Table of Contents

8. Stock-based compensation

In September 2014, and in connection with the formation of TerraForm Global Inc., the Company granted restricted stock awards and restricted stock units to various Company employees ("Participants") under a new TerraForm Global 2014 Equity Incentive Plan. The fair value of each Participant's grant was determined by using the percentage of shares granted multiplied by the overall fair value of SunEdison's equity in the Company. The restricted stock will convert into shares of Class A common stock upon the filing of our amended and restated certification of incorporation in connection the completion of the proposed initial public offering of Class A common stock of TerraForm Global. There were 31,350 shares issued representing a 3.135% interest in the equity of TerraForm Global issued at a total value of $683.

In estimating the fair value of the restricted stock, the primary valuation considerations were an enterprise value determined from an discounted cash flow of income-based approach, using a present value of after-tax probability weighted equity cash flow of those projects we intend to include in the Offering, in a projection period extending through December 2024 and a lack of marketability discount of 10%. The discount model used the following assumptions: a time to liquidity event of 7 months; a discount rate of 13%; and volatility of 40% over the time to a liquidity event. Estimates of the volatility of our common stock were based on available information on the volatility of our Sponsor and the common stock of comparable publicly traded companies.

After the restricted stock converts to Class A common stock, 25% of the Class A common stock will vest on the first through fourth anniversary of the date of the initial public offering, subject to accelerated vesting upon certain events. Upon a termination of employment for any reason, any unvested shares of Class A common stock held by the terminated executive will be forfeited. For the year ending December 31, 2014 no stock compensation expense was recorded.

9. Related parties

Corporate allocations

Amounts were allocated from our Parent for general corporate overhead costs attributable to the operations of the Company. These amounts were $10,850 and $4,790 for the years ended December 31, 2014 and 2013, respectively, and are included in general and administrative-affiliates in the accompanying combined statements of operations. The general corporate overhead expenses incurred by the Parent include costs from certain corporate and shared services functions provided by the Parent. The amounts reflected include (i) charges that were incurred by the Parent that were specifically identified as being attributable to the Company and (ii) an allocation of applicable remaining general corporate overhead costs based on the proportional level of effort attributable to the operation of the Company's solar energy systems. These costs include legal, accounting, tax, treasury, information technology, insurance, employee benefit costs, communications, human resources, and procurement. Corporate costs that were specifically identifiable to a particular operation of the Parent have been allocated to that operation, including the Company. Where specific identification of charges to a particular operation of the Parent was not practicable, an allocation was applied to all remaining general corporate overhead costs. The allocation methodology for all remaining corporate overhead costs is based on management's estimate of the proportional level of effort devoted by corporate resources that is attributable to each of the Company's operations. The cost allocations have been determined on a basis considered to be a reasonable reflection of all costs of doing business by the Company. The amounts that would have been or will be incurred on a stand-alone basis could differ from the amounts allocated due to economies of scale, management judgment, or other factors.