemnify unrelated third parties against certain tax losses in connection with monetization of tax credits under the Economic Incentives for the Development of Puerto Rico Act of May 28, 2008 for $7.2 million.

Turbine Availability Warranties

The Company has various turbine availability warranties from its turbine manufacturers. Pursuant to these warranties, if a turbine operates at less than minimum availability during the warranty period, the turbine manufacturer is obligated to pay as liquidated damages a fee for each percent that the turbine operates below the minimum availability threshold. In addition, also pursuant to certain of these warranties, if a turbine operates at more than a specified availability during the warranty period, the Company has an obligation to pay a bonus to the turbine manufacturer. During 2012 and 2011, no liquidating damages or bonus were recorded by the Company.

In 2013, the Company entered into warranty settlements with a turbine manufacturer for blade related wind turbine outages. The warranty settlements provide for total liquidated damage payments of approximately $21.9 million for the year ended December 31, 2013. During the year ended December 31, 2013, the Company received payments of $24.1 million in connection with these warranty settlements. The Company estimates the maximum future refund of liquidated damage payments to the turbine manufacturer to be $2.2 million and has recorded an accrued liability for this amount as of December 31, 2013. The warranty settlements received, net of the maximum potential future refund to the wind turbine manufacturer, have been recorded as other revenue in the consolidated statements of operations.

19. Related Party Transactions

From inception to October 1, 2013, the Company s project management and administrative activities were provided by Pattern Development. Costs associated with these activities were allocated to the Company and recorded in its consolidated statements of operations. Allocated costs include cash and non-cash compensation, other direct, general and administrative costs, and non-operating costs deemed allocable to the Company. Measurement of allocated costs is based principally on time devoted to the Company by officers and employees of Pattern Development. The Company believes the allocated costs presented in its consolidated statements of operations are a reasonable estimate of actual costs incurred to operate the business. The allocated costs are not the result of arms-length, free-market dealings.

Management Services Agreement and Shared Management

Effective October 2, 2013, the Company entered into a bilateral Management Services Agreement with Pattern Development which provides for the Company and Pattern Development to benefit, primarily on a cost-reimbursement basis, plus a 5% fee on certain direct costs, from the parties respective management and other professional, technical and administrative personnel, all of whom will report to and be managed by the Company s executive officers. Pursuant to the Management Services Agreement, certain of the Company s executive officers, including its Chief Executive Officer, will also serve as executive officers of Pattern Development and devote their time to both the Company and Pattern Development as is prudent in carrying out their executive responsibilities and fiduciary duties. The Company refers to the employees who will serve as executive officers of both the Company and Pattern Development as the shared PEG executives. The shared

PEG executives will have responsibilities for both the Company and Pattern Development and, as a result, these individuals will not devote all of their time to the Company s business. Under the terms of the Management Services Agreement, Pattern Development is required to reimburse the Company for an allocation of the compensation paid to such shared PEG executives reflecting the percentage of time spent providing services to Pattern Development.

The table below presents allocated costs prior to October 2, 2013 and net bilateral management service cost reimbursements on and after October 2, 2013 included in the consolidated statements of operations (in thousands):

		December 31,	
	2013	**2012**	**2011**
Project expense	$ 1,995	$ 1,998	$ 1,139
General and administrative	7,318	10,604	8,098
Management Services Agreement expense	851		
Management Services Agreement income	(665)		
Other income	(551)	(210)	(199)
Total	$ 8,948	$ 12,392	$ 9,038

Prior to the Contribution Transactions, the Company had purchase arrangements with Pattern Development under which the latter purchased various services and supplies on behalf of the Company and received reimbursement for these purchases. As of December 31, 2013 and 2012, the amounts payable to Pattern Development for these purchases were $1.2 million and $0.2 million, respectively.

Letters of credit, indemnities and guarantees

Pattern Development provided letters of credit that secure the Company s obligations under PPAs and interconnection agreements. There were no letters of credit outstanding as of December 31, 2013 and 2012, respectively.

Pattern Development agreed to guarantee $14.0 million of El Arrayán s payment obligations to a lender that has provided a $20 million credit facility for financing of El Arrayán s recoverable, construction-period value added tax payments. The remaining $6.0 million of the credit facility has been guaranteed by another investor in El Arrayán.

Purchase and Sales Agreements

On December 20, 2013, the Company entered into an agreement with Pattern Development to acquire approximately 80% of the ownership interest in Panhandle 2, a 182 MW wind project being built in Carson County, Texas, for approximately $122.9 million in cash. The acquisition is expected to close in fourth quarter of 2014 upon completion of construction, and the Company expects to fund the purchase with available cash and credit facilities.

On December 20, 2013, the Company acquired a 45.0% equity interest in Grand from Pattern Development. Subject to the terms of this agreement, the Company may make an additional contingent payment of up to $4.7 million to Pattern Development in 2014.

Puerto Rico Electric Power Authority (PREPA)

The Company s Santa Isabel project was in a dispute with PREPA over the appropriate rate being charged to the project for the electric services it uses. During the year ended December 31, 2013, the difference between what the Company believes is the appropriate monthly charge and PREPA s bill was resolved in principle, and billing is now per the understanding between the parties. Pattern Development provided the Company with an indemnity to mitigate the economic impact on the Company of this dispute.

Management fees

The Company provides operations and management services and receives a fee for such services under agreements with South Kent, Grand and El Arrayán, its joint venture investees. Management fees of $0.9 million were recorded as related party revenue in the consolidated statements of operations for the year ended December 31, 2013 and a related party receivable of $0.2 million was recorded in the consolidated balance sheet as of December 31, 2013. The Company eliminates the intercompany profit from management fees related to its ownership interest in South Kent.

Employee Savings Plan

The Company participates in a 401(k) plan sponsored and maintained by Pattern Development, established on August 3, 2009 and restated on October 3, 2013. The Company also sponsors a Canadian Registered Retirement Savings Plan (RRSP), established on October 2, 2013. Participants in the plans are allowed to defer a portion of their compensation, not to exceed the respective Internal Revenue Service (IRS) or Canada Revenue Agency (CRA) annual allowance contribution guidelines, and are 100% vested in their respective deferrals and earnings. Participants may choose from a variety of investment options. The Company contributes 5% of base compensation to each employee s 401(k) or RRSP account, up to the annual compensation limit. For the year ended December 31, 2013, the Company contributed $0.1 million which was recorded in the consolidated statements of operations as either general and administrative expense or cost of revenue. No such contributions were made during the years ended December 31, 2012 and 2011.

20. Selected Quarterly Financial Data (Unaudited)

The following tables summarize the Company s unaudited quarterly consolidated statements of operations for each of the eight quarters in the period ended December 31, 2013. The quarterly consolidated statements of operations data were prepared on a basis consistent with the audited consolidated financial statements included in Part III, Item 14, Financial Statements and Supplementary Data in this Annual Report on Form 10-K.

Quarterly financial data in thousands, except for share data:

	Three months ended			
	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Revenue	$ 41,767	$ 57,257	$ 58,712	$ 43,837
Gross profit	4,729	21,471	26,222	8,294
Net (loss) income	(19,376)	4,244	43,988	(18,784)
Net (loss) income attributable to noncontrolling interest	(6,197)	3,248	(359)	(3,579)
Net (loss) income attributable to controlling interest	(13,179)	996	44,347	(15,205)
Basic and diluted loss per share Class A	$ (0.17)	N/A	N/A	N/A
Basic and diluted loss per share Class B	$ (0.48)	N/A	N/A	N/A

	Three months ended			
	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Revenue	$ 34,345	$ 16,903	$ 24,939	$ 38,341

Gross profit (loss)	10,086	(5,213)	6,175	19,610
Net (loss) income	(4,455)	(16,913)	(575)	8,567
Net (loss) income attributable to noncontrolling interest	(1,147)	(7,494)	(2,928)	4,480
Net (loss) income attributable to controlling interest	(3,308)	(9,419)	2,353	4,087
Basic and diluted loss per share Class A	N/A	N/A	N/A	N/A
Basic and diluted loss per share Class B	N/A	N/A	N/A	N/A

21. Subsequent Events

None.

Schedule I Condensed Parent-Company Financial Statements

Pattern Energy Group Inc.

Condensed Financial Information of Parent

Balance Sheets

(In thousands of U.S. dollars, except share data)

	December 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 75,776	$ 1
Related party receivable	1,000	
Prepaid expenses and other current assets	446	
Total current assets	77,222	1
Investments in subsidiaries	407,271	514,117
Net deferred tax assets	573	
Total assets	$ 485,066	$ 514,118
Liabilities and equity		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 4,513	$ 7
Related party payable	667	
Dividend payable	11,103	
Total current liabilities	16,283	7
Net deferred tax liabilities	573	
Total liabilities	16,856	7
Equity:		
Class A common stock, $0.01 par value per share:		
500,000,000 shares authorized; 35,530,786 and 100 shares issued and outstanding as of December 31, 2013 and 2012, respectively	355	
Class B common stock, $0.01 par value per share:		
20,000,000 shares authorized; 15,555,000 shares issued and outstanding at December 31, 2013	156	
Additional paid-in capital	461,828	1
Capital		551,109
Accumulated income (loss)	14,224	(2,735)
Accumulated other comprehensive loss	(8,353)	(34,264)
Total equity	468,210	514,111

Total liabilities and equity	$	485,066	$	514,118

Pattern Energy Group Inc.

Condensed Financial Information of Parent

Statements of Operations and Comprehensive Income (Loss)

(In thousands of U.S. dollars)

	Year ended December 31, 2013	October 17, 2012 (initial capitalization) to December 31, 2012
Revenue	$	$
Expenses	3,630	7
Operating loss	(3,630)	(7)
Other income (expense):		
Equity in earnings (loss) from subsidiaries	20,487	(2,728)
Related party income	665	
Other expense, net	(563)	
Other income (expense)	20,589	(2,728)
Net income (loss) before income tax	16,959	(2,735)
Tax (benefit) provision		
Net income (loss)	16,959	(2,735)
Other comprehensive income (loss), net of tax		
Foreign currency translation, net of tax	(8,309)	777
Effective portion of change in fair market value of derivatives, net of tax	31,787	1,099
Proportionate share of equity investee s other comprehensive loss, net of tax	2,473	
Total other comprehensive income (loss), net of tax	25,951	1,876
Comprehensive income (loss)	$ 42,910	$ (859)

Pattern Energy Group Inc.

Condensed Financial Information of Parent

Condensed Statements of Cash Flows

(In thousands of U.S. dollars)

	Year ended December 31, 2013	October 17, 2012 (initial capitalization) to December 31, 2012
Operating activities		
Net income (loss)	$ 16,959	$ (2,735)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Stock-based compensation	511	
Equity in (earnings) loss from subsidiaries	(20,487)	2,728
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(446)	
Accounts payable and other accrued liabilities	93	7
Related party receivable/payable	(1,007)	
Net cash used in operating activities	(4,377)	
Investing activities		
Distributions from subsidiaries	233,226	
Contributions to subsidiaries	(172,130)	
Net cash provided by investing activities	61,096	
Financing activities		
Repurchase of shares for employee tax withholding	(24)	
Capital contributions	32,678	1
Proceeds from IPO, net of expenses	317,926	
Capital distributions	(98,884)	
Capital distributions Contribution Transactions	(232,640)	
Net cash provided by financing activities	19,056	1
Net change in cash and cash equivalents	75,775	1
Cash and cash equivalents at beginning of period	1	
Cash and cash equivalents at end of period	$ 75,776	$ 1
Schedule of non-cash activities		
Investments in subsidiaries	$	$ 514,117

Schedule II South Kent Wind LP Financial Statements

South Kent Wind LP

Financial Statements

December 31, 2013

(expressed in Canadian dollars)

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February 21,2014

Independent Auditor s Report

To the Partners of

South Kent Wind LP

We have audited the accompanying statement of financial position of South Kent Wind LP as of December 31, 2013 and the related statement of operations and comprehensive income, changes in partners capital and cash flows for the year then ended. Management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We were not engaged to perform an audit of the company s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Kent Wind LP as of December 31, 2013 and the results of its operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

March 14, 2013

Independent Auditor s Report

To the Partners of

South Kent Wind LP

We have audited the accompanying financial statements of South Kent Wind LP, which comprise the balance sheets as at December 31, 2012 and December 31, 2011 and the statements of income, changes in partners capital and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management s responsibility 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; 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.

Auditor s responsibility

Our responsibility is to express an opinion on the 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 our 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, we consider 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 South Kent Wind LP as at December 31, 2012 and December 31, 2011 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

South Kent Wind LP

Statement of Financial Position

As at December 31, 2013

(expressed in Canadian dollars)

	2013	2012
Assets		
Current assets		
Cash and cash equivalents	$ 139,346	$ 415,032
Restricted cash (note 3)	26,888,466	
Sales tax recoverable	13,590,640	260,784
Other current assets (note 4)	1,515,511	54,527
	42,133,963	730,343
Non-current assets		
Restricted cash (note 3)		5,400,000
Advance payment	19,520,025	
Deferred development costs (note 5)		32,334,346
Construction-in-progress (note 5)	625,636,458	
Property, plant and equipment - net of accumulated depreciation of $86,934 (2012 - $47,582) (note 6)	115,915	82,188
Intangible assets - net of accumulated amortization of $592,315 (2012 - $385,980) (note 7)	430,584	82,388
Deferred financing costs - net of accumulated amortization of $1,056,079 (2012 - $nil)	19,361,860	
Derivative assets (note 12)	26,757,264	
	$ 733,956,069	$ 38,629,265
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 43,155,372	$ 712,771
Current portion of construction facility loan (note 9)	1,914,367	
Current portion of long-term contingent liabilities (note 14)	1,564,600	1,346,000
Derivative liability - current portion (note 12)	7,814,992	
Other current liabilities (note 8)	1,030,657	
	55,479,988	2,058,771
Non-current liabilities		
Construction facility loan (note 9)	542,717,827	
Long-term contingent liabilities (note 14)	9,500,000	1,064,600
Asset retirement obligation (note 11)	5,833,484	
	613,531,299	3,123,371

Partners capital		
Contributions (note 10)	103,164,191	35,440,000
Accumulated net income	17,260,579	65,894
	120,424,770	35,505,894
	$ 733,956,069	$ 38,629,265

South Kent Wind LP

Statement of Operations and Comprehensive Income

For the year ended December 31, 2013

(expressed in Canadian dollars)

	2013	2012	2011
Revenue	$	$	$
Operating expenses			
Professional fees	(341,110)		
General and administrative	(320,281)	(27,048)	
General and administrative - related party	(555,588)		
Depreciation and amortization	(32,863)		
Operating loss	(1,249,842)	(27,048)	
Unrealized gain on derivatives (note 12)	18,942,272		
Other (expenses) income	(497,745)	92,942	
Net income and comprehensive income	$ 17,194,685	$ 65,894	$

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South Kent Wind LP

Statement of Changes in Partners Capital

For the year ended December 31, 2013

(expressed in Canadian dollars)

	Partners capital	Accumulated net income	Total
Balance at January 1, 2011	$	$	$
Cash initial contribution	10,000		10,000
Cash contribution	22,410,000		22,410,000
Net income			
Balance at December 31, 2011	$ 22,420,000	$	$ 22,420,000
Cash contribution	13,020,000		13,020,000
Net income		65,894	65,894
Balance at December 31, 2012	$ 35,440,000	$ 65,894	$ 35,505,894
Cash contribution	9,016,022		9,016,022
Cash distribution	(21,393,091)		(21,393,091)
Non-cash contribution	80,101,260		80,101,260
Net income		17,194,685	17,194,685
Balance at December 31, 2013	$ 103,164,191	$ 17,260,579	$ 120,424,770

South Kent Wind LP

Statements of Cash Flows

For the year ended December 31, 2013

(expressed in Canadian dollars)

	2013	2012	2011
Operating activities			
Net income (loss) for the period	$ 17,194,685	$ 65,894	$
Adjustment to reconcile net income (loss) to net cash used in operating activities			
Unrealized gain on derivatives	(18,942,272)		
Non-cash activities	100,879	(38,984)	
Bad debt expense	300,000		
	(1,346,708)	26,910	
Investing activities			
Consideration paid for the acquisition of project assets	(1,346,000)		(15,215,910)
Construction costs paid	(478,425,665)		
Purchase of property, plant and equipment and intangible assets	(627,610)	(178,184)	(162,482)
Deferred development costs paid		(12,748,484)	(1,346,818)
Payment for restricted cash	(21,488,466)		(5,400,000)
	(501,887,741)	(12,926,668)	(22,125,210)
Financing activities			
Partner contribution	9,016,022		
Construction facility loan proceeds	535,753,771		
Deferred financing costs paid	(20,417,939)		
Distribution to partners	(21,393,091)	13,020,000	22,420,000
	502,958,763	13,020,000	22,420,000
Increase (decrease) in cash and cash equivalents during the period	(275,686)	120,242	294,790
Cash and cash equivalents - Beginning of period	415,032	294,790	
Cash and cash equivalents - End of period	$ 139,346	$ 415,032	$ 294,790
Supplemental non-cash activities disclosure			
Transfer to Construction-in-progress from deferred development costs	$ 32,334,346	$	$
Accrued construction costs	$ 42,442,601	$	$
Non-monetary contribution from partners	$ 80,101,260	$	$

Construction loan - capitalized interest	$	8,878,422	$		$	
Depreciation and amortization	$	1,200,887	$	257,093	$	176,469
Community fund commitment	$	10,000,000	$		$	

South Kent Wind LP

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1 General information

The Partnership

South Kent Wind LP (the Partnership), a limited partnership under the laws of the Province of Ontario, was formed on January 10, 2011, as a joint venture project between Samsung Renewable Energy Inc. (Samsung) and Pattern South Kent LP Holdings LP, a subsidiary of Pattern Renewable Holdings Canada ULC (PRHC), each as 49.99% limited partners of the Partnership, and South Kent Wind GP Inc. (the GP), as the 0.02% general partner of the Partnership. The terms of the Partnership initially were governed by the Limited Partnership Agreement of the Partnership, dated January 10, 2011, which was subsequently superseded in its entirety by the Amended and Restated Limited Partnership Agreement of the Partnership, dated February 22, 2013. The Partnership was created to develop, build and operate a wind power project in the Regional Municipality of Chatham-Kent that is expected to generate 270 megawatts (MW) of power (the Project). The Project is part of Phase 1 of the Green Energy Investment Agreement that Samsung C&T Corp., a parent company of Samsung, entered into with the Government of Ontario in January 2010, subsequently amended in June 20, 2013.

On February 24, 2013, Samsung transferred its LP interest in the Partnership to SRE SKW LP Holdings LP, an affiliate of Samsung.

On October 2, 2013, in a series of transactions: (i) Pattern South Kent GP Holdings Inc., a wholly owned subsidiary of PRHC, transferred all of the general partner interests in Pattern South Kent LP Holdings LP to PRHC, causing Pattern South Kent LP Holdings LP to be dissolved by operation of law and PRHC to acquire the LP interests in the Partnership that previously were held by Pattern South Kent LP Holdings LP; (ii) PRHC transferred its LP interest in the Partnership and its ownership interest in Pattern South Kent GP Holdings Inc., which owned PRHC s ownership interest in the GP, to Pattern Canada Operations Holdings ULC, an affiliate of Pattern Energy Group Inc. (Pattern); and (iii) Pattern South Kent GP Holdings Inc. was dissolved, so that Pattern Canada Operations Holdings ULC now holds Pattern s (a) LP interests in the Partnership and (b) ownership interests in the GP.

The Partnership is controlled by its general partner, the GP, also a joint venture controlled by affiliates of Samsung and Pattern. The GP is governed by the Amended and Restated Unanimous Shareholder Agreement of the GP, dated March 6, 2013 (the Shareholder Agreement). As at December 31, 2013 and 2012, the Partnership s ownership interests were distributed as follows:

	2013	2012
SRE SKW LP Holdings LP	49.99%	%
Pattern Canada Operations Holdings ULC	49.99%	%
Samsung Renewable Energy Inc.	%	49.99%
Pattern South Kent LP Holdings LP	%	49.99%
South Kent Wind GP Inc.	0.02%	0.02%

	100.00%	100.00%

The Project

The Project is a 270 MW wind project consisting of 124 Siemens wind turbine generators located in the Regional Municipality of Chatham-Kent, Ontario.

South Kent Wind LP

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On August 2, 2011, the Partnership entered into a power purchase agreement (PPA) with the Ontario Power Authority (OPA) related to the sale of 100% of the electrical output of the Project at prescribed electricity rates for a period of 20 years following Commercial Operation Date (COD), which is expected to be in the second quarter of 2014 (note 14).

On June 15, 2012, the Project received the final approval in the permitting process, known as the Renewable Energy Approval process. On December 5, 2012, decisions by the Environmental Review Tribunal on all appeals were made in favour of the Project. The Partnership secured sufficient land rights and commitments to construct the Project, including turbine locations, roads, collector system, substation and the transmission line.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

Basis of preparation

The accompanying financial statements are presented using accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of U.S. GAAP financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Because the use of estimates is inherent in the financial reporting process, actual results could differ from those estimates.

In recording transactions and balances resulting from business operations, the Partnership uses estimates based on the best information available. Estimates are used for such items as asset retirement obligation valuation of derivative contracts and acquisition contingencies.

These financial statements do not include assets, liabilities, revenue and expenses of the GP and limited partners. The financial statements of the Partnership reflect no provision or liability for income taxes because profits and losses of the Partnership are allocated to the partners and are included in the income tax returns of partners. Income and losses for tax purposes may differ from the financial statement amounts and the partners capital reflected in the financial statements does not necessarily reflect their tax basis.

Functional and presentation currency

Items included in the financial statements of the Partnership are measured using the currency of the primary economic environment in which the Partnership operates (the functional currency). The financial statements are presented in Canadian dollars, which is the Partnership s functional and presentation currency.

Fair value of financial instruments

ASC 820, *Fair Value Measurements*, defines fair value as the price at which an asset could be exchanged or a liability transferred in an orderly transaction between knowledgeable, willing parties in the principal or most advantageous market for the asset or liability. Where available, fair value is based on observable market prices or derived from such prices. Where observable prices or inputs are not available, valuation

South Kent Wind LP

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(expressed in Canadian dollars)

models are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments complexity.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Restricted cash

Restricted cash consists of cash balances required to collateralize commercial bank letter of credit facilities related primarily to interconnect rights and power purchase agreements (PPAs) and for reserves required under the Partnership s loan agreements (note 3).

Concentration of credit risk

Financial instruments that potentially subject the Partnership to concentrations of credit risk consist primarily of cash and cash equivalents and restricted cash. The Partnership places its cash and cash equivalents and restricted cash with high-quality institutions.

Deferred development costs

The Partnership developed and is now constructing a wind power plant for its own use. There are two phases to the development of the wind power plant: first, a feasibility stage where all costs are expensed; and second, a construction phase where capitalization is appropriate, subject to the appropriate criteria (note 5).

Judgment needs to be exercised for each situation. The Partnership determines whether or not the wind power plant can be built to its proposed specifications and in compliance with the respective regulations. During the feasibility stage, it is uncertain whether the wind power plant will be completed and whether future economic benefits will flow to the Partnership. During the development stage, the Partnership will build the wind power plants. It can reliably measure the cost of development and it is probable that future economic benefits will flow to the Partnership. Certain costs incurred during the development stage should be recognized as an item of deferred development costs.

An evaluation of the circumstances surrounding the development of the Project and in particular the provisions of the Green Energy Investment Agreement, which provide for the issuance of a PPA and support through the permitting process, support the conclusion that the Project moved beyond the feasibility stage prior to the date of inception of the Partnership. Accordingly, all development costs have been capitalized.

Other development expenditures that do not meet the criteria are recognized as an expense when incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Development costs of $32,334,346 incurred during the development stage including $17,369,038 of asset acquired costs through the asset purchase agreements (APA), which had been capitalized and recorded as deferred development costs in the statement of financial position, were transferred and recorded as construction-in-progress as the construction commenced on March 8, 2013.

South Kent Wind LP

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Construction-in-progress

Construction-in-progress represents the accumulated costs of projects in construction. Construction costs include turbines for which the Partnership has taken legal title, civil engineering, electrical and other related costs. Other capitalized costs include reclassified deferred development costs, amortization of intangible assets, amortization of deferred financing costs, capitalized interest and other costs required to place a project into commercial operation. Construction-in-progress is reclassified to property, plant and equipment when the project begins commercial operations.

Advance payments

Advance payments represent amounts advanced to turbine and other suppliers for the manufacture of wind turbines and other plant assets in accordance with supply agreements for the Partnership s wind power project and for which the Project has not taken title. Advance payments are reclassified to Construction-in-progress when the Partnership takes legal title to the related turbines and other plant assets and they are reclassified to property, plant and equipment when the project achieves commercial operation. Depreciation does not commence until projects enter commercial operation and assets are placed in service.

Property, plant and equipment

Property, plant and equipment are stated at historical cost, less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Asset retirement obligations included in property, plant and equipment are stated at the present value of future cash flows of asset retirement obligations.

Subsequent costs are included in the asset s carrying value or recognized as separate assets, as appropriate, only when it is probable the future economic benefits associated with the item will flow to the Partnership and the cost of the item can be measured reliably.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The assets residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Intangible assets (lease options)

Lease options are recognized at fair value at the acquisition date and subsequently accounted for at cost. Lease options have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of lease options over the period of expected future benefit (i.e., the contract period of each lease option). Separately acquired lease options are capitalized on the basis of the costs incurred to enter into the respective contract considering legal fees and service fees.

Impairment of long-lived assets

The Partnership periodically evaluates whether events have occurred that would require revision of the remaining useful life of equipment and improvements and purchased intangible assets or render them not recoverable. If such circumstances arise, the Partnership uses an estimate of the undiscounted value of expected future operating cash flows to determine whether the long-lived assets are impaired. If the aggregate undiscounted cash flows are less than the carrying amount of the assets, the resulting impairment charge to be recorded is calculated based on the excess of the carrying value of the assets over the fair value of such assets, with the fair value determined based on an estimate of discounted future cash flows.

South Kent Wind LP

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Interest capitalization

The Partnership capitalizes interest and related financing fees from non-recourse debt used to finance projects in construction. Capitalization is discontinued when a project goes into commercial operation.

Derivatives

The Partnership recognizes its derivative instruments as either assets or liabilities in the statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it qualifies and has been designated as part of a hedging relationship and, further, on the type of hedging relationship.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that are attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (OCI). Changes in the fair value of these derivatives are subsequently reclassified into earnings in the period the hedged transaction affects earnings. The ineffective portion of changes in fair value is recorded as a component of net income in the statement of comprehensive income.

For undesignated derivative instruments, their change in fair value is reported as a component of net income in the statement of operations and comprehensive income.

The Partnership enters into derivative transactions for the purpose of reducing exposure to fluctuations in interest rates. The Partnership entered into interest rate swaps. Interest rate swaps are instruments used to fix the interest rate on variable interest rate debt.

Deferred financing costs

Financing costs incurred in connection with obtaining construction and term financing, which include direct financing, legal and other upfront costs of borrowing, are deferred and amortized over the lives of the respective loans using the effective-interest method. Amortization of deferred financing costs is capitalized during construction or expensed following commencement of commercial operation.

Accounts payable and other accrued liabilities

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables with payment terms extended beyond one year from the statement of financial position date are presented as non-current liabilities.

Contingent liabilities

Contingent liabilities for environmental restoration, restructuring costs and other legal obligations are recognized when: the Partnership has a present legal obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reasonably estimated.

South Kent Wind LP

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Asset retirement obligation

The Partnership records an asset retirement obligation for the estimated costs of decommissioning turbines, removing above-ground installations and restoring sites, at the time when a contractual decommissioning obligation materializes. The Partnership records accretion expense, which represents the increase in the asset retirement obligation, over the remaining life of the associated wind project. Accretion expense is recorded as cost of revenue in the statement of comprehensive income using accretion rates based on credit adjusted risk free interest rates of 5.54%.

Comprehensive income

Comprehensive income consists of net income and other comprehensive income.

Contributions

Contributions from joint venture partners are classified as equity.

3 Restricted cash

The following table presents the components of restricted cash:

	December 31, 2013	2012
Security deposit for letter of guarantee to OPA	$ 8,100,000	$ 5,400,000
Security deposit for letter of guarantee to Municipality of Chatham-Kent	2,614,000	
Security deposit for letter of guarantee - others	82,338	
10% holdback account for contractors	16,092,128	
	$ 26,888,466	$ 5,400,000

The Partnership maintains term deposits with Korea Exchange Bank of Canada that are restricted as security for the letter of guarantee to the OPA, and provided as the initial and incremental security under the PPA. The Partnership classifies these balances as restricted cash in current assets in the statement of financial position as the restrictions are anticipated to be released on COD of the Project, which is expected to be in the second quarter of 2014 (note 2).

4 Other current assets

The following table presents the components of other current assets:

	December 31, 2013	December 31, 2012
Mortgage debt receivable, net of bad debt provision of $300,000	$ 828,386	$
Refundable deposit on COD	86,000	
Prepaid expenses	484,477	15,544
Accrued interest income	116,648	38,983
	$ 1,515,511	$ 54,527

South Kent Wind LP

Notes to Financial Statements

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5 Deferred development costs and construction-in-progress

The following table presents the components of deferred development costs and construction-in-progress:

	December 31, 2013	December 31, 2012
Deferred development costs	$	$ 32,334,346
Construction-in-progress	$ 625,636,458	$

Deferred development costs of $32,334,346 incurred were transferred to construction-in-progress on March 8, 2013, the date the project commenced construction.

Construction-in-progress includes capitalized interest expense of $12,583,514 and $nil as of December 31, 2013 and 2012, respectively.

6 Property, plant and equipment

The following table reflects the categories within property, plant and equipment at historical cost:

	December 31, 2013	December 31, 2012	Depreciable life (years)
Machinery and equipment	$ 202,849	$ 129,770	5
Subtotal	202,849	129,770	
Less: Accumulated depreciation	(86,934)	(47,582)	
	$ 115,915	$ 82,188	

Depreciation expense of $6,489 (2012 - $47,582) has been charged to deferred development costs in the statement of financial position and $32,863 (2012 - $nil) has been charged to the statement of operations and comprehensive income.

7 Intangible assets

	2013	2012
Beginning net book value	$ 82,388	$ 135,343
Additions	554,531	178,184
Amortization expense	(206,335)	(231,139)
Closing net book value	$ 430,584	$ 82,388
Cost	$ 1,022,899	$ 468,368
Accumulated amortization	(592,315)	(385,980)
Net book value	$ 430,584	$ 82,388

Amortization of $206,355 (2012 -$231,139) is included in deferred development costs in the statements of financial position.

South Kent Wind LP

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December 31, 2013

(expressed in Canadian dollars)

8 Other current liabilities

The following table presents the components of accounts payable and other accrued liabilities:

	December 31, 2013	December 31, 2012
Accrued expenses	$ 856,084	$
Accrued interest - construction facility loan	174,573	
	$ 1,030,657	$

9 Long-term debt

On March 8, 2013, the Partnership signed a credit facility agreement with a syndicate of lenders consisting of 15 different financial institutions for a term of construction period plus seven years at a rate of Canadian Dealer Offered Rate (CDOR) plus 2.5% per annum for the first four years and CDOR plus 2.75% per annum thereafter. The credit facilities under the agreement include a $683,817,047 construction facility, letter of credit facility and an interest rate hedge facility. The funds from these facilities will be utilized to finance the construction of the Project and to run the project operations thereafter.

For the periods ended December 31, 2013 and December 31, 2012, the credit facilities incurred capitalized interest charges of $8,878,422 and $nil, respectively. Interest payments on the construction facility are currently deferred and will be added to the loan principal on term conversion.

The terms and conditions of outstanding borrowings were as follows:

	December 31, 2013	December 31, 2012	Interest rate as of December 31, 2013	Interest rate as of December 31, 2012	Interest type	Loan type	Maturity
Construction facility loan	$ 544,632,194	$	3.75%	%	Variable	Project financing	March 8, 2021
Current portion	(1,914,367)						
	$ 542,717,827	$					

The following are the amounts due for long-term debt as of December 31, 2013:

2014	$ 1,914,367
2015	23,185,104
2016	22,109,351
2017	25,773,416
2018	26,819,083
Thereafter	444,830,873
	$ 544,632,194

South Kent Wind LP

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December 31, 2013

(expressed in Canadian dollars)

10 Contributions from/distributions to joint venture partners

	2013			
	SRE SKW LP Holdings LP[1]	**Pattern Canada Operations Holdings ULC[2]**	**South Kent Wind GP Inc.**	**Total**
Balance - Beginning of year	$ 17,716,456	$ 17,716,456	$ 7,088	$ 35,440,000
Subsequent cash contribution on				
Jan. 3, 2013	1,699,660	1,699,660	680	3,400,000
Jan. 11, 2013	1,449,710	1,449,710	580	2,900,000
Feb. 5, 2013	1,349,730	1,349,730	540	2,700,000
Feb. 22, 2013			3,943	3,943
Mar. 6, 2013			11,802	11,802
Mar. 6, 2013			277	277
	4,499,100	4,499,100	17,822	9,016,022
Subsequent cash distribution				
Mar. 7, 2013	(1,126,037)	(1,126,037)	(451)	(2,252,525)
Mar. 8, 2013	(9,568,369)	(9,568,369)	(3,828)	(19,140,566)
	(10,694,406)	(10,694,406)	(4,279)	(21,393,091)
Non-cash contribution - vend in				
Feb. 22, 2013	9,856,843	9,856,843		19,713,686
Mar. 6, 2013	29,500,000	29,500,000		59,000,000
Mar. 7, 2013	693,787	693,787		1,387,574
	40,050,630	40,050,630		80,101,260
Balance - End of year	$ 51,571,780	$ 51,571,780	$ 20,631	$ 103,164,191

1 On February 24, 2013, Samsung Renewable Energy Inc. transferred its ownership interest to SRE SKW LP Holdings LP at fair value, which approximates net book value.

2 On October 2, 2013, Pattern South Kent LP Holdings LP, in a series of transactions, transferred its ownership interest in South Kent Wind LP to Pattern Canada Operations Holdings ULC at fair value, which approximates net book value.

	2012			
	SRE SKW LP Holdings LP[1]	Pattern Canada Operations Holdings ULC[2]	South Kent Wind GP Inc.	Total
Balance - Beginning of year	$ 11,207,758	$ 11,207,758	$ 4,484	$ 22,420,000
Subsequent contributions on				
May 4, 2012	3,459,308	3,459,308	1,384	6,920,000
August 31, 2012	1,809,638	1,809,638	724	3,620,000
November 20, 2012	439,912	439,912	176	880,000
November 28, 2012	799,840	799,840	320	1,600,000
	6,508,698	6,508,698	2,604	13,020,000
Balance - End of year	$ 17,716,456	$ 17,716,456	$ 7,088	$ 35,440,000

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Pursuant to an agreement dated February 19, 2013 between the Partnership, Samsung, PRHC and certain of their respective affiliates, certain project development costs in the amount of $19,713,686 incurred by Pattern were contributed to the Partnership. In order to maintain the equal ownership within the Partnership, Samsung acquired an additional interest in the Partnership for consideration payable to PRHC in cash and through exchange of ownership interest in another partnership entity related to both Samsung and PRHC. This transaction has no impact on the Partnership.

Pursuant to a series of Assignment and Assumption Agreements dated March 6, 2013 between and/or among Samsung, PRHC, the Partnership, and various affiliates of Samsung and PRHC, a construction deposit of $59,000,000 was placed with an affiliate of Siemens AG by Samsung and Pattern were contributed to the Partnership in accordance with a Memorandum of Understanding (MOU) signed on October 30, 2012 on behalf of the Partnership.

Pursuant to a series of Assignment and Assumption Agreements dated March 6, 2013 between and/or among Samsung, PRHC, the Partnership, and various affiliates of Samsung and PRHC, certain project development costs, which were not part of the previous contribution on February 19, 2013, in the amount of $1,387,574 incurred by Pattern were contributed to the Partnership. Afterward, Samsung acquired additional interest in the Partnership for a cash consideration payable to an affiliate of PRHC. This transaction has no impact on the Partnership.

Prior to financial close, Korea Electric Power Corporation (KEPCO), another party of Korean Consortium of the Green Energy Investment Agreement, is entitled to participate as an equity investor in the Project, where the purchase price shall be equal to the proportionate share of the Project s fair market value. The interest of the Partnership to be held by KEPCO shall not be greater than 20%. KEPCO s entitlement to participate in the Project shall expire on achieving financial close of the project financing for construction of the Project. On February 14, 2013, KEPCO abandoned its entitlement to participate in the Project by signing an amending agreement.

11 Asset retirement obligation

The Partnership s asset retirement obligation represents the estimated cost of decommissioning the turbines, removing above-ground installations and restoring the sites at a date that is 20 years from the commencement of commercial operations.

The following table presents a reconciliation of the beginning and ending aggregate carrying amounts of the asset retirement obligation:

	December 31, 2013	2012
Asset retirement obligation, beginning balance	$	$

Additions during the year	5,833,484	
Accretion expense		
Asset retirement obligation, end of year	$ 5,833,484	$

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12 Derivatives

On March 14, 2013, the Partnership entered into interest rate swaps to manage exposure to interest rate risk on its long-term debt. The interest rate swaps are undesignated derivatives that are used to mitigate exposure to variable interest rate debt by exchanging variable interest rate payments for fixed rate payments of 5.54%.

The following table presents the amounts that are recorded in the Partnership s statement of financial position as of December 31, 2013:

Undesignated derivative instruments classified as assets (liabilities)

			As of December 31, 2013		For the period ended	
			Fair market value		Gain recognized into	Gain recognized into
Derivative type	**Quantity**	**Maturity date**	**Current portion**	**Non-current portion**	**earnings**	**OCI**
Interest rate swaps	13	March 31, 2032	$ (7,814,992)	$ 26,757,264	$ 18,942,272	$

13 Fair value measurement

The Partnership s fair value measurements incorporate various factors, including the credit standing and performance risk of the counterparties, the applicable exit market, and specific risks inherent in the instrument. Non-performance and credit risk adjustments on risk management instruments are based on current market inputs when available, such as credit default swap spreads. When such information is not available, internal models are used.

Assets and liabilities recorded at fair value in the financial statements are categorized based on the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels directly related to the amount of subjectivity associated with the inputs to valuation of these assets or liabilities are as follows:

Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 - Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument s anticipated life.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities and which reflect management s best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Short-term financial instruments consist principally of cash and cash equivalents, restricted cash, accounts payable, current derivative liability and other accrued liabilities. Based on the nature and short maturity of these instruments their fair value is approximated using carrying cost and they are presented in the financial statements at carrying cost.

Long-term debt is presented on the statement of financial position at amortized cost. The fair value of variable interest rate long-term debt is approximated by its carrying cost.

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Derivatives are presented in the financial statements at fair value. The interest rate swaps were valued by discounting the net cash flows using the forward CDOR curve with the valuations adjusted by the counterparties credit default swap rate.

The following table presents the fair values according to each defined level.

Financial assets and liabilities measured on a recurring basis:

	Level 1	Level 2	Level 3
December 31, 2013			
Interest rate swaps	$	$ 18,942,272	$
December 31, 2012			
Interest rate swaps	$	$	$

14 Commitments and contingencies
Power purchase agreement

The Partnership entered into a PPA with the OPA on August 2, 2011. The contract capacity of the PPA is defined as 270 MW and the term of the PPA is 20 years from the COD. Under the PPA, the electrical output

from the Project is sold at an electricity price equal to $135 per MWh (on the base date as at September 30, 2009), with 80% of the price fixed and 20% escalating at the Consumer Price Index. The Partnership obtained NTP under the PPA on January 7, 2013. The Partnership has provided to the OPA initial security of $20 per kW of contract capacity. In addition, the Partnership will deliver to the OPA the additional amount of incremental NTP security defined as $10 per kW of contract capacity after receiving the NTP. Both initial and incremental security will be returned to the Partnership after the COD. As at December 31, 2013, the Partnership provided a letter of guarantee amounting to $8,100,000 (2012 $5,400,000) to the OPA, as the initial and incremental security agreed within the PPA. Korea Exchange Bank of Canada issued the letter of guarantee due on July 31, 2014 for the Partnership, based on a restricted term deposit of $8,100,000 (2012 - $5,400,000).

On January 29, 2013 and August 22, 2013, the Partnership amended the PPA by way of an amending agreement with the OPA in connection with announced changes in the market rules governing the dispatch of certain intermittent generators, including those connected to the IESO-controlled grid. Among other provisions, the amendment will limit the amount of economic curtailment to which the Project is subject.

Contingent payment under APA

Per certain Asset Purchase Agreements between the GP, in its capacity as general partner and on behalf of the Partnership, and Northland Power Inc., dated March 4, 2011, and between the GP, in its capacity as general partner of the Partnership, and Suncor Energy Products Inc., dated March 22, 2011, the Partnership is liable to pay $675,000 and $389,600, respectively, once the Project reaches commercial operation under the PPA.

Community Fund Agreement

On April 17, 2013, the GP, in its capacity as general partner and on behalf of the Partnership, entered into a South Kent Wind Community Fund Agreement with Chatham-Kent Community Foundation, in which the

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Partnership committed to twenty annual contributions of $500,000 plus an initial contribution of $1,000,000 million. In April 2013, the initial $1,000,000 was paid on close of construction financing and recorded as construction-in-progress. The remaining $10,000,000 was recorded as a liability.

Operational Incentive Agreement

On March 8, 2013, an Operational Incentive Agreement was entered into between Samsung, an affiliate of PRHC and Siemens Canada Limited to define operational objectives and the terms and conditions upon which the Partnership may pay operational incentive payments to Siemens for achieving one or more of such operational objectives under the turbine supply agreements of certain projects under development by Samsung and affiliates of PRHC, including the Project. Siemens earned an initial payment of $1,078,996 for having satisfied a Peak Capacity Objective defined under the agreement.

The operational incentive payment shall not exceed any of the applicable maximums of (a) $20 per kW of the agreed de-rated capacity of wind turbines purchased under the TSA for the Project, and (b) an aggregate of $15,000,000 under all TSAs for all projects subject to the Operational Incentive Agreement, including the Project, and the South Kent, K2, and Armow wind projects.

Land Lease Agreement

The Partnership has acquired various lease option agreements with landowners through the APAs, and subsequently the Partnership exercised most of the options to execute lease agreements with landowners during the year.

The lease payment including amortization of lease option in the prior year was capitalized to Construction-in-progress and deferred development costs. The capitalized lease payments and amortization of land options are $713,605 and $177,184 for the years ended December 31, 2013 and 2012, respectively.

The future minimum payments related to these leases as of December 31, 2013 are as follows:

2014	$ 1,017,943
2015	1,222,133
2016	1,295,059
2017	1,302,068
2018	1,312,842
Thereafter	39,463,763
Total	$ 45,613,807

Other commitments

The Partnership has entered into an agreement to purchase turbine related consumable supplies, components, materials, equipment and items required for the Project. The purchase commitment outstanding for these items at December 31, 2013 is $50,266,877.

The Partnership also has other project related contract, and the contract commitment outstanding at December 31, 2013 is $23,967,910.

South Kent Wind LP

Notes to Financial Statements

December 31, 2013

(expressed in Canadian dollars)

15 Related party transactions

The Partnership is controlled by the GP, which is jointly controlled by Samsung and Pattern in accordance with the terms of the Shareholder Agreement. Certain terms of the Samsung Pattern Joint Venture Wind Development Agreement, entered into between Samsung and an affiliate of PRHC on July 27, 2010, directed the responsibilities of Samsung and PRHC during the development of the Project.

The following transactions were carried out with related parties:

a) Management, Operation, and Maintenance Agreement (MOMA)

On March 8, 2013, the Partnership entered into MOMA with Pattern Operators Canada ULC, which is 100% owned by an affiliate of Pattern to operate and manage the maintenance of the wind plant and to perform certain other services pertaining to the wind plant in accordance with the terms and conditions set in the MOMA.

The fixed annual fee for the service is $855,000 pro-rated for the period from March 8, 2013 until the COD and thereafter the annual fee will be increased to $1,425,000 until the end of the term (20 years from the COD). The Partnership paid $627,252 during the year, which is capitalized and recorded to construction-in-progress in the statement of financial position.

b) Engineering Procurement and Construction Contract (EPC Contract)

On March 8, 2013, the Partnership entered into an EPC contract with SRE SKW EPC LP, which is 100% owned by Samsung, to build the balance of plant. $184,067,045 has been invoiced to the Partnership as of December 31, 2013, which was capitalized and recorded in construction-in-progress in the statements of financial position.

c) Project Administration Agreement (PAA)

On March 8, 2013, the Partnership entered into the PAA with SRE Wind PA LP (PA), which is 100% owned by Samsung to supply project administrative services.

The fixed annual fee for the service is $350,000 retroactively pro-rated for the period from June 15, 2012 until the COD and thereafter the annual fee will be increased to $500,000. The Partnership paid $555,588 during the year, which is recorded in the statement of operations and comprehensive income.

d) Deferred development costs transferred to the Project by Samsung and PRHC (note 10)

Siemens deposits paid and certain development cost incurred by Samsung and an affiliate of PRHC were transferred to the Partnership at carrying value in March 2013.

	Samsung	**PRHC**	**Total**
Siemens deposit	$ 29,500,000	$ 29,500,000	$ 59,000,000
Development costs		20,950,417	20,950,417
	$ 29,500,000	$ 50,450,417	$ 79,950,417

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South Kent Wind LP

Notes to Financial Statements

December 31, 2013

(expressed in Canadian dollars)

e) The Partnership recorded the following balances and transactions with related parties:

	2013	2012
Related party payable	$ 42,811,950	$
Deferred development costs transferred	$ 79,450,417	$

16 Subsequent events

On January 26, 2014, the Environmental Review Tribunal dismissed a challenge to the Project modifying the position and rated capacity of two turbines.

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Schedule III Grand Renewable Wind LP Independent Auditor s Report dated February 21, 2014

February 21, 2014

Independent Auditor s Report

To the Partners of

Grand Renewable Wind LP

We have audited the accompanying statement of financial position of Grand Renewable Wind LP as of December 31, 2013 and the related statement of operations and comprehensive loss, changes in partners capital and cash flows for the year then ended. Management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We were not engaged to perform an audit of the company s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grand Renewable Wind LP as of December 31, 2013 and the results of its operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

EXHIBIT INDEX

Exhibit No.	Description Of Exhibit
3.1	Amended and Restated Certificate of Incorporation of Pattern Energy Group Inc. (Incorporated by reference to Exhibit 3.1 to the Registrant s Registration Statement on Form S-1/A dated September 20, 2013 (Registration No. 333-190538)).
3.2	Amended and Restated Bylaws of Pattern Energy Group Inc. (Incorporated by reference to Exhibit 3.2 to the Registrant s Registration Statement on Form S-1/A dated September 3, 2013 (Registration No. 333-190538)).
4.1	Form of Class A Stock Certificate (Incorporated by reference to Exhibit 4.1 to the Registrant s Registration Statement on Form S-1/A dated September 3, 2013 (Registration No. 333-190538)).
10.1	Credit and Guaranty Agreement, among Pattern US Finance Company LLC, Pattern Canada Finance Company ULC, as borrowers, certain subsidiaries of the borrowers, the lenders party thereto from time to time, Royal Bank of Canada, as Administrative Agent and Collateral Agent, Bank of Montreal, as Syndication Agent, and Morgan Stanley Bank, N.A., as Documentation Agent, dated as of November 15, 2012. (Incorporated by reference to Exhibit 10.1 to the Registrant s Registration Statement on Form S-1/A dated September 3, 2013 (Registration No. 333-190538)).
10.2	Pattern Energy Group Inc. 2013 Equity Incentive Award Plan (Incorporated by reference to Exhibit 10.2 to the Registrant s Registration Statement on Form S-1/A dated September 3, 2013 (Registration No. 333-190538)).
10.3	Form of Pattern Energy Group Inc. 2013 Incentive Bonus Plan. (Incorporated by reference to Exhibit 10.3 to the Registrant s Registration Statement on Form S-1/A dated September 3, 2013 (Registration No. 333-190538)).
10.4	Form of Stock Option Agreement under 2013 Equity Incentive Award Plan. (Incorporated by reference to Exhibit 10.4 to the Registrant s Registration Statement on Form S-1/A dated September 3, 2013 (Registration No. 333-190538)).
10.5	Form of Restricted Stock Agreement under 2013 Equity Incentive Award Plan. (Incorporated by reference to Exhibit 10.5 to the Registrant s Registration Statement on Form S-1/A dated September 20, 2013 (Registration No. 333-190538)).
10.6	Form of Restricted Stock Unit Agreement under 2013 Equity Incentive Award Plan. (Incorporated by reference to Exhibit 10.6 to the Registrant s Registration Statement on Form S-1/A dated September 3, 2013 (Registration No. 333-190538)).
10.7	Form of Indemnification Agreement between the Registrant and each of its Executive Officers and Directors. (Incorporated by reference to Exhibit 10.7 to the Registrant s Registration Statement on Form S-1/A dated September 3, 2013 (Registration No. 333-190538)).
10.8	Registration Rights Agreement between the Company and Pattern Energy Group LP, dated as of October 2, 2013. (Incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K dated September 26, 2013).
10.9	Contribution Agreement among the Company, Pattern Renewables LP, Pattern Energy Group LP, and Pattern Renewable Holdings Canada ULC, dated as of October 2, 2013. (Incorporated by reference to Exhibit 10.2 to the Registrant s Current Report on Form 8-K dated September 26,

	2013).
10.10	Purchase Rights Agreement among the Company, Pattern Energy Group LP, Pattern Energy Group Holdings LP and Pattern Energy GP LLC, dated as of October 2, 2013. (Incorporated by reference to Exhibit 10.3 to the Registrant s Current Report on Form 8-K dated September 26, 2013).

Exhibit No.	Description Of Exhibit
10.11	Bilateral Management Services Agreement between the Company and Pattern Energy Group LP, dated as of October 2, 2013. (Incorporated by reference to Exhibit 10.4 to the Registrant s Current Report on Form 8-K dated September 26, 2013).
10.12	Non-Competition Agreement between the Company and Pattern Energy Group LP, dated October 2, 2013. (Incorporated by reference to Exhibit 10.5 to the Registrant s Current Report on Form 8-K dated September 26, 2013).
10.13	Shareholder Approval Rights Agreement between the Company and Pattern Energy Group LP, dated as of October 2, 2013. (Incorporated by reference to Exhibit 10.6 to the Registrant s Current Report on Form 8-K dated September 26, 2013).
10.15	Purchase and Sale Agreement, dated as of December 20, 2013, by and between Pattern Canada Operations Holdings ULC and Pattern Energy Group LP (Grand PSA) . (Incorporated by reference to Exhibit 2.1 to the Registrant s Current Report on Form 8-K dated December 24, 2013).
10.16	Purchase and Sale Agreement, dated as of December 20, 2013, by and among Pattern Energy Group Inc., Panhandle B Holdco 2 LLC and Pattern Energy Group LP (PH2 PSA) ((Incorporated by reference to Exhibit 2.2 to the Registrant s Current Report on Form 8-K dated December 24, 2013).
10.17	Management, Operation and Maintenance Agreement, dated as of December 20, 2013, by and between Pattern Panhandle Wind 2 LLC and Pattern Operators LP (PH2 MOMA) (Incorporated by reference to Exhibit 2.3 to the Registrant s Current Report on Form 8-K dated December 24, 2013).
10.18	Project Administration Agreement, dated as of December 20, 2013, by and between Pattern Panhandle Wind 2 LLC and Pattern Operators LP (PH2 PAA) (Incorporated by reference to Exhibit 2.4 to the Registrant s Current Report on Form 8-K dated December 24, 2013).
10.19	Employment Agreement between Pattern Energy Group Inc. and Michael M. Garland dated October 2, 2013 (Incorporated by reference to Exhibit 10.19 to the Registrant s Annual Report on Form 10-K dated February 28, 2014).
10.20	Employment Agreement between Pattern Energy Group Inc. and Hunter H. Armistead dated October 2, 2013 (Incorporated by reference to Exhibit 10.20 to the Registrant s Annual Report on Form 10-K dated February 28, 2014).
10.21	Employment Agreement between Pattern Energy Group Inc. and Daniel M. Elkort dated October 2, 2013 (Incorporated by reference to Exhibit 10.21 to the Registrant s Annual Report on Form 10-K dated February 28, 2014).
21.1	List of Subsidiaries (Incorporated by reference to Exhibit 21.1 to the Registrant s Annual Report on Form 10-K dated February 28, 2014).
23.1	Consent of Ernst & Young LLP.
23.2	Consent of PricewaterhouseCoopers LLP.
24.1	Powers of Attorney (Incorporated by reference to Exhibit 10.6 to the Registrant s Annual Report on Form 10-K dated February 28, 2014).
31.1	Certification of the Company s Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2	Certification of the Company s Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*	Certifications of the Company s Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act.