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8point3 Energy Partners LP
Form 10-Q
March 28, 2018

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended February 28, 2018

or

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

For the transition period from _____ to _____

Commission File Number: 001-37447

8point3 Energy Partners LP
(Exact name of Registrant as specified in its Charter)

Delaware	47-3298142
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
77 Rio Robles	95134
San Jose, California	
(Address of principal executive offices)	(Zip Code)
(408) 240-5500	
(Registrant's telephone number, including area code)	

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

Indicate by check mark whether the registrant has submitted electronically 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 No

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

Large accelerated filer	Accelerated filer	Non-accelerated filer	Small reporting company	Emerging growth company
		(Do not check if a small reporting company)		

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

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

As of March 26, 2018, the registrant had outstanding 28,093,305 Class A shares representing limited partner interests and 51,000,000 Class B shares representing limited partner interests.

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GLOSSARY

Unless the context provides otherwise, references herein to “we,” “us,” “our” and “the Partnership” or like terms refer to 8point3 Energy Partners LP together with its consolidated subsidiaries.

References in this Quarterly Report on Form 10-Q to:

“2017 10-K” refers to our Annual Report on Form 10-K dated February 5, 2018, as amended.

“2017 Tax Act” refers to The H.R. 1 (Pub. L. No. 115-97), informally known as the “Tax Cuts and Jobs Act”, which was signed into law on December 22, 2017.

“8point3 Solar CEI” refers to 8point3 Solar CEI, LLC, a Delaware limited liability company.

“(ac)” refers to alternating current.

“AMAs” refers to asset management agreements.

“AROs” refers to asset retirement obligations.

“ATM Agents” refers to Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Mizuho Securities USA Inc. collectively.

“ATM Program” refers to the Partnership’s at-the-market offering program established on January 30, 2017 pursuant to the Equity Distribution Agreement, under which the Partnership may sell its Class A Shares from time to time to or through the ATM Agents.

“Blackwell Project” refers to the solar energy project located in Kern County, California, that is held by the Blackwell Project Entity and has a nameplate capacity of 12 MW.

“Blackwell Project Entity” refers to Blackwell Solar, LLC.

“Board” refers to the board of directors of our general partner.

“C&I” refers to commercial and industrial.

“C&I Project Entities” refers to, collectively, the Kern Project Entity, the Macy’s California Project Entities, the Macy’s Maryland Project Entity and the UC Davis Project Entity.

“Capital Dynamics” refers to Capital Dynamics Clean Energy Infrastructure V JV, LLC, an equity fund managed by Capital Dynamics, Inc.

“CD Clean Energy Holdco” refers to CD Clean Energy and Infrastructure V JV (Holdco), LLC, a Delaware limited liability company, an affiliate of Capital Dynamics.

“COD” refers to the commercial operation date.

“Conflicts Committee” refers to the Conflicts Committee of the Board.

“DG Solar” refers to distributed solar generation. DG Solar systems are deployed at the site of end-use, such as businesses and homes.

“EPC” refers to engineering, procurement and construction.

“Equity Distribution Agreement” refers to the Equity Distribution Agreement, dated as of January 30, 2017, by and among the Partnership and the General Partner, on the one hand, and the ATM Agents, on the other hand.

“Exchange Act” refers to the Securities Exchange Act of 1934, as amended.

“FASB” refers to the Financial Accounting Standards Board.

“First Solar” refers to First Solar, Inc., a corporation formed under the laws of the State of Delaware, in its individual capacity, or to First Solar, Inc. and its subsidiaries, as the context requires. Unless otherwise specifically noted, references to First Solar and its subsidiaries exclude us, the General Partner, Holdings and our subsidiaries.

“First Solar MSA” refers to the Management Services Agreement, dated as of June 24, 2015, as amended, among the Partnership, OpCo, the General Partner and First Solar 8point3 Management Services, LLC.

“First Solar ROFO Agreement” refers to the Right of First Offer Agreement, dated as of June 24, 2015, as amended, by and between OpCo and First Solar.

“fiscal 2016” refers to the fiscal year ended November 30, 2016.

“fiscal 2017” refers to the fiscal year ended November 30, 2017.

“fiscal 2018” refers to the fiscal year ended November 30, 2018.

“fiscal 2019” refers to the fiscal year ended November 30, 2019.

“fiscal 2020” refers to the fiscal year ended November 30, 2020.

“FSAM” refers First Solar Asset Management, LLC, a wholly owned subsidiary of First Solar.

“General Partner” or “our general partner” refers to 8point3 General Partner, LLC, our general partner, a limited liability company formed under the laws of the State of Delaware and a wholly owned subsidiary of Holdings.

“GW” refers to a gigawatt, or 1,000,000,000 watts. As used in this Quarterly Report on Form 10-Q, all references to watts (e.g., MW or GW) refer to measurements of alternating current, except where otherwise noted.

“Henrietta Holdings” refers to Parrey Holding Company, LLC.

“Henrietta Project” refers to the solar energy project that is located in Kings County, California and is held by the Henrietta Project Entity.

“Henrietta Project Entity” refers to Parrey, LLC.

“HLBV Method” refers to Hypothetical Liquidation at Book Value Method.

“Holdings” refers to 8point3 Holding Company, LLC, a limited liability company formed under the laws of the State of Delaware, which is jointly owned by First Solar and SunPower and is the parent of the General Partner.

“Hooper Project” refers to the solar energy project located in Alamosa County, Colorado, that is held by the Hooper Project Entity and has a nameplate capacity of 50 MW.

“Hooper Project Entity” refers to Solar Star Colorado III, LLC.

“Investor Co 1” refers to 8point3 Co-Invest Feeder 1, LLC.

“Investor Co 2” refers to 8point3 Co-Invest Feeder 2, LLC.

“IPO” refers to the Partnership’s initial public offering of its Class A shares, which was completed on June 24, 2015.

“IPO First Solar Project Entities” refers to the Lost Hills Project Entity, the Blackwell Project Entity, the Maryland Solar Project Entity, the North Star Project Entity and the Solar Gen 2 Project Entity and, with respect to certain of the foregoing, one or more of its direct or indirect holding companies.

“IPO Project Entities” refers to, collectively, the IPO First Solar Project Entities and the IPO SunPower Project Entities.

“IPO SunPower Project Entities” refers to the Macy’s California Project Entities, the Quinto Project Entity, the RPU Project Entity, the UC Davis Project Entity and the Residential Portfolio Project Entity and, with respect to certain of the foregoing, one or more of its direct or indirect holding companies.

“ITCs” refers to investment tax credits.

“Kern Letter Agreement” refers to that certain letter agreement, dated June 9, 2017, by and between OpCo and SunPower in connection with the closing of the fifth phase of the Kern Project.

“Kern Phase 1(a) Assets” refers to the assets comprising the first phase of the Kern Project, with a nameplate capacity of approximately 3 MW.

“Kern Phase 1(b) Assets” refers to the assets comprising the second phase of the Kern Project, with a nameplate capacity of approximately 5 MW.

“Kern Phase 2(a) Assets” refers to the assets comprising the third phase of the Kern Project, with a nameplate capacity of approximately 5 MW.

“Kern Phase 2(b) Assets” refers to the assets comprising the fourth phase of the Kern Project, with a nameplate capacity of approximately 3 MW.

“Kern Phase 2(c) Assets” refers to the assets comprising the fifth phase of the Kern Project, with a nameplate capacity of up to approximately 2 MW.

“Kern Project” refers to the solar energy project located in Kern County, California, that is held by the Kern Project Entity and has an aggregate nameplate capacity of approximately 18 MW. OpCo’s acquisition of the Kern Project was effectuated in phases, with the closing for the Kern Phase 1(a) Assets having occurred on January 26, 2016, the closing for the Kern Phase 1(b) Assets having occurred on September 9, 2016, the closing for the Kern Phase 2(a) Assets having occurred on November 30, 2016, the closing for the Kern Phase 2(b) Assets having occurred on February 24, 2017, and the closing for the Kern Phase 2(c) Assets having occurred on June 9, 2017.

“Kern Project Entity” refers to Kern High School District Solar (2), LLC.

“Kingbird Project” refers to the solar energy project located in Kern County, California, that is held by the Kingbird Project Entities and has an aggregate nameplate capacity of 40 MW.

“Kingbird Project Entities” refers to, collectively, Kingbird Solar A, LLC and Kingbird Solar B, LLC.

“Lost Hills Blackwell Holdings” refers to Lost Hills Blackwell Holdings, LLC.

“Lost Hills Blackwell Project” refers to the solar energy project held collectively by the Lost Hills Project Entity and the Blackwell Project Entity that is comprised of the Lost Hills Project and the Blackwell Project and has a nameplate capacity of 32 MW.

“Lost Hills Project” refers to the solar energy project located in Kern County, California, that is held by the Lost Hills Project Entity and has a nameplate capacity of 20 MW.

“Lost Hills Project Entity” refers to Lost Hills Solar, LLC.

“Macy’s California Project” refers to the solar energy project consisting of seven sites in Northern California that is held by the Macy’s California Project Entities and has an aggregate nameplate capacity of 3 MW.

“Macy’s California Project Entities” refers to, collectively, Solar Star California XXX, LLC and Solar Star California XXX (2), LLC.

“Macy’s Maryland Project” refers to the solar energy project which holds roof-mounted solar power systems with an aggregate system size of approximately 5 MW, which was installed at certain Macy’s department stores in Maryland and is held by the Macy’s Maryland Project Entity.

“Macy’s Maryland Project Entity” refers to Northstar Macys Maryland 2015, LLC.

“Maryland Solar Project” refers to the solar energy project located in Washington County, Maryland, that is held by the Maryland Solar Project Entity and has a nameplate capacity of 20 MW.

“Maryland Solar Project Entity” refers to Maryland Solar LLC.

“Mergers” refers to the transactions contemplated by the Merger Agreement.

“Merger Agreement” refers to the Agreement and Plan of Merger and Purchase Agreement, dated as of February 5, 2018, by and among the Partnership, the General Partner, OpCo, Holdings, and certain affiliates of Capital Dynamics, including 8point3 Solar CEI, Investor Co 1, Investor Co 2, CD Clean Energy Holdco, Partnership Merger Sub, OpCo Merger Sub 1 and OpCo Merger Sub 2.

“MSAs” refers, collectively, to the First Solar MSA and the SunPower MSA.

“MW” refers to a megawatt, or 1,000,000 watts. As used in this Quarterly Report on Form 10-Q, all references to watts (e.g., MW or GW) refer to measurements of alternating current, except where otherwise noted.

“NASDAQ” refers to the NASDAQ Global Select Market.

“North Star Holdings” refers to NS Solar Holdings, LLC, the direct owner of 100% of the limited liability company membership interests of the North Star Project Entity.

“North Star Project” refers to the solar energy project located in Fresno County, California, that is held by the North Star Project Entity and has a nameplate capacity of 60 MW.

“North Star Project Entity” refers to North Star Solar, LLC.

“O&M” refers to operations and maintenance services.

“offtake agreements” refers to PPAs, leases and other offtake agreements.

“offtake counterparties” refers to the customer under a PPA lease or other offtake agreement.

“Omnibus Agreement” refers to the Amended and Restated Omnibus Agreement, dated as of April 6, 2016, as amended, among the Partnership, OpCo, the General Partner, Holdings, First Solar and SunPower. Please read Part I, Item 1, “Financial Information—Notes to Unaudited Condensed Consolidated Financial Statements—Note 11—Related Parties” for further details.

“OpCo” refers to 8point3 Operating Company, LLC and its subsidiaries.

“OpCo LLC Agreement” refers to that certain Amended and Restated Limited Liability Company Agreement of OpCo, dated June 24, 2015.

“OpCo Merger Sub 1” refers to 8point3 OpCo Merger Sub 1, LLC, a Delaware limited liability company and wholly owned subsidiary of Parent.

“OpCo Merger Sub 2” refers to 8point3 OpCo Merger Sub 2, LLC, a Delaware limited liability company and wholly owned subsidiary of Parent.

“Parent” refers to 8point3 Solar CEI, Investor Co 1 and Investor Co 2.

“Partnership Agreement” refers to our partnership agreement.

“Partnership Merger Sub” refers to 8point3 Partnership Merger Sub, LLC, a Delaware limited liability company and wholly owned subsidiary of 8point3 Solar CEI.

“PBI Rebates” refers to performance based incentives.

“PG&E” refers to Pacific Gas and Electric Company.

“Portfolio” refers to, collectively, our portfolio of solar energy projects as of February 28, 2018, which consists of the Henrietta Project, the Hooper Project, the Kern Project, the Kingbird Project, the Lost Hills Blackwell Project, the Macy’s California Project, the Macy’s Maryland Project, the Maryland Solar Project, the North Star Project, the Quinto Project, the Solar Gen 2 Project, the Stateline Project, the RPU Project, the UC Davis Project and the Residential Portfolio.

“PPA” refers to a power purchase agreement.

“Project Entities” refers to, collectively, the IPO First Solar Project Entities, the IPO SunPower Project Entities, the Henrietta Project Entity, the Hooper Project Entity, the Kern Project Entity, the Kingbird Project Entities, the Macy’s Maryland Project Entity and the Stateline Project Entity.

“Quinto Project” refers to the solar energy project located in Merced County, California, that is held by the Quinto Project Entity and has a nameplate capacity of 108 MW.

“Quinto Project Entity” refers to Solar Star California XIII, LLC.

“Residential Portfolio” refers to the approximately 5,800 solar installations located at homes in Arizona, California, Colorado, Hawaii, Massachusetts, New Jersey, New York, Pennsylvania and Vermont, that is held by the Residential Portfolio Project Entity and has an aggregate nameplate capacity of 38 MW.

“Residential Portfolio Project Entity” refers to SunPower Residential I, LLC.

“ROFO Agreements” refers, collectively, to the First Solar ROFO Agreement and the SunPower ROFO Agreement.

“RPS” refers to renewable portfolio standards mandated by state law that require a regulated retail electric utility to procure a specified percentage of its total electricity delivered to retail customers in the state from eligible renewable energy resources, such as solar energy projects, by a specified date.

“RPU Project” refers to the solar energy project located in Riverside, California, that is held by the RPU Project Entity and has a nameplate capacity of 7 MW.

“RPU Project Entity” refers to Solar Star California XXXI, LLC.

“SDG&E” refers to San Diego Gas & Electric Company, a subsidiary of Sempra Energy.

“SEC” refers to the U.S. Securities and Exchange Commission.

“Securities Act” refers to the Securities Act of 1933, as amended.

“SG&A” refers to selling, general and administrative services.

“SG2 Holdings” refers to SG2 Holdings, LLC, the direct owner of 100% of the limited liability company membership interests in the Solar Gen 2 Project Entity.

“Short-Term Note” means the Promissory Note in the principal amount of \$2.0 million issued by OpCo in favor of FSAM.

“Solar Gen 2 Project” refers to the solar energy project located in Imperial County, California, that is held by the Solar Gen 2 Project Entity and has a nameplate capacity of 150 MW.

“Solar Gen 2 Project Entity” refers to SG2 Imperial Valley, LLC.

“Sponsors” refers, collectively, to First Solar and SunPower.

“SRECs” refers to Solar Renewable Energy Credits.

“Stateline Holdings” refers to Desert Stateline Holdings, LLC, the direct owner of 100% of the limited liability company membership interests in the Stateline Project Entity.

“Stateline Project” refers to the solar energy project located in San Bernardino, California that is held by the Stateline Project Entity and has a nameplate capacity of 300 MW.

“Stateline Project Entity” refers to Desert Stateline, LLC.

“Stateline Promissory Note” means the Promissory Note in the principal amount of \$50.0 million issued by OpCo in favor of FSAM in connection with our acquisition of interests in the Stateline Project.

“SunPower” refers to SunPower Corporation, a corporation formed under the laws of the State of Delaware, in its individual capacity or to SunPower Corporation and its subsidiaries, as the context requires. Unless otherwise specifically noted, references to SunPower and its subsidiaries exclude us, the General Partner, Holdings and our subsidiaries, including OpCo.

“SunPower Capital” refers to SunPower Capital Services, LLC, a wholly owned subsidiary of SunPower.

“SunPower MSA” refers to the Management Services Agreement, dated as of June 24, 2015, as amended, among the Partnership, OpCo, the General Partner and SunPower Capital.

“SunPower ROFO Agreement” refers to the Right of First Offer Agreement, dated as of June 24, 2015, as amended, by and between OpCo and SunPower.

“SunPower ROFO Projects” refers to, collectively, the projects set forth in the chart in Part I, Item 1, under the heading “Business—Our Portfolio—SunPower ROFO Projects” in the 2017 10-K as to which we have a right of first offer under the SunPower ROFO Agreement should SunPower decide to sell them (except as further described in Part I, Item 1, “Financial Information—Notes to Unaudited Condensed Consolidated Financial Statements—Note 11—Related Parties”).

“UC Davis Project” refers to the solar energy project located in Solano County, California, that is held by the UC Davis Project Entity and has a nameplate capacity of 13 MW.

“UC Davis Project Entity” refers to Solar Star California XXXII, LLC.

“U.S. GAAP” refers to U.S. generally accepted accounting principles.

“Utility Project Entities” refers to the Henrietta Project Entity, the Hooper Project Entity, the Kingbird Project Entities, the Lost Hills Project Entity, the Blackwell Project Entity, the Maryland Solar Project Entity, the North Star Project Entity, the Quinto Project Entity, the RPU Project Entity, the Solar Gen 2 Project Entity and the Stateline Project Entity.

“Waiver Agreement” refers to the Waiver to Right of First Offer Agreement, dated as of February 5, 2018, by and between SunPower and OpCo.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

8point3 Energy Partners LP
Condensed Consolidated Balance Sheets
(In thousands, except share data)
(Unaudited)

	February 28, 2018	November 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$13,877	\$13,528
Accounts receivable and short-term financing receivables, net	5,766	5,572
Prepaid and other current assets ¹	15,898	16,990
Total current assets	35,541	36,090
Property and equipment, net	706,277	713,284
Long-term financing receivables, net	74,904	76,201
Investments in unconsolidated affiliates	752,646	768,258
Other long-term assets	13,594	15,372
Total assets	\$1,582,962	\$1,609,205
Liabilities and Equity		
Current liabilities:		
Accounts payable and other current liabilities ¹	\$3,840	\$4,394
Short-term debt and financing obligations ¹	2,252	2,229
Deferred revenue, current portion	739	1,025
Total current liabilities	6,831	7,648
Long-term debt and financing obligations ¹	694,312	689,847
Deferred revenue, net of current portion	81	123
Deferred tax liabilities	24,148	37,318
Asset retirement obligations	15,178	14,970
Other long-term liabilities	2,173	1,945
Total liabilities	742,723	751,851
Redeemable noncontrolling interests	17,346	17,346
Commitments and contingencies (Note 4)		
Equity:		
Class A shares, 28,093,305 and 28,088,673 issued and outstanding as of February 28, 2018 and November 30, 2017, respectively	249,419	249,363
Class B shares, 51,000,000 issued and outstanding as of February 28, 2018 and November 30, 2017	—	—
Accumulated earnings	6,671	4,595
Total shareholders' equity attributable to 8point3 Energy Partners LP	256,090	253,958
Noncontrolling interests	566,803	586,050
Total equity	822,893	840,008
Total liabilities and equity	\$1,582,962	\$1,609,205

¹The Partnership has related-party balances for transactions made with the Sponsors and tax equity investors. Related-party balances recorded within "Prepaid and other current assets" in the unaudited condensed consolidated

balance sheets were \$1.4 million and \$0.7 million as of February 28, 2018 and November 30, 2017, respectively. Related-party balances recorded within “Accounts payable and other current liabilities” in the unaudited condensed consolidated balance sheets were \$0.5 million and \$0.9 million due to tax equity investors as of February 28, 2018 and November 30, 2017, respectively, and zero and \$0.1 million due to Sponsors as of February 28, 2018 and November 30, 2017, respectively. Related-party balances recorded within “Short-term debt and financing obligations” and “Long-term debt and financing obligations” in the unaudited condensed consolidated balance sheets were \$2.3 million and \$46.1 million, respectively, as of February 28, 2018, and \$2.2 million and \$47.4 million, respectively, as of November 30, 2017.

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

8point3 Energy Partners LP
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended	
	February 28, 2018	February 28, 2017
Revenues:		
Operating revenues ¹	\$10,869	\$9,897
Total revenues	10,869	9,897
Operating costs and expenses ¹ :		
Cost of operations	2,391	2,222
Selling, general and administrative	4,252	1,902
Depreciation and accretion	7,140	6,763
Acquisition-related transaction costs	20	13
Total operating costs and expenses	13,803	10,900
Operating loss	(2,934)	(1,003)
Other expense (income):		
Interest expense	6,163	5,495
Interest income	(276)	(271)
Other income	(396)	(834)
Total other expense, net	5,491	4,390
Loss before income taxes and equity in earnings of unconsolidated investees	(8,425)	(5,393)
Income tax benefit (provision)	13,169	(533)
Equity in earnings of unconsolidated investees	2,000	606
Net income (loss)	6,744	(5,320)
Less: Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	(3,203)	(6,181)
Net income attributable to 8point3 Energy Partners LP Class A shares	\$9,947	\$861
Net income per Class A share:		
Basic	\$0.35	\$0.03
Diluted	\$0.35	\$0.03
Distributions per Class A share:	\$0.28	\$0.25
Weighted average number of Class A shares:		
Basic	28,089	28,073
Diluted	43,589	43,573

¹The Partnership has related-party activities for transactions made with the Sponsors. Related party transactions recorded within "Operating revenues" in the unaudited condensed consolidated statement of operations were \$1.3 million for each of the three months ended February 28, 2018 and February 28, 2017. Related party transactions recorded within "Operating costs and expenses" in the unaudited condensed consolidated statement of operations were \$2.2 million and \$2.0 million for the three months ended February 28, 2018 and February 28, 2017, respectively. Related party transactions recorded within "Other income" in the consolidated statement of operations were \$0.9 million and \$0.1 million for the three months ended February 28, 2018 and February 28, 2017, respectively.

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

8point3 Energy Partners LP

Condensed Consolidated Statements of Redeemable Noncontrolling Interests and Equity

(In thousands, except share data)

(Unaudited)

	Redeemable Noncontrolling Interests	Class A Shares Shares	Class A Shares Amount	Class B Shares Shares	Class B Shares Amount	Accumulated Earnings	Total Shareholders' Equity	Noncontrolling Interest	Total Equity
Balance as of November 30, 2016	\$ 17,624	28,072,680	\$ 249,138	51,000,000	\$ —	\$ 22,440	\$ 271,578	\$ 590,331	\$ 861,909
Noncontrolling interests obtained through acquisition	—	—	—	—	—	—	—	1,736	1,736
Cash and accrued distributions to noncontrolling interests - tax equity investors	(3,561)	—	—	—	—	—	—	(5,828)	(5,828)
Share-based compensation	—	15,993	225	—	—	—	225	—	225
Contributions from tax equity investors	—	—	—	—	—	—	—	28,388	28,388
Cash distributions to Class A shareholders	—	—	—	—	—	(29,252)	(29,252)	—	(29,252)
Cash distributions to Sponsors as OpCo unitholders	—	—	—	—	—	—	—	(53,132)	(53,132)
Net income	3,283	—	—	—	—	11,407	11,407	24,555	35,962
Balance as of November 30, 2017	17,346	28,088,673	249,363	51,000,000	\$ —	\$ 4,595	253,958	586,050	840,008
Cash and accrued distributions to noncontrolling interests - tax equity investors	(890)	—	—	—	—	—	—	(864)	(864)
Share-based compensation	—	4,632	56	—	—	—	56	—	56
Cash distributions to Class A shareholders	—	—	—	—	—	(7,871)	(7,871)	—	(7,871)
Cash distributions to Sponsors as OpCo unitholders	—	—	—	—	—	—	—	(14,290)	(14,290)
Net income (loss)	890	—	—	—	—	9,947	9,947	(4,093)	5,854

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Balance as of									
February 28, 2018	\$ 17,346	28,093,305	\$ 249,419	51,000,000	\$ —	\$ 6,671	\$ 256,090	\$ 566,803	\$ 822,893

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

8point3 Energy Partners LP
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended	
	February 28, 2018	February 28, 2017
Cash flows from operating activities:		
Net income (loss)	\$6,744	\$(5,320)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, amortization and accretion	7,247	6,871
Unrealized loss (gain) on interest rate swap	13	(670)
Distributions from unconsolidated investees	2,483	1,107
Equity in earnings of unconsolidated investees	(2,000)	(606)
Deferred income taxes	(13,169)	531
Share-based compensation	56	56
Amortization of debt issuance costs	249	237
Other, net	243	(8)
Changes in operating assets and liabilities:		
Accounts receivable and financing receivable, net	969	501
Prepaid and other assets	2,750	5,627
Deferred revenue	(332)	(319)
Accounts payable and other liabilities	103	1,457
Net cash provided by operating activities	5,356	9,464
Cash flows from investing activities:		
Cash used in purchases of property and equipment, net	—	(86)
Cash paid for acquisitions	(1,263)	(304,432)
Distributions from unconsolidated investees	15,129	16,604
Net cash provided by (used in) investing activities	13,866	(287,914)
Cash flows from financing activities:		
Proceeds from issuance of bank loans, net of issuance costs	5,500	275,987
Repayment of Short-Term Note to First Solar	—	(1,964)
Cash distribution to Class A shareholders	(7,871)	(6,990)
Cash distributions to Sponsors as OpCo unitholders	(14,290)	(12,699)
Cash contributions from noncontrolling interests and redeemable noncontrolling interests - tax equity investors	—	18,750
Cash distributions to noncontrolling interests and redeemable noncontrolling interests - tax equity investors	(2,212)	(1,885)
Net cash provided by (used in) financing activities	(18,873)	271,199
Net increase (decrease) in cash and cash equivalents	349	(7,251)
Cash and cash equivalents, beginning of period	13,528	14,261
Cash and cash equivalents, end of period	\$13,877	\$7,010
Non-cash transactions:		
Issuance by OpCo of promissory note to First Solar in connection with the Stateline Acquisition	\$—	\$50,000
Property and equipment acquisitions funded by liabilities	—	4,287
Accrued distributions to noncontrolling interests and redeemable noncontrolling interests - tax equity investors	452	581

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

8point3 Energy Partners LP
Notes to Unaudited Condensed Consolidated Financial Statements

Note 1. Description of Business

The Partnership

8point3 Energy Partners LP (together with its subsidiaries, the “Partnership”) is a limited partnership formed on March 3, 2015 under a master formation agreement by SunPower Corporation (“SunPower”) and First Solar, Inc. (“First Solar” and, together with SunPower, the “Sponsors”) to own, operate and acquire solar energy generation systems. The Partnership’s IPO was completed on June 24, 2015. 8point3 General Partner, LLC (the “General Partner”), the Partnership’s general partner, is a wholly owned subsidiary of 8point3 Holding Company, LLC, an entity owned by SunPower and First Solar (“Holdings”). As of February 28, 2018, 8point3 Energy Partners LP owned a controlling non-economic managing member interest in 8point3 Operating Company, LLC (“OpCo”) and a 35.5% limited liability company interest in OpCo and the Sponsors collectively owned a noncontrolling 64.5% limited liability company interest in OpCo.

Merger Agreement with Capital Dynamics

On February 5, 2018, the Partnership, its general partner, OpCo and Holdings entered into the Merger Agreement with certain affiliates of Capital Dynamics. Upon the terms and subject to the conditions set forth in the Merger Agreement, (i) OpCo Merger Sub 1 will merge with and into OpCo (“OpCo Merger 1”) and the separate existence of OpCo Merger Sub 1 will cease and OpCo will continue as the surviving limited liability company of OpCo Merger 1 (the “Initial Surviving LLC”), (ii) OpCo Merger Sub 2 will merge with and into the Initial Surviving LLC (“OpCo Merger 2” and, together with OpCo Merger 1, the “OpCo Mergers”) and the separate existence of OpCo Merger Sub 2 will cease and the Initial Surviving LLC will continue as the surviving limited liability company of OpCo Merger 2 (the “Surviving LLC”), (iii) Partnership Merger Sub will merge with and into the Partnership (the “Partnership Merger” and, together with the OpCo Mergers, the “Mergers”) and the separate existence of Partnership Merger Sub will cease and the Partnership shall continue as the surviving partnership of the Partnership Merger (the “Surviving Partnership” and, together with the Surviving LLC, the “Surviving Entities”), (iv) Holdings will transfer to 8point3 Solar CEI or an affiliate thereof, and 8point3 Solar CEI (or its designated affiliate) will accept, for no consideration, the transfer and delivery of, 100% of the issued and outstanding membership interests in the General Partner, including all rights and obligations relating thereto and all economic and capital interests therein, and 100% of the issued and outstanding Incentive Distribution Rights (as defined in the OpCo LLC Agreement).

The Merger Agreement was approved unanimously by the members of the Board voting on the matter, following the recommendation of the Conflicts Committee, and the Board agreed to submit the Merger Agreement to a vote of Partnership shareholders and to recommend that the Partnership’s shareholders adopt the Merger Agreement. Completion of the Mergers is expected to occur, subject to satisfaction of certain customary conditions, government approvals and vote by the Partnership’s shareholders, in the second or third quarter of 2018. Upon completion of the Mergers, the Partnership will no longer have publicly listed or traded shares, nor will it be a reporting company under the SEC’s rules and regulations.

At the effective time of OpCo Merger 1, the OpCo LLC Agreement shall be amended by Amendment No. 1 to permit a special distribution to the members of OpCo pro rata in accordance with their ownership of common and subordinated units of OpCo and the Initial Surviving LLC shall make a special distribution in an amount equal to the difference between \$1.1 billion and the amount of debt then outstanding to the members of OpCo (the “Special Distribution”). At the effective time of OpCo Merger 2, each issued and outstanding common and subordinated unit of OpCo, other than the common units owned by the Partnership, will be converted into the right to receive an amount in

cash equal to \$12.35 per unit, less the amount received in the Special Distribution and as further adjusted pursuant to the Merger Agreement. At the effective time of the Partnership Merger, each issued and outstanding Class A Share will be converted into the right to receive an amount in cash equal to \$12.35 per share, as adjusted pursuant to the Merger Agreement.

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8point3 Energy Partners LP

Notes to Unaudited Condensed Consolidated Financial Statements — Continued

The following table provides an overview of the assets that comprise the Portfolio as of February 28, 2018:

Project	Location	Commercial Operation Date(1)	MW(ac) (2)	Counterparty	Remaining Term of Offtake Agreement (in years)(3)	
Utility						
Maryland Solar	Maryland	February 2014	20	FirstEnergy Solutions	15.1	
Solar Gen 2	California	November 2014	150	SDG&E	21.7	
Lost Hills Blackwell	California	April 2015	32	City of Roseville/PG&E	25.8	(4)
North Star	California	June 2015	60	PG&E	17.3	
RPU	California	September 2015	7	City of Riverside	22.6	
Quinto	California	November 2015	108	Southern California Edison	17.8	
Hooper	Colorado	December 2015	50	Public Service Company of Colorado	17.8	
Kingbird	California	April 2016	40	Southern California Public Power Authority(5)	18.2	
Henrietta	California	October 2016	102	PG&E	18.6	
Stateline	California	August 2016	300	Southern California Edison	18.5	
Commercial & Industrial						
UC Davis	California	September 2015	13	University of California	17.5	
Macy's California	California	October 2015	3	Macy's Corporate Services	17.7	
Macy's Maryland	Maryland	December 2016	5	Macy's Corporate Services	18.8	
Kern(6)	California	September 2017	18	Kern High School District	19.0	(7)
Residential Portfolio	U.S. – Various	June 2014	38	Approx. 5,800 homeowners(8)	14.5	(9)
Total			946			

For the Macy's California Project, the Macy's Maryland Project and the Kern Project, COD represents the first date on which all of the solar generation systems within each of the Macy's California Project, the Macy's Maryland Project and the Kern Project, respectively, achieved COD. For the Residential Portfolio, COD represents the first date on which all of the residential systems within the Residential Portfolio achieved COD.

(2) The MW for the projects in which the Partnership owns less than a 100% interest or in which the Partnership is the lessor under any sale-leaseback financing are shown on a gross basis.

(3) Remaining term of offtake agreement is measured from February 28, 2018.

(4) Remaining term comprised of 0.8 years on a PPA with the City of Roseville, California, followed by a 25-year PPA with PG&E starting in 2019.

(5) The Kingbird Project is subject to two separate PPAs with member cities of the Southern California Public Power Authority.

(6) OpCo's acquisition of the Kern Project was effectuated in phases, with the closing of the first phase, reflecting a nameplate capacity of approximately 3 MW, having occurred on January 26, 2016, the closing

of the second phase, reflecting a nameplate capacity of approximately 5 MW, having occurred on September 9, 2016, the closing of the third phase, reflecting a nameplate capacity of approximately 5 MW, having occurred on November 30, 2016, the closing of the fourth phase, reflecting a nameplate capacity of approximately 3 MW, having closed on February 24, 2017, and the closing of the fifth phase, reflecting a nameplate capacity of approximately 2 MW, having closed on June 9, 2017.

(7) Remaining term is the weighted average duration of the five phases of the Kern Project.

8point3 Energy Partners LP

Notes to Unaudited Condensed Consolidated Financial Statements — Continued

Comprised of the approximately 5,800 solar installations located at homes in Arizona, California, Colorado, (8) Hawaii, Massachusetts, New Jersey, New York, Pennsylvania and Vermont, that are held by the Residential Portfolio Project Entity and have an aggregate nameplate capacity of 38 MW.

(9) Remaining term is the weighted average duration of all of the residential leases, in each case measured from February 28, 2018.

Basis of Presentation and Preparation

In connection with the IPO, SunPower contributed a nearly 100% interest in each of the IPO SunPower Project Entities to OpCo, subject, in the case of the Quinto Project, the RPU Project, the UC Davis Project and the Macy's California Project, to the tax equity investor's right to a varying portion of the cash flows from the projects. In connection with the IPO, First Solar directly contributed to OpCo a 100% interest in the Maryland Solar Project Entity and indirectly contributed to OpCo a 49% economic interest in each of the Lost Hills Blackwell Project, the North Star Project and the Solar Gen 2 Project. As used herein, the term "IPO Project Entities" refers to:

- the IPO SunPower Project Entities, including:
 - the Macy's California Project Entities, which hold the Macy's California Project;
 - the Quinto Project Entity, which holds the Quinto Project;
 - the RPU Project Entity, which holds the RPU Project;
 - the UC Davis Project Entity, which holds the UC Davis Project; and
 - the Residential Portfolio Project Entity, which holds the Residential Portfolio Project; and
- the IPO First Solar Project Entities, including:
 - the Lost Hills Blackwell Project, which holds the Lost Hills Project and the Blackwell Project;
 - the Maryland Solar Project Entity, which holds the Maryland Solar Project;
 - the North Star Project Entity, which holds the North Star Project; and
 - the Solar Gen 2 Project Entity, which holds the Solar Gen 2 Project.

In fiscal 2017 and fiscal 2016, the Partnership completed six acquisitions from its Sponsors, four from SunPower and two from First Solar.

Four of the acquisitions are treated as business combinations:

- the Kern Project Entity, which holds the Kern Project;
- the Kingbird Project Entities, which holds the Kingbird Project;
- the Hooper Project Entity, which holds the Hooper Project; and
- the Macy's Maryland Project Entity, which holds the Macy's Maryland Project.

Two of the acquisitions are accounted for as equity method investments:

- the Henrietta Project Entity, which holds the Henrietta Project. OpCo owns a 49% economic interest in the Henrietta Project Entity; and
- the Stateline Project Entity, which holds the Stateline Project. OpCo owns a 34% economic interest in the Stateline Project Entity.

8point3 Energy Partners LP

Notes to Unaudited Condensed Consolidated Financial Statements — Continued

Principles of Consolidation

The unaudited condensed consolidated financial statements are prepared in accordance with U.S. GAAP, and include the accounts of the Partnership, and all of its subsidiaries, as appropriate under consolidation accounting guidelines. The year-end condensed consolidated balance sheet data was derived from the audited financial statements, but does not include all disclosures required by U.S. GAAP. Investments in unconsolidated affiliates in which the Partnership has less than a controlling interest are accounted for using the equity method of accounting. Inter-entity accounts and transactions have been eliminated in consolidation. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments (consisting of normal, recurring items) necessary to state fairly its financial position, results of operations and cash flows for the periods presented. The unaudited condensed consolidated financial statements should be read in conjunction with the accounting policies previously disclosed in Part II, Item 8. “Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 1—Description of Business” and “—Note 2—Summary of Significant Accounting Policies” of the 2017 10-K. Interim results are not necessarily indicative of results for a full year.

Management Estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. Significant estimates in these unaudited condensed consolidated financial statements include the assumptions and methodology underlying allowances for doubtful accounts related to accounts receivable and financing receivables; estimates of future cash flows and economic useful lives of property and equipment; the fair value and residual value of leased solar power systems; fair value of financial instruments; fair value of acquired assets and liabilities; valuation of certain accrued liabilities such as accrued system output performance warranty and AROs; and income taxes including the related valuation allowance. Actual results could materially differ from those estimates.

Recently Adopted Accounting Pronouncements

In October 2016, the FASB issued an update which amends the guidance on related parties that are under common control. Specifically, this update requires that a single decision maker consider indirect interests held by related parties under common control on a proportionate basis in a manner consistent with its evaluation of indirect interests held through other related parties. That is, the single decision maker does not consider indirect interests held through related parties as equivalent to direct interests in determining whether it meets the economics criterion to be a primary beneficiary. The Partnership adopted the new guidance beginning on December 1, 2018 and the impact of this standard on its unaudited condensed consolidated financial statements and disclosures is not material.

In March 2016, the FASB issued an update to the equity method investments guidance, which eliminates the requirement that an entity retroactively adopt the equity method of accounting if an investment qualifies for use of the equity method as a result of an increase in the level of ownership or degree of influence. The update requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor’s previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The Partnership adopted the new guidance beginning on December 1, 2018 and the impact of this standard on its unaudited condensed consolidated financial statements and disclosures is not material.

Recent Accounting Pronouncements Not Yet Adopted

In January 2017, the FASB issued an update to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions of assets or businesses. This new guidance becomes effective for the Partnership in the first quarter of fiscal 2019 and is applied prospectively. The Partnership is evaluating the impact of this standard on its unaudited condensed consolidated financial statements and disclosures.

In October 2016, the FASB issued an update which eliminates a prior exception and now requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory, such as property and equipment, when such transfer occurs. This new guidance becomes effective for the Partnership in the first quarter of fiscal 2020 and shall be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Early adoption is permitted. The Partnership is evaluating the impact of this standard on its unaudited condensed consolidated financial statements and disclosures.

8point3 Energy Partners LP

Notes to Unaudited Condensed Consolidated Financial Statements — Continued

In August 2016, the FASB issued an update to the statement of cash flows guidance, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. One identified cash flow issue relates to distributions received from equity method investees whereby the reporting entity should make an accounting policy election to classify distributions received from equity method investees using either the cumulative earnings approach or the nature of the distribution approach. This new guidance becomes effective for the Partnership in the first quarter of fiscal 2019 and is applied retrospectively. The Partnership expects to continue to apply the cumulative earnings approach which will not have an impact on its unaudited condensed consolidated financial statements and disclosures.

In February 2016, the FASB issued an update to the lease accounting guidance, which requires entities to begin recording assets and liabilities arising from substantially all leases on the balance sheet. The new guidance will also require significant additional disclosures about the amount, timing and uncertainty of cash flows from leases. This new guidance will be effective for the Partnership in the first quarter of fiscal 2020 using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. The Partnership is evaluating the impact of this standard on its unaudited condensed consolidated financial statements and disclosures.

In May 2014, the FASB issued a new revenue recognition standard based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The FASB has issued several updates to the standard which (i) clarify the application of the principal versus agent guidance, (ii) clarify the guidance relating to performance obligations and licensing and (iii) clarify assessment of the collectability criterion, presentation of sales taxes, measurement date for non-cash consideration and completed contracts at transaction. The new revenue recognition standard, amended by the updates, becomes effective for the Partnership in the first quarter of fiscal 2019 and is to be applied retrospectively using one of two prescribed methods. Early adoption is permitted. While the Partnership is continuing to assess all potential impacts of the standard, it currently believes the impact on its unaudited condensed consolidated financial statements is not material because over 90% of the Partnership's total revenue for all periods is comprised of lease revenue, which is substantially unchanged under the new standard.

Other than as described above, there has been no issued accounting guidance not yet adopted by the Partnership that it believes is material or potentially material to its unaudited condensed consolidated financial statements.

Note 2. Investment in Unconsolidated Affiliates

As of February 28, 2018, the Partnership owns a 49% ownership interest in each of SG2 Holdings, North Star Holdings, Lost Hills Blackwell Holdings and Henrietta Holdings and a 34% ownership interest in Stateline Holdings. The minority membership interests are accounted for as equity method investments, as the Partnership is able to exercise significant influence through its governing board, while the non-affiliated majority owner otherwise controls. The following table summarizes the activity of the Partnership's investments in its unconsolidated affiliates:

(in thousands)	Three Months Ended	
	February 28, 2018	February 28, 2017
Balance at the beginning of the period	\$768,258	\$475,078
Investments in its unconsolidated affiliates during the period	—	330,027
Equity in earnings in unconsolidated affiliates (1)	2,000	606
Distributions from unconsolidated affiliates	(17,612)	(17,711)
Balance at the end of the period	\$752,646	\$788,000

The net income used to determine the Partnership's equity in earnings of unconsolidated affiliates reflects adjustments pursuant to the equity method of accounting, including the amortization of basis differences resulting (1) from the Partnership's proportionate share of certain equity method investees' net assets exceeding their carrying values.

The difference between the amounts at which the Partnership's investments in unconsolidated affiliates are carried and the Partnership's proportionate share of the equity method investee's net assets for equity method investments was \$135.3 million and \$136.4 million as of February 28, 2018 and November 30, 2017, respectively. The Partnership accretes the basis difference over the life of the underlying assets and the accretion expense was \$1.0 million for each of the three months ended February 28, 2018 and February 28, 2017.

8point3 Energy Partners LP

Notes to Unaudited Condensed Consolidated Financial Statements — Continued

The following table presents summarized financial information of SG2 Holdings, North Star Holdings, Lost Hills Blackwell Holdings, Henrietta Holdings and Stateline Holdings as derived from the unaudited condensed consolidated financial statements of such entities:

(in thousands)	Three Months Ended	
	February	February
	28, 2018	28, 2017
Summary statements of operations information:		
Revenue	\$24,177	\$19,616
Operating expenses	26,290	26,393
Net loss	(2,357)	(7,759)

Note 3. Balance Sheet Components

Financing Receivables

The Partnership's net investment in sales-type leases presented in "Accounts receivable and short-term financing receivables, net" and "Long-term financing receivables, net" on the unaudited condensed consolidated balance sheets is as follows:

(in thousands)	As of	
	February	November
	28, 2018	30, 2017
Minimum lease payment receivable, net (1)	\$91,109	\$93,161
Unguaranteed residual value	12,712	12,774
Less: unearned income	(26,318)	(27,178)
Net financing receivables	\$77,503	\$78,757
Short-term financing receivables, net (2)	\$2,599	\$2,556
Long-term financing receivables, net	\$74,904	\$76,201

(1) Allowance for losses on financing receivables was \$0.8 million and \$0.7 million as of February 28, 2018 and November 30, 2017, respectively.

Accounts receivable and short-term financing receivables, net on the unaudited condensed consolidated balance sheets includes other trade accounts receivable of \$3.2 million and \$3.0 million as of February 28, 2018 and November 30, 2017, respectively.

8point3 Energy Partners LP

Notes to Unaudited Condensed Consolidated Financial Statements — Continued

Current and Non-current Assets

(in thousands)	As of	
	February 28, 2018	November 30, 2017
Prepaid expense and other current assets		
Reimbursable network upgrade costs (1)	\$ 12,115	\$ 13,294
Derivative financial instruments	1,590	1,603
Other current assets	2,193	2,093
Total	\$ 15,898	\$ 16,990
Property and equipment, net		
Utility solar power systems	\$ 636,495	\$ 636,495
Leased solar power systems	136,956	137,052
Land	1,020	1,020
	774,471	774,567
Less: accumulated depreciation	(68,194)	(61,283)
Total	\$ 706,277	\$ 713,284
Other long-term assets		
Reimbursable network upgrade costs (1)	\$ 12,376	\$ 14,047
Intangible assets (2)	1,218	1,325
Total	\$ 13,594	\$ 15,372

For the Kingbird Project and the Quinto Project, the construction costs related to the network upgrade of a (1) transmission grid belonging to a utility company are reimbursable by that utility company over five years from the date the project reached commercial operation.

Intangible assets represent a customer contract intangible that is amortized on a straight-line basis beginning on (2) COD through the contract term end date of December 31, 2020. Operating revenues were reduced by \$0.1 million in each of the three months ended February 28, 2018 and February 28, 2017.

Current Liabilities

(in thousands)	As of	
	February 28, 2018	November 30, 2017
Accounts payable and other current liabilities		
Trade and accrued accounts payable	\$ 2,332	\$ 2,044
Related party payable	453	1,047
Other short-term liabilities	1,055	1,303
Total	\$ 3,840	\$ 4,394

Note 4. Commitments and Contingencies

Land Use Commitments

The Partnership is a party to various agreements that provide for payments to landowners for the right to use the land upon which projects under PPAs are located.

The total minimum lease and easement commitments at February 28, 2018 under these land use agreements are as follows:

(in thousands)	2019	2020	2021	2022	Thereafter	Total
----------------	------	------	------	------	------------	-------

2018
(remaining
nine
months)

Land use payments \$	899	\$1,686	\$1,742	\$1,782	\$1,822	\$54,590	\$62,521
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8point3 Energy Partners LP

Notes to Unaudited Condensed Consolidated Financial Statements — Continued

Solar Power System Performance Warranty

Lease agreements require the Partnership to undertake a system output performance warranty. The Partnership records amounts related to these system output performance warranties within “Accounts payable and other current liabilities” and a corresponding receivable relating to anticipated performance warranty reimbursements from the O&M provider within “Other current assets”.

The following table summarizes accrued solar power systems performance warranty activities:

	Three Months Ended February 28, February 28, 2017	
(in thousands)	2018	2017
Balance at the beginning of the period	\$45	\$ 196
Settlements during the period	(2)	(29)
Adjustments during the period	(13)	(29)
Balance at the end of the period	\$30	\$ 138

Asset Retirement Obligations

The Partnership’s AROs are based on estimated third-party costs associated with the decommissioning of the applicable project assets. Revisions to these costs may increase or decrease in the future as a result of changes in regulations, engineering designs and technology, permit modifications, inflation or other factors. Decommissioning activities generally occur over a period of time commencing at the end of the system’s life.

The following table summarizes ARO activities:

	Three Months Ended February 28, February 28, 2017	
(in thousands)	2018	2017
Balance at the beginning of the period	\$14,970	\$13,448
Accretion expense	208	171
ARO assumed in acquisition	—	493
Revisions to ARO during the period	—	17
Balance at the end of the period	\$15,178	\$14,129

Legal Proceedings

In the normal course of business, the Partnership may be notified of possible claims or assessments. The Partnership will record a provision for these claims when it is both probable that a liability has been incurred and the amount of the loss, or a range of the potential loss, can be reasonably estimated. These provisions are reviewed regularly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information or events pertaining to a particular case.

Although the Partnership may, from time to time, be involved in litigation and claims arising out of its operations in the ordinary course of business, the Partnership is not a party to any litigation or governmental or other proceeding that the Partnership believes will have a material adverse impact on its financial position, results of operations, or

liquidity.

Environmental Contingencies

The Partnership reviews its obligations as they relate to compliance with environmental laws, including site restoration and remediation. During each of the three months ended February 28, 2018 and February 28, 2017, there were no known environmental contingencies that required the Partnership to recognize a liability.

8point3 Energy Partners LP

Notes to Unaudited Condensed Consolidated Financial Statements — Continued

Note 5. Lease Agreements and Power Purchase Agreements

Lease Agreements

As of February 28, 2018, the Partnership's unaudited condensed consolidated financial statements include approximately 5,800 residential lease agreements which have original terms of 20 years and are classified as either operating or sales-type leases. In addition, the lease agreement for the Maryland Solar Project has a lease term that will expire on December 31, 2019, and the lessee, who is an affiliate of First Solar, is obligated to pay a fixed amount of rent that is set based on the expected operations of the plant.

The following table presents the Partnership's minimum future rental receipts on operating leases placed in service as of February 28, 2018:

(in thousands)	2018 (remaining nine months)	2019	2020	2021	2022	Thereafter	Total
Minimum future rentals on residential operating leases placed in service (1)	\$ 2,752	\$3,708	\$3,730	\$3,751	\$3,774	\$ 38,420	\$56,135
Maryland Solar lease	4,203	4,912	—	—	—	—	9,115
Total operating leases	\$ 6,955	\$8,620	\$3,730	\$3,751	\$3,774	\$ 38,420	\$65,250

(1) Minimum future rentals on operating leases placed in service do not include contingent rentals that may be received from customers under agreements that include performance-based incentives and executory costs.

As of February 28, 2018, future maturities of net financing receivables for sales-type leases are as follows:

(in thousands)	2018 (remaining nine months)	2019	2020	2021	2022	Thereafter	Total
Scheduled maturities of minimum lease payments receivable (1)	\$ 4,322	\$5,618	\$5,707	\$5,799	\$5,894	\$ 63,769	\$91,109

(1) Minimum future rentals on sales-type leases placed in service do not include contingent rentals that may be received from customers under agreements that include performance-based incentives and executory costs.

Power Purchase Agreements

Under the terms of various PPAs, the Partnership's contracted counterparties may be obligated to take all or part of the output from the system at stipulated prices over defined periods. All PPAs associated with solar generation systems operating as of February 28, 2018 have no minimum lease payments and all of the rental income under these agreements is recorded as revenue when the electricity is delivered.

SREC Sales Agreement

Under the terms of the Partnership's SREC Sales Agreement, the contracted counterparty is obligated to purchase an annual number of SRECs from the Partnership at stipulated prices over a defined period of time. As of February 28, 2018, firm sales under the Partnership's SREC Sales Agreement are as follows:

(in thousands)	2018	2019	2020	2021	2022	Thereafter	Total
	(remaining nine						

	months)						
SREC sales	\$ 547	\$781	\$781	\$195	\$ —\$	—\$2,304	

8point3 Energy Partners LP

Notes to Unaudited Condensed Consolidated Financial Statements — Continued

Note 6. Debt and Financing Obligations

The following table summarizes the Partnership's debt obligations on its unaudited condensed consolidated balance sheets:

	February 28, 2018		November 30, 2017	
(in thousands)	Amount	Interest Rate	Amount	Interest Rate
Term loan due June 2020	\$ 300,000	3.65 %	\$ 300,000	3.35 %
Incremental term loan due June 2020	250,000	3.65 %	250,000	3.35 %
Delayed draw term loan facility due June 2020	25,000	3.65 %	25,000	3.35 %
Revolving credit facility due June 2020	75,500	3.65 %	70,000	3.35 %
Stateline Promissory Note due December 2020	48,370	4.00 %	49,631	4.00 %
Less: debt issuance costs	(2,306)	N/A	(2,555)	N/A
Total	\$ 696,564		\$ 692,076	

OpCo's Credit Facility

On June 5, 2015, OpCo entered into a \$525.0 million credit facility, consisting of a \$300.0 million term loan facility, a \$25.0 million delayed draw term loan facility and a \$200.0 million revolving credit facility. On April 6, 2016, the parties thereto amended the credit facility (i) to provide for the lenders' consent to the Omnibus Agreement, (ii) to expand OpCo's ability to further amend the Omnibus Agreement without lender consent in the future, subject to certain conditions, (iii) to permit certain customary restrictions on transfers of the equity interests of certain Project Entities, which are jointly owned, indirectly, by OpCo and SunPower, (iv) to supplement the Pledge and Security Agreement between the parties in light of the foregoing amendment and (v) to make certain clarifying modifications to definitions and cross references. On September 30, 2016, OpCo entered into the Joinder Agreement, pursuant to which OpCo obtained a new \$250.0 million incremental term loan facility, increasing the maximum borrowing capacity under the credit facility to \$775.0 million.

Loans outstanding under the credit facility bear interest at either (i) a base rate, which is the highest of (x) the federal funds rate plus 0.50%, (y) the administrative agent's prime rate and (z) one-month LIBOR, in each case, plus an applicable margin; or (ii) one-, two-, three- or six-month LIBOR plus an applicable margin. There will be no principal amortization over the term of the credit facility. The unused portion of the revolving credit facility and delayed draw term loan facility is subject to a commitment fee of 0.30% per annum. OpCo may prepay the borrowings under the term loan facility and the delayed draw term loan facility at any time. OpCo has entered into interest rate swap agreements to hedge the interest rate on a portion of the borrowings under the term loan facility. Please read "—Note 7—Fair Value" for further details.

OpCo's credit facility contains covenants including, among others, requiring the Partnership to maintain the following financial ratios: (i) a debt to cash flow ratio (as more fully described in the credit facility) of not more than (a) 6.00 to 1.00 for the fiscal quarters ending November 30, 2016 through November 30, 2017; and (b) 5.50 to 1.00 for each fiscal quarter ending thereafter; and (ii) a debt service coverage ratio (as more fully described in the credit facility) of not less than 1.75 to 1.00. In addition, an event of default occurs under the credit facility upon a change of control. The credit facility defines a change of control as occurring when, among other things, (i) the Sponsors (or either of them) cease to direct the management, directly or indirectly, of the Partnership or OpCo, or (ii) the Sponsors collectively cease to own 35% of the economic interest in OpCo. On February 5, 2018, the Partnership, its general partner, OpCo, Holdings and the other parties thereto entered into the Merger Agreement. Upon the terms and subject to the conditions set forth in the Merger Agreement, immediately after the consummation of OpCo Merger 1, the

credit facility will be repaid in full and extinguished. Please read “—Note 1—Description of Business” for further details. In addition, the credit facility contains customary non-financial covenants and certain restrictions that will limit the Partnership’s, OpCo’s and certain of the Partnership’s and its domestic subsidiaries’ ability to, among other things, incur or guarantee additional debt and to make distributions on or redeem or repurchase OpCo common units. The Joinder Agreement amended OpCo’s credit facility to permit OpCo to incur up to \$50.0 million in subordinated indebtedness from First Solar or its affiliate to pay a portion of the purchase price for the Stateline Project. As of February 28, 2018, the Partnership was in compliance with its debt covenants.

OpCo’s credit facility is collateralized by a pledge of the equity of OpCo and certain of its subsidiaries. The Partnership and each of OpCo’s subsidiaries, other than certain non-guarantor subsidiaries, have guaranteed the obligations of OpCo under the credit facility.

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Notes to Unaudited Condensed Consolidated Financial Statements — Continued

As of both February 28, 2018 and November 30, 2017, OpCo had approximately \$54.6 million of letters of credit outstanding under the revolving credit facility.

Stateline Promissory Note

On December 1, 2016, in connection with the Stateline Acquisition, OpCo issued a promissory note to First Solar in the principal amount of \$50.0 million. The Stateline Promissory Note is unsecured and matures on the date that is six months after the maturity date under OpCo's credit facility. Interest will accrue at a rate of 4.00% per annum, except it will accrue at a rate of 6.00% per annum (i) upon the occurrence and during the continuation of a specified event of default and (ii) in respect of amounts accrued as payments-in-kind pursuant to the terms of the Stateline Promissory Note. OpCo is not permitted to prepay the \$50.0 million promissory note without the consent of certain lenders under its existing credit agreement (except for certain mandatory prepayments). Until OpCo has paid in full the principal and interest on the Stateline Promissory Note, OpCo is restricted in its ability to: (i) acquire interests in additional projects (other than the acquisition of the Kern Phase 2(a) Assets, the Kern Phase 2(b) Assets and the Kern Phase 2(c) Assets); (ii) use the net proceeds of equity issuances except as prescribed in the promissory note; (iii) incur additional indebtedness to which the promissory note would be subordinate; and (iv) extend the maturity date under OpCo's existing credit facility.

Note 7. Fair Value

Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement (observable inputs are the preferred basis of valuation):

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Measurements are inputs that are observable for assets or liabilities, either directly or indirectly, other than quoted prices included within Level 1.

Level 3—Prices or valuations that require management inputs that are both significant to the fair value measurement and unobservable.

The first two levels in the hierarchy are considered observable inputs and the last is considered unobservable.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the Partnership's assets and liabilities measured at estimated fair value on a recurring basis, categorized in accordance with the fair value hierarchy:

	February 28, 2018		November 30, 2017	
	Level 2	Total	Level 2	Total
(in thousands)				
Assets				
Derivative financial instruments	\$ 1,590	\$ 1,590	\$ 1,603	\$ 1,603
Total assets	\$ 1,590	\$ 1,590	\$ 1,603	\$ 1,603

Derivative financial instruments: On August 31, 2016, OpCo entered into interest rate swap agreements intended to hedge the interest rate risk on the outstanding borrowings under the term loan with an aggregate notional value of \$250.0 million. Under the interest rate swap agreements, OpCo will pay a fixed swap rate of interest of approximately 0.85% and the counterparties to the agreements will pay a floating interest rate based on one-month LIBOR at

monthly intervals through the maturity date of August 31, 2018. On January 5, 2017, OpCo entered into another interest rate swap agreement intended to hedge the interest rate risk on the outstanding borrowings under the term loan with an aggregate notional value of \$40.0 million. Under this interest rate swap agreement, OpCo will pay a fixed swap rate of interest of approximately 1.16% and the counterparty to the agreement will pay a floating interest rate based on one-month LIBOR at monthly intervals through the maturity date of August 31, 2018.

As of both February 28, 2018 and November 30, 2017, these interest rate swap agreements had not been designated as cash flow hedges and are reflected at fair value on the unaudited condensed consolidated balance sheets. As of both February 28, 2018 and November 30, 2017, these interest rate swap agreements are presented within "Prepaid and other current assets" on the unaudited condensed consolidated balance sheet since the maturity date is within one year after the balance sheet date.

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Notes to Unaudited Condensed Consolidated Financial Statements — Continued

During the three months ended February 28, 2018 and February 28, 2017, the Partnership recorded an unrealized loss of less than \$0.1 million and an unrealized gain of \$0.7 million, respectively, within other income in the unaudited condensed consolidated statements of operations related to the change in fair value. The primary inputs into the valuation of interest rate swaps are interest yield curves, interest rate volatility and credit spreads. The Partnership's interest rate swaps are classified within Level 2 of the fair value hierarchy, since all significant inputs are corroborated by market observable data. There were no transfers in or out of Level 1, Level 2 and Level 3 during any period.

Liabilities Measured at Fair Value on a Nonrecurring Basis

Long-term debt and financing obligations: The estimated fair value of the Partnership's long-term debt was classified within Level 2 of the fair value hierarchy as of February 28, 2018 and November 30, 2017, and approximated its carrying value of \$696.6 million and \$692.1 million, respectively. Borrowings under the credit facility are variable rate debt with the interest rate indexed to the market and reset on a frequent and short-term basis. The Stateline Promissory Note is a fixed-rate debt and the fair value was estimated using the income approach based on observable market inputs.

Note 8. Noncontrolling Interests

Noncontrolling interests represent the portion of net assets in consolidated subsidiaries that are not attributable, directly or indirectly, to the Partnership. For accounting purposes, the holders of noncontrolling interests of the Partnership include the Sponsors, which are SunPower and First Solar, as described in “—Note 1—Description of Business,” and third-party investors under the tax equity financing facilities. As of both February 28, 2018 and November 30, 2017, First Solar and SunPower had noncontrolling interests of 28.0% and 36.5%, respectively, in OpCo.

In addition, certain subsidiaries of OpCo have entered into tax equity financing facilities with third-party investors under which the parties invest in entities that hold the solar power systems. The Partnership, through OpCo, holds controlling interests in these less-than-wholly owned entities and has therefore fully consolidated these entities. The Partnership accounts for the portion of net assets in the consolidated entities attributable to the investors as “Redeemable noncontrolling interests” and “Noncontrolling interests” in its unaudited condensed consolidated financial statements using the HLBV Method. Noncontrolling interests in subsidiaries that are redeemable at the option of the noncontrolling interest holder are classified as “Redeemable noncontrolling interests in subsidiaries” between liabilities and equity on the unaudited condensed consolidated balance sheets and the balance is the greater of the carrying value calculated under the HLBV Method or the redemption value.

As of February 28, 2018 and November 30, 2017, redeemable noncontrolling interests attributable to tax equity investors after adjusting the carrying amount to the redemption value was \$17.3 million in both periods and noncontrolling interests attributable to tax equity investors was \$54.6 million and \$55.3 million, respectively.

During the three months ended February 28, 2018 and February 28, 2017, such indirect subsidiaries of OpCo attributed \$1.0 million in income and \$8.8 million in losses, respectively, to the third-party investors primarily as a result of allocating certain assets, including tax credits, if any, to the investors. During the three months ended February 28, 2018 and February 28, 2017, OpCo acquired noncontrolling interests totaling zero and \$1.1 million, respectively. Please read “—Note 3—Business Combinations” of the 2017 10-K for further details.

The following table presents the noncontrolling interest balances by entity, reported in shareholders' equity in the unaudited condensed consolidated balance sheets:

As of

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(in thousands)	February 28, 2018	November 30, 2017
First Solar	\$222,018	\$230,039
SunPower	290,193	300,670
Tax equity investors	54,592	55,341
Total	\$566,803	\$586,050

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Notes to Unaudited Condensed Consolidated Financial Statements — Continued

Note 9. Shareholders' Equity

On June 24, 2015, the Partnership completed its IPO by issuing 20,000,000 of its Class A shares representing limited partner interests in the Partnership to the public. On September 28, 2016 the Partnership sold in an underwritten registered public offering 8,050,000 Class A shares representing limited partner interests in the Partnership.

As of both February 28, 2018 and November 30, 2017, the Partnership owned a 35.5% limited liability company interest in OpCo as well as a controlling noneconomic managing member interest in OpCo, and the Sponsors collectively owned 51,000,000 Class B shares in the Partnership, with SunPower and First Solar having owned 28,883,075 and 22,116,925 Class B shares, respectively, and together, having owned a noncontrolling 64.5% limited liability company interest in OpCo.

The following shares of the Partnership were outstanding:

Shares	As of		Shareholder
	February 28, 2018	November 30, 2017	
Class A shares	28,093,305	28,088,673	Public
Class B shares	22,116,925	22,116,925	First Solar
Class B shares	28,883,075	28,883,075	SunPower
Total shares outstanding	79,093,305	79,088,673	

Cash Distribution

On January 12, 2018, the Partnership distributed \$7.9 million on its Class A shares and OpCo distributed \$14.3 million on its common and subordinated units, or in each case \$0.2802 per share or unit, for the period from September 1, 2017 to November 30, 2017. On March 22, 2018, the general partner's board of directors declared a cash distribution for its Class A shares of \$0.2802 per share for the first quarter of 2018. Please read "—Note 17—Subsequent Events" for further details.

ATM Program

On January 30, 2017, the Partnership established the ATM Program under which it may sell its Class A shares from time to time through the ATM Agents up to an aggregate sales price of \$125.0 million. Under the ATM Program, the Partnership may also sell its Class A shares to any ATM Agent, as principal for its own account, at a price agreed upon at the time of the sale. Net proceeds from sales under the ATM Program would be used to purchase a number of common units in OpCo equal to the number of Class A shares issued under the ATM Program. OpCo may use the proceeds for general corporate purposes, which may include, among other things, repaying borrowings under the Stateline Promissory Note and OpCo's credit facilities, and funding working capital or acquisitions. No shares were issued under the ATM Program during fiscal 2017 and the first quarter of fiscal 2018. Pursuant to the Merger Agreement, the Partnership is restricted in its ability to issue or sell its Class A shares under the ATM Program through the pendency of the Merger Agreement.

Note 10. Net Income Per Share

Basic net income per share is computed by dividing net income attributable to Class A shareholders by the weighted average number of Class A shares outstanding for the applicable period. Diluted net income per share is computed using basic weighted average Class A shares outstanding plus, if dilutive, any potentially dilutive securities outstanding during the period using the treasury-stock-type method. Pursuant to the Exchange Agreement entered into

among the Partnership, the General Partner, OpCo, a wholly owned subsidiary of SunPower and a wholly owned subsidiary of First Solar, the Sponsors can tender OpCo common units and an equal number of such Sponsor's Class B shares for redemption, and the Partnership has the right to directly purchase the tendered OpCo common units and Class B shares for, subject to the approval of its Conflicts Committee, cash or the issuance of Class A shares of the Partnership. If the Partnership elects to issue Class A shares, it would cancel the tendered Class B shares and hold the OpCo common units with the other OpCo common units it previously held, since the number of Class A shares issued must at all times equal the number of OpCo common units held by the Partnership. Since the Partnership would be holding additional OpCo common units, the net income attributable to Class A shares would proportionately increase, resulting in no change to net income per share for the three months ended February 28, 2018 and February 28, 2017. In addition, there were no potentially dilutive securities (including any stock options, restricted stock and restricted stock units) for the three months ended February 28, 2018 and February 28, 2017.

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Notes to Unaudited Condensed Consolidated Financial Statements — Continued

The following table presents the calculation of basic and diluted net income per share:

	Three Months Ended	
(in thousands, except per share amounts)	February 28, 2018	February 28, 2017
Basic net income per share:		
Numerator:		
Net income attributable to Class A shareholders	\$9,947	\$ 861
Denominator:		
Basic weighted-average shares	28,089	28,073
Basic net income per share	\$0.35	\$ 0.03
Diluted net income per share:		
Numerator:		
Net income attributable to Class A shareholders	\$9,947	\$ 861
Add: Additional net income attributable to Class A shares due to increased percentage ownership in OpCo, net of tax, from the conversion of Class B shares	5,191	514
	\$15,138	\$ 1,375
Denominator:		
Basic weighted-average shares	28,089	28,073
Effect of dilutive securities:		
Class B shares (1)	15,500	15,500
Diluted weighted-average shares	43,589	43,573
Diluted net income per share	\$0.35	\$ 0.03

(1) Up to the amount of OpCo common units held by Sponsors.

Note 11. Related Parties

Management Services Agreements

Immediately prior to the completion of the IPO on June 24, 2015, the Partnership, together with the General Partner, OpCo and Holdings, entered into similar but separate MSAs with affiliates of each of the Sponsors (each, a “Service Provider”). Under the MSAs, the Service Providers provide or arrange for the provision of certain administrative and management services for the Partnership and certain of its subsidiaries, including managing the Partnership’s day-to-day affairs, in addition to those services that are provided under existing O&M agreements and AMAs between affiliates of the Sponsors and certain of the subsidiaries of the Partnership. In August 2015, the First Solar MSA and the SunPower MSA were amended to adjust the annual management fee payable to each respective Service Provider. Under the First Solar MSA, OpCo pays an annual management fee of \$0.6 million to the First Solar Service Provider. Under the SunPower MSA, OpCo pays an annual management fee of \$1.1 million to the SunPower Service Provider. These payments are subject to annual adjustments for inflation. On January 20, 2017, the parties thereto amended the SunPower MSA to include Kingbird Solar, LLC and the Kingbird Project Entities under certain aspects of SunPower’s scope of managerial services effective April 30, 2016 in return for the associated AMA fee payable by FSAM.

Costs incurred for these services were \$0.4 million for both the three months ended February 28, 2018 and February 28, 2017.

EPC Agreements

Various projects are designed, engineered, constructed and commissioned pursuant to EPC agreements with affiliates of the Sponsors, which may include a one-year to ten-year system warranty against defects in materials, construction, fabrication and workmanship, and in some cases, may include a 25-year power and product warranty on certain modules. All of the projects pursuant to the EPC agreements have achieved commercial operations prior to fiscal 2018.

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Notes to Unaudited Condensed Consolidated Financial Statements — Continued

O&M Agreements and Asset Management Agreements

The Project Entities and certain other subsidiaries have entered into O&M agreements and AMAs with affiliates of the Sponsors, as applicable (except where such persons are otherwise subject to O&M agreements or AMAs with unaffiliated third parties). Under the terms of the O&M agreements and the AMAs, such affiliates have agreed to provide a variety of operation, maintenance and asset management services, and certain performance warranties or availability guarantees, to the subsidiaries of the Partnership in exchange for annual fees, which are subject to certain adjustments.

Costs incurred for O&M and AMA services were \$1.8 million and \$1.5 million for the three months ended February 28, 2018 and February 28, 2017, respectively. In the three months ended February 28, 2018, the Partnership recorded other income of \$0.9 million related to an energy performance test bonus receivable from our Sponsor associated with one of our equity method investments. In the three months ended February 28, 2017, the Partnership received other income of \$0.1 million for performance guarantees under our O&M agreements with Sponsors.

Omnibus Agreement

The Partnership has entered into the Omnibus Agreement with its Sponsors, the General Partner, OpCo and Holdings.

The material provisions of the Omnibus Agreement are as follows: (a) each Sponsor was granted an exclusive right to perform certain services not otherwise covered by an O&M agreement or an AMA on behalf of the Project Entities contributed by such Sponsor; (b) with respect to any project in the Portfolio that had not achieved commercial operation as of the date contributed to the Partnership, the Sponsor who contributed such project agreed to pay to OpCo all costs required to complete such project, as well as certain liquidated damages in the event such project fails to achieve operability pursuant to an agreed schedule (subject to certain adjustments); (c) with respect to the Quinto Project and the North Star Project, the Sponsor who contributed such project agreed to pay to OpCo the difference, if any, between the amount of network upgrade refunds projected to be received in respect of such Sponsor's contributed project at the time of the IPO and the amount of network upgrade refunds projected to be received given the actual amount of upgrade costs incurred in respect of such project; (d) each Sponsor agreed to certain undertakings on the part of its affiliates who are members of the Project Entities or who provide asset management, construction, operating and maintenance and other services to the Project Entities contributed by such Sponsor; (e) to the extent a Sponsor continues to post credit support on behalf of a Project Entity after it has been contributed to OpCo, OpCo agreed to reimburse such Sponsor upon any demand or draw under such credit support, and the Sponsor agreed to maintain such support pursuant to the applicable underlying contractual or regulatory requirements; (f) each Sponsor agreed to indemnify OpCo for any costs it incurs with respect to certain tax-related events and events in connection with tax equity financing arrangements; and (g) the parties agreed to a mutual undertaking regarding confidentiality and use of names, trademarks, trade names and other insignias. The schedules of the Omnibus Agreement are amended in connection with each project acquisition to include the solar power systems acquired effective the closing date of such acquisition.

During the three months ended February 28, 2018, the Partnership received zero in indemnity payments from Sponsors. During the three months ended February 28, 2017, the Partnership received \$0.1 million in indemnity payments from the Sponsors for the delay in commercial operations of the Kern Phase 1(a) Assets.

Pursuant to the terms of the Merger Agreement, simultaneous with the closing of the Mergers, the parties will terminate certain indemnification obligations under the Omnibus Agreement relating to the ownership and operation of each of First Solar's and SunPower's contributed projects.

Promissory Notes

On November 25, 2015, OpCo issued the Short-Term Note to First Solar in the principal amount of \$2.0 million, in exchange for First Solar's loan of such amount to OpCo. On December 30, 2016, OpCo repaid the Short-Term Note to First Solar. Additionally, in connection with the closing of the Stateline Acquisition on December 1, 2016, OpCo issued the Stateline Promissory Note to First Solar in the principal amount of \$50.0 million. Please read "—Note 6—Debt and Financing Obligations" for further details.

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Notes to Unaudited Condensed Consolidated Financial Statements — Continued

SunPower ROFO Agreement

Pursuant to the SunPower ROFO Agreement, SunPower previously granted to OpCo a right of first offer to purchase certain solar energy generating facilities for a period of five years. Such solar projects included the 100 MW Boulder Solar 1 solar generation project in Nevada (“Boulder Solar”). On February 5, 2018, due to the limitations on the Partnership's ability to acquire projects under the Merger Agreement, in connection with the Conflicts Committee's and the Board's approval of the Merger Agreement, the Partnership entered into the Waiver Agreement with SunPower which waives its right of first offer on all the projects subject to the SunPower ROFO Agreement during the pendency of the Merger Agreement. Due to this waiver, during the pendency of the Merger Agreement, the Partnership does not have a right of first offer on any or all such projects should SunPower decide to sell. Please read “—Note 1—Description of Business” for further details. In the event that the Merger Agreement terminates without the closing of the Mergers, the waiver would terminate with respect to all projects subject to the SunPower ROFO Agreement, except, with respect to individual projects still owned by SunPower at the termination of such waiver, such project is either under an exclusivity agreement with a third party or has an offer for purchase from a third party pursuant to which SunPower is in negotiations. On February 15, 2018, it was announced that SunPower had sold the interest in Boulder Solar to a third party. As such, OpCo no longer has the ability to acquire such interest in Boulder Solar or its related assets.

Maryland Solar Lease Arrangement

The Maryland Solar Project Entity has leased the Maryland Solar Project to an affiliate of First Solar. Under the arrangement, First Solar's affiliate is obligated to pay a fixed amount of rent that is set based on the expected operations of the project. The lease agreement will expire on December 31, 2019 (unless terminated earlier pursuant to its terms).

FirstEnergy Solutions Corp. (“FirstEnergy”), the Partnership's offtake counterparty with respect to the Maryland Solar Project, had its credit rating downgraded multiple times in 2016 and 2017. As of February 28, 2018, the credit rating of FirstEnergy was Ca and CCC- by Moody's Investors Service and Standard & Poor's Ratings Services, respectively, both of which are below investment grade. In addition, Standard & Poor's Ratings Services placed FirstEnergy on CreditWatch with negative implications, based on a significant impairment charge that the company's competitive business will incur from the deactivation of several coal units. In November 2016, FirstEnergy Corp., the parent of FirstEnergy, announced a strategic review of its competitive business, pursuant to which the company would seek to move away from competitive markets. FirstEnergy's annual report on Form 10-K for the years ended December 31, 2017 and December 31, 2016 reported a substantial uncertainty as to their ability to continue as a going concern.

The lease agreement between the Maryland Solar Project Entity and the First Solar affiliate will terminate upon any termination of the PPA or the site ground lease. Pursuant to the PPA for the Maryland Solar Project, a FirstEnergy bankruptcy would be an event of default under the PPA, permitting (subject to applicable law) the termination of the PPA although FirstEnergy may choose to renegotiate or maintain the PPA in its current form. Upon any such early termination of the lease agreement, First Solar's affiliate is obligated to return the facility in its then-current condition and location to the Partnership, without any warranties, and no rent shall thereafter be payable by such First Solar affiliate. In the event that the PPA was terminated, the Maryland Solar Project would have no agreement through which to sell the energy that it produces, which equates to approximately \$8.0 million in annual revenue, and the Partnership can enter into a replacement offtake agreement with a different counterparty. As of February 28, 2018, FirstEnergy is current with respect to the payments due under the PPA for the Maryland Solar Project.

The Partnership evaluates its long-lived assets, including property and equipment and projects, for impairment whenever events or changes in circumstances indicate the carrying value of such assets may not be recoverable. In consideration of the above events, the Partnership evaluated whether the carrying value of the project may no longer

be recoverable using a probability-weighted assessment of potential outcomes and related undiscounted cash flows. As a result of such evaluation, the Partnership concluded the estimated future undiscounted net cash flows expected to be generated by the project over its estimated useful life exceeded the \$51.0 million carrying value of the Maryland Solar Project's property and equipment as of February 28, 2018. Such assessment is subject to significant uncertainty and could change significantly as facts and circumstances change. In the event that the PPA for the Maryland Solar Project was terminated, if the Partnership is unable to enter into a replacement agreement or sell the energy it produces under similar terms, the carrying value of the project may not be recoverable, and the Partnership could record a material impairment loss in the amount by which the carrying value exceeds the fair value.

Pursuant to the terms of the Merger Agreement, at, or prior to, the closing of the Mergers, the Partnership, the General Partner and OpCo are obligated to enter into an amendment to the lease agreement. Such amendment will eliminate the termination of the lease agreement due to a termination of the underlying PPA as a result of a bankruptcy of FirstEnergy.

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Notes to Unaudited Condensed Consolidated Financial Statements — Continued

Note 12. Income Taxes

The provision for income taxes differed from the amount computed by applying the statutory U.S. federal rate of 21% primarily due to the tax impact of equity in earnings, the tax impact of noncontrolling interest, and state tax rates (net of federal benefit) in various jurisdictions, most significantly California.

The Partnership's financial reporting year-end is November 30 while its tax year-end is December 31. The Partnership has elected to base the tax provision on the financial reporting year; therefore, since the 2018 financial reporting year is December 1, 2017 through November 30, 2018, the taxable income (loss) included in the 2018 tax provision is for the tax year ended December 31, 2017. The provision accrued at the financial reporting year-end will be a discrete period computation, and the tax credits and permanent differences recognized in that accrual will be those generated between the tax year-end date and the financial reporting year-end date. With the exception of minimum state income and franchise tax payments, any amounts recorded for income tax provision (benefit) represent deferred income taxes being provided on the net income before taxes of OpCo, a non-taxable partnership, which is allocated to the Partnership.

Although organized as a limited partnership under state law, the Partnership elected to be treated as a corporation for U.S. federal income tax purposes. Accordingly, the Partnership is subject to U.S. federal income taxes at regular corporate rates on its net taxable income, and distributions it makes to holders of its Class A shares will be taxable as ordinary dividend income to the extent of its current and accumulated earnings and profits as computed for U.S. federal income tax purposes.

The Partnership 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 unaudited condensed consolidated financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax 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. Valuation allowances are provided against deferred tax assets when management cannot conclude that it is more likely than not that some portion or all deferred tax assets will be realized.

The Partnership 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 Partnership considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If the Partnership 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 Partnership records uncertain tax positions 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, the Partnership 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 Tax Cuts and Jobs Act

On December 22, 2017, the 2017 Tax Act was signed into law, which enacted major changes to the U.S. federal income tax laws, including a permanent reduction in the U.S. federal corporate income tax rate from 35% to 21%, effective January 1, 2018. For the tax year ended December 31, 2017, the provision of the 2017 Tax Act that is expected to most significantly affect the Partnership is the reduction in the corporate income tax rate.

In December 2017, the SEC issued Staff Accounting Bulletin No. 118 to (i) clarify certain aspects of accounting for income taxes under Accounting Standards Codification 740 in the reporting period the 2017 Tax Act was signed into law when information is not yet available or complete and (ii) provide a measurement period up to one year to complete the accounting for the 2017 Tax Act. As of February 28, 2018, the Partnership had not completed its accounting for the 2017 Tax Act, but made a reasonable estimate of the effects of the 2017 Tax Act on its existing deferred income tax balances. In other cases, the Partnership was not able to make a reasonable estimate of such tax effects and continued to account for the affected items, including state income taxes to the extent there is uncertainty regarding conformity to the federal tax system, based on previous tax laws.

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Notes to Unaudited Condensed Consolidated Financial Statements — Continued

As a result of the 2017 Tax Act, the Partnership recorded a provisional \$12.3 million tax benefit in the first quarter of fiscal 2018, due to the re-measurement of deferred tax assets and liabilities. However, the Partnership is continuing to evaluate the impact of the 2017 Tax Act, which could potentially affect the measurement of these balances or result in additional tax expense.

The Partnership's evaluation of the income tax effects of these items and the provisional amounts recorded for the tax year ended December 31, 2017 requires additional guidance from state tax authorities about the application of these new tax laws. The associated accounting for the 2017 Tax Act is expected to be completed when the Partnership's 2017 U.S. corporate income tax return is filed in fiscal 2018.

Note 13. Segment Information

The Partnership manages its Portfolio as one segment that operates a portfolio of solar energy generation systems. It operates as a single reportable segment based on the “management” approach.

Long-lived assets consisting of property and equipment, net, were located in the United States. Similarly, all operating revenues for the three months ended February 28, 2018 and February 28, 2017 were from customers located in the United States. The following customers each comprised 10% or more of the Partnership's total revenue:

Customers	Three Months Ended	
	February 28, 2018	February 28, 2017
Southern California Edison	32.0%	29.5 %
Southern California Public Power Authority	12.6%	10.7 %
Public Service Company of Colorado	12.4%	*
First Solar	11.7%	12.8 %

*Total revenue attributable to these customers was less than 10% of the Partnership's total revenue for the period.

Note 14. Subsequent Events

Distributions

On March 22, 2018, the general partner's board of directors declared a cash distribution for its Class A shares of \$0.2802 per share for the first quarter of 2018. The general partner's board of directors declared a corresponding cash distribution for OpCo's common and subordinated units, which includes all common and subordinated units held by First Solar and SunPower. The first quarter distribution will be paid on April 13, 2018 to shareholders and unitholders of record as of April 3, 2018.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q and our 2017 10-K.

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give our current expectations and contain projections of results of operations or of financial condition or forecasts of future events. Words such as “could,” “will,” “may,” “assume,” “forecast,” “position,” “predict,” “strategy,” “expect,” “intend,” “plan,” “estimate,” “anticipate,” “believe,” “project,” “budget,” “continue” and similar expressions are used to identify forward-looking statements. Without limiting the generality of the foregoing, forward-looking statements contained in this report include statements concerning our Sponsors' ownership interest in us, our expectations of plans, strategies, objectives, growth and anticipated financial and operational performance. Forward-looking statements can be affected by assumptions used or by known or unknown risks or uncertainties. Consequently, no forward-looking statements can be guaranteed.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe that we have chosen these assumptions or bases in good faith and that they are reasonable. However, when considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this report and in the 2017 10-K. Those risk factors and other factors noted throughout this report and in the 2017 10-K could cause our actual results to differ materially from those disclosed in any forward-looking statement. You should also understand that it is not possible to predict or identify all such factors and should not consider the risk factors included in this report and the 2017 10-K to be a complete statement of all potential risks and uncertainties. Please read “Risk Factors” in Part II, Item 1A. of this Quarterly Report on Form 10-Q and in Part I, Item 1A. of the 2017 10-K.

Each forward-looking statement speaks only as of the date of the particular statement and we undertake no obligation to publicly update or revise any forward-looking statements except as required by law.

Overview

Description of Partnership

We are a limited partnership formed by First Solar and SunPower, our Sponsors, to own, operate and acquire solar energy generation projects.

On February 5, 2018, we, our general partner, OpCo and Holdings entered into the Merger Agreement with certain affiliates of Capital Dynamics. Upon the terms and subject to the conditions set forth in the Merger Agreement, (i) OpCo Merger Sub 1 will merge with and into OpCo and the separate existence of OpCo Merger Sub 1 will cease and OpCo will continue as the surviving limited liability company of OpCo Merger 1, (ii) OpCo Merger Sub 2 will merge with and into the Initial Surviving LLC and the separate existence of OpCo Merger Sub 2 will cease and the Initial Surviving LLC will continue as the surviving limited liability company of OpCo Merger 2, (iii) Partnership Merger Sub will merge with and into the Partnership and the separate existence of Partnership Merger Sub will cease and the Partnership shall continue as the surviving partnership of the Partnership Merger, (iv) Holdings will transfer to 8point3 Solar CEI or an affiliate thereof, and 8point3 Solar CEI (or its designated affiliate) will accept, for no consideration, the transfer and delivery of, 100% of the issued and outstanding membership interests in the General Partner, including all rights and obligations relating thereto and all economic and capital interests therein, and 100% of the issued and outstanding Incentive Distribution Rights (as defined in the OpCo LLC Agreement).

Our Portfolio

As of February 28, 2018, our Portfolio consisted of interests in 946 MW of solar energy projects located entirely in the United States, all of which are operational. As of February 28, 2018, we owned interests in ten utility-scale solar energy projects representing 92% of the generating capacity of our Portfolio, and four C&I solar energy projects and a portfolio of residential DG Solar assets representing 8% of the generating capacity of our Portfolio. Our utility-scale and C&I solar energy projects sell their output under long-term, fixed-price offtake agreements primarily with investment grade offtake counterparties and our residential DG Solar assets are leased under long-term fixed-price offtake agreements with high credit quality residential customers with FICO scores averaging 765 at the time of the initial contract. As of February 28, 2018, the weighted average remaining life of offtake agreements across our Portfolio was 18.9 years.

For an overview of the assets that comprise our Portfolio as of February 28, 2018, please read Part I, Item 1. “Financial Information—Notes to Unaudited Condensed Consolidated Financial Statements—Note 1— Description of Business.”

How We Generate Revenues

Under our Utility Project Entities’ offtake agreements, each Utility Project Entity generally receives a fixed price over the term of the offtake agreement with respect to 100% of its output, subject to certain adjustments. Our Utility Project Entities’ offtake agreements have certain availability or production requirements, and if such requirements are not met, then in some cases the applicable project is required to pay the offtake counterparty a specified damages amount, and in some cases the offtake counterparty has the right to terminate the offtake agreement or reduce the contract quantity. In addition, under our Utility Project Entities’ offtake agreements, each party typically has the right to terminate upon written notice ranging from ten to 60 days following the occurrence of an event of default that has not been cured within the applicable cure period, if any.

Under the offtake agreements of our C&I Project Entities, each C&I Project Entity generally receives a fixed price over the term of the offtake agreement with respect to 100% of its output, subject to certain adjustments. Certain of our C&I Project Entities’ offtake agreements have availability or production requirements, and if such requirements are not met, the offtake counterparty has the right to terminate the offtake agreement. Under our C&I Project Entities’ offtake agreements, each party typically has the right to terminate upon written notice ranging from ten to 30 days following the occurrence of an event of default that has not been cured within the applicable cure period, if any. One of our C&I Project Entities has additionally entered into an SREC Sales Agreement under which SRECs are sold to a non-affiliated party at a fixed price over the term of the agreement.

Under our Residential Portfolio Project Entity’s offtake agreements, homeowners are obligated to make lease payments to the Residential Portfolio Project Entity on a monthly basis. The customer’s monthly payment is fixed based on a calculation that takes into account expected solar energy generation, and certain of our current offtake agreements contain price escalators with an average of a 1% increase annually. Customers are eligible to purchase the leased solar power systems to facilitate the sale or transfer of their home. The agreements also include an early buy-out option at fair market value exercisable in the seventh year that allows customers to purchase the solar power system.

How We Evaluate Our Operations

Our management uses a variety of financial metrics to analyze our performance. The key financial metrics we evaluate are Adjusted EBITDA and cash available for distribution.

Adjusted EBITDA.

We define Adjusted EBITDA as net income (loss) plus interest expense, net of interest income, income tax provision, depreciation, amortization and accretion, including our proportionate share of net interest expense, income taxes and depreciation, amortization and accretion from our unconsolidated affiliates that are accounted for under the equity method, and share-based compensation and transaction costs incurred for our acquisitions of projects; and excluding the effect of certain other non-cash or non-recurring items that we do not consider to be indicative of our ongoing operating performance such as, but not limited to, mark to market adjustments to the fair value of derivatives related to our interest rate hedges. Adjusted EBITDA is a non-U.S. GAAP financial measure. This measurement is not recognized in accordance with U.S. GAAP and should not be viewed as an alternative to U.S. GAAP measures of performance. The U.S. GAAP measure most directly comparable to Adjusted EBITDA is net income (loss). The presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

We believe Adjusted EBITDA is useful to investors in evaluating our operating performance because securities analysts and other interested parties use such calculations as a measure of financial performance and borrowers' ability to service debt. In addition, Adjusted EBITDA is used by our management for internal planning purposes including certain aspects of our consolidated operating budget and capital expenditures. It is also used by investors to assess the ability of our assets to generate sufficient cash flows to make distributions to our Class A shareholders.

However, Adjusted EBITDA has limitations as an analytical tool because it does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments, does not reflect changes in, or cash requirements for, working capital, does not reflect significant interest expense or the cash requirements necessary to service interest or principal payments on our outstanding debt or cash distributions on tax equity, does not reflect payments made or future requirements for income taxes, and excludes the effect of certain other cash flow items, all of which could have a material effect on our financial condition and results of operations. Adjusted EBITDA is a non-U.S. GAAP measure and should not be considered an alternative to net income (loss) or any other performance measure determined in accordance with U.S. GAAP, nor is it indicative of funds available to fund our cash needs. In addition, our calculations of Adjusted EBITDA are not necessarily comparable to EBITDA as calculated by other companies. Investors should not rely on these measures as a substitute for any U.S. GAAP measure, including net income (loss).

Cash Available for Distribution.

We use cash available for distribution, which we define as Adjusted EBITDA less equity in earnings of unconsolidated affiliates, cash interest paid, cash income taxes paid, maintenance capital expenditures, cash distributions to noncontrolling interests and principal amortization payments on any project-level indebtedness plus cash distributions from unconsolidated affiliates, indemnity payments and promissory notes from Sponsors, test electricity generation, cash proceeds from sales-type residential leases, state and local rebates and cash proceeds for reimbursable network upgrade costs. Our cash flow is generated from distributions we receive from OpCo each quarter. OpCo's cash flow is generated primarily from distributions from the Project Entities. As a result, our ability to make distributions to our Class A shareholders depends primarily on the ability of the Project Entities to make cash distributions to OpCo and the ability of OpCo to make cash distributions to its unitholders.

We believe cash available for distribution is useful to investors in evaluating our operating performance because securities analysts and other interested parties use such calculations as a measure of our ability to generate sustainable distributions. In addition, when evaluating a potential acquisition, our management team projects expected cash available for distribution to determine whether to make such acquisition. The U.S. GAAP measure most directly comparable to cash available for distribution is net income (loss).

However, cash available for distribution has limitations as an analytical tool because it does not capture the level of capital expenditures necessary to maintain the operating performance of our projects, does not include changes in operating assets and liabilities and excludes the effect of certain other cash flow items, all of which could have a material effect on our financial condition and results from operations. Cash available for distribution is a non-U.S. GAAP measure and should not be considered an alternative to net income (loss) or any other performance measure determined in accordance with U.S. GAAP, nor is it indicative of funds available to fund our cash needs. In addition, our calculations of cash available for distribution are not necessarily comparable to cash available for distribution as calculated by other companies. Investors should not rely on these measures as a substitute for any U.S. GAAP measure, including net income (loss).

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The following table presents a reconciliation of net income to Adjusted EBITDA and cash available for distribution for the three months ended February 28, 2018 and February 28, 2017:

(in thousands)	Three Months Ended	
	February 28, 2018	February 28, 2017
Net income (loss) (1)	\$6,744	\$(5,320)
Add (Less):		
Interest expense, net of interest income	5,887	5,224
Income tax provision (benefit)	(13,169)	533
Depreciation, amortization and accretion	7,247	6,871
Share-based compensation	56	56
Acquisition-related transaction costs (2)	20	13
Unrealized gain (loss) on derivatives (3)	13	(670)
Add proportionate share from equity method investments (4)		
Interest expense, net of interest income	74	130
Depreciation, amortization and accretion	6,247	6,224
Adjusted EBITDA	\$13,119	\$13,061
Less:		
Equity in earnings of unconsolidated affiliates, net with (4) above (5)	(8,321)	(6,960)
Cash interest paid (6)	(5,930)	(4,761)
Cash distributions to non-controlling interests	(2,212)	(1,885)
Short-Term Note (7)	—	(1,964)
Add:		
Cash distributions from unconsolidated affiliates (8)	17,612	17,711
Indemnity payment from Sponsors (9)	—	65
Cash proceeds from sales-type residential leases, net (10)	710	671
Test electricity generation (11)	—	10
Cash proceeds for reimbursable network upgrade costs (12)	3,126	6,123
Cash available for distribution	\$18,104	\$22,071

Costs incurred by the Partnership as a result of the strategic evaluation of the proposed Mergers with Capital

(1) Dynamics performed by our Conflicts Committee as well as the release of deferred costs associated with the ATM Program totaling \$2.2 million and \$0.4 million, respectively, in the first quarter of 2018 were not excluded to calculate Adjusted EBITDA and cash available for distribution.

(2) Represents acquisition-related financial advisory, legal and accounting fees associated with ROFO Project interests purchased.

(3) Represents the changes in fair value of interest rate swaps that were not designated as cash flow hedges.

(4) Represents our proportionate share of net interest expense, depreciation, amortization and accretion from our unconsolidated affiliates that are accounted for under the equity method.

Equity in earnings of unconsolidated affiliates represents the earnings from the Solar Gen 2 Project, the North Star (5) Project, the Lost Hills Blackwell Project, the Henrietta Project, and the Stateline Project and is included in our unaudited condensed consolidated statements of operations.

(6) Represents cash interest payments related to OpCo's senior secured credit facility and the Stateline Promissory Note.

(7) Represents the Short-Term Note, a promissory note from First Solar. Please read Part I, Item 1. "Financial Information—Notes to Unaudited Condensed Consolidated Financial Statements—Note 11. Related Parties."

Cash distributions from unconsolidated affiliates represent the cash received by OpCo with respect to its 49% (8) interest in the Solar Gen 2 Project, the North Star Project, the Lost Hills Blackwell Project, and the Henrietta Project and its 34% interest in the Stateline Project.

Represents indemnity payments from the Sponsors owed to OpCo in accordance with the Omnibus Agreement.

(9) Please read Part I, Item 1. “Financial Information—Notes to Unaudited Condensed Consolidated Financial Statements—Note 11. Related Parties.”

Cash proceeds from sales-type residential leases, net, represent gross rental cash receipts for sales-type leases, less sales-type revenue and lease interest income that is already reflected in net income (loss) during the period. The (10) corresponding revenue for such leases was recognized in the period in which such lease was placed in service, rather than in the period in which the rental payment was received, due to the characterization of these leases under U.S. GAAP.

Test electricity generation represents the sale of electricity that was generated prior to COD by Macy’s Maryland Project for the three months ended February 28, 2017. The sale of test electricity generation is accounted for as a (11) reduction in the asset carrying value rather than operating revenue prior to COD, even though it generates cash for the related Project Entity.

(12) Cash proceeds from a utility company related to reimbursable network upgrade costs associated with the Quinto Project and the Kingbird Project.

Significant Factors and Trends Affecting Our Business

We expect the following factors will affect our results of operations:

Future Acquisitions

Our business could be impacted by a number of factors and trends that affect our industry generally and our Sponsors specifically, including our ability to acquire projects in the future. The evolving nature of the solar industry has enabled our Sponsors to implement strategies of recycling capital faster and more efficiently by selling projects at a stage of construction and development which is earlier than best suited for us. Due to our higher cost of capital and inability to access the capital markets on a consistent basis, commencing in fiscal 2016, we and our Sponsors agreed to make several adjustments to the projects subject to the ROFO Agreements, replacing interests in certain projects with alternatives. Later, when certain projects were ultimately offered to us under the ROFO Agreement, we were unable to transact due to these same fiscal constraints. The offered projects were subsequently acquired by third party buyers at purchase prices higher than those offered to us. As a result of such adjustments, we no longer have a right of first offer on any projects developed by First Solar. The SunPower ROFO Agreement currently includes assets that represent interests in 204 MW capacity as of February 28, 2018. However, due to the limitations on our ability to acquire projects under the Merger Agreement, in connection with the Conflicts Committee’s and the Board’s approval of the Merger Agreement, we agreed to enter into the Waiver Agreement with SunPower which waives our right of first offer on all the projects subject to the SunPower ROFO Agreement during the pendency of the Merger Agreement. In the event that the Merger Agreement terminates without the closing of the Mergers, the waiver would terminate with respect to all projects subject to the SunPower ROFO Agreement, except, with respect to individual projects still owned by SunPower at the termination of such waiver, such project is either under an exclusivity agreement with a third party or has an offer for purchase from a third party pursuant to which SunPower is in negotiations.

In addition, the development of solar energy projects by project developers, including our Sponsors, may be delayed or otherwise adversely affected by the recent imposition of safeguard tariffs on imported solar cells and modules. On November 13, 2017, the U.S. International Trade Commission (“USITC”) transmitted a report to the President on its investigation under Section 202 of the Trade Act of 1974 with respect to imports of CSPV cells, whether or not partially or fully assembled into other products (“CSPV products”), in which USITC reached an affirmative determination that CSPV products are being imported into the United States in such increased quantities as to be a substantial cause of serious injury to the relevant domestic industry. In response to the USITC report, on January 23, 2018, the President issued Proclamation 9693, “To Facilitate Positive Adjustment to Competition From Imports of Certain Crystalline Silicon Photovoltaic Cells (Whether or Not Partially or Fully Assembled Into Other Products) and

for Other Purposes” (the “Proclamation”). With limited exception, the Proclamation mandates the application of safeguard tariffs for the next four years, beginning February 7, 2018, on imports of CSPV products from all countries, except for developing countries that are World Trade Organization members, with the following terms: a tariff of 30 percent in the first year, 25 percent in the second year, 20 percent in the third year, and 15 percent in the fourth year. (However, the first 2.5 gigawatts of imported solar cells are exempt from the safeguard tariff in each of those four years.). The uncertainty surrounding the potential effect of the safeguard tariffs on imported CSPV products may cause market volatility, price fluctuations, supply shortages and project delays, adversely affecting our ability to acquire such projects. Please read Part I, Item 1A. “Risk Factors—Risks Related to Our Business—SunPower’s failure to complete the development of the SunPower ROFO Projects or project developers’, including our Sponsors’, failure to develop other solar energy projects, including those opportunities that are part of our Sponsors’ development pipeline, could have a significant effect on our ability to grow.” in the 2017 10-K.

Power Purchase Agreements

Our revenues are a function of the volume of electricity generated and sold by our projects and rental payments under lease agreements. The assets in our Portfolio sell substantially all of their output or are leased under long-term, fixed price offtake agreements primarily with investment grade utility-scale and C&I offtakers, as well as high credit quality residential customers with an average FICO score of 765 at the time of initial contract. As of February 28, 2018, the weighted average remaining life of offtake agreements across our Portfolio was 18.9 years, with the offtake agreements of our Utility Project Entities having remaining terms ranging from 15.1 to 25.8 years and our C&I offtake agreements and residential offtake agreements having remaining terms ranging from 14.5 to 19.0 years. We believe long-term agreements with creditworthy customers substantially mitigate volatility in our cash flows. As of February 28, 2018, two offtake counterparties were placed on CreditWatch by Standard & Poor's Ratings Services, increasing our credit risk associated with these customers. Please read Part I, Item 1A. "Risk Factors—Risks Related to Our Business—We rely on a limited number of offtake counterparties and we are exposed to the risk that they are unwilling or unable to fulfill their contractual obligations to us or that they otherwise terminate their offtake agreements with us." in the 2017 10-K and Part I, Item 1. "Financial Information—Notes to Unaudited Condensed Consolidated Financial Statements—Note 11—Related Parties—Maryland Solar Lease Arrangement."

Operation of Projects

Our revenues are a function of the volume of electricity generated by our projects during a particular period, which is impacted by weather, as well as both scheduled and unexpected repair and maintenance required to keep our systems operational. Weather and equipment performance represent the primary factors affecting our operating results because insolation and equipment downtime impact the volume of the electricity that we are able to generate from our systems.

Demand for Solar Energy

United States energy demand is increasing due to economic development and population growth. With exposure to volatile fossil fuel costs, increasing concern about carbon emissions and a variety of other factors, customers are seeking alternatives to traditional sources of electricity generation. However, the demand for solar energy could change at any time, especially as a result of changes to government regulations and policies that may present technical, regulatory, and economic barriers to the purchase and use of solar power products, a decline in commodity prices, including the price of natural gas, or a change in the federal, state, or local policies regulating natural gas, coal, oil and other fossil fuels, which could lower prices for fuel sources used to produce energy from other technologies and reduce the demand for solar energy. For more information about the risks associated with changing demand for solar energy, please read Part I, Item 1A. "Risk Factors—If solar energy technology is not suitable for widespread adoption at economically attractive rates of return, or if sufficient additional demand for solar power systems does not develop or takes longer to develop than we anticipate, our ability to acquire accretive projects may decrease." in the 2017 10-K.

Government Incentives

Our Portfolio benefits from certain federal, state and local incentives designed to promote the development and use of solar energy. These incentives include accelerated tax depreciation, ITCs, RPS programs and net metering policies. These incentives make the development of solar energy projects more competitive by providing tax credits and accelerated depreciation for a portion of the development and construction costs, decreasing the costs associated with developing and building such projects. In addition, these incentives create demand for renewable energy assets through RPS programs and the reduction or removal of these incentives may diminish the market for future solar energy offtake agreements and reduce the ability for solar developers to compete for future solar energy offtake agreements. A loss or reduction in such incentives could decrease the attractiveness of solar energy projects to

developers, including our Sponsors, which could reduce our acquisition opportunities. For example, the ITC, a federal income tax credit for 30% of eligible basis, is scheduled to fall to 26% of eligible basis for solar projects that commence construction during 2020, 22% of eligible basis for solar projects that commence construction during 2021 and 10% of eligible basis for solar projects that commence construction during 2022 or thereafter or are placed into service on or after January 1, 2024.

Under the “Protecting Americans From Tax Hikes Act of 2015,” which was signed into law December 18, 2015, owners of eligible solar equipment can claim bonus depreciation for qualified property acquired and placed in service during 2015 through 2019. The bonus depreciation percentage is 50% of the tax depreciable basis for property placed in service during 2015 through September 27, 2017. On December 22, 2017, the 2017 Tax Act was signed into law, which increased the bonus depreciation percentage to 100% for qualified property acquired and placed in service after September 27, 2017 and before January 1, 2023, and phases down to 80% in 2023, 60% in 2024, 40% in 2025, 20% in 2026 and 0% for 2027 and thereafter. The competitive advantage provided by the change in bonus depreciation percentage under the 2017 Tax Act could be negatively impacted by both the permanent reduction in the U.S. federal corporate income tax rate effective January 1, 2018, as this reduction could diminish the capacity of potential investors to benefit from incentives and reduce the value of accelerated depreciation deductions, and the imposition of safeguard tariffs on CSPV products pursuant to the Proclamation, which could materially increasing the price of solar products in the future.

The current administration’s proposed environmental policies may create regulatory uncertainty in the clean energy sector, including the solar energy sector, and may lead to a reduction or removal of various clean energy programs and initiatives designed to curtail climate change. For more information about the risks associated with these government incentives, please read Part I, Item 1A. “Risk Factors—Risks Related to Our Business—Government regulations providing incentives and subsidies for solar energy could change at any time, including pursuant to the proposed environmental and tax policies of the current administration” and “Risk Factors—Risks Related to Our Business—Until we can effectively utilize tax benefits, we expect to be dependent on the availability of third-party tax equity financing arrangements, which may not be available in the future.” in the 2017 10-K.

The projects in our Portfolio are generally unaffected by the trends discussed above, given that all of the electricity to be generated by our projects are sold under fixed-price offtake agreements, which, as of February 28, 2018, have a weighted average remaining life of approximately 18.9 years.

Critical Accounting Policies & Estimates

We prepare our unaudited condensed consolidated financial statements in conformity with U.S. GAAP, which requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues, and expenses recorded in our financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. In addition to our most critical estimates discussed below, we also have other key accounting policies that are less subjective and, therefore, judgments involved in their application would not have a material impact on our reported results of operations. Please read Part II, Item 8. “Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 2—Summary of Significant Accounting Policies” of the 2017 10-K. There have been no significant changes to our critical accounting policies and estimates since November 30, 2017.

Results of Operations

	Three Months Ended (unaudited) February 28, 2018 February 28, 2017	
Revenues:		
Operating revenues	\$10,869	\$9,897
Total revenues	10,869	9,897
Operating costs and expenses:		
Cost of operations	2,391	2,222
Selling, general and administrative	4,252	1,902
Depreciation and accretion	7,140	6,763
Acquisition-related transaction costs	20	13
Total operating costs and expenses	13,803	10,900
Operating loss	(2,934)	(1,003)
Other expense (income):		
Interest expense	6,163	5,495
Interest income	(276)	(271)
Other income	(396)	(834)
Total other expense, net	5,491	4,390
Loss before income taxes and equity in earnings of unconsolidated investees	(8,425)	(5,393)
Income tax benefit (provision)	13,169	(533)
Equity in earnings of unconsolidated investees	2,000	606
Net income (loss)	6,744	(5,320)
Less: Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	(3,203)	(6,181)
Net income attributable to 8point3 Energy Partners LP Class A shares	\$9,947	\$861

Three Months Ended February 28, 2018 Compared to Three Months Ended February 28, 2017

Revenues

	Three Months Ended (unaudited) February 28, 2018 February 28, 2017	
(in thousands)		
Operating revenues	\$10,869	\$9,897
Total revenues	\$10,869	\$9,897

Over 90% of our operating revenues were comprised of lease revenue from our utility-scale solar energy projects, C&I solar energy projects and Residential Portfolio. Our only revenue streams not from the leasing of solar power systems are from the PPA and SREC Sales Agreement entered into by the Macy's Maryland Project Entity and contracted counterparties and PBI Rebates. Revenue generated from our Residential Portfolio represents (i) revenue associated with renting solar power systems classified as operating leases, including related state or local rebates and PBI Rebates, and (ii) interest revenue and related O&M revenue associated with solar power systems classified as sales-type leases. All revenues for the periods presented were generated in the United States.

Total revenues increased by \$1.0 million, or 10%, for the three months ended February 28, 2018 as compared to the three months ended February 28, 2017, due to revenue generated from the Kern Phase 2(b) Assets and the Kern Phase

2(c) Assets, which commenced operations subsequent to the first quarter of fiscal 2017.

Operating Costs and Expenses

(in thousands)	Three Months Ended (unaudited)	
	February 28, 2018	February 28, 2017
Cost of operations	\$2,391	\$2,222
Selling, general and administrative	4,252	1,902
Depreciation and accretion	7,140	6,763
Acquisition-related transaction costs	20	13
Total operating costs and expenses	\$13,803	\$10,900
Total operating costs and expenses as a percentage of revenues	127.0 %	110.1 %

Cost of Operations: Cost of operations primarily includes expenses related to O&M agreements and land lease expenses. The increase of \$0.2 million, or 8%, for the three months ended February 28, 2018 as compared to the three months ended February 28, 2017, was primarily driven by increased expenses associated with operating the Kern Phase 2(b) Assets and Kern Phase 2(c) Assets, which commenced operations subsequent to first quarter of 2017.

Selling, General and Administrative: SG&A expense primarily includes operating expenses such as audit, legal, insurance, independent board of directors services and fees under the AMAs and MSAs with our Sponsors. The increase of \$2.4 million, or 124%, for the three months ended February 28, 2018 as compared to the three months ended February 28, 2017, was primarily driven by \$2.2 million of expenses incurred by the Partnership in the first quarter of fiscal 2018 as a result of the strategic evaluation of the proposed Mergers with Capital Dynamics performed by our Conflicts Committee.

Depreciation and Accretion: Depreciation expense reflects costs associated with depreciation of our solar power system assets that have been placed in service. The increase of \$0.4 million, or 6%, for the three months ended February 28, 2018 as compared to the three months ended February 28, 2017, was primarily driven by the commencement of operations, and related depreciation, of the Kern Phase 2(b) Assets and Kern 2(c) Assets subsequent to the first quarter of fiscal 2017.

Acquisition-Related Transaction Costs: Acquisition-related transaction costs represent financial advisory, legal and accounting fees incurred in connection with our acquisitions.

Other Expense, net

(in thousands)	Three Months Ended (unaudited)	
	February 28, 2018	February 28, 2017
Interest expense	\$6,163	\$5,495
Interest income	(276)	(271)
Other income	(396)	(834)
Total other expense, net	\$5,491	\$4,390
Total other expense, net as a percentage of revenues	50.5 %	44.4 %

Interest Expense: Loans and letters of credit outstanding under the senior secured credit facility bear interest and the unused portion of the credit facility bear commitment fees which are cash interest expenses. Please read Part I, Item 1. “Financial Information—Notes to Unaudited Condensed Consolidated Financial Statements—Note 6—Debt and Financing Obligations” for rates and borrowing activity. The interest incurred related to our projects while under construction is not reflected as an expense in the unaudited condensed consolidated statements of operations, as it is capitalized to

construction-in-progress until the solar power system is ready for its intended use.

Cash interest expense for the three months ended February 28, 2018 and February 28, 2017 relates to fees associated with outstanding borrowings and letters of credit under OpCo's \$775.0 million senior secured credit facility and the Stateline Promissory Note.

Interest expense for the three months ended February 28, 2018 and February 28, 2017 included cash interest expense of \$5.9 million and \$5.3 million, respectively. Cash interest expense increased \$0.7 million, or 12%, for the three months ended February 28, 2018 as compared to the three months ended February 28, 2017, primarily due to higher outstanding balances during the period and rising interest rates.

Non-cash interest expense for the three months ended February 28, 2018 and February 28, 2017 relates to debt issuance costs associated with OpCo's senior secured credit facility and remained flat period over period.

Interest Income: Interest income represents the accrued interest on reimbursable network upgrade costs related to the Quinto Project and the Kingbird Project. These costs plus accrued interest are reimbursable by the applicable utility company over five years from when the project achieves commercial operation.

Other Income: Other income for the three months ended February 28, 2018 of \$0.4 million primarily relates to a \$0.9 million energy performance test bonus receivable for one of our equity method investments, partially offset by the release of \$0.4 million in deferred costs associated with the ATM Program. Other income for the three months ended February 28, 2017 of \$0.8 million relates to (i) a \$0.7 million unrealized gain related to the mark-to-market valuation adjustment of interest rate swaps associated with our term loan facility, and (ii) \$0.1 million of payments received under the Partnership's O&M agreement with First Solar associated with performance of certain projects.

Income Tax Provision (Benefit)

(in thousands)	Three Months Ended (unaudited)	
	February 28, 2018	February 28, 2017
Income tax provision (benefit)	\$(13,169)	\$ 533
Income tax provision (benefit) as a percentage of revenues	(121.2)%	5.4 %

Our tax rate is primarily affected by the tax impact of equity in earnings, the tax impact of noncontrolling interest and state tax rates (net of federal benefit) in various jurisdictions, most significantly California. We include the income tax provision related to our equity in earnings of unconsolidated investees in the income tax provision line of the unaudited condensed consolidated statements of operations.

Our income tax provision primarily represents deferred federal and state taxes on the net income of OpCo, a non-taxable partnership, that is allocated to us (exclusive of income tax but after noncontrolling interest).

The income tax benefit for the three months ended February 28, 2018 is primarily the result of an approximately \$12.3 million tax benefit recorded in the first quarter of fiscal 2018 due to the re-measurement of deferred tax assets and liabilities as a result of the 2017 Tax Act. The decrease in the income tax provision, excluding the impact of the 2017 Tax Act, for the three months ended February 28, 2018 as compared to the three months ended February 28, 2017, is the result of a higher loss before income taxes and equity in earnings of unconsolidated investees of \$8.4 million as compared to \$5.4 million, respectively.

Equity in Earnings of Unconsolidated Investees

(in thousands)	Three Months Ended (unaudited)	
	February 28, 2018	February 28, 2017
Equity in earnings of unconsolidated investees	\$2,000	\$ 606
Equity in earnings of unconsolidated investees as a percentage of revenues	18.4 %	6.1 %

Equity in earnings of unconsolidated investees represents our proportionate share of the earnings and losses from our minority membership interests accounted for as equity method investments, including SG2 Holdings, North Star Holdings, Lost Hills Blackwell Holdings, Henrietta Holdings and Stateline Holdings. We own a 49% ownership interest in each of SG2 Holdings, North Star Holdings, Lost Hills Blackwell Holdings and Henrietta Holdings and a 34% ownership interest in Stateline Holdings.

The increase in equity in earnings of unconsolidated investees as a percentage of revenues for the three months ended February 28, 2018 of 18.4% compared to 6.1% for the three months ended February 28, 2017 is primarily the result of higher insolation as a result of favorable weather in the first quarter of fiscal 2018 as compared to the first quarter of fiscal 2017.

Net Loss Attributable to Noncontrolling Interests and Redeemable Noncontrolling Interests

(in thousands)	Three Months Ended (unaudited)	
	February 28, 2018	February 28, 2017
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	\$(3,203)	\$(6,181)
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests as a percentage of net revenues	(29.5)%	(62.5)%

We apply the HLBV Method in allocating recorded net income (loss) to each tax equity investor based on the change during the reporting period of the amount of net assets of the entity to which each tax equity investor would be entitled to under the governing contractual arrangements in a liquidation scenario. If the redemption value of our redeemable noncontrolling interests exceeds their carrying value after attribution of income (loss) under the HLBV Method in any period, we will make an additional attribution of income to our redeemable noncontrolling interests such that their carrying value will at least equal the redemption value.

Net loss attributable to noncontrolling interests and redeemable noncontrolling interests for the three months ended February 28, 2018 included a net loss of \$4.2 million attributable to our Sponsors as a result of their economic ownership in OpCo, partially offset by income of \$1.0 million attributable to noncontrolling interests and redeemable noncontrolling interests related to our tax equity financing facilities with third-party investors under which the parties invest in entities that hold the solar power systems. Net loss attributable to noncontrolling interests and redeemable noncontrolling interests for the three months ended February 28, 2017 included a net loss of \$8.8 million attributable to noncontrolling interests and redeemable noncontrolling interests related to our tax equity financing facilities with third-party investors under which the parties invest in entities that hold the solar power systems, partially offset by net income of \$2.6 million attributable to our Sponsors as a result of their economic ownership in OpCo.

Cash Flows

Three Months Ended February 28, 2018 Compared to Three Months Ended February 28, 2017

A summary of the sources and uses of cash and cash equivalents is as follows:

(in thousands)	Three Months Ended (unaudited)	
	February 28, 2018	February 28, 2017
Net cash provided by operating activities	\$5,356	\$9,464
Net cash provided by (used in) investing activities	13,866	(287,914)
Net cash provided by (used in) financing activities	(18,873)	271,199

Operating Activities

Net cash provided by operating activities for the three months ended February 28, 2018 was \$5.4 million and was primarily the result of: (i) net income of \$6.7 million; (ii) \$2.5 million in cash distributions received from equity

method investees that were classified in operating activities as returns on the investments; (iii) adjustment for non-cash charges of \$7.8 million, including \$7.2 million depreciation of operating lease assets and solar power systems and amortization of intangible assets, \$0.2 million amortization of debt issuance costs, and \$0.1 million share-based compensation; (iv) \$2.8 million decrease in prepaid expenses and other current assets; (v) \$0.1 million increase in accounts payable and other accrued liabilities, and (vi) \$1.0 million decrease in accounts receivable and financing receivable, net. These inflows were partially offset by: (i) \$0.3 million increase in deferred revenue on operating leases; and (ii) adjustments for non-cash income of \$15.2 million, including a \$13.2 million reduction in deferred income taxes primarily driven by a \$12.3 million benefit recorded in the first quarter of fiscal 2018 as a result of the 2017 Tax Act, and (ii) \$2.0 million equity in earnings of unconsolidated investees.

Net cash provided by operating activities for three months ended February 28, 2017 was \$9.5 million and was primarily the result of: (i) \$1.1 million in cash distributions received from equity method investees that were classified in operating activities as returns on the investments; (ii) adjustment for non-cash charges of \$7.7 million, including \$6.9 million depreciation of operating lease assets and solar power systems, a \$0.6 million charge for deferred income taxes, a \$0.2 million charge for amortization of debt issuance costs, and \$0.1 million of share-based compensation; (iii) a \$5.6 million decrease in prepaid expenses and other current assets; (iv) a \$1.5 million increase in accounts payable and other accrued liabilities; and (v) a \$0.5 million decrease in accounts receivable and financing receivable, net. This was partially offset by: (i) a net loss of \$5.3 million; (ii) a \$0.3 million decrease in deferred revenue on operating leases; and (iii) adjustments for non-cash income of \$1.3 million, including \$0.6 million equity in earnings of unconsolidated investees and \$0.7 million mark-to-market gain on interest rate swaps.

Investing Activities

Net cash provided by investing activities for the three months ended February 28, 2018 was \$13.9 million and was primarily the result of \$15.1 million in distributions from unconsolidated investees classified in investing activities as returns of the investments, partially offset by a \$1.3 million repayment of the Stateline Promissory Note.

Net cash used in investing activities for the three months ended February 28, 2017 was \$287.9 million and was primarily the result of: (i) \$304.4 million net cash paid for the acquisitions of the Stateline Project, the Kern Phase 1(a) Assets, the Kern Phase 2(a) Assets, the Kern Phase 2(b) Assets, and the Macy's Maryland Project, and (ii) capital expenditures of \$0.1 million, which were due to the purchases of property and equipment. These outflows were offset by \$16.6 million in distributions from unconsolidated investees classified in investing activities as returns of the investments.

Financing Activities

Net cash used in financing activities for the three months ended February 28, 2018 was \$18.9 million and was due to: (i) \$14.3 million of cash distributions to our Sponsors as OpCo's common and subordinated unitholders; (ii) \$7.9 million of cash distributions to our Class A shareholders; and (iii) \$2.2 million of cash distributions to tax equity investors. The cash outflows were partially offset by a \$5.5 million draw down under the revolving credit facility.

Net cash provided by financing activities for the three months ended February 28, 2017 was \$271.2 million due to: (i) a \$250.0 million draw down under the incremental term loan facility in connection with the Stateline Acquisition; (ii) a \$20.0 million and \$6.0 million draw down under the revolving credit facility in connection with the Stateline Acquisition and the Kern Phase 2(b) Acquisition, respectively; and (iii) \$18.7 million of cash contributions from tax equity investors. These cash inflows were partially offset by: (i) \$12.7 million of cash distributions to our Sponsors as OpCo's common and subordinated unitholders; (ii) \$7.0 million of cash distributions to our Class A shareholders; (iii) the repayment of the \$2.0 million Short-term Note to First Solar; and (iv) \$1.9 million of cash distributions to tax equity investors.

Liquidity and Capital Resources

Our liquidity as of February 28, 2018 was \$83.8 million, consisting of \$13.9 million cash on hand and \$69.9 million of available capacity under our five-year revolving credit facility.

Sources of Liquidity

We expect our ongoing sources of liquidity to include cash on hand, cash generated from operations (excluding cash distributions to minority investors), distributions from the operations of our equity investments, borrowings under new and existing financing arrangements (the aggregate amount of which may be lower because of our reduced ownership

in projects subject to tax equity financing) and the issuance of additional equity securities as appropriate given market conditions. We may also incur debt at the project level, which may be limited by the rights of our tax equity investors and current debt covenants. We expect that these sources of funds will be adequate to provide for our short-term and long-term liquidity needs. Our ability to meet our debt service obligations and other capital requirements, including capital expenditures, as well as make acquisitions, will depend on our future operating performance which, in turn, will be subject to general economic, financial, business, competitive, legislative, regulatory and other conditions, many of which are beyond our control.

We believe that we will have sufficient borrowings available under our revolving credit facility, liquid assets and cash flows from operations to meet our financial commitments, debt service obligations, contingencies and anticipated required capital expenditures for at least the next 12 months. Additionally, we have an active shelf registration statement filed with the Securities and Exchange Commission for the issuance of additional equity securities as appropriate given market conditions.

Term Loans, Delayed Draw Term Loan, Revolving Credit Facility and Stateline Promissory Note

On June 5, 2015, OpCo entered into a \$525.0 million credit facility, consisting of a \$300.0 million term loan facility, a \$25.0 million delayed draw term loan facility and a \$200.0 million revolving credit facility. OpCo borrowed \$300.0 million under the term loan facility on June 5, 2015, which indebtedness will mature on June 5, 2020, at which point all amounts outstanding under the credit facility will become due and payable. On April 6, 2016, the parties thereto amended the credit facility (i) to provide for the lenders' consent to the Omnibus Agreement, (ii) to expand OpCo's ability to further amend the Omnibus Agreement without lender consent in the future, subject to certain conditions, (iii) to permit certain customary restrictions on transfers of the equity interests of certain Project Entities, which are jointly owned, indirectly, by OpCo and SunPower, (iv) to supplement the Pledge and Security Agreement between the parties in light of the foregoing amendment and (v) to make certain clarifying modifications to definitions and cross references. On September 30, 2016, OpCo entered into the Joinder Agreement under its existing senior secured credit facility, pursuant to which OpCo obtained a new \$250.0 million incremental term loan facility, increasing the maximum borrowing capacity under the credit facility to \$775.0 million.

Loans outstanding under the credit facility bear interest at either (i) a base rate, which is the highest of (x) the federal funds rate plus 0.50%, (y) the administrative agent's prime rate and (z) one-month LIBOR, in each case, plus an applicable margin; or (ii) one-, two-, three- or six-month LIBOR plus an applicable margin. There will be no principal amortization over the term of the credit facility. The unused portion of the revolving credit facility and delayed draw term loan facility is subject to a commitment fee of 0.30% per annum. OpCo may prepay the borrowings under the term loan facility and the delayed draw term loan facility at any time. OpCo has entered into interest rate swap agreements to hedge the interest rate on a portion of the borrowings under the term loan facility. Please read Part I, Item 1. "Financial Information—Notes to Unaudited Condensed Consolidated Financial Statements—Note 7—Fair Value" for further details.

In general, the credit facility contains representations, warranties, covenants (including financial covenants) and defaults that are customary for this type of financing; provided, however, that OpCo is permitted to pay distributions to its unitholders and we are permitted to pay distributions to our shareholders out of available cash so long as no default or event of default under the credit facility has occurred or is continuing at the time of such distribution, or would result therefrom, and OpCo is otherwise in compliance, on a pro forma basis, with the facility's covenants requiring it to maintain its debt to cash flow ratio and debt service coverage ratio (as such financial ratios are described below). Among other things, events of defaults that could result in restrictions on our ability to make such distributions include certain failures to make payments when due under the credit facility, certain defaults under other agreements, breaches of certain covenants and representations under the credit facility, commencement of certain insolvency proceedings, the existence of certain judgments or attachments, certain orders of dissolution of loan parties, certain events relating to employee benefit plans, the occurrence of a change of control (as more fully described below), certain events relating to the effectiveness and validity of the guaranties and collateral documents in support of the credit facility (as described below) and other credit documents and, under certain circumstances, the termination of the Omnibus Agreement or the Quinto PPA. In the future, we may increase our debt to fund our operations or future acquisitions.

OpCo's credit facility also contains covenants requiring us to maintain the following financial ratios: (i) a debt to cash flow ratio of not more than (a) 6.00 to 1.00 for the fiscal quarters ending November 30, 2016 through November 30, 2017, and (b) 5.50 to 1.00 for each fiscal quarter ending thereafter; and (ii) a debt service coverage ratio (as more fully described in the credit facility) of not less than 1.75 to 1.00. In addition, an event of default occurs under the credit facility upon a change of control. The credit facility defines a change of control as occurring when, among other things, (i) the Sponsors (or either of them) cease to direct the management, directly or indirectly, of us or OpCo, or (ii) the Sponsors collectively cease to own 35% of the economic interest in OpCo. On February 5, 2018, we, our general partner, OpCo, Holdings and the other parties thereto entered into the Merger Agreement. Upon the terms and subject

to the conditions set forth in the Merger Agreement, immediately after the consummation of OpCo Merger 1, the credit facility will be repaid in full and extinguished. In addition, the credit facility contains customary non-financial covenants and certain restrictions that will limit our, OpCo's and certain of our domestic subsidiaries' ability to, among other things, incur or guarantee additional debt and to make distributions on or redeem or repurchase OpCo common units. The Joinder Agreement amended OpCo's credit facility to permit OpCo to incur up to \$50.0 million in subordinated indebtedness from First Solar or its affiliate to pay a portion of the purchase price for the Stateline Project. As of February 28, 2018, we were in compliance with our debt covenants.

OpCo's credit facility is collateralized by a pledge over the equity of OpCo and certain of its subsidiaries. We and each of OpCo's subsidiaries, other than certain non-guarantor subsidiaries, have guaranteed the obligations of OpCo under the credit facility.

On December 1, 2016, in connection with the Stateline Acquisition, OpCo issued the Stateline Promissory Note to First Solar in the principal amount of \$50.0 million. The Stateline Promissory Note is unsecured and matures on the date that is six months after the maturity date under OpCo's credit facility. Interest will accrue at a rate of 4.00% per annum, except it will accrue at a rate of 6.00% per annum (i) upon the occurrence and during the continuation of a specified event of default and (ii) in respect of amounts accrued as payments-in-kind pursuant to the terms of the Stateline Promissory Note.

As of February 28, 2018, OpCo had outstanding borrowings of \$300.0 million under the term loan facility, \$250.0 million under the incremental term loan facility, \$25.0 million under the delayed draw term loan facility, \$75.5 million under the revolving credit facility, approximately \$54.6 million of letters of credit outstanding under the revolving credit facility, and \$48.4 million principal amount of the Stateline Promissory Note. The \$69.9 million remaining portion of the revolving credit facility is undrawn as of February 28, 2018.

ATM Program

On January 30, 2017, we established the ATM Program, under which we may sell our Class A shares from time to time through the ATM Agents up to an aggregate sales price of \$125.0 million. Under the ATM Program, we may also sell our Class A shares to any ATM Agent, as principal for its own account, at a price agreed upon at the time of the sale. Net proceeds from sales under the ATM Program would be used to purchase a number of common units in OpCo equal to the number of Class A shares issued under the ATM Program. OpCo may use the proceeds for general corporate purposes, which may include, among other things, repaying borrowings under the Stateline Promissory Note and OpCo's credit facilities and funding working capital or acquisitions. No shares were issued under the ATM Program during fiscal 2017 and the first quarter of fiscal 2018. Pursuant to the Merger Agreement, we are restricted in our ability to issue or sell our Class A shares under the ATM Program through the pendency of the Merger Agreement.

Tax Equity

Our projects are, and our future acquisitions are expected to be, subject to two types of tax equity financing. In the first type of tax equity financing, the governing agreements provide, and the governing agreements of our future acquisitions may provide, our tax equity investors with a number of minority investor protection rights with respect to the applicable asset or assets that have been financed with tax equity, including restricting the ability of the entity that owns such asset or assets to incur debt. To the extent we want to incur project-level debt at a project in which we co-invest with a tax equity investor, we may be required to obtain the tax equity investor's consent prior to such incurrence. In addition, the amount of debt that could be incurred by an entity in which we have a tax equity co-investor may be further constrained because even if the tax equity investor consents to the incurrence of the debt at the entity or project level, the tax equity investor may not agree to pledge its interest in the project which could reduce the amount that can be borrowed and raise the cost of borrowing by the entity.

In the second type of tax equity financing, the governing agreements provide, and the governing agreements of our future acquisitions may provide, our tax equity investors with a majority interest in the project. In such agreements, we will only have a number of minority investor protection rights with respect to the applicable asset or assets that have been financed with tax equity, including restricting the ability of the entity that owns such asset or assets to incur debt. In most cases, since we are not the majority owner, we will not be able to direct the actions of the entity that owns such asset. As such, we may not be able to incur debt at the entity or project level, without the consent of the majority owner.

Uses of Liquidity

Our principal requirements for liquidity and capital resources, other than for operating our business, can generally be categorized into the following: (i) debt service obligations; (ii) funding acquisitions, if any; and (iii) cash distributions to shareholders. Generally, once COD is reached, solar power generation assets do not require significant capital expenditures to maintain operating performance.

Contractual Obligations

The following table summarizes our contractual obligations as of February 28, 2018:

(in thousands)	Total	Payments Due by Period			
		2018 (remaining nine months)	2019-2020	2021-2022	Beyond 2022
Land use commitments (1)	\$62,521	\$899	\$3,428	\$3,604	\$54,590
Term loan (2)	324,843	7,272	317,571	—	—
Incremental term loan (3)	271,432	6,967	264,465	—	—
Delayed draw term loan facility (4)	27,144	697	26,447	—	—
Revolving credit facility (4)	81,973	2,104	79,869	—	—
Stateline Promissory Note (5)	54,018	2,427	8,383	43,208	—
Total contractual obligations	\$821,931	\$20,366	\$700,163	\$46,812	\$54,590

Land use commitments primarily relate to a non-cancellable operating lease for the Quinto Project and two (1) operating leases for the Kingbird Project, and are equal to the minimum lease and easement payments to landowners for the right to use the land upon which solar power systems are located.

Includes \$300.0 million of borrowings outstanding under the term loan facility entered into by OpCo on June 5, 2015 (in connection with our IPO) which will mature on June 5, 2020, at which point all amounts outstanding under the term loan facility will become due. From March 1, 2018 to August 31, 2018, which is the remaining term of the interest rate swaps, the interest payments for the notional amount of \$250.0 million and \$40.0 million are (2) calculated based on the fixed swap rate of 0.85% plus the 2% margin and 1.16% plus the 2% margin, respectively. The interest payments for the remaining \$10.0 million notional amount through August 31, 2018, and the full amount of \$300.0 million outstanding thereafter through the maturity date, are estimated based on the floating cash interest rate of approximately 3.65% per annum effective as of February 28, 2018.

Includes \$250.0 million of borrowings outstanding under the incremental term loan facility entered into by OpCo on September 30, 2016 (in connection with the Joinder Agreement under its existing senior secured credit facility) (3) which will mature on June 5, 2020, at which point all amounts outstanding under the incremental term loan facility will become due. The interest payments for the \$250.0 million notional amount through the maturity date are estimated based on the floating cash interest rate of approximately 3.65% per annum effective as of February 28, 2018.

Includes \$25.0 million of borrowings outstanding under the delayed draw term loan facility and \$75.5 million of borrowings outstanding under the revolving credit facility entered into by OpCo on June 5, 2015, (4) which will mature on June 5, 2020, at which point all amounts outstanding under the delayed draw term loan facility and the revolving credit facility will become due. The interest payments for the \$100.5 million notional amount through the maturity date are estimated based on the floating cash interest rate of approximately 3.65% per annum effective as of February 28, 2018.

Includes \$48.4 million of borrowings outstanding under the Stateline Promissory Note by OpCo to First Solar (5) which will mature on December 5, 2020. Interest payments are estimated based on a rate of 4.00% per annum.

Off-Balance-Sheet Arrangements

As of February 28, 2018, we did not have any significant off-balance-sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to several market risks in our normal business activities. Market risk is the potential loss that may result from market changes associated with our business or with an existing or forecasted financial or commodity transaction. The types of market risks to which we are exposed include credit risk and interest rate risk. Any market risk sensitive instruments that we have entered into are for hedging purposes, rather than for speculative trading.

Credit Risk

Credit risk relates to the risk of loss resulting from non-performance or non-payment by offtake counterparties under the terms of their contractual obligations, thereby impacting the amount and timing of expected cash flows. We monitor and manage credit risk through credit policies that include the use of credit mitigation measures such as having a diversified portfolio of offtake counterparties. However, there are a limited number of offtake counterparties under our offtake agreements, which offtake counterparties are entities engaged in the energy industry, and this concentration may impact the overall exposure to credit risk, either positively or negatively, in that the offtake counterparties may be similarly affected by changes in economic, industry or other conditions. If any of these offtake agreement customers' receivable balances in the future should be deemed uncollectible, it could have a material adverse effect on our forecasted cash flows. As of February 28, 2018 and November 30, 2017, two offtake counterparties were placed on CreditWatch by Standard & Poor's Ratings Services, increasing our credit risk associated with these customers. Please read Part I, Item 1A. "Risk Factors—We rely on a limited number of offtake counterparties and we are exposed to the risk that they are unwilling or unable to fulfill their contractual obligations to us or that they otherwise terminate their offtake agreements with us" in the 2017 10-K and Part I, Item 1. "Financial Information—Notes to Unaudited Condensed Consolidated Financial Statements—Note 11—Related Parties—Maryland Solar Lease Arrangement."

Credit risk under the residential lease program is limited because customers are required to have a minimum FICO credit score at the time of initial contract, the existing customer base is of high credit quality with an average FICO credit score of 765 at the time of initial contract, the program has a large number of customers with small account balances for each, and the customers are diversified geographically within the United States. As of February 28, 2018, we do not believe we had significant credit risk under the residential lease program.

Credit risk also relates to the risk of loss resulting from non-performance or non-payment by our Sponsors under the terms of their contractual obligations, including indemnity, reimbursement and other payment obligations under the Omnibus Agreement, thereby impacting the amount and timing of expected cash flows. Our ability to mitigate such risk with respect to the Sponsors is limited. Please read Part I, Item 1A. "Risk Factors—Risks Related to Our Business—We are exposed to the credit risk of our Sponsors, and any deterioration of our Sponsors' creditworthiness could adversely affect our business, our credit ratings and our overall risk profile." in the 2017 10-K.

Interest Rate Risk

We are exposed to interest rate risk because we depend on debt financing to purchase our projects. An increase in interest rates could make it difficult for us to obtain the financing necessary to purchase our projects on favorable terms, or at all, and thus reduce revenue and adversely impact our operating results. An increase in interest rates could lower our return on investment in a project and adversely impact our operating results. This risk is significant to our business because our financial condition is highly sensitive to interest rate fluctuations and the availability of credit, and would be adversely affected by increases in interest rates or liquidity constraints.

Our interest expense would increase to the extent interest rates rise in connection with our variable interest rate borrowings. As of February 28, 2018, the outstanding principal balance of our variable interest borrowings was \$650.5 million of which \$360.5 million is unhedged. An immediate 10% increase in interest rates would have an increase of approximately \$0.6 million of annualized interest expense on our unaudited condensed consolidated financial statements. This increase was mitigated by interest rate swaps that we entered into on August 31, 2016 and January 5, 2017 in connection with our term loan facility, which covered \$250.0 million and \$40.0 million, respectively, of the \$650.5 million outstanding principal balance. Our interest rate swaps will expire on August 31, 2018. As of February 28, 2018, our investment portfolio consisted of 100% in demand deposits.

In addition, increases in interest rates could adversely impact the price of our Class A shares, our ability to issue equity or incur debt for acquisitions or other purposes and our ability to make cash distributions at our intended levels. As with other yield-oriented securities, our share price is impacted by our level of cash distributions and implied distribution yield. The distribution yield is often used by investors to compare and rank yield-oriented securities for investment decision-making purposes. Therefore, changes in interest rates, either positive or negative, may affect the yield requirements of investors who invest in our shares, and a rising interest rate environment could have an adverse impact on the price of our Class A shares, our ability to issue equity or incur debt for acquisitions or other purposes and our ability to make cash distributions at our intended levels.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to provide reasonable assurance that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management is required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure control and procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of February 28, 2018 at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities and migrating processes.

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

There have been no material changes to the risk factors we previously disclosed in Part I, Item 1A. “Risk Factors” of the 2017 10-K. The risks described in the 2017 10-K are not the only risks facing the Partnership. Additional risks and uncertainties not currently known to the Partnership, or that are currently deemed to be immaterial, also may materially adversely affect the Partnership’s business, financial condition, results of operations, cash available for distribution and prospects.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

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Item 6. Exhibits.

Exhibit Index

Exhibit	Number	Description	Incorporated by Reference			
			Form	File No.	Exhibit	Filing Date
	2.1	<u>Agreement and Plan of Merger and Purchase Agreement dated February 5, 2018, by and among 8point3 Energy Partners LP, 8point3 Operating Company, LLC, 8point3 General Partner, LLC, 8point3 Holding Company, LLC, 8point3 Solar CEI, LLC, 8point3 Co-Invest Feeder 1, LLC, 8point3 Co-Invest Feeder 2, LLC, CD Clean Energy and Infrastructure V JV (HoldCo), LLC, 8point3 Partnership Merger Sub, LLC, 8point3 OpCo Merger Sub 1, LLC and 8point3 OpCo Merger Sub 2, LLC.</u>	8-K	001-37447	2.1	2/5/2018
	31.1*	<u>Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>	—	—	—	—
	31.2*	<u>Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>	—	—	—	—
	32.1*	<u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>	—	—	—	—
	32.2*	<u>Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>	—	—	—	—
	101.INS*	XBRL Instance Document	—	—	—	—
	101.SCH*	XBRL Taxonomy Extension Schema Document	—	—	—	—
	101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document	—	—	—	—
	101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document	—	—	—	—
	101.LAB*	XBRL Taxonomy Extension Label Linkbase Document	—	—	—	—
	101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document	—	—	—	—

*Filed herewith

SIGNATURES

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

8point3 Energy Partners LP

By: 8point3 General Partner, LLC
its general partner

Date: March 28, 2018 By: /s/ BRYAN SCHUMAKER
Bryan Schumaker
Chief Financial Officer and Interim Chief Accounting Officer
(Principal Financial Officer)