UNITED STATES DISTRICT COURT
DISTRICT OF DELAWARE

IN RE PATTERN ENERGY GROUP INC. SECURITIES LITIGATION	C.A. NO. 20-cv-275 (MN) (JLH) JURY TRIAL DEMANDED

SECOND CONSOLIDATED AMENDED CLASS ACTION COMPLAINT

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Lead Plaintiffs[1] bring this action (the "Action") on behalf of themselves and a class consisting of all shareholders of Pattern Energy who were harmed by Defendants' actions described herein (the "Class")[2] (A) against: (i) Pattern Energy Group Inc. ("Pattern Energy," "PEGI" or the "Company"); (ii) former members of Pattern Energy's Board of Directors (the "Board" or "Board Defendants"); and (iii) certain Pattern Energy management executives (the "Officer Defendants"), for their violations of Sections 14(a) and/or 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §§ 78n(a), 78t(a), and SEC Rule 14a-9, 17 C.F.R. § 240.14a-9 promulgated thereunder in connection with the defective and deficient Proxy issued in connection with the contemporaneous two-step business combination of Pattern Energy and Pattern Energy Group Holdings 2, LP (together with its subsidiaries, "Pattern Development") by the Canada Pension Plan Investment Board ("CPPIB") (the "Transaction"), and (B) against: (i) the Board Defendants, (ii) the Officer Defendants, and (iii) Riverstone Holdings LLC and its affiliates (collectively "Riverstone") (together with Pattern Energy, the Board Defendants, and the Officer Defendants, collectively, the "Defendants"), for breach of fiduciary duty and aiding and abetting breach of fiduciary duty in connection with the tainted and conflicted sale process related to the Merger.

Lead Plaintiffs' allegations are based upon personal knowledge as to themselves and their own acts and upon information and belief as to all other matters. Lead Plaintiffs' information and belief is based upon, *inter alia*, the investigation conducted by or at the direction of undersigned

[1] Lead Plaintiffs are The Arbitrage Fund; Water Island Merger Arbitrage Institutional Commingled Fund, LP; Morningstar Alternatives Fund a series of Morningstar Funds Trust; Litman Gregory Masters Alternative Strategies Fund; Columbia Multi-Manager Alternative Strategies Fund; Water Island Diversified Event-Driven Fund; Water Island LevArb Fund, LP; and Water Island Long/Short Fund.

[2] Excluded from the Class are Defendants and their affiliates.

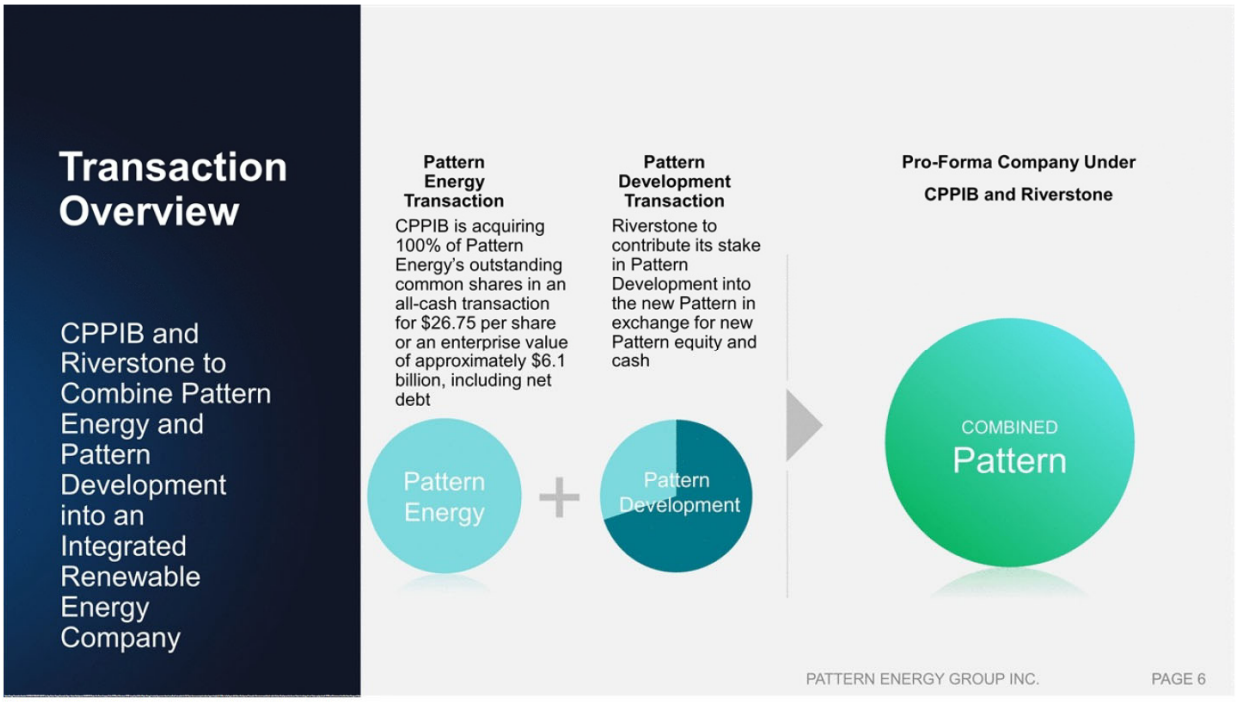
Lead Counsel for Lead Plaintiffs and the Class. This investigation includes, among other things, a review and analysis of: (i) internal Pattern Energy documents; (ii) publicly filed pleadings in other proceedings; (iii) press releases, presentations, and other public statements issued by Pattern Energy; (iv) Pattern Energy's filings with the U.S. Securities and Exchange Commission ("SEC"), including its Definitive Proxy Statement filed on February 4, 2020 in connection with the Merger (the "Proxy"); (v) media and analyst reports about the Company; and (vi) other information and data concerning Pattern Energy. The investigation is ongoing, and many of the relevant facts are known only by Defendants or are exclusively within Defendants' custody or control.

I. INTRODUCTION

A. The Transaction

1. This Action arises out of CPPIB's contemporaneous two-step business combination through which CPPIB acquired Pattern Energy (the "Merger") and then combined it with Pattern Energy's sister company Pattern Development—an entity controlled by Riverstone and the deeply conflicted Officer Defendants. Among other things, the Proxy failed to disclose to Pattern Energy shareholders how Riverstone and the Officer Defendants used their control of Pattern Development and the Board Defendants to corrupt the sales process, co-opt the disclosure process, block an offer for Pattern Energy that the Special Committee and its advisors acknowledged privately was materially superior to that made by CPPIB and, ultimately, to steer the sales process for Pattern Energy to Riverstone's preferred purchaser CPPIB—all to the benefit of Riverstone and the Officer Defendants and the detriment of Pattern Energy shareholders.

2. Pattern Energy described the overall Transaction to its shareholders at a November 4, 2019 town hall meeting in a slide incorporated by reference into the Proxy as consisting of these concurrent steps:



B. A "Zero Sum" Game

3. The minutes of meetings of the Special Committee of Pattern Energy's Board during the sales process reflect that the Officer and Board Defendants recognized—but failed to disclose in the Proxy—that the two-step acquisition and combination of Pattern Energy and Pattern Development into a new entity ("NewCo") was a "zero-sum game" for CPPIB. This meant that the higher the cost to acquire Pattern Development the lower the amount CPPIB would pay to the shareholders of Pattern Energy. *See* August 19, 2019 Special Committee Minutes, at PEGI-00000434, PEGI-00000436-37. Pattern Energy shareholders thus had no sense from the Proxy that the Board allowed Riverstone and the Officer Defendants to compete directly with them for the proceeds of the Transaction, or that the Board had allowed Riverstone and the Officer Defendants to control the entire sales process.[3]

[3] We now know from Board and Special Committee meeting minutes and materials that the Special Committee allowed Riverstone representatives (including former Riverstone managing director Defendant Browne) to attend Special Committee meetings and meetings with both bidders. This

4. Instead of conveying their view that this was a zero-sum game to shareholders in the Proxy, the Proxy falsely stated that the Special Committee of Pattern Energy's Board believed CPPIB's merger consideration "represented the best value reasonably available to [Pattern Energy] stockholders," and that the Board and Special Committee determined the Merger was in the "best interests of Pattern [Energy] and its stockholders." Proxy at 54-55.

5. But the Board and Special Committee did not, and could not, sincerely believe the $26.75 per share offered by CPPIB (the "Merger Consideration") was the best value for Pattern Energy shareholders. For example, contrary to the above statements in the Proxy, the members of the Special Committee acknowledged among themselves during their September 29, 2019 meeting both their duty to maximize shareholder value and that the Brookfield bid could be superior. *See* September 29, 2019 Special Committee Minutes, at PEGI-00001291. We also now know that the Special Committee and its advisors told Brookfield Renewable Partners L.P. ("Brookfield" or "Party A" in the Proxy), that its bid provided greater value than any other bidder, including CPPIB. Brookfield confirmed this fact in an October 28, 2019 letter to Board Chairman Batkin stating that "***we have been advised by you and your advisors that our proposal is superior from a value***

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gave Riverstone inside information both as to the bids and the Special Committee deliberations and advisor presentations. At the same time, the Special Committee allowed the conflicted Officer Defendants to control the sales process and the Proxy disclosures. This gave Riverstone and the Officer Defendants—who were competing with them for transaction proceeds—an inside track to the bidding and a broad opportunity to manipulate the sales process, which they used to their competitive advantage. For example, Defendant Garland worked with Riverstone and Riverstone investor CPPIB (CPPIB had invested $707 million in Riverstone's private equity funds) to undermine the Brookfield bid from April 15, 2019 until May 15, 2019 before revealing those discussions to the Special Committee. The Proxy is replete with half-truths and omissions about the sales process, including misrepresenting that Defendant Garland disclosed his unauthorized and clandestine meeting with Riverstone and CPPIB during the May 2, 2019 Special Committee meeting when the meeting minutes reveal nothing about CPPIB, and little or nothing about Riverstone's intimate involvement in the Special Committee meetings and process. *See* May 2, 2019 Special Committee Minutes.

perspective to the others that you have received and that you will receive in the sales process."[4] October 28, 2019 letter from S. Shah to A. Batkin, at PEGI-0000893. There is no evidence Defendant Batkin ever expressed a contrary view. In fact, this "smoking-gun" admission was confirmed just three days later during an October 31, 2019 Special Committee meeting, where Special Committee financial advisor Evercore Group L.L.C. ("Evercore") informed Defendants that Brookfield's bid had an implied value of up to ***$32.94*** per share of Pattern Energy common stock (compared to CPPIB's offer of just $26.75 per share). *See* October 31, 2019 Special Committee Minutes, at PEGI-00000461.

6. The representation in the Proxy that on August 28, 2019 Evercore valued the Brookfield bid only at a "range of premiums of between ***1.4% and 28.8%***" is equally false and misleading. In fact, the Special Committee meeting minutes from that same day reveal that Evercore actually informed the Special Committee that Brookfield's proposal implied a merger price of as high as ***$34*** per share of Pattern Energy common stock, and represented a ***45%*** merger premium for Pattern Energy shareholders—well above CPPIB's bid. *See* August 28, 2019 Special Committee Minutes, at PEGI-00000445.

7. These undisclosed facts demonstrate that Defendants did not, and could not, subjectively believe that CPPIB's Merger Consideration represented the best value for Pattern Energy shareholders or was in their best interests. This directly contradicts the value-related statements in the Proxy. *See infra* Section IV.

C. The Manipulated and Misrepresented Sales Process

8. Riverstone and the Officer Defendants had no interest in a stand-alone sale of Pattern Energy given Riverstone's controlling 70% ownership interest in Pattern Development

[4] Unless otherwise noted all emphasis is added.

and the Officer Defendants' approximate 1% stake in Pattern Development.[5] While the Special Committee recognized that Riverstone was working with CPPIB to prepare CPPIB's bid for Pattern Energy (*see*, *e.g.*, May 24, 2019 Special Committee Meeting Minutes at PEGI-00000450), the Proxy failed to disclose how Riverstone manipulated the sales process to accomplish Riverstone's goal and undermine Brookfield's stand-alone acquisition of Pattern Energy.

9. As an initial matter, the Proxy misleadingly represented that Pattern Energy could not transfer its 29% stake in Pattern Development to a third party without Pattern Development's consent (the "Consent Right"). *See* Proxy at 36. The Proxy misleadingly failed to disclose that Brookfield completely restructured its bid to follow the structure created by Evercore and the Special Committee's legal counsel at Paul, Weiss, Rifkind, Wharton & Garrison LLP ("Paul Weiss") to work around Riverstone's undisclosed assertion of its putative Consent Right (through its control of Pattern Development). *See* March 11, 2019 Revised Term Sheet; August 30, 2019 letter from S. Shah to A. Batkin, at PEGI-00000982. Simply put, the restructured Brookfield transaction avoided any need for Riverstone's consent and rendered the related statements in the Proxy materially misleading at best.[6]

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[5] The "Officer Defendants" refer to individuals who were executive officers of both Pattern Energy and Pattern Development at the time of the Merger by virtue of their holdings in Pattern Development and/or Pattern Energy, and are believed to be parties to the Contribution Agreement (defined below). *See infra* Sections III.D & V. For ease of reference, the term refers to all management participants in the Contribution Agreement even though it is possible that there are management participants who are not named as defendants herein. The Proxy revealed that the Officer Defendants and other members of management rolled over vested and unvested Pattern Development Units (Capital) and Pattern Development Units (Profits Interest) (*i.e.*, Class A and Class B stock, respectively) into NewCo stock with a value up to $51 million. *See* Proxy at 75.

[6] This deal structure was conveyed to Brookfield in a March 11, 2019 Revised Term Sheet that stated the parties would "***need to structure the transaction as a merger of [TerraForm] into a subsidiary of [Pattern Energy] due to" the Consent Right and that the "structure" would "not affect the economic terms of the transaction[.]***" *See* March 11, 2019 Revised Term Sheet. In response, Brookfield restructured its proposed transaction accordingly. *See* August 30, 2019 letter from S. Shah to A. Batkin, at PEGI-00000982. Brookfield's August 26, 2019 bid reflected this

10. The February 26, 2020 Form 8-K filed by Pattern Energy with the SEC, which was incorporated by reference into the Proxy ("February 26 Form 8-K"), contained the related statement that the Brookfield bid ***was not blocked by the Consent Right*** (*see* February 26 Form 8-K, Ex. 99.1 at 4). This statement in the Proxy was at best a half truth. Brookfield's August 26, 2019 proposal reveals that the Special Committee's advisors and Riverstone itself told Brookfield that "*Riverstone has a consent right with respect to a merger of PEGI, and* ***Riverstone will not provide such consent*** *to a transaction in which [TerraForm] becomes the parent company of PEGI*"—the very structure created by Evercore and Paul Weiss to circumvent the Consent Right. *See* August 26, 2019 Brookfield Offer Letter, at PEGI-00000872. Brookfield's August 30, 2019 revised proposal used almost identical language to again confirm the fact of ***Riverstone's refusal to provide consent to the Brookfield/Terraform structure***. *See* August 30, 2019 letter from S. Shah to A. Batkin, at PEGI-00000982.

11. The above statements from the February 26, 2020 Form 8-K were also materially misleading because the 8-K and the Proxy failed to explain that Riverstone had weaponized the Consent Right to delay, disrupt and ultimately block Brookfield's offer. Even after Brookfield had successfully circumvented the Consent Right by using the structure proposed by the Special Committee's advisors, Riverstone still steered the sales process away from Brookfield by threatening meritless litigation. The threat of litigation was conveyed to Brookfield by the Special Committee and its advisors and Brookfield acknowledged that threat in its September 10, 2019 letter proposal to the Board indicating that: "*Our understanding is that the relationship between*

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new deal structure. The fact that Brookfield restructured its transaction to accommodate the structure created by the Special Committee's advisors was not included in the Proxy and shareholders were left in the dark about the fact that Paul Weiss, one of the nation's leading M&A firms, had created a structure that gave Pattern Energy shareholders a clear path to unlock $6-8 more per share in value than the CPPIB transaction.

the PEGI Board and Riverstone is complex. The Board has a fiduciary duty to shareholders of PEGI ***but is not free to accept certain types of transactions without prior Riverstone consent or, as we understand, any transaction not supported by Riverstone without attracting Riverstone litigation risk***." *See, e.g.,* September 10, 2019 letter from S. Shah to A. Batkin, at PEGI-00000881.

12. None of these facts were conveyed to Pattern Energy shareholders who had no idea that Riverstone and the Officer Defendants were being allowed by the Board Defendants to compete directly with them for the proceeds of the business combination. To make matters worse, the Board Defendants—despite having been advised by Paul Weiss and Evercore that the restructured "reverse triangular merger, with PEGI as the surviving parent company" did not require Riverstone's consent to effect the transaction—nevertheless required an indemnity agreement from Brookfield holding Pattern Energy harmless from litigation by Riverstone as an undisclosed eleventh-hour condition to the Brookfield (but not CPPIB) bid.

13. Riverstone also used the Consent Right to delay the process. Defendant Batkin (Chairman of the Pattern Energy Board)—presumably responding to Riverstone's baseless litigation threats and again ignoring the fact that the Brookfield bid was structured so it did not legally require Riverstone's consent—asked Riverstone representative Christopher Hunt to provide the Special Committee with a list of proposed terms for the separation of Pattern Energy and Pattern Development that would cause Riverstone to support the Brookfield/Terraform transaction. *See* September 29, 2019 Special Committee Meeting Minutes, at PEGI-00001289. According to these meeting minutes (but undisclosed in the Proxy), Mr. Batkin indicated that the list provided by Riverstone to Brookfield was "*fairly expansive*." *Id*.

14. Nonetheless, Sachin Shah (Brookfield's Managing Partner), informed Mr. Batkin that Brookfield was "***willing and able to sign onto the terms of [Riverstone's] letter as-is***." *Id*.

Despite this agreement by Brookfield to Riverstone's terms Riverstone's terms—an agreement that stands in stark contrast to the characterizations of Brookfield in the Proxy—the Special Committee never directed the Officer Defendants to engage with Brookfield to finalize the agreements (which in any event all related to post-Merger transition issues). The predictable result was that, unbeknownst to shareholders, Riverstone intentionally dragged its heels, refusing to engage with Brookfield in the month between the time Brookfield told the Special Committee it would agree to Riverstone's terms in September 2019 and the October 28, 2019 bid deadline.

15. Undeterred, Brookfield confirmed its bid at the October 28, 2019 bid deadline and made significant concessions. Brookfield wrote to Defendant Batkin that: "***As requested, we have carefully reviewed Riverstone's list of demands to potentially support a merger of [Pattern Energy] with [TerraForm].*** *Those demands effectively require a separation of the Riverstone business from [Pattern Energy]. The list from Riverstone, as you know requires that all of [Pattern Energy's] development expertise, systems, people and the Pattern name itself revert back to Riverstone in exchange for their support.* ***As we have stated, we could agree to these requests***." *See* October 28, 2019 Letter from Brookfield to Pattern Energy, at PEGI-00000893-94. On November 1, Brookfield advised that it likely would take a month to fully document the terms needed to obtain Riverstone's consent to the transaction—consent the Special Committee knew was simply not legally necessary to effect the transaction.

16. Of course, Pattern Energy's shareholders knew none of this—they were simply told the October 28, 2019 Brookfield bid was made "without providing any transaction documentation." These statements in the Proxy also omitted the fact that Brookfield had previously submitted an offer letter memorializing the Evercore/Paul Weiss restructured transaction (a transaction the Board knew provided substantially more value to Pattern Energy

shareholders). *See* October 28, 2019 letter from S. Shah to A. Batkin, at PEGI-0000893. This was the only "transaction documentation" needed for the Special Committee and the Board Defendants to approve a transaction that they knew did not legally require Riverstone's consent. As a result, shareholders were left with the misleading impression that the Brookfield bid was not a viable alternative to the CPPIB bid—precisely the misimpression the Officer Defendants, who controlled the drafting of the Proxy, wanted to create.

17. Despite Brookfield's admittedly superior bid and its blanket concession to agree to all of Riverstone's transition-related demands, the Board abruptly changed course, insisting that Brookfield either complete the requested post-Merger transition documentation in a single day—an obvious impossibility—or agree to proceed without the documentation reflecting Riverstone's terms (and agree to provide an indemnity to the Board from any Riverstone litigation as noted above). The Proxy disclosures related to these events contain nothing about the Board's continued efforts to seek Riverstone's consent—despite the fact none was needed—Brookfield's agreement to Riverstone's terms, Brookfield's agreement to document those terms, Riverstone's litigation threats or the Board's insistence on an indemnity agreement from Brookfield. As a result, the only conclusion any reasonable shareholder could draw from the Proxy's statements characterizing Brookfield as failing to provide transaction documentation and failing to submit a final proposal was that Brookfield was not a viable bidder because it failed to meet required deadlines. Shareholders could not draw the conclusion that (1) Brookfield was ready, willing, able and committed to closing the transaction at clearly superior terms and (2) Riverstone and the Officer Defendants manipulated the sales process with the Board Defendants' assistance to foreclose Brookfield's substantially more valuable proposal.

18. Put another way, these omissions underscore the fact that while Brookfield's superior bid was restructured under the supervision of the Special Committee's advisors to avoid the Consent Right, the Board Defendants nevertheless let Riverstone and the Officer Defendants use the Consent Right, related delay tactics, and the threat of litigation to manipulate the sales process. The Board Defendants did so while at the same time allowing the deeply conflicted Officer Defendants to control the Proxy drafting and disclosure process such that the descriptions of events in the Proxy obscured the truth from Pattern Energy shareholders. The Proxy's half-truths and omissions left Pattern Energy shareholders with the misleading impression that Brookfield was nothing more than another failed bidder and that CPPIB was the "only game in town" when in reality Brookfield was a far superior bidder that the Board Defendants allowed to be forced from the field by the actions of Defendants.[7] *See infra* Section VI.

D. Half the Truth About the Transaction is Wholly Misleading

19. The Proxy detailed and attached the Merger Agreement that governed the first step of the two-step business combination, but it omitted the Contribution and Exchange Agreement (the "Contribution Agreement") that governed the second step of the two-step business combination (the "Pattern Development Transaction"). The Contribution Agreement was just as important as the Merger Agreement for at least three reasons. *First*, Defendants made clear throughout that this was a two-step Transaction. Moreover, as noted above, the Pattern Energy Board recognized—but did not disclose in the Proxy—that it was a "zero-sum" game for the

[7] The statements in the Proxy about interested/disinterested shareholders were equally misleading. CBRE Caledon Capital Management ("CBRE") and the Public Sector Pension Investment Board ("PSP") (Pattern Energy's largest shareholder) were, as noted below, deeply conflicted and self-interested. Together they controlled more than 20 million shares and the Proxy should have reflected PSP's conflicts and the fact that the CBRE preferred stock issuance was a last-minute manipulation by the Officer Defendants to ensure a vote in favor of CPPIB. *See infra* Section VIII.

acquirer CPPIB in which Riverstone and the Officer Defendants were directly competing with Pattern Energy shareholders for the proceeds of the overall Transaction. *See* August 19, 2019 Special Committee Minutes, at PEGI-00000434, PEGI-00000436-37. As a result, any statement about the value of the Transaction as a whole—including that it maximized value for Pattern Energy shareholders—was rendered materially misleading without the Contribution Agreement governing the second step in this zero-sum game. *See* Proxy at 55.

20. This is one of the reasons why two of the three leading independent proxy advisory services, Institutional Shareholder Services ("ISS") and Glass, Lewis & Co., LLC ("Glass Lewis"), recommended that Pattern Energy shareholders ***vote against*** the $6.1 billion Merger. In this regard, ISS confirmed in its February 28, 2020 report that Pattern Energy shareholders "have no visibility into the price being paid for [Pattern Development], a relevant data point given that both companies are being acquired by the same entity." *See* ISS Special Situations Research Analysis dated February 28, 2020 at 4. ISS further found that such a data point was critical for Pattern Energy's shareholders because:

> For unaffiliated shareholders whose only exposure is to [Pattern Energy], the situation is somewhat akin to selling a house where the buyer is also acquiring the adjacent property, in a parallel negotiation, for an undisclosed sum. How the total price tag for publicly traded Pattern Energy and the private [Pattern Development] is split represents a zero-sum game for CPPIB, the buyer; for [Pattern Energy] shareholders, however, that figure is critically important in assessing whether this transaction maximizes shareholder value.

Id. at 20.

21. *Second*, it was insufficient for the Proxy to merely state that the parties to the Contribution Agreement (*i.e.*, CPPIB, Riverstone, and the Officer Defendants) made unspecified contributions, including their interests in Pattern Development, and received unspecified NewCo equity interests in return. *See* Proxy at 74. This statement was rendered materially misleading by

the omission of what each party contributed, the value of their respective contributions, and the value of the NewCo equity interests received in return. That is because the statement gave the misleading impression that the price paid for the concurrent acquisition of Pattern Development had no impact on the Merger Consideration paid to Pattern Energy shareholders. In fact, the Pattern Development price was "critically important." *See* ISS Special Situations Research Analysis, dated February 28, 2020 at 4.

22. Internal Company documents confirm that Pattern Energy knew its shareholders were in fact competing for merger consideration with the other equity holders of Pattern Development (*i.e.*, Riverstone and the Officer Defendants) in any transaction that included Pattern Development. *See* August 19, 2019 Special Committee Minutes, at PEGI-00000434, PEGI-00000436-37. While the Special Committee minutes make clear it was well aware of the zero-sum nature of the transaction, Pattern Energy shareholders had no way to know this based on the Proxy's misleading description of the Contribution Agreement. The Proxy's sparse and vague information about the Contribution Agreement was designed to lull shareholders into a false sense that they had complete information about the Transaction when they did not.

23. *Third*, in this "zero sum game," the shareholders were not told the sum. The "total price tag" was never disclosed. Implicitly acknowledging its inadequate Proxy disclosures, Pattern Energy amended the Proxy six days before the shareholder vote on the Merger by filing a Schedule 14A with the SEC on March 4, 2020 (the "Proxy Amendment"). But the Proxy Amendment did nothing to clarify the valuation and price terms for Pattern Development under the Contribution Agreement—either in terms of what, if anything, Pattern Energy shareholders received for their 29% stake in Pattern Development, what Riverstone and the Officer Defendants received for their stake in Pattern Development or what CPPIB actually paid to combine Pattern Development and

Pattern Energy into NewCo.[8] The only putative disclosure on this critical datapoint was a reference in the Proxy Amendment to an "effective value" of $1.06 billion for Pattern Development "based on CPPIB's contribution of its interest of Pattern acquired under the Merger Agreement to the joint venture…" *See* Proxy Amendment at 6.

24. However, the Proxy Amendment does not explain how "effective value" was derived and does not attribute its origin to Evercore or any other financial advisor for Pattern Energy or its Board. Instead, it leaves reasonable shareholders with the misleading impression that effective value is based on the "agreed upon value" of NewCo under the Contribution Agreement. But that is not what the Proxy Amendment states. The Proxy Amendment's failure to tie "effective value" directly to the agreed upon value of NewCo under the Contribution Agreement stands in stark contrast to the executive compensation charts found at pages 76 and 77 of the Proxy. These charts clearly state that the calculated value of NewCo Units received by Pattern Energy management (including certain Officer Defendants) for their vested and unvested Pattern Development Units is ***"based on [an] agreed upon valuation of NewCo by parties to the Contribution Agreement."***[9]

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[8] The Proxy Amendment purports to include certain projections prepared by the Officer Defendants regarding Pattern Energy's Cash Available for Distribution ("CAFD") and projected distributions from Pattern Development. However, those projections appear to conflict with Evercore's final fairness presentation to the Special Committee on November 3, 2019. The Proxy Amendment only included the lower numbers on the distribution and CAFD issues leaving shareholders with no knowledge of their apparent manipulation and its impact on value. This issue also again underscores the impact of shareholders' lack of knowledge of the extensive Evercore and Goldman Sachs conflicts—without which they would have had no reason to question the financial information reported in the Proxy and the Proxy Amendment—much less a reason to question or a basis to fairly test the Proxy's "value-related" statements. This is why the disclosure rules related to Section 14(a) and Form 8-K require transparency in connection with the disclosure of material information necessary for investors to make an informed decision on the vote.

[9] According to the charts, the Officer Defendants and other executives received a total of $50,310,802 worth of units of NewCo in exchange for their vested and unvested units of Pattern Development. At the time of the Transaction, it was understood that Pattern Energy management

25. The reference to an "invested capital multiple" in the Proxy Amendment is equally misleading. *See* Proxy Amendment at 6. The return on invested capital multiple is mischaracterized in the Proxy Amendment as something "***to be paid by CPPIB*** *in its proposed acquisition of Pattern Development.*" However, the invested capital multiple simply compares paid-in capital to the putative effective value. Thus, the invested capital is not, as the Proxy Amendment misleadingly states, what CPPIB "***paid***" in "its proposed acquisition of Pattern Development."

26. The representations in the Proxy Amendment that the "*effective value*" is **$1.06 billion** and the "*invested capital multiple*" "***paid***" is **1.63x** are also directly contradicted by the contents of the minutes of the Special Committee meeting on August 19, 2019. *See* August 19, 2019 Special Committee Meeting Minutes, at PEGI-00000435. During that meeting Defendants Batkin and Garland reported to the Special Committee that CPPIB had agreed to pay Riverstone (and Riverstone had apparently agreed to accept) a **2.25x** multiple on its paid-in capital consisting of ***1.8x up front and an earn out provision***. According to the Proxy Amendment, total capital invested in Pattern Development at that time was $650 million dollars which means that while using a *2.25x invested capital multiple*, the "*effective value*" of Pattern Development was actually **$1.4625 billion *not* $1.06 billion** as reflected in the Proxy Amendment.

27. It also means that Pattern Energy shareholders were ***not*** told that ***they were losing*** **$427,500,000** (the $190 million in capital originally invested by Pattern Energy multiplied by **2.25x**) in value related to their stake in Pattern Development or ***$3.94 per share*** (427,500,000 divided by the 108,618,625 shares outstanding). Notably, at the same time the Special Committee

owned approximately 1% of Pattern Development. If so, it implies an agreed value of NewCo under the Contribution Agreement of $5.03 billion–well above the $1.06 billion "effective value."

considered the fact that given the increase in what was being paid to Riverstone and the Officer Defendants it was unlikely that CPPIB would pay anything more for Pattern Energy. *See id*., at PEGI-00000436-37. The only plausible explanation for failing to disclose the Contribution Agreement and the information that the Special Committee was given about the premium being paid to Riverstone and the Officer Defendants is that CPPIB was in effect keeping the ***$402,500,000 difference*** in value between the actual $1.4625 billion in effective value and the misrepresented $1.06 billion in effective value for itself.[10] *See* Proxy Amendment at 6. The misrepresentations and obfuscations in the Proxy Amendment in this regard are compelling evidence of the violations alleged here and the dramatic impact those misrepresentations had on Pattern Energy shareholders.

28. What CPPIB "***paid***" to acquire Pattern Development could have been derived from the information contained in the undisclosed Contribution Agreement—*i.e*., the ***actual agreed upon value of NewCo and its component parts under the Contribution Agreement***—even in the absence of the information about the premium being paid to Riverstone and the Officer Defendants. This is because CPPIB contributed Pattern Energy (including its 29% stake in Pattern Development) to NewCo at an ***undisclosed agreed upon value***. Riverstone and management also contributed their stakes in Pattern Development to NewCo at an undisclosed ***agreed upon value***

[10] This also implies that Pattern Energy shareholders may have received up to $25 million for their Pattern Development stake (the $427,500,000 in actual effective value less the $402,500,000 in value CPPIB retained for itself). But shareholders were left in the dark about that information as well because Evercore and the Special Committee eschewed any actual valuation of Pattern Development or what shareholders were receiving for that stake. This "ostrich-like" behavior is simply not credible when the Special Committee was given direct information that CPPIB was reserving hundreds of millions of dollars of Pattern Development-related value for itself. Of course, the fact that over $400 million in value was siphoned from Pattern Energy shareholders explains both this "ostrich-like" behavior and the failure to disclose accurate information about the premium being paid to Riverstone and the Officer Defendants, as well as the related failure to disclose the Contribution Agreement.

for those stakes relative to the total agreed upon value of NewCo. The allocation of the ***agreed upon values*** of each of the component parts of NewCo would have allowed Pattern Energy shareholders to know that value was siphoned from Pattern Energy shareholders to Riverstone and management as the controlling shareholders of Pattern Development in connection with the business combination of Newco by what CPPIB actually agreed would be "***paid***" to acquire Pattern Development.[11]

29. The section of the Proxy Amendment misleadingly captioned as "Information Regarding Pattern Development and Contribution Agreement" further misled Pattern Energy shareholders. It also did nothing to change ISS's recommendation against the Transaction or its view that the Proxy Amendment "does not provide shareholders with sufficient detail to definitively conclude whether they are receiving a fair proportion of the value of a combined" Pattern Energy and Pattern Development. *See* ISS Proxy Analysis & Benchmark Policy Voting Recommendations, dated March 9, 2020 at 1. Shareholders were forced to vote on the Merger without all material information necessary to cast an informed vote. Moreover, the Company's November 4, 2019 Form 8-K, incorporated by reference into the Proxy, violated SEC requirements to describe the terms of the material Contribution Agreement. Under Item 1.01 of Form 8-K, filers are required to provide "a brief description of the terms and conditions" of "material agreements." In its November 4, 2019 Form 8-K Pattern Energy acknowledged that the Contribution Agreement was a "material agreement," yet, in contravention of this regulatory requirement, Defendants

[11] The reference to management's publicly stated investment target of a 2.0x return on invested capital multiple for Pattern Development reflected management's prior and unrelated view of the return it hoped to receive from its investment in Pattern Development. *See* Proxy Amendment at 6. In the context of the Proxy Amendment, it misleadingly implies that Pattern Development is not being overvalued in connection with the business combination (and by extension, that shareholders were receiving fair value for their stake in Pattern Development). While this misimpression is the result of the obfuscations in the Proxy Amendment, it is not true.

provided no detail in the Proxy on the value of the transaction detailed in the Contribution Agreement or the price paid for Pattern Development under that Agreement. Awareness by some shareholders that the Proxy omitted this material information did nothing to cure the defect itself. *See infra* Section V.

E. The Misleading Disclosures About the Conflicts of Interest by Evercore and Goldman Sachs

30. While the Proxy disclosed the fees paid to Evercore in connection with the Merger and its recent work for CPPIB and Pattern Energy, it entirely omitted the fact that in the two years preceding Evercore's retention by the Special Committee (*i.e.*, July 1, 2016 – July 4, 2018), Evercore was retained on multiple engagements for Riverstone-affiliated transactions, earning Evercore approximately $47 million in fees from Riverstone and/or its affiliates. *See* July 6, 2018 Disclosure of Relationships report from Evercore to the Special Committee, at PEGI-00001018. The Special Committee also knew, but failed to disclose, that Evercore was currently advising Riverstone in connection with other significant engagements. The Proxy's reference to the fees Evercore had received from Pattern Energy and CPPIB was therefore incomplete and materially misleading.

31. The Proxy also traded on Goldman Sachs & Co. LLC's ("Goldman Sachs") good name as a stamp of approval on the Transaction without disclosing Goldman Sachs' significant conflicts of interest. Such conflicts included the fact that Goldman Sachs managed funds owned as much as a 24.99% in Riverstone that entitled it to a *pro-rata* share of Riverstone's management fees and profits, had advised Riverstone on a "take-private" transaction of Pattern Energy in 2018 using confidential information provided by Riverstone (*see* July 2, 2018 Letter from Goldman Sachs to A. Batkin, at PEGI-00001233), and earned approximately $44 million in fees from Riverstone in connection with thirteen prior engagements between 2016 and 2018 (*see* July 2,

2018 Letter from Goldman Sachs to A. Batkin, at PEGI-00001229-31). Goldman Sachs also earned approximately $100 million in fees from CPPIB in connection with multiple prior engagements—a material fact further demonstrating its conflicts of interest that was entirely omitted from the Proxy's general references to the investment bank.

32. In addition, Goldman Sachs earned approximately $37 million in fees from Pattern Energy investor and Pattern Development co-venture partner PSP (Goldman Sachs also led a $250 million private equity investment with PSP and acted as an underwriter for a PSP's $847 million project finance loan). Goldman Sachs also partnered with Riverstone to jointly buy Lucid Energy Group II for approximately $1.6 billion.

33. The failure to describe Evercore's and Goldman Sachs' deep conflicts of interest clearly misled investors into believing Goldman Sachs and Evercore were effectively without conflicts, and that they were unbiased and stood behind the transaction, therefore giving investors no reason to question the value-related statements and financial information and opinions in the Proxy. *See infra* Section VII.

34. As a result of these material misrepresentations and omissions, Pattern Energy shareholders were misled and unable to cast a fully informed vote on the Merger in violation of Section 14(a) of the Exchange Act. Lead Plaintiffs seek to recover damages resulting from Defendants' violations of the Exchange Act, as well as their breach of fiduciary duties to Pattern Energy shareholders and the aiding and abetting of such breaches by Riverstone.

II. JURISDICTION AND VENUE

35. The claims asserted herein arise under Sections 14(a) and 20(a) of the Exchange Act, 15 U.S.C. §§ 78n(a), 78t(a), and Rule 14a-9 promulgated thereunder by the SEC, 17 C.F.R. § 240.14a-9. This Court has jurisdiction over the subject matter of those claims pursuant to 28 U.S.C. §§ 1331 and 1337 and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

36. This Court has supplemental jurisdiction under 28 U.S.C. § 1367 over the breach of fiduciary duty and aiding and abetting breach of fiduciary duty claims asserted herein. The forum selection clause contained in Pattern Energy's Second Amended and Restated Certificate of Incorporation, which purports to limit the choice of forum for breach of fiduciary duty claims to the Delaware Court of Chancery, is not to the contrary. That clause does not limit or restrict this Court's proper exercise of supplemental jurisdiction over the claims against the Board Defendants, the Officer Defendants, and Riverstone in this matter because it cannot properly be read under Section 115 of the Delaware General Corporations Law to foreclose suit in Delaware federal court based on federal jurisdiction (here, supplemental jurisdiction under 28 U.S.C. § 1367), or to operate to otherwise foreclose suit in this Court—which is the only Court that can properly adjudicate both the federal securities law claims (claims that cannot be adjudicated in the Delaware Court of Chancery) and the claims for breach of fiduciary duty and aiding and abetting such breaches.

37. Personal jurisdiction exists over each Defendant because the Defendant either (i) conducts business in or maintains operations in this District, or (ii) is an individual who is either present in this District for jurisdictional purposes or has sufficient minimum contacts with this District as to render the exercise of jurisdiction over the Defendant by this Court permissible under traditional notions of fair play and substantial justice.

38. Venue is proper in this District pursuant to 28 U.S.C. § 1391(b) and (c), and Section 27 of the Exchange Act, 15 U.S.C. § 78aa. Venue is also proper in this District as Pattern Energy is incorporated in this District, the dissemination of the Proxy containing materially false and misleading statements and omissions of material fact occurred in this District, and all but one of the Lead Plaintiffs is organized under Delaware law.

39. In connection with the acts alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mail, interstate telephone communications, and the facilities of the national securities markets.

III. PARTIES

A. Lead Plaintiffs

40. Lead Plaintiffs are all investment funds advised by their investment advisor Water Island Capital, LLC, a New York domiciled SEC registered entity. Lead Plaintiffs held Pattern Energy Class A common stock as of the January 31, 2020 record date ("Record Date") for the Merger and were entitled to vote on the Merger, as set forth in the attached certification. Lead Plaintiffs continued to hold Pattern Energy shares on the closing date of the Merger and suffered damages as a result of the violations of the federal securities laws and state law alleged herein.[12]

B. Pattern Energy

41. Defendant Pattern Energy is a corporation organized and existing under the laws of the State of Delaware. The Company's principal executive offices are located at 1088 Sansome Street, San Francisco, CA 94111. Pattern Energy common stock traded on the NASDAQ Global Select Market under the ticker symbol "PEGI." Pattern Energy is a U.S.-based, independent

[12] Specifically, Lead Plaintiffs are (i) The Arbitrage Fund, a mutual fund formed on September 17, 2000 and organized under Delaware law; (ii) Water Island Merger Arbitrage Institutional Commingled Fund, LP, a hedge fund formed on January 24, 2018 and organized under Delaware law; (iii) Morningstar Alternatives Fund a series of Morningstar Funds Trust, a mutual fund formed on November 2, 2018 and organized under Delaware law; (iv) Litman Gregory Masters Alternative Strategies Fund, a mutual fund formed on September 30, 2011 and organized under Delaware law; (v) Columbia Multi-Manager Alternative Strategies Fund, a mutual fund formed on April 23, 2012 and organized under Massachusetts law; (vi) Water Island Diversified Event-Driven Fund, a mutual fund formed on October 1, 2010 and organized under Delaware law; (vii) Water Island LevArb Fund, LP, a hedge fund formed on October 3, 2017 and organized under Delaware law; and (viii) Water Island Long/Short Fund, a mutual fund formed on December 31, 2014 and organized under Delaware law.

renewable power company that operates utility scale wind and solar power facilities throughout the U.S., Canada, and Japan. It does so by acquiring operating assets primarily from Pattern Development and Pattern Development's predecessor company, Pattern Energy Group LP ("PEG LP").

42. Riverstone (defined below) through its Renewable Energy Practice formed in 2007 and led by Defendant Browne, and his colleagues Christopher Hunt, Robbin Dugan and Alfredo Marti joined with members of the management team of Babcock & Brown LLP's North American Energy Group, including Officer Defendants Garland, Armistead, Elkort, Pedersen, and Shugart (who all became officers of both Pattern Energy and Pattern Development), to form PEG LP in June 2009. PEG LP included the wind development portfolio of Babcock & Brown. The deep and abiding inter-relationship of Riverstone on the one hand and the Officer Defendants on the other is a core issue in this case. That self-interested inter-relationship led to the corruption of the sales process and the corruption and manipulation of the Proxy disclosures which the Officer Defendants were allowed to control.

43. Since its October 2013 initial public offering, Pattern Energy has experienced rapid growth, much of it through acquisitions from Riverstone-controlled Pattern Development and other Riverstone-controlled entities. At the time of the Merger, Pattern Energy owned a 29% equity stake in Pattern Development and had a right of first offer on all projects developed and sold by Pattern Development. Pattern Energy managed these renewable energy facilities once they were acquired from Pattern Development or other sources.

44. Pattern Energy and Pattern Development shared the majority of their senior management teams, including the same Chief Executive Officer ("CEO"). In addition, the companies shared certain administrative functions such as information technology systems and

certain books and records. At the time of the Merger, Pattern Development's Board was comprised of Defendant Garland, Defendant Armistead (each of whom was also a member of Pattern Energy and Pattern Development's management), and three other directors that were both appointed and employed by Riverstone: Christopher Hunt, Alfredo Marti, and Robin Duggan.

C. Riverstone

45. Defendant Riverstone Holdings LLC ("Riverstone Holdings") is a limited liability company organized and existing under the laws of the State of Delaware. Riverstone Holdings' principal place of business is located at 712 Fifth Avenue, 36th Floor, New York, NY 10019. Riverstone Holdings is an energy and power-focused private investment firm with over $39 billion of equity capital raised to date.

46. Defendant Riverstone Pattern Energy II Holdings, L.P. ("Riverstone PE") is a limited partnership organized and existing under the laws of the State of Delaware. Riverstone PE's principal place of business is located at 712 Fifth Avenue, 36th Floor, New York, NY 10019. Riverstone PE held an equity stake in Pattern Development and was a party to the Contribution Agreement which governed the transfer of interests in Pattern Development under the Merger. Defendants Riverstone Holdings and Riverstone PE are referred to herein as Riverstone.

47. Riverstone controlled the Consent Right through its control of the Pattern Development Board. Pattern Development's Board was entitled to withhold its consent in its "sole discretion" and was "entitled to consider only such interests and factors as it desires and shall have no duty or obligation to give any consideration to any interest of, or factors affecting, the Partnership, any Partner or any Transferee." Pattern Development Limited Partnership Agreement at Section 3.05(f).

48. At the time of Pattern Energy's October 2013 IPO, certain affiliates of Riverstone held more than 60% of the outstanding common stock interests in Pattern Energy. As Pattern

Energy's controlling shareholder Riverstone had the power to and did select each of Pattern Energy's original seven directors including Defendants Garland and Browne and Michael Hoffman who left the Board during the sales process for undisclosed reasons. Pattern Energy director Patricia Bellinger was hand-picked by Defendant Browne because she had worked for him at BP for three years before he left to form Riverstone's Renewable Energy Group. Following the IPO, Riverstone sold down its shares in Pattern Energy. By February 2015, Riverstone no longer owned the minimum one-third of Pattern Energy's outstanding shares with the result that its direct Consent Right over mergers of Pattern Energy involving more than 10% of Pattern Energy's market capitalization under Section 2.01(b) of the Shareholder Agreement between Pattern Energy and PEG LP lapsed at that time.

49. Riverstone still owned approximately 19% of Pattern Energy's common stock and controlled both the Pattern Energy and Pattern Development Boards when Pattern Energy announced "Pattern Vision 2020" in June 2017. This was important because, among other things, Pattern Vision 2020 caused the creation of Pattern Development 2 (what we now know as Pattern Development), which was designed to replace PEG LP and was funded by Pattern Energy, Riverstone and the Officer Defendants. Pattern Energy touted this new entity as ***growing total development projects by 70%*** with the result that Pattern Energy would ***double*** *operations by 2020 with a project pipeline that would allow it to* ***double*** *operations again during the several years following 2020.*

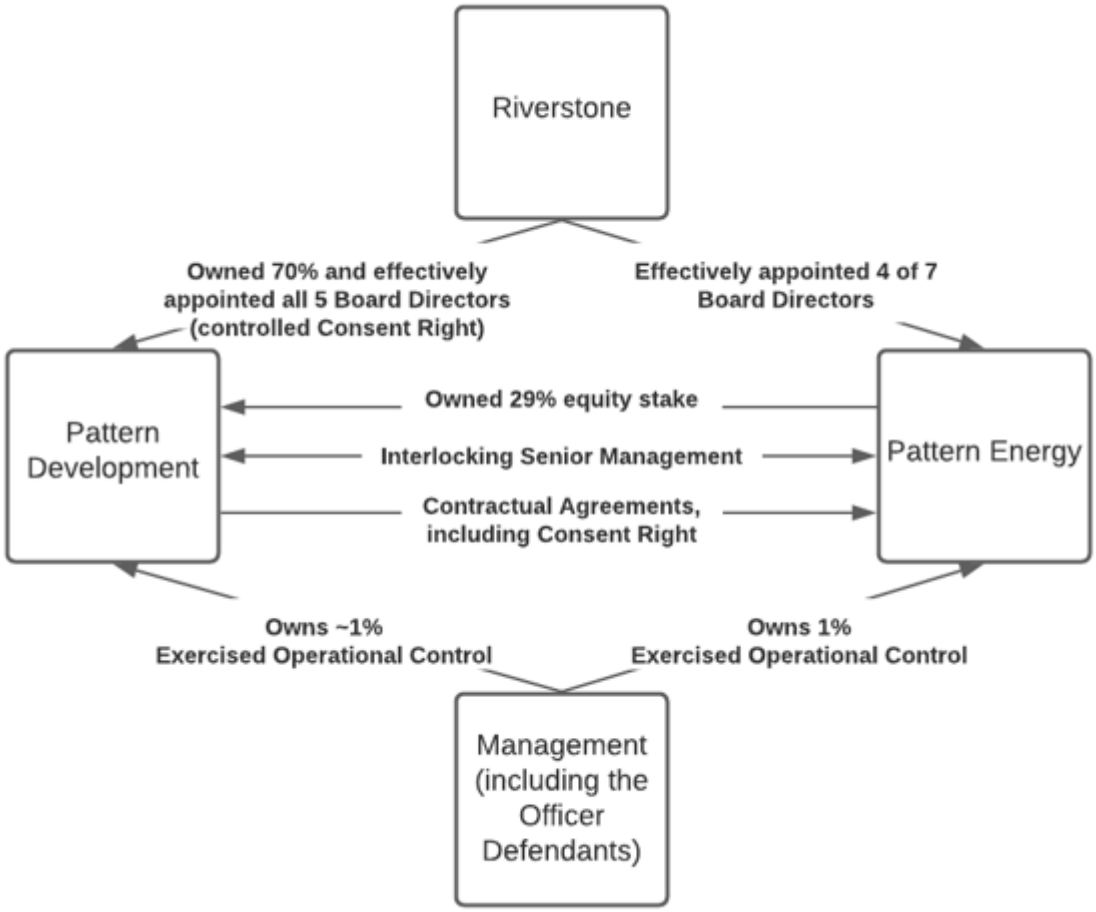
50. Tellingly, the related-party Merger at issue here interrupted shareholders' realization of the benefits of Pattern Vision 2020 (and Pattern Energy's $190 million dollar investment therein). The Proxy omits any explanation for why the future benefits of this investment were diverted from Pattern Energy shareholders to Riverstone investor CPPIB—

particularly given the fact Pattern Energy had approximately $735 million in available liquidity at the end of 2018.[13] These omissions admittedly do not tie directly to any single statement in the Proxy, but they underscore and give context to other value-related and financial misstatements and omissions discussed elsewhere in this Complaint.

51. It is also important to note that while Riverstone's direct Consent Right lapsed in February of 2015, the new Pattern Development partnership agreement (the "Pattern Development Limited Partnership Agreement") entered into at Riverstone's behest in 2017 created a new Consent Right in Pattern Development. Riverstone controlled that new Consent Right through Riverstone PE, which held a controlling 70% equity interest in Pattern Development before the Merger and as noted above, appointed three of the directors of Pattern Development's Board and the other two directors had significant Riverstone ties.

52. The above entities were related as follows at the time of the Merger:

[13] As part of Pattern Vision 2020, Riverstone and the Officer Defendants orchestrated a sale of a 9.9% stake in Pattern Energy (and an undisclosed 22% stake in Pattern Development through a Riverstone investment vehicle) to PSP—making it the largest shareholder of Pattern Energy once Riverstone divested its interest and the second largest stakeholder of Pattern Development. PSP's interest in Pattern Development was not disclosed in the Proxy. At the same time, Riverstone and the Officer Defendants entered into a joint venture with PSP giving it the right to co-invest up to $500 million alongside Pattern Energy in projects acquired from Pattern Development.



D. The Officer Defendants

53. The Officer Defendants were deeply conflicted throughout the merger negotiations given their interlocking management roles at Pattern Energy and Pattern Development and the financial incentives created by the concurrent business combination of both companies. Defendants Garland, Armistead, Elkort, Lyon, Pedersen and Shugart are collectively referred to herein as the "Officer Defendants".

54. Defendant Michael Garland, together with Defendants Riverstone and Defendants Armistead, Elkort, Pedersen and Shugart co-founded PEG LP, the predecessor to Pattern Energy and Pattern Development, in 2009. In October 2012, Mr. Garland founded Pattern Energy and became CEO and a director of Pattern Energy. He also served as the CEO and director of Pattern

Development at the time of the Merger. Mr. Garland owned 388,477 shares of Pattern Energy common stock and 1,650,284 vested and unvested units of Pattern Development at the time of the Merger. *See* Proxy at 76-77, 81. As part of the Transaction, Mr. Garland received an estimated $21,635,814 worth of equity in NewCo for his performance shares and restricted stock units in Pattern Energy and all of his equity in Pattern Development. *See Id*. Mr. Garland also negotiated a lucrative new employment agreement as part of the Transaction, which provided the following golden parachute compensation upon a post-closing termination or resignation: $3,010,241 in cash, $3,023,767 in equity awards, and $43,089 in other benefits, totaling $6,077,097 in compensation. *See* Proxy at 78.

55. Defendant Hunter Armistead was, at all relevant times, the Executive Vice President of Business Development for Pattern Energy and the President and a director of Pattern Development. Mr. Armistead was part of the team that, with Riverstone, formed PEG LP in June 2009 and Pattern Energy in 2012. In addition, Mr. Armistead had substantial ownership stakes in both Pattern Energy and Pattern Development. At the time of the Merger, Mr. Armistead owned 204,171 shares of Pattern Energy common stock and 1,565,875 vested and unvested units of Pattern Development. *See* Proxy at 76-77, 81. As part of the Transaction, Mr. Armistead received an estimated $19,200,600 worth of equity in NewCo for his performance shares and restricted stock units in Pattern Energy and all of his equity in Pattern Development. *See Id*. Mr. Armistead also negotiated a lucrative new employment agreement as part of the Transaction, which provided the following golden parachute compensation upon a post-closing termination or resignation: $1,275,501 in cash, $1,546,525 in equity awards, and $41,736 in other benefits, totaling $2,863,762 in compensation. *See* Proxy at 78.

56. Defendant Daniel Elkort was, at all relevant times, the Executive Vice President and Chief Legal Officer of Pattern Energy and the General Counsel of Pattern Development. Mr. Elkort was part of the team that, with Riverstone, formed PEG LP in June 2009 and Pattern Energy in 2012. Mr. Elkort had ownership stakes in both Pattern Energy and Pattern Development. At the time of the Merger, Mr. Elkort owned 90,310 shares of Pattern Energy common stock and 389,267 vested and unvested units of Pattern Development. *See* Proxy at 76-77, 81. As part of the Transaction, Mr. Elkort received an estimated $7,311,756 worth of equity in NewCo for his performance shares and restricted stock units in Pattern Energy and all of his equity in Pattern Development. *See Id*. Mr. Elkort also negotiated a lucrative new employment agreement as part of the Transaction, which provided the following golden parachute compensation upon a post-closing termination or resignation: $1,053,775 in cash, $1,189,733 in equity awards, and $41,736 in other benefits, totaling $2,285,244 in compensation. *See* Proxy at 78.

57. Defendant Michael Lyon was, at all relevant times, the President of Pattern Energy and served as the Head of Structured Finance of Pattern Development. Mr. Lyon served as Pattern Energy's President since April 2019 and as its Chief Financial Officer from October 2012 through March 2019. Mr. Lyon also served as Head of Structured Finance for Pattern Energy and Pattern Development's predecessor, PEG LP, since May 2010. Mr. Lyon was part of the team that, with Riverstone, formed Pattern Energy in 2012. At the time of the Merger, Mr. Lyon owned 185,727 shares of Pattern Energy common stock. *See* Proxy at 81. As part of the Transaction, Mr. Lyon received an estimated $3,840,830 worth of equity in NewCo for his performance shares and restricted stock units in Pattern Energy and all of his equity in Pattern Development. *See Id*. Mr. Lyon also negotiated a lucrative new employment agreement as part of the Transaction, which provided the following golden parachute compensation upon a post-closing termination or

resignation: $1,159,197 in cash, $1,411,063 in equity awards, and $41,736 in other benefits, totaling $2,611,996 in compensation. *See* Proxy at 78.

58. Defendant Esben Pedersen was, at all relevant times, the Chief Financial Officer ("CFO") of Pattern Energy and Pattern Development. Mr. Pedersen was part of the team that, with Riverstone, formed PEG LP in June 2009 and Pattern Energy in 2012. Mr. Pedersen owned 155,412 shares of Pattern Energy common stock at the time of the Merger. *See* Proxy at 81. As part of the Transaction, Mr. Pedersen received an estimated $ 4,755,330 worth of equity in NewCo for his performance shares and restricted stock units in Pattern Energy and all of his equity in Pattern Development. *See Id*. Mr. Pedersen also negotiated a lucrative new employment agreement as part of the Transaction, which provided the following golden parachute compensation upon a post-closing termination or resignation: $1,159,197 in cash, $1,411,063 in equity awards, and $41,736 in other benefits, totaling $2,611,996 in compensation. *See* Proxy at 78.

59. Defendant Christopher Shugart was, at all relevant times, the Senior Vice President of Corporate Operations for Pattern Energy and the Senior Vice President of Corporate Operations for Pattern Development. Mr. Shugart was part of the team that, with Riverstone, formed PEG LP in June 2009 and Pattern Energy in 2012. Mr. Shugart owned 70,834 shares of Pattern Energy common stock at the time of the Merger (*see* Proxy at 81) and, undisclosed in the Proxy, 168,348 vested and unvested units of Pattern Development. *See* P2 Disclosure Letter to the Contribution and Exchange Agreement, at PEGI-00000762. Mr. Shugart received an unknown amount of equity in NewCo for his performance shares and restricted stock units in Pattern Energy and all of his equity in Pattern Development.

60. The majority of the Officer Defendants were employed both as executive officers at Pattern Energy and at Pattern Development, as demonstrated in the chart below. The Officer Defendants therefore exercised operational control over both Pattern Energy and Pattern Development.

Officer Defendants	**Position at Pattern Energy**	**Position at Pattern Development**
Michael Garland	Chief Executive Officer and Board Director	Chief Executive Officer and Board Director
Esben Pedersen	Chief Financial Officer	Chief Financial Officer
Hunter Armistead	Executive Vice President of Business Development	President and Board Director
Michael Lyon	President	Former Head of Structured Finance
Daniel Elkort	Executive Vice President and Chief Legal Officer	General Counsel
Christopher Shugart	Senior Vice President of Corporate Operations	Senior Vice President of Corporate Operations

61. Given that these Officer Defendants owned equity stakes in Pattern Energy and Pattern Development and were employed by both companies were beholden to Riverstone, they were clearly incentivized to favor a bidder who would allow them (and Riverstone) to monetize their holdings in both companies and to continue their employment with the combined entity. These conflicts wholly tainted the merger process and underscored the need for complete transparency in the Proxy to allow Pattern Energy shareholders to adequately test whether CPPIB's concurrent, two-step Transaction maximized value for Pattern Energy shareholders, or subsidized

the concurrent combination of the newly acquired Pattern Energy with Pattern Development instead.

62. Moreover, the Officer Defendants were able to negotiate for themselves the ability to exchange certain Pattern Energy and Pattern Development equity interests for equity in NewCo on highly favorable terms. The Officer Defendants and certain other members of Pattern Energy management also negotiated the opportunity to participate in potential earnout payments of up to ***$51 million***, that would be received on a future sale of Riverstone's equity interests in NewCo. *See* Proxy at 75. These potential earnout payments for the Officer Defendants are as follows:

Officer Defendant	**Potential Earnout**
Michael Garland	$13,852,137
Michael Lyon	$1,998,079
Hunter Armistead	$13,138,597
Daniel Elkort	$4,719,062
Esben Pedersen	$2,750,103

See Proxy at 76-77.

63. Pattern Energy also entered into "Bonus Acknowledgements" pursuant to which the Officer Defendants received the following additional compensation: Defendant Garland, $712,000; Defendant Armistead, $590,000; Defendant Elkort, $485,000; Defendant Lyon, $532,000; and Defendant Pedersen, $532,000. The Officer Defendants were clearly self-interested in the Transaction given their enormous compensation packages payable thereunder.

E. Board Defendants

64. Defendants Batkin, Browne, Goodman, Hall, Newson, Sutphen, and Garland are collectively referred to herein as the "Board Defendants." Defendants Batkin, Hall, Goodman, Newson, and Sutphen served on the Special Committee of the Board, along with Patricia S. Bellinger (until her unexplained resignation from the Board during the sales process on December 28, 2018) (the "Special Committee"). Michael Hoffman also served on the Pattern Energy Board and resigned under unexplained circumstances during the sales process.

65. Defendant Alan R. Batkin was the Chairperson of the Pattern Energy Board and Chairperson of the Pattern Energy Board's Special Committee, defined below. Defendant Batkin had been a director of Pattern Energy since the Pattern Energy IPO in October 2013. Defendant Batkin was thus appointed to the Board when Riverstone had a controlling interest in Pattern Energy.

66. Defendant Edmund John Philip Browne was a director on the Pattern Energy Board from October 2013 through the closing of the Merger. Riverstone appointed Defendant Browne to the Board in 2013. Additionally, Defendant Browne was a partner and managing director at Riverstone from 2007 until 2015. Defendant Browne served as a non-executive director of Goldman Sachs from 1999 until 2007 and as Group Chief Executive of British Petroleum plc ("BP") from 1995 to 1997. While at BP, he worked with Christopher Hunt, Alfredo Marti, and Robin Duggan, three of the eventual directors of Pattern Development who now work for Riverstone.

67. Defendant Richard A. Goodman became a director on the Pattern Energy Board as of December 30, 2018 and a member of the Special Committee as of February 22, 2019.

68. Defendant Douglas G. Hall became a director on the Pattern Energy Board as of the Pattern Energy IPO in October 2013 and a member of the Special Committee as of February

22, 2019. Defendant Hall was thus appointed to the Board when Riverstone had a controlling interest in Pattern Energy.

69. Defendant Patricia M. Newson became a director on the Pattern Energy Board as of the Pattern Energy IPO in October 2013 and a member of the Special Committee as of February 22, 2019. Defendant Newson was thus appointed to the Board when Riverstone had a controlling interest in Pattern Energy.

70. Defendant Mona K. Sutphen became a director on the Pattern Energy Board as of December 30, 2018 and a member of the Special Committee as of February 22, 2019.

F. Relevant Non-Parties

71. CBRE Caledon Capital Management ("CBRE") is Delaware corporation that engages in commercial real estate services and investments. On October 10, 2019, just weeks before the merger was approved, CBRE purchased 10.4 million shares of Pattern Energy preferred stock pursuant to a Securities Purchase and Rights Agreement with the Company. CBRE owned 9.6% of the stock eligible to vote on the Merger, and was contractually bound pursuant to the Securities Purchase and Rights Agreement to vote all of its shares in favor of the Merger.

72. Evercore Group L.L.C. ("Evercore") is a Delaware limited liability company that served as the Special Committee's financial advisor in connection with the Merger. Evercore issued a fairness opinion on the Merger (the "Fairness Opinion").

73. Goldman Sachs & Co. LLC ("Goldman Sachs") is a New York limited liability company that also served as a financial advisor to the Special Committee in connection with the Merger. A Goldman Sachs fund, the Petershill Private Equity fund, has an approximate 12% stake in Riverstone.

74. Pattern Energy Group Holdings 2, LP (together with its subsidiaries, "Pattern Development") is a limited partnership organized and existing under the laws of the State of

Delaware. Pattern Development's principal executive offices are located at 1088 Sansome Street, San Francisco, CA 94111. Pattern Development is a U.S.-based privately held renewable power company that develops renewable energy and transmission assets.

75. Pattern Energy Group LP ("PEG LP") was a Delaware limited partnership and the predecessor company to Pattern Energy and Pattern Development. PEG LP was ultimately dissolved prior to the closing of the Merger.

76. Pattern Energy Group LP ("NewCo") is a Delaware limited partnership formed on February 26, 2020 in connection with the Merger. Pattern Energy Group LP now owns the assets of Pattern Energy and Pattern Development, which were combined as part of the concurrent, two-step Transaction. Pattern Energy Group LP shares the same name as the now dissolved entity that was Pattern Energy and Pattern Development's predecessor company.

77. The Public Sector Pension Investment Board ("PSP") is an investment manager for the pension systems of various Canadian federal governmental employees. PSP is a direct co-investor with Pattern Energy on as much as $500 million in renewable energy projects. At the time of the Merger, PSP owned 9.5% of Pattern Energy's common stock and an undisclosed 22% interest in Pattern Development through a Riverstone investment vehicle.

IV. THE PROXY CONTAINED FALSE AND MISLEADING STATEMENTS REGARDING CPPIB'S MERGER CONSIDERATION AND BROOKFIELD'S BID

78. The Proxy falsely stated that the Merger Consideration offered by CPPIB represented the best value available to Pattern Energy shareholders and was in their best interests. The Special Committee and Evercore privately acknowledged that Brookfield had offered superior value to Pattern Energy shareholders. Brookfield's bid to acquire Pattern Energy was admittedly "superior from a value perspective" to the Merger Consideration offered by CPPIB. *See* October 28, 2019 letter from S. Shah to A. Batkin, at PEGI-0000893.

79. The Proxy also misstated the per share premium offered under Brookfield's bid to acquire Pattern Energy as a stand-alone entity. The stated per share premium for Brookfield's bid was directly contradicted by Evercore's own analysis, which was never disclosed in the Proxy. This misstated Brookfield premium gave Pattern Energy shareholders the false impression that its bid was inferior to CPPIB's Merger Consideration when in fact, the opposite was true.

80. Additionally, the Proxy falsely stated that the Special Committee believed the Merger Consideration was the highest CPPIB was willing to pay for Pattern Energy. In fact, the Special Committee understood that CPPIB was siphoning value from the Merger to supplement CPPIB's concurrent acquisition of Pattern Development, and that Riverstone and the Officer Defendants were directly competing with Pattern Energy shareholders for the value of the proceeds of this business combination. As noted above and below, none of this critical value-related information—much of which directly contradicted statements in the Proxy—was disclosed to shareholders.

A. The Proxy Falsely Represented That CPPIB's Merger Consideration Was Superior to Brookfield's Bid

81. The Proxy falsely stated that the Special Committee believed CPPIB's Merger Consideration "represented the best value reasonably available to [Pattern Energy] stockholders." *See* Proxy at 55. Similarly, Defendants falsely stated in the February 26 Form 8-K, which was incorporated by reference into the Proxy, that "[t]he Special Committee sought and believes it obtained the highest price reasonably available for Pattern Energy." February 26 Form 8-K, Ex. 99.1 at 4. These assertions were plainly false because the Board, Special Committee and Evercore told Brookfield that CPPIB's Merger Consideration did not offer greater value to Pattern Energy shareholders than the per share consideration under Brookfield's alternate proposal. *See*, *e.g.*, October 28, 2019 letter from S. Shah to A. Batkin, at PEGI-0000893. Indeed, the Proxy entirely

omitted numerous facts known to the Board, Special Committee and Evercore demonstrating that Brookfield offered substantially superior per share value to Pattern Energy shareholders.

82. On October 29, 2018, Defendant Garland informed the Special Committee about his communications with representatives of Brookfield, which owned more than a 60% interest in the alternative energy company Terraform Power, Inc. ("TerraForm" or "Company A" in the Proxy). *See* October 29, 2018 Special Committee Meeting Minutes, at PEGI-00000496.

83. On February 21, 2019 Brookfield submitted a preliminary term sheet structured as an all-stock transaction under which TerraForm would acquire the outstanding shares of Pattern Energy common stock in exchange for TerraForm common stock at an at-market exchange ratio. *See* Proxy at 39. Brookfield's proposal to acquire Pattern Energy was not conditioned on an acquisition of Pattern Development. *See id*.

84. The Special Committee discussed Brookfield's initial proposal during its meeting on February 21, 2019. At the meeting, Defendants Garland and Elkort acknowledged that a transaction with Brookfield "had the potential to be beneficial to [Pattern Energy] and its shareholders" and that a "proposed transaction with [Brookfield] would increase [Pattern Energy's] access to capital (both private and public) and would therefore allow additional opportunities to develop projects and create value."[14] *See* February 21, 2019 Special Committee Minutes, at PEGI-00000482.

85. The benefits of a merger between Brookfield and Pattern Energy were again discussed during the Special Committee's meeting on March 9, 2019. *See* March 9, 2019 Special Committee Minutes, at PEGl-00000486. While at this meeting, Defendants Garland and Elkort

[14] Note that bracketed names (i.e. [Brookfield]) in the various quotes throughout are used to replace transaction code names in the minutes and presentation materials for ease of reference.

again acknowledged that Brookfield's bid for a stand-alone acquisition of Pattern Energy could create "significant synergies" that would enhance value for Pattern Energy shareholders. They nevertheless both began a concerted effort to discourage the Special Committee's consideration of Brookfield's bid. They did this by emphasizing Riverstone's "very broad" Consent Right over such a transaction and that the need for Riverstone's support for a potential transaction "*should not be overestimated*" because its Consent Right would "*likely be implicated*." *See id*.; *see also* Section VI.A *infra*. The acknowledged merger synergies and these efforts by Pattern Energy's CEO and General Counsel to turn the Board away from considering the Brookfield bid were not disclosed to shareholders in the Proxy despite the fact both bear directly on the value-related statements and the self-interested actions of the Officer Defendants—critical context for the shareholders to have, particularly given the fact the Officer Defendants controlled the proxy disclosures.

86. Despite Garland and Elkort's efforts to discourage it, Pattern Energy responded to the Brookfield bid with a term sheet restructured by Special Committee advisors Paul Weiss and Evercore. Paul Weiss and Evercore made it clear that the new term sheet was structured as a merger of TerraForm into a subsidiary of Pattern Energy to *avoid* a Consent Right/transfer restriction in the Pattern Development Limited Partnership Agreement. *See* March 11, 2019 Revised Term Sheet.

87. On May 31, 2019, Brookfield submitted a revised term sheet for an all-stock acquisition of Pattern Energy by TerraForm that reflected a 15% merger premium. Brookfield's revised bid *included the concurrent acquisition of Pattern Development for cash.* The cash amount would be negotiated between Pattern Energy and Riverstone. After Brookfield's concurrent acquisition of Pattern Development, Riverstone would no longer have any ownership interest in

Pattern Energy or Pattern Development (and no ability to exercise Pattern Development's Consent Right to its advantage). At a Special Committee meeting on June 12, 2019 convened to consider the new Brookfield bid Defendant Garland told the Committee for the first time that "it also appeared that [CPPIB and Riverstone] may be working together"—a statement that obscured the fact Defendant Garland and Riverstone had been actively working with CPPIB on a bid since mid-April of that year. None of these obfuscations or the fact that Garland, Riverstone and CPPIB had been coordinating behind scenes were disclosed in the Proxy.

88. While Pattern Energy and Brookfield continued to negotiate, on June 28, 2019, CPPIB (at the undisclosed behest of Riverstone and Defendant Garland), sent the Special Committee a non-binding proposal to purchase the outstanding shares of Pattern Energy common stock for ***$25.50*** per share in cash. CPPIB's offer reflected an 11% merger premium based on Pattern Energy's stock price on that date. This offer was conditioned on an agreement being reached between CPPIB and Riverstone for the acquisition of Pattern Development. But Defendant Batkin had already reported to the Special Committee on June 18, 2019 that Riverstone had advised him that CPPIB offered Riverstone a ***2.0x multiple on its invested capital*** for Riverstone's stake in Pattern Development.

89. The Board Defendants appear to never have capitalized on the fact that Pattern Energy had a ***right of first refusal*** on any purchase of Pattern Development and therefore it could have leveraged the Brookfield or CPPIB transaction to effectively buy out Riverstone's interest (and its control of the Pattern Development Consent Right). While this fact supports the breach of fiduciary duty claims discussed below (*see infra* Section VIII), it was also never disclosed in the Proxy and its omission helped obscure the fact that Pattern Energy had significant leverage to achieve greater value from either the CPPIB or Brookfield bids–a fact that renders the contrary

value-related statements in the Proxy misleading. *See* Proxy at 55; February 26 Form 8-K, Ex. 99.1 at 4.

90. Brookfield submitted additional bids on July 23, 2019 for an all-stock merger between TerraForm and Pattern Energy. Both of the July 23, 2019 bids were superior to CPPIB's $25.50 bid:

- An offer that included Pattern Development and reflected a ***15% premium*** to the trading price of Pattern Energy's common stock (implying a purchase price of approximately ***$27.05 per share***), or
- An offer that excluded Pattern Development and reflected a ***20% premium*** to the trading price of Pattern Energy's common stock (implying a purchase price of approximately ***$28.25 per share***).

The Proxy did not disclose the implied value of these Brookfield bids or the fact the Special Committee knew that including Pattern Development in the transaction would result in lower merger consideration for Pattern Energy shareholders—issues bearing directly on the contrary value-related representations in the Proxy by the Special Committee noted above. Nonetheless, as Brookfield noted in its offer letter "the Board and management wish to also internalize [Pattern Development] as part of this transaction" and so Brookfield included that alternative in the bid proposals. *See* July 23, 2019 Brookfield Offer Letter.

91. The Special Committee discussed the competing Brookfield and CPPIB offers at its July 31, 2019 meeting. Undisclosed in the Proxy, the Special Committee expressly acknowledged the ***benefits*** of Brookfield's offer, including "(a) the ***potential 'halo' effect*** that [Pattern Energy] may receive by partnering with [Brookfield], (b) the ***organizational depth and experience at [Brookfield]***, (c) the ***increased access to capital*** offered by Brookfield, and (d) the ***potential for increased M&A opportunities***." *See* July 31, 2019 Special Committee Minutes at PEGI-00000422.

92. The Special Committee also expressed concerns with CPPIB's offer, such as "(a) ***a lower premium compared to the [Brookfield] proposal***" and "(b) potential additional complexity in structuring a separate [Riverstone/CPPIB] transaction for [Pattern Development]." *See id*. at PEGI-00000423. Another key difference noted by the Special Committee was that Brookfield would buy Riverstone's interest in Pattern Development, while CPPIB would give Riverstone an "opportunity to maintain a continuing interest in [Pattern Development]." *See id*. at PEGI-00000424. This distinction was important to Riverstone and furthered its support of CPPIB's bid. Again, none of these issues was raised in the Proxy even though the Special Committee's concerns go to the heart of their value-related misstatements and bear directly on the central question shareholders faced in considering their vote on the Merger.

93. The Special Committee decided the following day to hold off on speaking further with Brookfield in order to focus on CPPIB and whether it could get CPPIB to increase its bid. *See* August 1, 2019 Special Committee Minutes. It also decided—apparently under pressure from Riverstone and the conflicted Officer and Board Defendants–to make sure Brookfield understood that *obtaining Riverstone's consent was important to the Board*. This was true even though the Brookfield bid did not legally require Riverstone's consent and even though the Board could leverage its right of first refusal over any Pattern Development transaction giving it all the leverage it needed to maximize shareholder value through the Brookfield bid.

94. On August 16, 2019, CPPIB provided the Special Committee with a revised, non-binding proposal to acquire Pattern Energy common stock for a slight increase of ***$26.25*** to ***$26.50*** in cash per share—still well below Brookfield's then current bid. That bid was considered by the Special Committee at a meeting on August 19, 2019 which was important for at least ***four*** reasons, none of which was disclosed in the Proxy. *First*, the Special Committee was told by Defendant

Batkin and Garland that CPPIB had offered to acquire Pattern Development at a price equal to 1.8x of Riverstone's invested capital plus an earn-out provision that could raise the purchase price to 2.25x—a deal that was supposedly acceptable to Riverstone. CPPIB did not make a similar offer to Pattern Energy shareholders who would have received an ***additional $475,500,000 in value had they received the same offer***. That would have meant ***an additional $3.94 per share to Pattern Energy shareholders***. The Special Committee took no steps to obtain the same benefit for Pattern Energy shareholders even though it would have been obvious to them that the premium being paid to Riverstone and the Officer Defendants meant that CPPIB was taking the extra $427,500,000 in Pattern Energy shareholder value for itself in the business combination and even though the Special Committee specifically discussed the fact that the payment of the premium to Riverstone and the Officer Defendants meant that it was unlikely CPPIB would pay more per share for Pattern Energy shares. *See* August 19, 2019 Special Committee Meeting Minutes, at PEGI-00000435.

95. *Second,* the August 19, 2019 meeting minutes reveal the Special Committee discussed the fact that the enhanced offer to Riverstone meant it was less likely that CPPIB would increase its offer to Pattern Energy shareholders.

96. *Third*, Defendants Garland and Batkin told the Special Committee that an unrelated bidder ("Party D") informed them that its offer for Pattern Energy and Pattern Development was integrated such that any increase in the consideration for one would result in a decrease in the offer for the other—reaffirming to the Special Committee the zero-sum nature of the Transaction.

97. *Fourth*, we now know that at this meeting the Special Committee apparently directed its advisors Evercore and Paul Weiss (who told Brookfield the following day on August 20, 2019) that the *Board was no longer supportive of any transaction that includes the*

internalization of the 71% of Pattern Development that Pattern Energy did not already own. *See* August 26, 2019 Brookfield Offer Letter, at PEGI-00000872. This direction, which flew in the face of the CPPIB bid structure that did just that, was never disclosed in the Proxy. This direction also meant that the Board Defendants had no intention of using Pattern Energy's right of first refusal to assure that shareholders realized the same ***$3.94 a share premium*** for their stake in Pattern Development that Riverstone and the Officer Defendants had negotiated for themselves.

98. Compare this information from the August 19, 2019 meeting—none of which was disclosed in the Proxy—to what shareholders were told, *i.e.* that the Special Committee viewed the CPPIB bid as representing the "best value" to shareholders. It should also be noted that the transaction-related information conflicts directly with the "effective value" and "invested capital multiple" statements that are made in the Proxy Amendment. *See* Proxy Amendment at 6 and the discussion in paragraphs 26-27 *supra* and 132 *infra*. Lastly, this underscores the impact of the omissions regarding the existence of, but failure of the Board Defendants to invoke, the right of first refusal over the Pattern Development offer. Had the fact that shareholders were ***giving up almost $4*** in Pattern Development-related value been disclosed, together with the existence of the right of first refusal, shareholders would have clearly understood there was a path to maximize the value of the business combination even beyond the undisclosed value of the Brookfield bid. This is true even if the Board Defendants chose not to take that path to value. Instead, Pattern Energy shareholders were left in the dark with only a single light shining on the completely untrue conclusion that CPPIB's $26.75 offer was the only game in town.

99. Brookfield subsequently offered to improve its proposed acquisition of Pattern Energy. Specifically, on August 26, 2019, Brookfield offered to acquire Pattern Energy through an all-stock merger between Pattern Energy and TerraForm. Pattern Development would remain

a separate entity under this proposal. The August 26 Brookfield proposal provided a 2-for-1 exchange ratio between TerraForm and Pattern Energy (*i.e.*, two shares of TerraForm stock for one share of Pattern Energy stock). In its proposal letter, Brookfield confirmed the direction from Evercore and Goldman that: (i) the Board ***no longer supports internalization of Pattern Development***; (ii) ***Riverstone will not consent to a transaction in which [TerraForm] becomes the parent company*** of Pattern Energy; (iii) the ***Board prioritizes deal price and deal certainty***; and (iv) the ***structure circumvented Riverstone's Consent Right over a stand-alone acquisition of Pattern Energy***. *See* August 26, 2019 Brookfield Offer Letter, at PEGI-00000872-73. As noted herein, almost none of the contents of this bid letter—which conflict directly with statements in the Proxy (including Riverstone's exercise of its Consent Right to block the initial TerraForm structure, were disclosed).[15]

100. Undisclosed in the Proxy, Evercore acknowledged and understood the economic superiority of Brookfield's August 26 offer to acquire Pattern Energy as a stand-alone entity and conveyed that information to the Special Committee. *See* August 28, 2019 Special Committee Minutes, at PEGl-00000443-448. Specifically, as reflected in the minutes to the Special Committee meeting on August 28, 2019, Evercore provided the Special Committee with its analysis of Brookfield's 2-for-1 stock exchange bid. *See id*. Evercore informed the Special

[15] These undisclosed facts also contradict the statement in the Proxy that Brookfield said it would require concessions from Pattern Development. *See* Proxy at 46. Nothing in Brookfield's August 26, 2019 letter or in the Special Committee minutes from the meeting held that day mention any request for concessions from Pattern Development. In fact, the minutes noted that Brookfield's bid "*was not dependent upon* ***any*** *transaction with [Pattern Development]*." They likewise conflict with the fact that the Board ultimately approved a merger with CPPIB which internalized the remaining 71% of Pattern Development at a significant premium that was not made available to Pattern Energy shareholders. These obfuscations, contradictions and half-truths in the Proxy simply cannot be reconciled with the facts revealed in the Special Committee meeting minutes, presentation materials and related bid letters.

Committee that Brookfield's proposal implied a merger price of ***$34*** per share of Pattern Energy common stock as of that date, and represented a ***45%*** merger premium for Pattern Energy shareholders. *See id*. Further highlighting the superiority of Brookfield's August 26 bid, Evercore informed the Special Committee that "based on [Brookfield's] revised proposal . . . the pro forma holdings of [Pattern Energy's] existing shareholders in [Brookfield's NewCo] ***increased to 48.5% in the revised proposal from 42.5%*** in [Brookfield's] prior offer." *See id*. at PEGI-00000445. Evercore also noted for the Special Committee that under Brookfield's proposal, Pattern Energy would be acquiring TerraForm at a 21.5% discount, which "represented a significant value transfer from [TerraForm] shareholders to [Pattern Energy] shareholders based upon existing market capitalization." *See id*. These undisclosed facts stand in stark contrast to the value-related statements in the Proxy and contradicted the related statements by Evercore regarding the Brookfield bid.

101. The Proxy also failed to disclose that Evercore's views on the significantly greater value of the Brookfield proposal prompted the Special Committee to discuss the risk that Riverstone would file litigation in an attempt to block any transaction that did not include Pattern Development. Of course, the Special Committee's lawyers at Paul Weiss had already concluded that Brookfield's proposal completely avoided Riverstone's Consent Right and, in any event, the bid did not include Pattern Development because the Special Committee and its advisors told Brookfield not to do so. In this latter respect, Brookfield had previously made clear its willingness to fund a separate acquisition of the remaining 71% of Pattern Development—an acquisition the Board could have supported with the Pattern Energy right of first refusal had it chosen to do so. Thus, while there may have been a risk of litigation it was meritless—so really no risk at all. Of course, the threat of meritless litigation only becomes relevant in this action because the Board

would later use it to justify an eleventh-hour requirement for Brookfield to indemnify Pattern Energy and because the putative litigation risk and related pressure by Riverstone and the Officer Defendants was not disclosed in the Proxy. *See infra* Section VI.B.

102. The superiority of Brookfield's offer was reaffirmed in its formal offer letter to the Pattern Energy Board, the details of which were also not disclosed in the Proxy. *See* August 30, 2019 letter from S. Shah to A. Batkin, at PEGI-00000983. Specifically, the August 30, 2019 offer letter from Brookfield Managing Partner Sachin Shah to Defendant Batkin stated that Brookfield's 2-for-1 exchange ratio "implie[d] a ***47%*** premium to [Pattern Energy's] undisturbed 90-day VWAP [volume weighted average price] and values each [Pattern Energy] share at ***$33.38***." *Id*. This was consistent with Evercore's independent conclusion that Brookfield's acquisition proposal provided superior value to Pattern Energy shareholders with ***a merger premium of 45%.*** None of these facts—which again directly contradict the Special Committee's value-related pronouncements in the Proxy—were disclosed to shareholders who were left to conclude that the far inferior CPPIB bid was the best (and only) option.

103. The Special Committee explicitly acknowledged that it had a duty to maximize shareholder value in connection with any potential Pattern Energy merger. *See* September 29, 2019 Special Committee Minutes, at PEGI-00001291. The minutes from the September 29, 2019 Special Committee meeting expressly stated that the Committee discussed "the possibility [Brookfield's] proposal could be for a higher price than other proposals, ***noting the duty of the Committee was to maximize value for shareholders***." *Id*.

104. Contrary to the Proxy's assertion, both the Pattern Energy Board and Evercore informed Brookfield that its bid provided Pattern Energy shareholders greater value than the Merger Consideration offered by CPPIB or any other bidder. *See* October 28, 2019 letter from S.

Shah to A. Batkin, at PEGI-0000893. This conversation was confirmed in an October 28, 2019 letter from Brookfield's Sachin Shah to Defendant Batkin indicating that "***we have been advised by you and your advisors that our proposal is superior from a value perspective to the others that you have received and that you will receive in the sales process***." *Id*. The significance of this and other value-related information from Evercore presentations cannot be overstated and the chilling effect of its omission from the Proxy cannot be overestimated.

105. The Special Committee asked each bidder to submit its "best and final" offer by October 28, 2019. At the bid deadline, CPPIB submitted an offer to purchase the outstanding shares of Pattern Energy common stock for ***$26.75*** per share in cash. Brookfield submitted a reaffirmation of its August 26 offer, valued by Evercore at ***$34*** per share and representing a 45% merger premium for Pattern Energy shareholders.

106. The superiority of Brookfield's bid was once again confirmed in the October 31, 2019 Special Committee meeting minutes (just three days before the Special Committee approved the Merger Agreement with CPPIB). *See* October 31, 2019 Special Committee Minutes, at PEGI-00000461. The minutes expressly noted that Evercore found Brookfield's offer provided Pattern Energy shareholders far greater per share consideration than CPPIB. *See id*. Specifically, Evercore concluded that Brookfield's offer had an implied value of up to ***$32.94*** per share of Pattern Energy common stock (compared to CPPIB's offer of ***$26.75*** per share) if the combined company maintained TerraForm's dividend policy and traded at TerraForm's 5.72% dividend yield in 2020.[16] *See id*. This represented a ***41% premium*** to Pattern Energy's August 9, 2019

[16] We now know that Evercore appears to have used the wrong dividend rate for TerraForm, thereby actually undervaluing the Brookfield transaction. A slide in Evercore's presentation at the October 31 Special Committee meeting reported the estimated 2020 TerraForm dividend yield was 5.2%. Had that value been used (instead of the 5.72% dividend yield that was used), the ***value of the Brookfield bid would have been $36.15 per share if the TerraForm dividend was***

share price (the last full trading day before news of a potential Pattern Energy merger became public). Thus, under Evercore's own analysis presented to the Special Committee, Brookfield's bid was as much as $6 more per share than CPPIB's proposal at the bid deadline.

107. Despite this, on November 3, 2019 the Board approved execution of the Merger Agreement between CPPIB and Pattern Energy based upon the $26.75 per share cash bid received by the Board on October 28. This represented a *take under* to Pattern Energy's stock price, which closed at $27.80 per share on the last trading day before the Merger Agreement was signed.

108. The Special Committee knew it had a duty to maximize Pattern Energy shareholder value and that its financial advisors at Evercore had concluded Brookfield's bid was far superior to CPPIB's Merger Consideration. Yet, Defendants never disclosed this information to investors and falsely stated in the Proxy that CPPIB's Merger Consideration represented the "best value" for Pattern Energy shareholders and that Pattern Energy's Board "determined that the Merger Agreement and the Merger are . . . in the best interests of Pattern [Energy] and its stockholders." *See* Proxy at 54. But the Board did not, and could not, subjectively believe that the Merger was in the best interests of Pattern Energy shareholders because it had undisclosed facts demonstrating the contrary.

109. There was also no basis to assert that the Merger was in Pattern Energy shareholders' best interests because the Special Committee acknowledged "that they ha[d] no visibility into the price paid for [Pattern Development]" under the concurrent Pattern Development Transaction—a fact that was not disclosed in the Proxy but was privately stated by the Special Committee to ISS. *See* ISS Special Situations Research Analysis, dated February 28, 2020 at 4.

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maintained—almost $10 per share greater than CPPIB's Merger Consideration. *See* Evercore Presentation at the October 31, 2019 Special Committee Meeting.

B. The Proxy Misstated the Premium Under Brookfield's Merger Proposal

110. The Proxy affirmatively misstated the premium offered by Brookfield under its 2-for-1 stock transaction for Pattern Energy. As noted above, on August 26, 2019, Brookfield offered to acquire Pattern Energy in an all-stock transaction that would have exchanged two shares of TerraForm stock for one share of Pattern Energy stock—an offer that superseded a series of earlier offers by Brookfield.

111. In addressing the merger premium provided under Brookfield's August 26 proposal, the Proxy stated that:

> The effective two for one exchange ratio was estimated, based on analysis by Evercore that was presented to the Special Committee on August 28, 2019, to reflect a range of premiums of between ***1.4% and 28.8%*** to the unaffected closing price for a share of [Pattern Energy] Common Stock on August 9, 2019 (the last full trading day prior to publication of the August 12, 2019 article), based on an expected range of trading prices for shares of the combined company's common stock post-transaction and on certain other assumptions.

See Proxy at 46.

112. That disclosure of the August 28 Evercore presentation was false. In fact, Special Committee minutes and Evercore presentation materials reveal that Evercore's analysis found Brookfield's bid offered a higher premium and was economically superior for several reasons. For example, Evercore informed the Special Committee that:

- Under "Perspective 1," Brookfield's proposed acquisition of Pattern Energy implied a ***price of $34 per share*** and a ***45% premium***, as of that date. *See* August 28, 2019 Special Committee Minutes, at PEGI-00000445.

- Under "Perspective 2," Pattern Energy would ***acquire TerraForm at a 21.5% discount.*** This represented a ***"significant value transfer from [TerraForm] shareholders to the Company's shareholders*** based upon existing market capitalization." *Id*.

- Under "Perspective 3," Evercore anticipated the *pro forma* share price of a combined Pattern Energy-TerraForm would be $28.72. *See id*. This was higher than CPPIB's ultimate Merger Consideration of $26.75.

Evercore further concluded that "*the* ***pro forma holdings of [Pattern Energy's] existing shareholders in [NewCo] increased to 48.5%*** *in the revised proposal from 42.5% in [Brookfield's] prior offer,*" thereby giving Pattern Energy shareholders a greater ownership interest in the combined entity. *See id*.

113. Thus, the Proxy falsely and misleadingly stated that Evercore had calculated Brookfield's bid to reflect only a range of premiums of between 1.4% to 28.8%—despite the fact that Evercore had presented an analysis showing Brookfield would be acquiring Pattern Energy in a deal that with an implied value of ***$34*** per share and a ***45% premium***—significantly higher than the statement in the Proxy that Brookfield's bid represented only a 1.4% to 28.8% premium.

114. The Proxy's false disclosure of the premium represented by Brookfield's bid takes on even greater significance in light of the fact that the Proxy did not disclose the identity of either "Party A" (Brookfield) or "Company A" (TerraForm). This left shareholders with no way to test Evercore's analysis. Nor did the Proxy disclose what "other assumptions" were used by Evercore to arrive at the stated Brookfield valuation. In artificially depressing the value of Brookfield's merger premium to only 1.4% to 28.8%, Evercore apparently valued TerraForm stock post-transaction at $11.75 to $15.00 per share, compared to its then current trading price of $17.00 per share. Evercore's valuation also implied that TerraForm's stock price would decline by 11.5% to 30% after Brookfield's proposed merger was announced and consummated. In fact, we now know TerraForm's value increased more than 9% during the period between the unaffected stock price in August 2019 and the vote in March 2020. None of this was disclosed in the Proxy.

115. The Proxy's disclosure of Evercore's analysis of Brookfield's August 26 bid also omitted that Evercore performed a second analysis of that bid three days before the signing of the Merger Agreement. *See* October 31, 2019 Special Committee Minutes, at PEGI-00000458. This

Evercore analysis once again highlighted the superiority of Brookfield's bid, directly contradicting the related statements in the Proxy. *See id*. Evercore acknowledged in its presentation at the October 31, 2019 Special Committee Meeting, that the transactional value of Brookfield's August 26, 2019 bid ***was as high as $32.94 per share*** if the combined company maintained TerraForm's dividend policy and traded at TerraForm's dividend yield in 2020. *See id*. This valuation implied a ***41% premium*** to Pattern Energy's August 9, 2019 share price.

C. The Proxy Falsely Stated That the Board Believed the Merger Consideration Was the Highest CPPIB Was Willing to Pay

116. The Proxy falsely stated that one of the factors supporting the Special Committee's recommendation in favor of the Merger was its purported belief that the Merger Consideration offered by CPPIB (*i.e*., $26.75) "was the highest that CPPIB would be willing to pay." *See* Proxy at 55. The Special Committee did not, and could not, subjectively hold such a belief because their meeting minutes demonstrate that the Committee knew CPPIB was willing to pay more for Pattern Energy and CPPIB was siphoning value from the Merger to supplement the Pattern Development Transaction. *See* August 19, 2019 Special Committee Minutes at PEGI-00000436-37. The same was true with respect to other bidders who proposed to acquire both Pattern Energy and Pattern Development. *See id*. at PEGI-00000434, PEGI-00000436.

117. Specifically, and undisclosed in the Proxy, the August 19, 2019 Special Committee meeting minutes noted that "[Party D (an alternate bidder)] had indicated the purchase of [Pattern Energy] and [Pattern Development] were integrated and formed a total enterprise value, such that if [Pattern Energy] sought to increase the consideration paid for [Pattern Energy], there would need to be a corresponding decrease to the consideration paid for [Pattern Development] (and vice versa)." *See id*. Thus, the Special Committee was warned that bidders viewed the two-step Transaction as a zero-sum game and were siphoning value from Pattern Energy shareholders to

appease Riverstone's interest in a joint acquisition of Pattern Energy and Pattern Development. The Special Committee later discussed that implication, noting that "any re-allocation of additional purchase price to [Pattern Energy] would result in a lower price for [Pattern Development] that would be less attractive to [Riverstone]." *See id*. at PEGI-00000436.

118. At the same August 19 meeting, the Special Committee discussed the likelihood that CPPIB was also drawing off value from the Merger to the Pattern Development Transaction. *See id*. at PEGI-00000436-37. The Special Committee noted that a proposed earn-out provision payable by CPPIB to Riverstone for the acquisition of Pattern Development, "made it less likely that [CPPIB] would adjust its proposed offer price to acquire [Pattern Energy] in response to matters related to [Pattern Development]." *See id*.

119. This offsetting of merger consideration payable to Pattern Energy shareholders was also evident from an earlier merger bid by Brookfield on July 23, 2019. As noted above, Brookfield offered ***5% less*** in merger consideration for Pattern Energy shareholders if the transaction included Pattern Development.

120. Despite the Special Committee's knowledge that the bidders for both Pattern Energy and Pattern Development were siphoning value away from Pattern Energy shareholders to fund the combination with Pattern Development, the Proxy nonetheless stated that the Special Committee believed the Merger Consideration offered by CPPIB "was the highest that CPPIB would be willing to pay and represented the best value reasonably available to our stockholders." Proxy at 55. This assertion was also materially misleading because the Special Committee knew Brookfield had offered significantly greater value in a stand-alone transaction than was being paid by CPPIB in the proposed two-step business combination of both Pattern Energy and Pattern Development.

V. THE PROXY CONTAINED STATEMENTS RENDERED FALSE AND MISLEADING THROUGH THE OMISSION OF THE VALUE OF THE CONCURRENT PATTERN DEVELOPMENT TRANSACTION

A. The Proxy's Disclosures Rendered Shareholders Blind to Whether They Were Forgoing Merger Consideration to Supplement the Pattern Development Transaction

121. As noted above, the Transaction involved bringing both Pattern Energy and Pattern Development under CPPIB's common ownership. CPPIB simultaneously bargained for both entities in a concurrent, two-step Transaction. In its second recital, the Merger Agreement expressly stated that an agreement to acquire Pattern Development (*i.e.*, the Contribution Agreement) would be executed concurrently with execution of the Merger Agreement. Despite this concurrent, two-step acquisition of Pattern Energy and Pattern Development by CPPIB, Pattern Energy shareholders were not provided with the Contribution Agreement or any details on the financial, transactional, and valuation information about the second part of the total Transaction.

122. The omission of this material information about the concurrent acquisition of Pattern Development (*i.e.*, the Pattern Development Transaction) rendered the Proxy's statements about the Contribution Agreement materially misleading because this was a two-step Transaction in a zero-sum game. To evaluate the Merger, shareholders of Pattern Energy needed to understand all of the terms and conditions of the Pattern Development Transaction.

123. The Proxy's sole description of the Contribution Agreement governing the Pattern Development Transaction merely stated that CPPIB, Riverstone, and the Officer Defendants "will make certain contributions contemplated by the Contribution Agreement, including with respect to their interests in [Pattern Development] in exchange for equity interests in [a combined Pattern Energy-Pattern Development entity] or the Surviving Corporation, and the Company and [Pattern Development] will be under common ownership." Proxy at 74.

124. Defendants were specifically required to disclose all material terms of the Contribution Agreement under the regulatory scheme of SEC Rule 14a-9, 17 C.F.R. § 240.14a-9. The Contribution Agreement governing the second step of the concurrent, two-step Transaction was as material to shareholders as the Merger Agreement governing the first step of the transaction. In its November 4, 2019 Form 8-K, incorporated into the Proxy, Pattern Energy acknowledged that the Contribution Agreement was a "material agreement" and, thus, it was required to provide "a brief description of the terms and conditions of the agreement" under Item 1.01 of Form 8-K. In contravention of this regulatory requirement, Defendants provided no detail in the Proxy on the value of the transaction detailed in the Contribution Agreement or the price paid for Pattern Development under that Agreement.

125. Moreover, as demonstrated by the Brookfield bid and the internal Company minutes concerning the CPPIB and Party D bids, Pattern Energy shareholders were competing for merger consideration with the other equity holders of Pattern Development (*i.e.*, Riverstone and the Officer Defendants) in any transaction that included Pattern Development. This made it critically important for the Proxy to fully disclose (i) the value of each party's contribution under the Contribution Agreement (*i.e.*, CPPIB, Riverstone, and the Officer Defendants), and (ii) what they each received in return for CPPIB's acquisition of Pattern Development. The Proxy's general statement that these parties made unspecified contributions under the Contribution Agreement and received unspecified equity interests in the combined Pattern Energy-Pattern Development entity was not enough.

126. The mere disclosure that these parties received "something" was inadequate and misleading because it did not provide shareholders with the information they actually needed to evaluate the Transaction. It also gave shareholders the misleading impression that they had all

material information regarding the Contribution Agreement and that the price paid for the concurrent acquisition of Pattern Development had no impact on the Merger Consideration payable to Pattern Energy shareholders. Defendants knew this was not the case given how CPPIB and other bidders treated the concurrent acquisition of Pattern Development, yet did nothing to alter the Proxy's misleading description of the Contribution Agreement and Pattern Development Transaction.

127. There is no doubt that the specific terms of the Contribution Agreement and the price paid for Pattern Development under its provisions was material information for Pattern Energy shareholders voting on the Merger. ISS published a report on February 28, 2020 recommending that Pattern Energy shareholders vote ***against*** the Merger, based in large part on the fact that Pattern Energy's shareholders did not have visibility on the price being paid for Pattern Development under the Contribution Agreement. *See* ISS Special Situations Research Analysis, dated February 28, 2020.

128. Similarly, on March 2, 2020, Glass Lewis published a report recommending that Pattern Energy shareholders vote ***against*** the proposed Merger for the same reason. *See* Glass Lewis Proxy Paper Pattern Energy Group Inc. dated March 2, 2020. In its report, Glass Lewis found that "disclosing the details of the [Pattern Development] transaction would clearly show whether [Pattern Energy] stockholders are potentially forgoing any value in order to subsidize a payout to the other owners of [Pattern Development] (i.e., management, Riverstone, and PSP [the Public Sector Pension Investment Board], the latter of which has an indirect stake)." *Id*. at 11.

129. Defendants never cured the defects in the Proxy despite ISS, Glass Lewis, and Water Island Capital, LLC identifying material omissions which rendered false and misleading the Proxy's statements of fairness and value. Even though shareholders might identify the information

they were missing, they were still forced to vote on the Merger based upon the Special Committee's false and misleading value-related statements without having any way to test those statements to know whether they were forgoing higher merger consideration to subsidize the Pattern Development Transaction—which it turns out was precisely the case. These omissions altered the total mix of information available to Pattern Energy shareholders and rendered materially misleading the Proxy's description of the Contribution Agreement and Pattern Development Transaction.

B. The Proxy Amendment Provided a Misleading and Irrelevant Basis for Valuing Pattern Development

130. Because the acquisition of Pattern Development constituted a material second step to the CPPIB-Pattern Energy transaction, it was critical for Pattern Energy shareholders to know how that asset was valued under the Merger. But the Proxy Amendment cited to a meaningless metric—a putative "effective value" —that did not provide any detail on Pattern Development's actual financial performance at the time of the Merger, or any other data to meaningfully assess Pattern Development's value as a company. *See* Proxy Amendment at 6. Thus, the Proxy Amendment did nothing to cure the material defects in the Proxy as noted by ISS, Glass Lewis, and Water Island Capital, LLC.

131. The Proxy Amendment misleadingly implies the putative "effective value" for Pattern Development is somehow suggestive of the actual value of Pattern Development under the Contribution Agreement but, as noted above, on the two occasions the Proxy based a value on the "agreed value" under the Contribution Agreement it specifically said so. *See* footnote 2 to each of the executive compensation charts at pages 76 and 77 of the Proxy. The Proxy Amendment does not contain comparable language and as noted above, the actual agreed values for NewCo and its component parts under the Contribution Agreement are not disclosed. The Proxy's stated

"effective value" for Pattern Development is similarly not tied to Pattern Development's actual financial performance at the time of the Merger, any traditional valuation analysis in support of that value, or any other data or metric to meaningfully assess Pattern Development's value as a going concern much less the value that CPPIB paid to Pattern Energy shareholders for their 29% stake in Pattern Development.

132. Equally misleading is the Proxy Amendment's claim that "*[b]ased on the effective value of* ***$1.06 billion*** *of Pattern Development, the invested capital multiple to be paid by CPPIB in its proposed acquisition of Pattern Development is* ***1.63x***." *See* Proxy Amendment at 6. Compare this to the fact that the August 19, 2019 Special Committee meeting minutes reveal ***CPPIB was actually paying Riverstone a 2.25x return on invested capital*** that combined a direct 1.8x return plus an earn out. *See* PEGl-00000435. Even if "effective value" is the amount being paid to Riverstone (and it is not clear that it is), ***the effective value under the CPPIB deal would be $1.4625 billion—$402.5 million more*** than the value stated in the Proxy–value clearly being siphoned from Pattern Energy shareholders without their knowledge. These now obvious obfuscations and half-truths in the Proxy were exacerbated by the failure to disclose the Contribution Agreement which would have given shareholders a way to test these value-related misstatements. And without this critical information shareholders had no way to know that they were effectively giving up ***$427,500,000*** in value related to their stake in Pattern Development or that, CPPIB was apparently keeping the difference between the ***stated effective value of $1.06 billion*** and the ***actual effective value based on the Special Committee meeting minutes of $1.4625 billion ($402,500,000)*** for itself.

133. Moreover, while the statement purports to reflect what CPPIB "***paid***" for Pattern Development, the invested capital multiple actually does nothing more than compare the amount

of invested capital to the assumed effective value. It in no way reflects what CPPIB actually paid for Pattern Development. The related reference to Pattern Energy management's prior targeted return on invested capital of 2.0x does nothing but add to the confusion. This misleadingly implies that Pattern Development is not being overvalued in connection with the business combination (and by extension, that shareholders were receiving fair value for their stake in Pattern Development). While this misimpression is the result of the obfuscations in the Proxy Amendment, it is not true.

134. Simply stated, under the Proxy and Proxy Amendment, no reasonable Pattern Energy shareholder could know what was being received for their Pattern Development stake and whether the two-step transaction deprived shareholders of fair value for their overall stake in Pattern Energy. These omissions were "critically important" (*see* ISS Special Situations Research Analysis, dated February 28, 2020 at 4), and conflicted with the stated "effective value."

VI. THE PROXY CONTAINED FALSE AND MISLEADING STATEMENTS REGARDING THE CONSENT RIGHT AND HOW IT WAS UTILIZED IN THE SALES PROCESS

A. The Proxy Misleadingly Disclosed the Scope of Riverstone's Consent Right

135. The Proxy's assertion that "a set of contractual arrangements" with Pattern Development "limit Pattern [Energy's] ability to merge with, or to transfer its interest in Pattern Development to, any third party without Pattern Development's consent" misleadingly indicated that Pattern Development had the unfettered right to limit a Brookfield-Pattern Energy merger. *See* Proxy at 36.

136. This statement is contradicted by the fact that the Special Committee's advisors recognized the Consent Right was easily avoided in connection with Brookfield's bid to acquire Pattern Energy alone and in fact, Brookfield structured its proposed transaction to circumvent the

Consent Right. Early in the sales process, Evercore and the Special Committee's counsel from Paul Weiss created a Brookfield transaction structure to avoid the Consent Right. *See* March 11, 2019 Revised Term Sheet. The March 11, 2019 Revised Term Sheet stated the parties would "*need to structure the transaction as a merger of [TerraForm] into a subsidiary of [Pattern Energy] due to" a transfer restriction in the Pattern Development Limited Partnership Agreement*. *Id*. This proposed structure avoided the need for any Riverstone consent. *See id*. Evercore and Paul Weiss also noted that the "structure" would "not affect the economic terms of the transaction" with Brookfield. *See Id.* While the Proxy disclosed that a revised indicative term sheet was sent, it failed to disclose the critical fact that the term sheet reflected a structure that the Special Committee's advisors believed avoided any impact from the Consent Right.

137. Undisclosed in the Proxy, Defendants Garland and Elkort tried to obstruct Brookfield's bid during the March 9 Special Committee meeting by raising the specter of the Consent Right. *See* March 9, 2019 Special Committee Minutes, at PEGl-00000486. Both stood to gain in a deal that included Pattern Development and emphasized to the Special Committee that the Consent Right was absolute and undermined Brookfield's bid to acquire Pattern Energy alone. Specifically, Defendant Elkort (the General Counsel of Pattern Energy) stressed "*the importance of the need for [Riverstone's] support for any potential [Brookfield] transaction* ***should not be underestimated*** *because [Riverstone's]* ***rights to consent that would likely be implicated by the proposed transaction appeared to be very broad.***" *Id.* Coming from the company's General Counsel this legal opinion would have carried particular weight with the Special Committee. Garland noted that the Special Committee must "evaluat[e] consent rights [Riverstone] may have in connection with any transaction due to such transaction involving an indirect transfer of [Pattern Energy's] ownership interests in Pattern Development [] (including [Riverstone's] reaction if they

had such consent rights.)" *Id*. at PEGl-00000485-86. Of course, all of these putative concerns about the strength of the Consent Right were obviated within two days of that meeting by the restructured transaction proposed by Paul Weiss and Evercore.

138. The Proxy failed to disclose that the Consent Right had been easily avoided in connection with Brookfield's bid. Instead, it misleadingly disclosed that on March 11, 2019, representatives of Pattern Energy sent Brookfield a revised term sheet "including a proposal to structure the proposed transaction as an acquisition of Company A [TerraForm] by Pattern at an exchange ratio to reflect an implied 15.0% premium to the trading price of Company Common Stock." *Id*. at 39. This description of the March 11 Revised Term Sheet was materially misleading because it did nothing to correct the inaccurate impression that Brookfield's bid was limited by the Consent Right.

139. Shareholders now know that Brookfield's August 26, 2019 bid completely restructured its proposed transaction to avoid the Consent Right in response to the March 11, 2019 Revised Term Sheet from Evercore and Paul Weiss. *See* August 30, 2019 letter from S. Shah to A. Batkin, at PEGI-00000982. Specifically, in an August 30, 2019 letter from Brookfield's Managing Partner, Sachin Shah to Defendant Batkin, Mr. Shah wrote, "[a]s you are aware, we, at your request, restructured the proposed transaction with [Pattern Energy] as the surviving parent company ***so that no Riverstone consent is required in connection with this proposed transaction***." *Id*.

140. This deal structure was reaffirmed in an October 28, 2019 letter from Mr. Shah to Defendant Batkin, in which Mr. Shah wrote, "[w]e also reaffirm that we are prepared to structure the transaction as a reverse triangular merger, with [Pattern Energy] as the surviving parent company, ***so that no Riverstone consent is legally required to effect this transaction***." *See*

October 28, 2019 letter from S. Shah to A. Batkin, at PEGI-00000893. Thus, in direct contradiction to the Proxy's description of the purported limitations imposed by the Consent Right, Brookfield proposed a deal structure that did not implicate the Consent Right at all.

141. None of the facts demonstrating that: (i) the Consent Right was easily circumvented; (ii) Brookfield had actually proposed a transaction structure to do so (with direct input and advice from Evercore and the Special Committee's legal counsel); (iii) the Special Committee's counsel Paul Weiss (one of the leading M&A firms in the country) had concluded the revised Brookfield structure did not implicate the Consent Right; or that (iv) each of the August and October proposals confirmed Brookfield had acquiesced to all of the Riverstone's demands, was disclosed in the Proxy. Instead, the Proxy misleadingly described Brookfield's August 26 bid and August 30 and October 28 offer letters without any details on the proposed deal structure, and falsely characterized Brookfield as an aggressive bidder that was unwilling to compromise on transaction terms.

142. Compare the actual contents of the bid and related letters with the statements in the Proxy that "[o]n August 30, 2019, Party A [Brookfield] sent a revised proposal, indicating that Party A's offer would expire unless Pattern granted exclusivity prior to the end of the day on September 4, 2019," Proxy at 47, and the statement in the Proxy that "on October 28, 2019, representatives of Party A submitted an acknowledgment reaffirming its prior offer, originally made in August of 2019, without providing any transaction documentation." Proxy at 52. The Proxy's failure to disclose that Brookfield's bid avoided the Consent Right at the behest of the Special Committee rendered its statements about the scope of the Consent Right and its impact on Brookfield's bid materially misleading.

B. The Proxy Misled Shareholders on How the Consent Right Impacted the Sales Process

143. Pattern Energy's February 26 Form 8-K misrepresented how the Consent Right was used to block Brookfield's bid when it stated that (i) "[t]he transaction that was being discussed with Company A did not require the consent of Pattern Development, Riverstone or Pattern Energy management" (*see* February 26 Form 8-K, Ex. 99.1 at 4), (ii) "Pattern Development did not block any bids for Pattern Energy pursuant to any consent right" (*id*.) and (iii) "a transaction involving Pattern Development was not a condition to a transaction with Pattern Energy, including the [CPPIB Merger] or a potential transaction with Company A [TerraForm]" (*id*.). The Form 8-K was incorporated by reference into the Proxy.

144. The Form 8-K statement that "[t]he transaction that was being discussed with Company A did not require the consent of Pattern Development, Riverstone or Pattern Energy management" was rendered materially misleading by the omission of critical facts demonstrating Riverstone's manipulation of the Consent Right. The statement it failed to disclose that on September 4, 2019 at a meeting between Defendant Garland, certain Riverstone representatives and Brookfield, Riverstone took a very aggressive position concerning the necessity for Brookfield to obtain its consent to modify the agreements governing commercial relationships between Pattern Energy and Pattern Development before any merger with Pattern Energy could proceed. In contrast to the disclosures in the Proxy, the Board would ultimately acquiesce to Riverstone's position and permit it to use the failure to fully document these amendments as a blocking position (even though Brookfield had agreed to the terms and even though they all related to post-Merger transition agreements).

145. The Proxy also failed to disclose that Riverstone threatened Brookfield with meritless litigation if Brookfield attempted to proceed without Riverstone's consent. *See*

September 10, 2019 letter from S. Shah to A. Batkin, at PEGI-00000881. This litigation threat was reflected in a September 10, 2019 letter from Mr. Shah to the full Pattern Energy Board, stating "[t]he Board has a fiduciary duty to shareholders of [Pattern Energy] but is not free to accept certain types of transactions without prior Riverstone consent or, as we understand, any transaction not supported by Riverstone without attracting Riverstone litigation risk." *Id*. Brookfield went on to state that "we do not believe it is in anyone's best interests to engage with Riverstone in a manner that creates animosity or material litigation risk." *Id*. The Special Committee also discussed the threat of Riverstone litigation at the August 28, 2019 Special Committee meeting. Shareholders now know that in light of Riverstone's litigation threats, the Board Defendants required Brookfield—but not CPPIB—to execute an indemnification agreement protecting them against all liability from Riverstone and Pattern Development in connection with a stand-alone Pattern Energy deal. This included an express indemnification from Brookfield for Pattern Energy's failure to obtain Pattern Development and Riverstone's consent to a proposed transaction.

146. The September 29, 2019 Special Committee meeting minutes reveal that Defendant Batkin informed the Special Committee that, following the September 4 meeting, he asked Christopher Hunt from Riverstone to provide Brookfield with a list of proposed new governance terms between Pattern Energy and Pattern Development. *See* September 29, 2019 Special Committee Meeting Minutes, at PEGI-00001289. Defendant Batkin indicated that the list provided by Mr. Hunt to Mr. Shah was "*fairly expansive*." *See id*. Those same minutes further show that "*Mr. Shah next informed Mr. Batkin that he was generally comfortable with the proposed terms and thought that any potential issues were not insurmountable*." *Id*. Mr. Shah

also indicated that Brookfield would be "*willing and able to sign onto the terms of Mr. Hunt's letter* ***as-is***." *Id*. at PEGI-00001290.

147. Notwithstanding Brookfield's readiness to agree to Riverstone's expansive list of deal modifications, Riverstone still refused to engage on these terms. The Proxy failed to disclose any of these developments, including Brookfield's willingness to accommodate all of Riverstone's extensive demands. Instead, the Proxy misleadingly described the September 29, 2019 Special Committee meeting without regard to Brookfield's agreement to meet all of Riverstone's terms. *See* Proxy at 50 (merely stating that "Mr. Batkin updated the Special Committee on his recent discussions with representatives of Party A"). The generic description of the September 29 Special Committee meeting was rendered materially misleading by its omission of any details demonstrating Riverstone's obstruction of Brookfield's bid for Pattern Energy and Brookfield's efforts to overcome these obstacles.

148. Despite Brookfield's agreement to Riverstone's terms, Riverstone nevertheless failed to engage with Brookfield to address the amendments with the result that a month later, at the October 28, 2019 bid deadline imposed by the Board Defendants, Brookfield wrote to Pattern Energy that *"[Riverstone's] demands effectively require a separation of the Riverstone business from [Pattern Energy]. The list from Riverstone, as you know, requires that all of [Pattern Energy's] development expertise, systems, people, and the Pattern name itself revert back to Riverstone, in exchange for their support.* ***As we have stated, we could agree to those requests***." *See* October 28, 2019 Letter from Brookfield to Pattern Energy, at PEGI-00000893-94.

149. Riverstone's recalcitrance in finalizing those post-Merger transition-related contractual arrangements was never discussed in the Proxy, which instead simply reported that on October 30, Brookfield "did not submit definitive documentation or terms relating to governance

of the combined company or detail any requested arrangements to be made with Pattern Development." Proxy at 52. This left shareholders with the misleading impression that the failures were Brookfield's rather than the result of Riverstone's insistence on using its consent to delay finalizing the Brookfield bid. This misimpression was exacerbated when the Board caved to the pressure from Riverstone giving Brookfield just one day to finalize agreements it had advised the Board would take a month to do.

150. While the Proxy described the deadline, it failed to provide any of the context either of Brookfield's agreement to Riverstone's terms or Riverstone's refusal to finalize agreements memorializing those terms. This again created the misleading impression that Brookfield simply chose not to meet the Board's requirements to submit a final bid. It further perpetuated the misimpression that Riverstone was not using the threat of the Consent Right and related litigation as a weapon to delay, disrupt and ultimately block the Brookfield bid. The simple truth known to the Defendants but not to shareholders was that Brookfield had confirmed its final bid as late as November 1, 2019. But the Defendants' insistence on finalizing unnecessary, definitive post-Merger transition agreements with a recalcitrant Riverstone by the following day made it impossible for Brookfield to meet the Board's demands and rendered the statements at pages 51-52 of the Proxy's statements about the final bidding by CPPIB and Brookfield between October 30 and November 2, 2019 misleading at best. *See* Proxy at 52.

151. The February 26 Form 8-K likewise misleadingly asserted that "Pattern Development did not block any bids for Pattern Energy pursuant to any consent right" and "a transaction involving Pattern Development was not a condition to a transaction with Pattern Energy, including the [CPPIB Merger] or a potential transaction with Company A." *See* February 26 Form 8-K, Ex. 99.1, at 4. These statements were likewise materially misleading because they

wholly omitted that Riverstone and the Officer Defendants were in fact using the Consent Right as a *de facto* "poison pill" to block Brookfield's superior stand-alone bid.

152. For example, we now know that Brookfield's August 26, 2019 offer letter confirmed that Evercore and Goldman Sachs had informed Brookfield that "Riverstone has a consent right with respect to a merger of PEGI, and Riverstone will not provide such consent to a transaction in which [TerraForm] becomes the parent company of PEGI." *See* August 26, 2019 Brookfield Offer Letter, at PEGI-00000872. Brookfield's August 30, 2019 letter to Pattern Energy's Board, again confirmed that the Special Committee's advisors reported that Riverstone would not provide consent to a transaction in which TerraForm becomes the parent of Pattern Energy. *See* August 30, 2019 letter from S. Shah to A. Batkin, at PEGI-00000982. These acknowledgments by the Board Defendants and their advisors that Riverstone refused to consent to the transaction and that it was otherwise using its Consent Right to delay, disrupt and ultimately block the Brookfield bid stand in stark contrast to the statements in the February 26 Form 8-K that Riverstone (and Pattern Development which Riverstone controlled) did not use the Consent Rights to block the Brookfield bid.

153. Additionally, as noted above, at a meeting on September 4, 2019, Riverstone took the very aggressive position that Brookfield needed to obtain Riverstone's consent before any potential merger with Pattern Energy could proceed. Later that same day, Brookfield's Managing Partner, Sachin Shah emailed Defendant Batkin regarding the meeting and indicated that the ball was in Riverstone's court. *See* September 4, 2019 email from S. Shah to A. Batkin, at PEGI-00000980. Specifically, Mr. Shah stated that "[a]t this stage [Riverstone] need[s] to think a few things through that could potentially have a direct impact on [Riverstone] and its arrangements with [Pattern Energy] so it's not really for us to move forward." *Id*. Brookfield was willing to

accommodate all of Riverstone's "expansive" demands that were eventually provided. *See* September 29, 2019 Special Committee Meeting Minutes, at PEGI-00001289-90; October 28, 2019 Letter from Brookfield to Pattern Energy, at PEGI-00000893-94. Yet, Riverstone still refused to finalize the terms of these agreements.

154. As revealed in the September 10, 2019 letter from Brookfield to the Pattern Energy Board, Riverstone also threatened meritless litigation if a Brookfield deal commenced without Riverstone's consent. *See* September 10, 2019 letter from S. Shah to A. Batkin, at PEGI-00000881. This undisclosed litigation threat from Riverstone led the Pattern Energy Board to require an indemnification agreement to protect it from Pattern Development or Riverstone liability if Brookfield's stand-alone acquisition of Pattern Energy proceeded. The omission of these facts rendered the Proxy and incorporated 8-K's materially misleading. In fact, contrary to the assertions in the February 26 Form 8-K, Riverstone blocked Brookfield's bid through its threatened use of the Consent Right.

VII. THE PROXY CONTAINED STATEMENTS RENDERED FALSE AND MISLEADING THROUGH THE OMISSION OF GOLDMAN SACHS AND EVERCORE'S CONFLICTS OF INTEREST

155. While the Proxy disclosed the fees paid to Evercore in connection with the Merger and its recent work for CPPIB and Pattern Energy, it wholly omitted the substantial sums ***Riverstone*** paid Evercore. *See* Proxy at 67 (stating Evercore received approximately $1.5 million in fees from Pattern Energy and approximately $3.1 million in fees from CPPIB affiliates since 2017). The Proxy therefore gave the misleading impression that Evercore had no conflicts of interest with Riverstone or any other party to the merger negotiations.

156. In fact, in the two years preceding Evercore's retention by the Special Committee (*i.e.*, July 1, 2016 – July 4, 2018), Evercore was retained on multiple engagements for Riverstone-affiliated transactions, earning Evercore approximately $47 million in fees from Riverstone and/or

its affiliates. *See* July 6, 2018 Disclosure of Relationships report from Evercore to the Special Committee, at PEGI-00001018. This constituted 1.15% of Evercore's aggregate investment banking revenues for the two-year period ending March 31, 2018.

157. The Special Committee also knew, but failed to disclose, that Evercore was currently advising Riverstone in connection with the $554 million sale of its Gulf of Mexico portfolio to Talos Energy, Inc. and on the bankruptcy restructuring of New Mach Gen LLC, an entity that was controlled by Riverstone.

158. None of this information about Evercore's conflicts arising from its extensive prior and current business dealings with Riverstone was disclosed in the Proxy. The Proxy's reference to the fees Evercore had received from Pattern Energy and CPPIB was therefore incomplete and materially misleading. While the Proxy purported to inform Pattern Energy shareholders of all potential Evercore conflicts in connection with the Merger, it completely omitted the material fact that Evercore had lucrative past and current engagements with a direct counterparty to the Pattern Development Transaction. As such, both Evercore and Riverstone had a direct financial incentive to ensure that the Merger and Pattern Development Transaction were approved by shareholders. These omissions rendered the Proxy's representation about Evercore's conflicts of interests materially misleading.

159. The Proxy also made no similar conflict disclosures about the Special Committee's second financial advisor on the Merger, Goldman Sachs, leaving shareholders to believe that only Evercore had potential conflicts of interest. This false impression was further perpetuated by the Proxy's disclosure that Goldman Sachs was retained to be a second financial advisor to Pattern Energy in order to "evaluate[] proposals with respect to a potential transaction." *See* Proxy at 40. Indeed, the Proxy only gave shareholders the understanding that the Special Committee hired a

second financial advisor with significant industry clout and experience, which gave its supporting stamp of approval on the sales process and ultimate Transaction.

160. In reality, Goldman Sachs had a significant financial interest in ensuring that Riverstone had an advantage throughout the merger negotiations. Since May 2017, Goldman Sachs has been one of Riverstone's largest investors. The Proxy failed to disclose that a Goldman Sachs fund, a Petershill Private Equity fund, has roughly a 12% equity stake in Defendant Riverstone. Goldman Sachs agreed to pay up to $500 million for this stake, which valued Riverstone at more than $4 billion. This investment deal also gave the Goldman Sachs fund a proportional share of Riverstone's management fees and profits—a clear incentive for Goldman Sachs to favor Riverstone's preferred bidder, CPPIB. Goldman Sachs also had substantial ties to Riverstone through their joint acquisition of Lucid Energy Group II. In January 2018, Goldman Sachs and Riverstone jointly agreed to buy Lucid from Encap Flatrock Midstream for approximately $1.6 billion.

161. The Proxy further failed to disclose that Goldman advised Riverstone on a potential "take-private" transaction of Pattern Energy in 2018, that Brian Bolster served on Goldman Sachs' Investment Banking Division team for Riverstone while at the same time working as the lead Goldman Sachs banker advising Pattern Energy on the Merger, and that the Goldman team "has an active coverage dialogue with Riverstone." *See* July 2, 2018 Letter from Goldman Sachs to Batkin, at PEGI-00001233.[17]

[17] Goldman Sachs also had significant financial incentives to favor the Merger between CPPIB and Pattern Energy that were not disclosed in the Proxy. Under its engagement letter with Pattern Energy, Goldman Sachs was entitled to receive $2 million upon announcement of the Merger, an additional $4 million when the Merger closed and a discretionary fee of up to $3 million upon Merger closing or promptly thereafter. *See* Goldman Sachs Engagement Letter with Pattern Energy.

162. The Proxy also omitted any detail on the enormous fees Goldman Sachs received from Riverstone and other interested parties in the Merger in the two years just prior to the transaction. Subsequent discovery has revealed that in a July 2, 2018 letter to Defendant Batkin, Goldman Sachs informed the Special Committee that since July 2016, it received:

- Approximately $44 million in fees from Riverstone and its affiliates in connection with four engagements where Goldman Sachs provided Riverstone financial advisory services, and nine engagements where Goldman Sachs provided underwriting services to Riverstone (*see* July 2, 2018 Letter from Goldman Sachs to A. Batkin, at PEGI-00001229-31); and

- Approximately $35 million in fees from the Public Sector Pension Investment Board ("PSP") and its affiliates in connection with one financial advisory engagement and seven underwriting engagements for PSP (Id. at PEGI-00001231-33). PSP was Pattern Energy's largest shareholder at the time of the Merger and held an undisclosed 22% interest in Pattern Development.

Goldman Sachs also received approximately $100 million in fees from CPPIB and its affiliates in connection with recent prior engagements.

163. Moreover, the Proxy fails to disclose that Goldman Sachs was hired at the urging of the conflicted Officer Defendants. At the Special Committee's July 13, 2018 meeting, Defendants Batkin and Hall "informed the Committee that it was their impression that Mr. Garland and Mr. Lyon [*i.e.,* the Company's CEO and President, respectively] favored retaining Goldman Sachs for the purposes of executing a transaction." *See* July 13, 2018 Special Committee Meeting Minutes, at PEGI-00000491. While the Special Committee decided to retain Evercore at that time, they ultimately decided to retain Goldman Sachs in early April 2019.

164. The only discernable reason for Goldman Sachs' retention was to serve the interests of the Officer Defendants and Riverstone and mislead shareholders that the transaction was being objectively examined by two financial advisors, when, in fact, both were deeply conflicted. With

the facts of the extensive conflicts obscured, shareholders necessarily took the financial and fairness analysis at face value.

VIII. THE BOARD AND OFFICER DEFENDANTS BREACHED THEIR FIDUCIARY DUTIES

165. The Board and Officer Defendants breached their fiduciary duty of disclosure to Lead Plaintiffs and the Class by drafting and issuing the Proxy containing the material misstatements and omissions detailed above. *See supra* Sections IV-VII. Their disclosure failures deprived Pattern Energy shareholders of the material information necessary to cast a fully informed vote on the Merger. Additionally, the Merger was not approved by a majority of Pattern Energy's disinterested and independent shareholders.

166. The Board and Officer Defendants also breached their fiduciary duties of loyalty and care to Lead Plaintiff and the Class. They did so by, among other things:

- Failing to maximize value for Pattern Energy shareholders by blocking the superior Brookfield bid in favor of CPPIB's lower Merger Consideration and by not using Pattern Energy's right of first refusal to leverage fair value for pattern Energy shareholder's stake in Pattern Development;
- Allowing the conflicted Officer Defendants to lead merger negotiations, control the Proxy disclosures and to advance their economic self-interest at the expense of and in direct competition with Pattern Energy shareholders;
- Permitting Riverstone to manipulate the Pattern Energy sales process through its use of the Consent Right to foreclose Brookfield's superior bid for the Company;
- Retaining Evercore and Goldman Sachs as financial advisors on the Merger, despite their substantial conflicts of interest; and
- Failing to ensure the Merger vote was fair and properly excluded all interested parties including by agreeing to an unnecessary preferred stock issuance to CBRE only one month before the Merger Agreement was executed and allowing both CBRE and PSP to participate in the Delaware vote.

Through these fiduciary breaches, the Board and Officer Defendants benefitted themselves and failed to ensure that Pattern Energy shareholders received the highest merger consideration for their shares.

A. The Board and Officer Defendants Breached Their Fiduciary Duty of Disclosure

1. The Materially False and Misleading Proxy

167. As detailed in Sections IV-VII, *supra*, the Board and Officer Defendants breached their fiduciary duty of disclosure by disseminating a false and misleading Proxy in connection with the Transaction. The Proxy expressly stated that it was issued "[b]y Order of the Board of Directors" and "on behalf of [Pattern Energy's] Board." It was also signed by Defendant Garland as CEO of Pattern Energy.

168. The Board Defendants delegated their responsibility over the Proxy disclosures to the conflicted Officer Defendants. Specifically, on November 3, 2019, the Board Defendants approved a resolution authorizing the conflicted Officer Defendants to draft the Proxy and include or exclude material information at their discretion. *See* Pattern Energy Board Resolution, dated November 3, 2019. In doing so, the Board Defendants knowingly abdicated their fiduciary duty to provide Pattern Energy shareholders all material information on the Transaction.

169. The Proxy was in turn false and misleading because it failed to disclose a host of material information concerning the sales process and critical terms of the Transaction itself. *See supra* Sections IV-VII. These disclosure failures by the Board and Officer Defendants deprived Pattern Energy shareholders of all material information necessary to cast a fully informed shareholder vote on the Merger and rendered the related statements in the Proxy false and misleading.

2. The Tainted Vote

170. Additionally, the vote on the merger failed to receive approval from a majority of Pattern Energy's disinterested shares of common stock. Pattern Energy had a total of 108,618,625 shares of common and preferred stock outstanding as of the January 31, 2020 Record Date for the Merger. On the March 10, 2020 shareholder vote date, 56,856,064 shares voted in favor of the Merger. However, a total of 20,951,074 shares of Pattern Energy preferred and common stock were cast in favor of the Merger by the interested and non-independent shareholders CBRE, PSP, and senior officers of the Company, including the Officer Defendants.[18]

171. Properly removing these interested shares from the total entitled to vote on the Record Date results in only 87,667,551 disinterested shares of Pattern Energy stock. The exclusion of the interested shares held by CBRE, PSP, and the Company's senior officers (including the Officer Defendants) results in only 35,904,990 Pattern Energy shares that were voted in favor of the Merger—meaning only ***41%*** of the disinterested Pattern Energy shares voted for the deal. Accordingly, the Merger Agreement was not approved by a majority of disinterested Pattern Energy shareholders as required under the Delaware General Corporations Law.

[18] CBRE was contractually required to cast all 10.4 million of its preferred shares of Pattern Energy stock in favor of the Merger pursuant to a Securities Purchase and Rights Agreement. Unlike other Pattern Energy shareholders, CBRE was also entitled to an increased dividend rate on its preferred shares post-Merger. If these preferred shares that were contractually obligated to vote in favor of the Merger were eliminated from the vote, only 47.3% of Pattern Energy's shares of common stock outstanding as of the Merger Record Date voted in favor of the Merger. PSP, which held 9,341,025 shares of common stock, was also an interested party as it held an undisclosed 22% interest in Pattern Development, had significant co-investments with Pattern Energy on energy projects, participated in Board and Special Committee meetings addressing potential merger transactions for the Pattern Energy, including the CPPIB bid (*see* June 5, 2018, Special Committee Minutes, at PEGI-00000469), and was acknowledged to have "significant influence" over Pattern Energy's corporate matters in the Company's 2018 Form 10-K. Thus, PSP was an indirect party to the Pattern Development Transaction as well as the Merger. Insider members of Pattern Energy management (including the Officer Defendants), who held 1,210,049 shares of common stock, were also self-interested in the Merger because they received lucrative equity awards and senior executive positions in NewCo post-closing. *See supra* Section III.C.

172. The shareholder vote on the Merger is thus not entitled to any deference because (i) the Board and Officer Defendants breached their fiduciary duty of disclosure by permitting the issuance of a materially false and misleading Proxy, and (ii) a majority of Pattern Energy's disinterested and independent shares did not vote in favor of the Merger.

B. The Officer Defendants Breached Their Fiduciary Duties by Engaging in a Conflicted Merger Process that Promoted their Self-Interest and Failed to Maximize Shareholder Value

173. The Officer Defendants breached their fiduciary duties of loyalty and care to Pattern Energy shareholders by failing to maximize shareholder value in connection with Pattern Energy's sale and working to benefit themselves at the expense of Pattern Energy shareholders.

174. The Officer Defendants were deeply conflicted throughout the Merger negotiations given their overlapping management roles in Pattern Development and their direct equity stakes in both Pattern Energy and Pattern Development. These ownership stakes in both companies meant the Officer Defendants stood to profit handsomely from a merger that provided for a joint acquisition of both Pattern Energy and Pattern Development. *See supra* Section III.C.

175. Moreover, by leading the negotiations with CPPIB, the Officer Defendants ensured they would receive lucrative post-Transaction compensation and employment positions. These discussions were conducted outside the presence of the Special Committee and resulted in the lucrative opportunity for Defendants Garland, Lyon, Armistead, Pederson, Elkort, and Shugart to roll over their vested and unvested interests in Pattern Development and performance shares and restricted stock units in Pattern Energy into NewCo. *See* Proxy at 74-77. As noted above, the Officer Defendants were also eligible to earn up to $51 million in earnout payments on their Pattern Development Profits Interest Units and Capital Units and they entered into amended employment agreements on November 3, 2019 that gave them senior positions at NewCo. *See* Pattern Energy

Form 8-K, dated November 3, 2019. *See supra* Section III.C. These earnout payments would be received on a future sale of Riverstone's equity interests in NewCo. *See* Proxy at 75.

176. Despite their self-interest in capitalizing on a joint Pattern Energy-Pattern Development acquisition, the Officer Defendants led the sales process and conducted merger negotiations with potential bidders, including the primary bidders CPPIB and Brookfield. As a result, they steered the transaction to CPPIB to advance their economic interests to the detriment of Pattern Energy shareholders.

177. Specifically, Defendant Garland was the main contact person for initial and ongoing merger negotiations with CPPIB and Brookfield. He had repeated meetings with these and other potential bidders throughout the process while no members of the Special Committee were even present. On April 15, 2019, Defendant Garland met with Riverstone and CPPIB representatives in violation of the Special Committee guidelines prohibiting unauthorized merger discussions between the conflicted Officer Defendants and potential bidders. *See* Proxy at 40. Garland's meeting came just after the Special Committee, Evercore and Paul Weiss sent Brookfield the Revised Term Sheet on March 11, 2019 proposing a deal structure that did not require Riverstone's consent. *See supra* Section VI.

178. Defendant Garland did not inform the Special Committee of his unauthorized merger discussions with CPPIB at the Committee's next meeting on May 2, 2019. *See* May 2, 2019 Special Committee Minutes, at PEGI-00000405-410. In fact, the Special Committee did not learn of Defendant Garland's unauthorized meeting with CPPIB until May 15, 2019, when Defendant Batkin sent a "Transaction Update" memo to the Special Committee merely informing them that Garland "spoke" to a CPPIB representative. The memo gave no detail on the substance of these discussions and simply stated that CPPIB had approached Riverstone about its interest in

a "potential transaction involving [Pattern Energy] and [Pattern Development]." *See* May 15, 2019 Memorandum from A. Batkin to the Special Committee, at PEGI-00000507.

179. Defendants Garland and Elkort also discouraged the Special Committee's consideration of Brookfield's superior bid to acquire Pattern Energy by warning that Riverstone's Consent Right served to undermine Brookfield's bid. *See supra* Section VI.A (citing March 9, 2019 Special Committee Minutes, at PEGl-00000485-86). They also indicated that the Special Committee needed to focus on the economic return Riverstone would demand for its stake in Pattern Development given the Consent Right. *Id*.

180. Additionally, the Officer Defendants breached their fiduciary duties of loyalty and care by allowing Riverstone to block Brookfield's superior bid for Pattern Energy. They were aware that Brookfield indisputably offered the greatest per share acquisition proposal, valued at up to $34.00 per share of Pattern Energy common stock. Rather than maximizing shareholder value under Brookfield's bid, the Board Defendants allowed Riverstone to leverage its control over Pattern Development and unreasonably withhold its consent to the amendments required for Brookfield to finalize its bid. *See supra* Section VI; *see also* September 29, 2019 Special Committee Meeting Minutes, at PEGI-00001289.

181. The Officer Defendants also breached their fiduciary duty of loyalty by causing Pattern Energy to issue the materially false and misleading Proxy to shareholders. The Officer Defendants were indisputably responsible for the contents of the Proxy (*see supra* ¶ 168 (citing Pattern Energy Board Resolution, dated November 3, 2019)) and had knowledge of the information that was misstated and/or not disclosed therein.

C. The Board Defendants Breached Their Fiduciary Duties By Failing to Maximize Shareholder Value

182. Despite the Special Committee's acknowledged "***duty*** . . . ***to maximize value for shareholders***" (*see* September 29, 2019 Special Committee Minutes, at PEGI-00001291), the Board Defendants wholly failed to do so and thereby breached their fiduciary duties of loyalty and care. As noted above, the Board Defendants knowingly abdicated the task of negotiating the Transaction to Defendant Garland and the other conflicted Officer Defendants. The Board and Special Committee knew the Officer Defendants were conflicted, yet never operated as independent bodies to oversee the merger negotiations. Instead, the Special Committee was *de facto* led by Defendant Garland, who completely dominated the negotiations and suffered from disabling conflicts.

183. The Special Committee was also notably absent from meetings where it should have been present. This included the August 21, 2019 meeting with CPPIB where the Officer Defendants discussed their arrangements concerning compensation and post-Transaction roles. Glass Lewis recognized that this decision was "inappropriate" and ran contrary to Pattern Energy's statement in the February 26 From 8-K that "the special committee prohibited management discussions with CPP[IB] and Riverstone about post-closing compensation until after terms of the merger agreement had been agreed upon." Had they acted in good faith, the Board Defendants would not have allowed the deeply conflicted Officer Defendants to lead merger negotiations outside of the Special Committee's presence. Additionally, the Board Defendants permitted former Riverstone partner Defendant Edmund Browne and other Riverstone representatives to participate in Special Committee meetings despite Riverstone's self-interest in a transaction that included Pattern Development.

184. The Board Defendants also permitted Riverstone to run roughshod over the sales process and unreasonably withhold consent to Brookfield's superior bid. The Board Defendants did so despite being expressly advised by Evercore that Brookfield's "***proposal is superior from a value perspective***" than the competing bids received from CPPIB and all other bidders. *See* October 28, 2019 letter from S. Shah to A. Batkin, at PEGI-0000893. They also knew that Brookfield had agreed to structure its acquisition of Pattern Energy such that no Riverstone consent was required, and also agreed to all of Riverstone's modified governance terms to separate Pattern Energy and Pattern Development. *See supra* Section VI.A & B.

185. The Board Defendants nonetheless chose to advance the interests of CPPIB and Riverstone in bad faith and to the detriment of Pattern Energy shareholders—including failing to direct the Officer Defendants to proceed apace to finalize all necessary agreements with Brookfield. In the end, the Special Committee and other Board Defendants allowed Riverstone and the Officer Defendants to effectively block Brookfield's bid by arbitrarily requiring Brookfield to finalize these new governance terms with Riverstone within 24 hours. They did so despite knowing that Riverstone and the Officer Defendants had delayed the process for more than a month after Brookfield agreed to Riverstone's terms, and despite having been told by Brookfield that it would take 30 days to finalize the agreements. *See supra* Section VI.B.

186. To further exacerbate their fiduciary breaches, the Board Defendants imposed the last minute—and undisclosed—condition on Brookfield that it had to enter into an indemnification agreement shielding Pattern Energy and the Board from liability to Pattern Development and Riverstone in connection with a Brookfield's stand-alone deal. *See supra* Section VI.B. This eleventh-hour demand was imposed despite knowing Brookfield had agreed to a transaction

structure that did not even require Riverstone's consent. Tellingly, the Board Defendants did not impose an indemnification requirement on any other bidder, including CPPIB.

187. The Board Defendants also breached their fiduciary duties by engaging Evercore and Goldman Sachs as financial advisors to the Special Committee despite having been advised of their deep conflicts of interest. *See supra* Section VII. Despite their known conflicts, the Board Defendants willfully allowed Goldman Sachs to participate in merger discussions with the Board and Special Committee.

188. In addition, the Board Defendants breached their fiduciary duties by failing to assure that the shareholder vote on the Merger was fair, and that it properly excluded all interested and/or related parties, including PSP and CBRE. In response to Defendant Garland's urging (*see* September 29, 2019 Special Committee Meeting Minutes, at PEGI-00001291), the Board Defendants approved the unnecessary issuance of 10.4 million in preferred shares to CBRE just several weeks before the CPPIB Merger Agreement was announced and executed. There was no financial need for Pattern Energy to issue these preferred shares as it had sufficient liquidity and debt financing at the time. As noted above, CBRE was neither a disinterested nor independent shareholder given its contractual obligation to vote in favor of the Merger and its entitlement to an increased dividend rate on its preferred shares post-Merger.

IX. RIVERSTONE AIDED AND ABETTED THE BREACH OF FIDUCIARY DUTIES

189. Riverstone knowingly aided and abetted the Board and Officer Defendants' breach of fiduciary duties by using the Consent Right to steer the Merger process toward CPPIB's concurrent acquisition of Pattern Energy and Pattern Development.

190. Affiliates of Riverstone injected themselves into the merger negotiations from the outset. As early as June 2018, Riverstone representative Christopher Hunt participated in a Pattern Energy Board meeting to offer his views on strategic alternatives for Pattern Energy, including

Riverstone's potential involvement in a Pattern Energy transaction. *See* June 5, 2018, Special Committee Minutes, at PEGI-00000469. During the sales process, Defendant Browne also participated in the majority of Special Committee Meetings and Board Executive Sessions, despite the fact that he was disqualified from sitting on the Special Committee given his Riverstone affiliation.

191. Riverstone and its affiliates were therefore allowed to participate in the private meetings of the Special Committee due to the Board and Officer Defendants' conflicts of interest. Riverstone was able to exploit that access to actively advance CPPIB's proposal with the Board and Special Committee while simultaneously foreclosing Brookfield's superior bid for Pattern Energy. It did so by leveraging the Consent Right and its influence over the conflicted Board and Officer Defendants to impose significant obstacles to Brookfield's bid.

192. For example, the same day that Brookfield made its first proposal to purchase Pattern Energy alone, Defendant Garland began highlighting Riverstone's Consent Right. *See* February 21, 2019 Special Committee Minutes, at PEGl-00000481. At the next Special Committee meeting on March 9, 2019, Defendants Garland and Elkort (whose legal analysis carried weight as the General Counsel of Pattern Energy) emphasized to the Special Committee that the Consent Right was resolute, and that Riverstone's financial interests had to be considered in connection with Brookfield's stand-alone acquisition of Pattern Energy. *See* March 9, 2019 Special Committee Minutes, at PEGl-00000486. Brookfield was ultimately forced to restructure its bid to avoid the Consent Right.

193. At the same time, Riverstone worked to advance CPPIB's bid. On April 15, 2019, Riverstone representatives had a meeting with CPPIB and Defendant Garland where CPPIB expressed an interest in acquiring Pattern Energy. As noted above, this meeting occurred before

CPPIB contacted the Special Committee about a potential merger. Riverstone and CPPIB also entered into a non-disclosure agreement concerning a potential acquisition of Pattern Energy (Pattern Energy was not a party to the agreement). *See* May 15, 2019 Memorandum from A. Batkin to the Special Committee, at PEGI-00000507. In addition, Riverstone was permitted by the conflicted Board and Officer Defendants to attend Defendant Garland's May 29, 2019 meeting with Brookfield despite the fact that Riverstone was already negotiating with CPPIB.

194. Even after Brookfield had circumvented the Consent Right, Riverstone leveraged its position to require "expansive" new governance terms for a separation of Pattern Energy and Pattern Development. *See* September 29, 2019 Special Committee Meeting Minutes, at PEGI-00001288. Despite the fact that Brookfield stated its willingness to agree to Riverstone's new deal terms "as-is," Riverstone still refused its consent. Riverstone also threatened Brookfield with meritless litigation if Brookfield attempted to proceed with a stand-alone acquisition of Pattern Energy without Riverstone's consent. *See* September 10, 2019 letter from S. Shah to A. Batkin, at PEGI-00000881.

195. These tactics were successful as the Board and Officer Defendants refused to negotiate directly with Riverstone to broker a deal with Brookfield. In fact, Riverstone conspired with the Board and Officer Defendants such that they refused Brookfield exclusivity, imposed impossible deadlines upon Brookfield for the finalization of the post-Merger transition agreements that Riverstone was unreasonably delaying, and imposed an eleventh-hour indemnification requirement on Brookfield to protect the Board Defendants against claims by Riverstone. All of Riverstone's actions in this regard were in furtherance of its financial self-interest given Riverstone's 70% ownership stake in Pattern Development and its desire to capitalize on a concurrent acquisition of Pattern Energy and Pattern Development. Thus, Riverstone knowingly

aided and abetted the breaches of fiduciary duty by the Board and Officer Defendants to advance its financial self-interest.

X. LOSS CAUSATION

196. As described herein, Pattern Energy, the Board Defendants, and the Officer Defendants made materially false and misleading statements and omissions of material fact in the Proxy. Their materially false and misleading statements as set forth above caused Lead Plaintiffs and members of the Class to accept Merger Consideration that failed to adequately value Pattern Energy's common stock. As a result of the misstatements and omissions, Lead Plaintiffs and other shareholders who voted against the merger became forced sellers because other shareholders who voted in favor of the merger were misled. As a result of their ownership of Pattern Energy common stock, Lead Plaintiffs and Class members suffered harm.

XI. INAPPLICABILITY OF STATUTORY SAFE HARBOR

197. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the false statements alleged in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward-looking, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Further, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements were made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of the Company who knew that the statement was false when made.

XII. CLASS ACTION ALLEGATIONS

198. This class action is brought on behalf of all public shareholders of Pattern Energy who were harmed by Defendants' actions described herein. Excluded from the Class are Defendants and their affiliates.

199. The Class is so numerous that joinder of all members is impracticable. As of the close of business on the Record Date, Pattern Energy represented that approximately 98,218,625 shares of Pattern Energy common stock were outstanding and entitled to vote on the Merger. Those shares were held or beneficially owned by hundreds, if not thousands, of individuals and entities located throughout the country.

200. Questions of law and fact are common to the Class, including, among others: (i) whether Pattern Energy, the Board Defendants and the Officer Defendants violated Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder; (ii) whether the Board and Officer Defendants violated Section 20(a) of the Exchange Act; (iii) whether the Board and Officer Defendants breached the fiduciary duties they owed to Lead Plaintiffs and the Class; (iv) whether Riverstone aided and abetted the Board and Officer Defendants' breaches of fiduciary duties; and (v) whether Lead Plaintiffs and the other members of the Class have been damaged by Defendants' wrongful conduct in connection with the Merger.

201. Lead Plaintiffs' claims are typical of those of the Class because Lead Plaintiffs and the Class have been damaged by Defendants' wrongful conduct.

202. Lead Plaintiffs will adequately protect the interests of the Class and have retained counsel experienced in class action securities litigation. Lead Plaintiffs have no interests that conflict with those of the Class.

203. The prosecution of separate actions by individual members of the Class would create the risk of inconsistent or varying adjudications for individual members of the Class and of

establishing incompatible standards of conduct for the parties opposing the Class. Conflicting adjudications for individual members of the Class might be dispositive of the interests of the other members not parties to the adjudications, or substantially impair or impede their ability to protect their interests. Therefore, a class action is superior to other available methods for the fair and efficient adjudication of this controversy.

COUNT I

Against Pattern Energy, the Board Defendants and Officer Defendants for Violations of Section 14(a) of the Exchange Act and Rule 14a-9 Promulgated Thereunder

204. Lead Plaintiffs incorporate each and every allegation set forth above as if fully set forth herein.

205. Pattern Energy, the Board Defendants, and the Officer Defendants disseminated a false and misleading Proxy containing statements that, in violation of Section 14(a) of the Exchange Act and Rule 14a-9, and in light of the circumstances under which they were made, misrepresented or omitted material facts necessary to make the statements therein not materially false or misleading.

206. Pattern Energy, the Board Defendants, and the Officer Defendants were at least negligent in issuing a false and misleading Proxy. Lead Plaintiffs, while reserving all rights, expressly disclaim and disavow at this time any allegation in this Complaint that could be construed as alleging fraud against Pattern Energy, the Board Defendants and the Officer Defendants in connection with this Count. This claim is not based on any knowing or reckless misconduct on the part of Pattern Energy, the Board Defendants, or the Officer Defendants, *i.e.*, it does not allege, and does not sound in fraud. This claim sounds in negligence based on the failure of these Defendants to exercise reasonable care to ensure the Proxy did not contain the material misstatements and omissions alleged herein.

207. The Proxy was prepared, reviewed, and/or disseminated by Pattern Energy, the Board Defendants, and the Officer Defendants. By virtue of their positions within Pattern Energy, these Defendants were aware of this information and their duty to disclose this information in the Proxy.

208. The omissions and false and misleading statements in the Proxy are material in that a reasonable shareholder would have considered them important in deciding how to vote on the Merger. In addition, a reasonable investor would view a full and accurate disclosure as significantly altering the total mix of information made available in the Proxy and in other information reasonably available to Pattern Energy shareholders.

209. As a result of the material misstatements and omissions, Lead Plaintiffs and other shareholders who voted against the Merger became forced sellers because other shareholders who voted in favor of the Merger were misled.

210. The Proxy was an essential link in causing Pattern Energy shareholders to approve the Merger.

211. By reason of the foregoing, Pattern Energy, the Board Defendants, and the Officer Defendants violated Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder.

212. Because of the false and misleading statements in the Proxy, Lead Plaintiffs and the Class were harmed by an uninformed shareholder vote approving the Merger.

213. This claim is brought within the applicable statute of limitations.

COUNT II

Against the Board Defendants and Officer Defendants for Violations of Section 20(a) of the Exchange Act

214. Lead Plaintiffs incorporate each and every allegation set forth above as if fully set forth herein.

215. Pattern Energy, the Board Defendants, and the Officer Defendants disseminated a false and misleading Proxy in violation of Section 14(a) of the Exchange Act and Rule 14a-9, promulgated thereunder.

216. The Board Defendants acted as controlling persons of Pattern Energy and culpably participated in the Proxy violations within the meaning of Section 20(a) of the Exchange Act as alleged herein. In particular, each of the Board Defendants had direct and supervisory involvement in the day-to-day operations of Pattern Energy, and, therefore, had the power to control or influence the particular transactions giving rise to the Exchange Act violations alleged herein, and exercised the same. The Board Defendants were involved in negotiating, reviewing, and approving the Merger Agreement. The Proxy purports to describe the various issues and information that the Board Defendants reviewed and considered before recommending the Merger to the Class.

217. Board Defendants Batkin, Hall, Goodman, Newson, and Sutphen served on the Special Committee of the Board, along with Patricia S. Bellinger (until her resignation from the Board on December 28, 2018) and had the "authority to consider and negotiate the Merger Agreement and the transactions contemplated thereby." Proxy at 1, 4. Moreover, as stated in the Proxy, the Special Committee was formed to "engage in a review of Pattern [Energy's] strategic opportunities and alternatives with a view toward strengthening Pattern [Energy's] business and growth prospects and enhancing stockholder value." Proxy at 36-37. The members of the Special Committee regularly attended meetings at which they discussed potential transactions and bids.

218. Director Defendant Browne attended the majority of the Special Committee Meetings and Board Executive Sessions. In fact, Defendant Browne attended 12 of 22 Special Committee meetings during the sales process. This was permitted despite the fact that Browne had been disqualified from serving on the Special Committee because of his conflicts of interest

given his Riverstone affiliation. The Special Committee also allowed Browne to participate in executive sessions of the Board where Pattern Energy's management was specifically excluded because of their conflicts of interest.

219. The Proxy was disseminated by the Board Defendants. The Proxy expressly stated it was issued "By Order of the Board of Directors" (Proxy at 2) and "on behalf of [Pattern Energy's] Board" (Proxy at 29, 33). It was also signed by Defendant Garland in his position as CEO of Pattern Energy. *See* Proxy at 2. The Proxy also contains the recommendation of each of the Board Defendants to approve the Merger. *See* Proxy at 21, 24-25, 54, 116-18, A-1, A-12. The Board Defendants were, thus, directly involved in disseminating the Proxy.

220. Similarly, the Officer Defendants acted as controlling persons of Pattern Energy and culpably participated in the Proxy violations within the meaning of Section 20(a) of the Exchange Act as alleged herein. In particular, each of the Officer Defendants had direct and supervisory involvement in the day-to-day operations of Pattern Energy, and, therefore, had the power to control or influence the particular transactions giving rise to the Exchange Act violations alleged herein, and exercised the same. The Officer Defendants were involved in negotiating, reviewing, and approving the Merger Agreement.

221. There is no doubt that the Officer Defendants were also tasked with drafting the Proxy and did so. On November 3, 2019, the Board approved a resolution empowering the Officer Defendants to prepare and execute the Proxy "in such form ***and containing such information deemed necessary, appropriate or advisable by the officer preparing and executing the same***" and that such execution of the Proxy was "deemed conclusive evidence that the Board and Company have authorized such action[.]" *See* Pattern Energy Board Resolution dated November 3, 2019.

222. Officer and Director Defendant Garland served as CEO and a director of both Pattern Energy and Pattern Development at all relevant times. He was active in the sales process from the beginning. Defendant Garland attended and participated in the October 29, 2018 Special Committee meeting addressing potential strategic alternatives for Pattern Energy, including his initial merger discussions with Brookfield. *See* October 29, 2018 Special Committee Meeting Minutes, at PEGI-00000496. Defendant Garland continued to attend Special Committee meetings throughout the sales process. *See*, *e.g.*, February 21, 2019 Special Committee Meeting Minutes, at PEGI-00000480; March 9, 2019 Special Committee Meeting Minutes, at PEGI-00000485; May 2, 2019 Special Committee Meeting Minutes, at PEGI-00000405; June 12, 2019 Special Committee Meeting Minutes, at PEGI-00000415; August 19, 2019 Special Committee Meeting Minutes, at PEGI-00000434; October 31, 2019 Special Committee Meeting Minutes, at PEGI-00000457. Defendant Garland was an active participant in all of these meetings and frequently provided presentations to the Special Committee concerning merger bids for Pattern Energy. *See Id*. Additionally, as described above, Defendant Garland was the lead negotiator with the key bidders in the sales process, including CPPIB and Brookfield.

223. Officer Defendant Elkort was also active in the sales process from the beginning. He attended and participated in the October 29, 2018 Special Committee meeting, and continued to attend such meetings throughout the sales process. *See*, *e.g.*, October 29, 2018 Special Committee Meeting Minutes, at PEGI-00000496; March 9, 2019 Special Committee Meeting Minutes, at PEGI-00000485; May 2, 2019 Special Committee Meeting Minutes, at PEGI-00000405; June 12, 2019 Special Committee Meeting Minutes, at PEGI-00000415; August 19, 2019 Special Committee Meeting Minutes, at PEGI-00000434; October 31, 2019 Special Committee Meeting Minutes, at PEGI-00000457. Defendant Elkort was an active participant in

these meetings that addressed merger bids for Pattern Energy. For example, at the March 9, 2019 Special Committee meeting, Defendant Elkort discouraged Brookfield's bid for a stand-alone acquisition of Pattern Energy by emphasizing the purported breadth of Riverstone's Consent Right. *See* March 9, 2019 Special Committee Meeting Minutes, at PEGI-00000486.

224. Officer Defendant Lyon also attended and participated in the October 29, 2018 Special Committee meeting, and continued to attend such meetings throughout the sales process. *See*, *e.g.*, October 29, 2018 Special Committee Meeting Minutes, at PEGI-00000496; February 21, 2019 Special Committee Meeting Minutes, at PEGI-00000480; March 9, 2019 Special Committee Meeting Minutes, at PEGI-00000485; May 2, 2019 Special Committee Meeting Minutes, at PEGI-00000405; June 12, 2019 Special Committee Meeting Minutes, at PEGI-00000415; August 19, 2019 Special Committee Meeting Minutes, at PEGI-00000434. Defendant Lyon was an active participant in these meetings and made a presentation about a potential transaction with Brookfield at the May 2, 2019 meeting. He also provided a status update with respect to the Pattern Development valuation work at the June 12, 2019 Special Committee meeting. *See* June 12, 2019 Special Committee Meeting Minutes, at PEGI-00000416. Defendant Lyon further represented Pattern Energy at meetings with bidders, including Brookfield. *See* May 2, 2019 Special Committee Meeting Minutes, at PEGI-00000406.

225. Officer Defendant Pedersen also actively participated in the Pattern Energy sales process. He attended and participated in the October 29, 2018 Special Committee meeting, and continued to attend such meetings throughout the sale process. *See*, *e.g.*, October 29, 2018 Special Committee Meeting Minutes, at PEGI-00000496; February 21, 2019 Special Committee Meeting Minutes, at PEGI-00000480; March 9, 2019 Special Committee Meeting Minutes, at PEGI-00000485; May 2, 2019 Special Committee Meeting Minutes, at PEGI-00000405; June 12, 2019

Special Committee Meeting Minutes, at PEGI-00000415; August 19, 2019 Special Committee Meeting Minutes, at PEGI-00000434; October 31, 2019 Special Committee Meeting Minutes, at PEGI-00000457.

226. Officer Defendant Armistead also attended and participated in Special Committee minutes throughout the sales process. *See*, *e.g.*, February 21, 2019 Special Committee Meeting Minutes, at PEGI-00000480; June 12, 2019 Special Committee Meeting Minutes, at PEGI-00000415; October 31, 2019 Special Committee Meeting Minutes, at PEGI-00000457. Defendant Armistead was an active participant in these meetings and, at the February 21, 2019 meeting, he advised the Special Committee on a potential transaction with Brookfield. *See* February 21, 2019 Special Committee Meeting Minutes, at PEGI-00000482.

227. The Officer Defendants drafted, were provided with, and had unlimited access to copies of the Proxy and other statements alleged by Lead Plaintiffs to be false and misleading prior to and/or shortly after these statements were issued. They therefore had the ability to prevent the issuance of these statements or cause the statements to be corrected. Accordingly, there existed an imbalance and disparity of knowledge and economic power between the Officer Defendants and Pattern Energy shareholders.

228. By virtue of their positions and participation in and/or awareness of Pattern Energy's operations and/or intimate knowledge of the false and misleading statements contained in the Proxy filed with the SEC, the Board and Officer Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of Pattern Energy, including the content and dissemination of the various statements that Lead Plaintiffs contend are false and misleading.

229. By virtue of the foregoing, the Board Defendants and Officer Defendants have violated Section 20(a) of the Exchange Act. As set forth above, the Board Defendants and Officer Defendants had the ability to exercise control over and did control a person (*i.e.* Pattern Energy) who violated Section 14(a) of the Exchange Act and Rule 14a-9, by its acts and omissions as alleged herein. By virtue of their positions as controlling persons, the Board and Officer Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of the conduct of the Board and Officer Defendants, Lead Plaintiffs and the Class were harmed by an uninformed shareholder vote approving the Merger.

230. This claim is brought within the applicable statute of limitations.

COUNT III

Against the Board Defendants and Officer Defendants for Breach of Fiduciary Duty (In Their Capacities as Officers and Directors of the Company)

231. Lead Plaintiffs incorporate each and every allegation set forth above as if fully set forth herein.

232. Defendants Batkin, Browne, Goodman, Hall, Newson, Sutphen, and Garland as directors of Pattern Energy and Defendants Garland, Pedersen, Armistead, Lyon, Elkort, and Shugart as officers of Pattern Energy owe Lead Plaintiffs and the Class the fiduciary duties of loyalty, care, and disclosure. In connection with the sale of the Company, these individuals had an obligation to maximize shareholder value. They likewise were required to refrain from benefitting themselves at the expense of Pattern Energy stockholders.

233. The Board and Officer Defendants breached their fiduciary duty of disclosure to Pattern Energy shareholders. They did so by knowingly disseminating a false and misleading Proxy in connection with the Transaction. *See supra* Sections IV-VII. Their Proxy disclosure failures were not in good faith.

234. The Board Defendants also breached their fiduciary duties of loyalty and care by abdicating their responsibility to negotiate a sale of the Company to the conflicted Officer Defendants, which failed to maximize value for Pattern Energy shareholders. In addition, they knowingly allowed Riverstone and the Officer Defendants to use the Consent Right to impose onerous demands on Brookfield's superior bid, which ultimately foreclosed that proposal. The Board Defendants further insisted on an indemnification agreement from Brookfield to purportedly protect against Board liability to Riverstone in connection with Brookfield's more valuable stand-alone acquisition of Pattern Energy. This, despite the fact that they knew Brookfield's bid provided greater per share value to Pattern Energy shareholders and Brookfield agreed to a deal structure that did not require Riverstone's consent.

235. Additionally, in a breach of the duties they owed Pattern Energy shareholders the Officer Defendants acted for their own benefit to force the concurrent business combination of Pattern Energy and Pattern Development over Brookfield's stand-alone acquisition of Pattern Energy that would have resulted in far greater value for Pattern Energy shareholders. The Officer Defendants also engaged in discussions with CPPIB regarding post-transaction compensation and employment roles, despite their conflicts of interest in a combined Pattern Energy-Pattern Development acquisition. As a result, the Officer Defendants received extremely lucrative payments for vested and unvested equity, enormous potential earnout awards and golden parachute compensation, and senior executive positions at NewCo. The Officer Defendants therefore advanced their own self-interests and the interests of Riverstone at the expense of Pattern Energy shareholders.

236. The purported exculpation provision in Pattern Energy's Certificate of Incorporation is inapplicable to the Officer Defendants and does not shield the Board Defendants from liability for their bad faith breach of fiduciary duties.

237. As a direct and proximate result of the Board and Officer Defendants' breach of their fiduciary duties, Lead Plaintiffs and the Class have sustained damages. Lead Plaintiffs and the Class have no adequate remedy at law.

238. This claim is brought within the applicable statute of limitations.

COUNT IV

Against Riverstone for Aiding and Abetting Breaches of Fiduciary Duties

239. Lead Plaintiffs incorporate each and every allegation set forth above as if fully set forth herein.

240. As described above, the Board and Officer Defendants owed Lead Plaintiffs and the Class fiduciary duties of loyalty, care, and disclosure. The Officer Defendants breached these duties by, among other things, leading a sales process as conflicted parties and effectively blocking Brookfield who was willing to pay higher merger consideration in order to negotiate a more lucrative and desirable deal for themselves. The Board Defendants breached their duties to Pattern Energy shareholders by, among other things, abdicating their role to run a fair and disinterested sales process to conflicted Officer Defendants. Both the Board and Officer Defendants also breached their fiduciary duty of disclosure by knowingly issuing a materially false and misleading Proxy.

241. Riverstone knowingly participated in the Board and Officer Defendants' breaches of these fiduciary duties. Riverstone was a party to the Contribution Agreement and participated in the negotiations which resulted in the joint acquisition of Pattern Energy and Pattern Development by CPPIB. As a result of that transaction, Riverstone obtained an equity stake in the

newly formed entity that holds the assets of Pattern Energy and Pattern Development. Riverstone was aware of the Officer Defendants' conflicts of interest and their control over the merger negotiations, as well as the Board Defendants' abdication of their duty to run a fair and independent sales process, and the consequent breaches of their fiduciary duties. Riverstone knowingly assisted them in the conflicted negotiation process by using the Consent Right to foreclose Brookfield's superior bid and forcing CPPIB's joint acquisition of Pattern Energy and Pattern Development. Riverstone also aided and abetted the fiduciary breaches of the Board and Officer Defendants by threatening meritless litigation against Brookfield in order to block its bid that maximized value for Pattern Energy shareholders.

242. As a direct and proximate result of Riverstone aiding and abetting the fiduciary breaches described above, Lead Plaintiffs and the Class have suffered damages.

243. This claim is brought within the applicable statute of limitations.

XIII. PRAYER FOR RELIEF

WHEREFORE, Lead Plaintiffs pray for judgment and relief as follows:

A. Determining that this Action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;

B. Declaring that Pattern Energy, the Board Defendants and the Officer Defendants violated Sections 14(a) and 20(a) of the Exchange Act, as well as Rule 14a-9 promulgated thereunder;

C. Declaring that the Board Defendants and Officer Defendants breached their fiduciary duties, and that Riverstone aided and abetted their breaches of fiduciary duties;

D. Awarding damages in favor of Lead Plaintiffs and the Class against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including prejudgment interest thereon;

E. Awarding restitution and equitable relief to plaintiffs and the Class;

F. Directing Defendants to account to Lead Plaintiffs and the Class for all damages suffered as a result of their wrongdoing;

G. Awarding Lead Plaintiffs pre- and post-judgement interest and the costs of this Action, including reasonable allowance for Lead Plaintiffs' attorneys' and experts' fees; and

H. Granting such other and further relief as this Court may deem just and proper.

XIV. JURY DEMAND

Lead Plaintiffs respectfully request a trial by jury on all issues so triable.

Dated: March 29, 2021

Respectfully submitted,

FARNAN LLP

/s/ Sue L. Robinson

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APPENDIX A

GLOSSARY OF DEFINED TERMS

Defined Term	Description
Board or Board Defendants	Members of Pattern Energy's Board of Directors at the time of the Merger.
Brookfield	Brookfield Renewable Partners LP, a publicly traded limited partnership that owns and operates renewable power assets.
CBRE	CBRE Caledon Capital Management Inc. owned Pattern Energy preferred stock issued to it on October 10, 2019. CBRE owned 9.6% of the stock eligible to vote on the Merger, and agreed to vote all of its shares in favor of the Merger pursuant to its Securities Purchase and Rights Agreement with Pattern Energy.
Consent Right	The right under a set of unspecified contractual arrangements between Pattern Energy and Pattern Development that purportedly "limit[s] Pattern [Energy]'s ability to merge with, or to transfer its interest in Pattern Development to, any third party without Pattern Development's consent." *See* Proxy at 36.
Contribution Agreement	The agreement between (i) CPPIB, (ii) Riverstone, and (iii) the Officer Defendants that governed the concurrent acquisition of Pattern Development and its combination into the newly formed entity that held the assets of both Pattern Development and Pattern Energy after the Merger.
CPPIB	Canada Pension Plan Investment Board is a professional investment management organization that acquired Pattern Energy and Pattern Development under the Merger.

Defined Term	Description
Evercore	Evercore Group L.L.C. served as the Special Committee's financial advisor in connection with the Merger. Evercore issued the Fairness Opinion on the Merger.
Fairness Opinion	Evercore's November 3, 2019 opinion finding that the Merger was fair to Pattern Energy's shareholders. In finding such, Evercore relied upon (i) a Selected Public Company Trading Analysis, (ii) a Selected Transactions Analysis, and (iii) a Discounted Cash Flow ("DCF") Analysis, as well as other factors.
Glass Lewis	Glass, Lewis & Co., LLC is an independent proxy advisory service that issued a report on the Merger dated March 2, 2020, recommending that Pattern Energy shareholders vote against the Merger.
Goldman Sachs	Goldman Sachs & Co. LLC was retained as a financial advisor to the Special Committee in connection with the Merger. A Goldman Sachs fund, the Petershill Private Equity Fund, has approximately a 12% stake in Riverstone.
ISS	Institutional Shareholder Services is an independent proxy advisory service that issued a report on the Merger dated February 28, 2020, recommending that Pattern Energy shareholders vote against the Merger. ISS issued a supplemental report on the Merger on March 9, 2020 that reaffirmed its recommendation that Pattern Energy shareholders vote against the Merger.
Merger Agreement	The agreement under which CPPIB acquired all of Pattern Energy's common stock for $26.75 per share.
Merger Consideration	The $26.75 per share that CPPIB paid to Pattern Energy shareholders under the Merger Agreement.

Defined Term	Description
Officer Defendants	Pattern Energy executives who also had executive management positions at Pattern Development at the time of the Merger.
Pattern Development	Pattern Energy Group 2 LP is a U.S.-based renewable power company that develops renewable energy and transmission assets. At the time of the Merger, Pattern Development and Pattern Energy shared the majority of their senior executives. Pattern Development's equity interests were owned by Pattern Energy (29%), Riverstone (70%), and the Officer Defendants (1%) at the time of the Merger. The assets of Pattern Development and Pattern Energy were combined under the Merger.
Pattern Development Transaction	The transaction contemplated by the Contribution Agreement, whereby (i) CPPIB, (ii) Riverstone, and (iii) the Officer Defendants contributed the assets of Pattern Energy and Pattern Development into a newly formed entity under common ownership. The Pattern Development Transaction was the second step of the Merger transaction.
Pattern Energy or PEGI or the Company	Pattern Energy Group Inc. is a U.S.-based, renewable power company that operates utility scale wind and solar facilities throughout the U.S., Canada and Japan. Pattern Energy owned a 29% interest in Pattern Development at the time of the Merger, and was acquired by CPPIB under the Merger.
Pattern Energy Group LP or NewCo	Pattern Energy Group LP is the newly formed entity under the Merger and now owns the combined assets of Pattern Energy and Pattern Development. It shares the same name as the now dissolved entity that was the predecessor company to Pattern Energy and Pattern Development.
PEG LP	Pattern Energy Group LP was a Delaware limited partnership and the predecessor company to Pattern

Defined Term	Description
	Energy and Pattern Development. PEG LP was dissolved prior to the closing of the Merger.
PSP	The Public Sector Pension Investment Board is a direct co-investor with Pattern Energy on substantial renewable energy projects undertaken by Pattern Energy. PSP owned 9.5% of Pattern Energy's common stock at the time of the Merger, but was not excluded from the vote as a related or interested party.
Riverstone	Riverstone Holdings LLC is a private investment vehicle which held a controlling 70% equity interest in Pattern Development at the time of the Merger and appointed three of five directors to Pattern Development's board of directors. Riverstone also controlled the Consent Right given its controlling interest in Pattern Development at the time of the Merger.
Riverstone PE	Riverstone Pattern Energy II Holdings, L.P. is a Riverstone affiliate that held an equity stake in Pattern Development and was a party to the Contribution Agreement which governed the transfer of interests in Pattern Development under the Merger.
Securities Purchase and Rights Agreement	The October 10, 2019 agreement between Pattern Energy and CBRE, whereby CBRE purchased preferred Pattern Energy stock equal to 9.6% of all stock available to vote on the Merger and agreed to vote that stock in favor of the Merger.
Special Committee	A committee of Pattern Energy's Board appointed on or about June 5, 2018 putatively to conduct potential merger negotiations with interested parties.
TerraForm	TerraForm Power, Inc., an alternative energy company in which Brookfield Renewable Partners LP owned more than a 60% interest at the time of the Merger.

CERTIFICATION

I, Jon Hickey, on behalf of The Arbitrage Fund; Water Island Merger Arbitrage Institutional Commingled Fund, LP; Morningstar Alternatives Fund a series of Morningstar Funds Trust; Litman Gregory Masters Alternative Strategies Fund; Columbia Multi-Manager Alternative Strategies Fund; Water Island Diversified Event-Driven Fund; Water Island LevArb Fund, LP and Water Island Long/Short Fund (collectively, the "Water Island Funds"), hereby certify, as to the claims asserted under the federal securities laws in the Class Action Complaint (the "Complaint"), that:

1. I am the Chief Operating Officer of the Water Island Funds. I have reviewed the Complaint to be filed in this action and have authorized its filing by counsel.

2. The Water Island Funds did not acquire any of the securities that are the subject of this action at the direction of their counsel in order to participate in this action or any other litigation under the federal securities laws.

3. The Water Island Funds are willing to serve as a Lead Plaintiff in this action and recognize their duties as such to act on behalf of class members in monitoring and directing the action, and, if necessary, testifying at deposition and trial.

4. The Water Island Funds will not accept any payment for serving as a representative party on behalf of the class beyond their *pro rata* share of any recovery, except reasonable costs and expenses, such as lost wages and travel expenses, directly related to the class representation, as ordered or approved by the Court.

5. The Water Island Funds have not served or sought to serve as a representative party for a class in any action under the federal securities laws within the three-year period prior to the date of this Certification except: (i) The Arbitrage Fund and Water Island Merger Arbitrage Institutional Commingled Fund, LP in *The Arbitrage Event-Driven Fund, et al., v. Tribune Media Company, et al*., No. 18-cv-06175 (CPK) (N.D. Ill. Sept. 10, 2018), (ii) The Arbitrage Fund in *In re Columbia Pipeline Group, Inc. Securities Litigation*, No 18-cv-03670-GBD (S.D.N.Y. Apr. 25, 2018) and (iii) The Arbitrage Fund in *San Antonio Fire and Pension Fund et al. v. Dole Food Company, Inc.*, C.A No. 1:15-cv-01140 (D. Del. Dec 8, 2015).

6. The Water Island Funds transactions as of the relevant period in Pattern Energy Group Inc. common shares (NASDAQ and TSX: PEGI), that are the subject of this action are reflected in Schedule A hereto.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 6th day of March 2020

The Water Island Funds
By: Jon Hickey
Chief Operating Officer

Schedule A
Water Island Funds
Pattern Energy Group Inc. Class A Common Stock Settled as of January 31, 2020 And Held Through March 16, 2020

Fund	Shares of Pattern Energy Common Stock
The Arbitrage Fund	1,565,877
Water Island Merger Arbitrage Institutional Commingled Fund, LP	113,635
Morningstar Alternatives Fund a series of Morningstar Funds Trust	55,306
Litman Gregory Masters Alternative Strategies Fund	332,887
Columbia Multi-Manager Alternative Strategies Fund	114,978
Water Island Diversified Event-Driven Fund	123,864
Water Island LevArb Fund, LP	7,475
Water Island Long/Short Fund	1,674
Total	**2,315,696**