

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2017
OR

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

For the transition period from to
Commission File Number: 001-36542



TerraForm Power, Inc.
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

7550 Wisconsin Avenue, 9th Floor, Bethesda, Maryland

(Address of principal executive offices)

46-4780940

(I. R. S. Employer Identification No.)

20814

(Zip Code)

240-762-7700

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

As of July 31, 2017, there were 92,332,070 shares of Class A common stock outstanding and 48,202,310 shares of Class B common stock outstanding.

TerraForm Power, Inc. and Subsidiaries
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Form 10-Q

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PART I - Financial Information

Item 1. Financial Statements.

TERRAFORM POWER, INC AND SUBSIDIARIES UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (In thousands, except per share data)

	Three Months Ended March 31,	
	2017	2016
Operating revenues, net	\$ 151,135	\$ 153,917
Operating costs and expenses:		
Cost of operations	34,338	30,196
Cost of operations - affiliate	5,598	6,846
General and administrative expenses	36,725	17,183
General and administrative expenses - affiliate	1,419	5,437
Acquisition and related costs	—	2,743
Depreciation, accretion and amortization expense	60,987	59,007
Total operating costs and expenses	<u>139,067</u>	<u>121,412</u>
Operating income	12,068	32,505
Other expenses (income):		
Interest expense, net	68,312	68,994
Loss (gain) on foreign currency exchange, net	587	(4,493)
Loss on receivables - affiliate	—	845
Other expenses, net	360	567
Total other expenses, net	<u>69,259</u>	<u>65,913</u>
Loss before income tax (benefit) expense	(57,191)	(33,408)
Income tax (benefit) expense	(918)	97
Net loss	<u>(56,273)</u>	<u>(33,505)</u>
Less: Net income attributable to redeemable non-controlling interests	835	2,545
Less: Net loss attributable to non-controlling interests	<u>(25,339)</u>	<u>(35,569)</u>
Net loss attributable to Class A common stockholders	<u>\$ (31,769)</u>	<u>\$ (481)</u>
Weighted average number of shares:		
Class A common stock - Basic and diluted	92,072	87,833
Loss per share:		
Class A common stock - Basic and diluted	\$ (0.37)	\$ (0.01)

See accompanying notes to unaudited condensed consolidated financial statements.

TERRAFORM POWER, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)

	Three Months Ended March 31,	
	2017	2016
Net loss	\$ (56,273)	\$ (33,505)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments:		
Net unrealized gain arising during the period	2,680	6,573
Hedging activities:		
Net unrealized gain (loss) arising during the period, net of tax	14,054	(32,965)
Reclassification of net realized (gain) loss into earnings, net of tax	(386)	369
Other comprehensive income (loss), net of tax	16,348	(26,023)
Total comprehensive loss	(39,925)	(59,528)
Less comprehensive income (loss) attributable to non-controlling interests:		
Net income attributable to redeemable non-controlling interests	835	2,545
Net loss attributable to non-controlling interests	(25,339)	(35,569)
Foreign currency translation adjustments	918	2,524
Hedging activities	5,972	(11,833)
Comprehensive loss attributable to non-controlling interests	(17,614)	(42,333)
Comprehensive loss attributable to Class A common stockholders	<u>\$ (22,311)</u>	<u>\$ (17,195)</u>

See accompanying notes to unaudited condensed consolidated financial statements.

TERRAFORM POWER, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	March 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 676,768	\$ 565,333
Restricted cash	115,258	114,950
Accounts receivable, net	101,740	89,461
Prepaid expenses and other current assets	61,045	61,749
Assets held for sale	42,040	61,523
Total current assets	996,851	893,016
Renewable energy facilities, net, including consolidated variable interest entities of \$3,396,344 and \$3,434,549 in 2017 and 2016, respectively	4,942,231	4,993,251
Intangible assets, net, including consolidated variable interest entities of \$862,198 and \$875,095 in 2017 and 2016, respectively	1,125,307	1,142,112
Deferred financing costs, net	6,716	7,798
Other assets	128,797	114,863
Restricted cash	2,879	2,554
Non-current assets held for sale	554,330	552,271
Total assets	<u>\$ 7,757,111</u>	<u>\$ 7,705,865</u>

See accompanying notes to unaudited condensed consolidated financial statements.

TERRAFORM POWER, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(CONTINUED)

	March 31, 2017	December 31, 2016
Liabilities, Redeemable Non-controlling Interests and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt and financing lease obligations, including consolidated variable interest entities of \$591,086 and \$594,442 in 2017 and 2016, respectively	\$ 2,202,661	\$ 2,212,968
Accounts payable, accrued expenses and other current liabilities, including consolidated variable interest entities of \$49,607 and \$37,760 in 2017 and 2016, respectively	147,434	125,596
Deferred revenue	18,250	18,179
Due to SunEdison, net	16,851	16,692
Liabilities related to assets held for sale	23,850	21,798
Total current liabilities	2,409,046	2,395,233
Long-term debt and financing lease obligations, less current portion, including consolidated variable interest entities of \$371,762 and \$375,726 in 2017 and 2016, respectively	1,813,749	1,737,946
Deferred revenue, less current portion	51,921	55,793
Deferred income taxes	28,362	27,723
Asset retirement obligations, including consolidated variable interest entities of \$93,113 and \$92,213 in 2017 and 2016, respectively	146,241	148,575
Other long-term liabilities	31,711	31,470
Non-current liabilities related to assets held for sale	413,001	410,759
Total liabilities	4,894,031	4,807,499
Redeemable non-controlling interests	180,271	180,367
Stockholders' equity:		
Preferred stock, \$0.01 par value per share, 50,000,000 shares authorized, no shares issued	—	—
Class A common stock, \$0.01 par value per share, 850,000,000 shares authorized, 92,512,576 and 92,476,776 shares issued in 2017 and 2016, respectively, and 92,247,740 and 92,223,089 shares outstanding in 2017 and 2016, respectively	925	920
Class B common stock, \$0.01 par value per share, 140,000,000 shares authorized, 48,202,310 shares issued and outstanding in 2017 and 2016	482	482
Class B1 common stock, \$0.01 par value per share, 260,000,000 shares authorized, no shares issued	—	—
Additional paid-in capital	1,476,492	1,467,108
Accumulated deficit	(266,209)	(234,440)
Accumulated other comprehensive income	32,370	22,912
Treasury stock, 264,836 and 253,687 shares in 2017 and 2016, respectively	(4,260)	(4,025)
Total TerraForm Power, Inc. stockholders' equity	1,239,800	1,252,957
Non-controlling interests	1,443,009	1,465,042
Total stockholders' equity	2,682,809	2,717,999
Total liabilities, redeemable non-controlling interests and stockholders' equity	\$ 7,757,111	\$ 7,705,865

See accompanying notes to unaudited condensed consolidated financial statements.

TERRAFORM POWER, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands)

	Class A Common Stock Issued		Class B Common Stock Issued		Additional Paid-in Capital	Accumulated Other Comprehensive Income		Common Stock Held in Treasury		Non-controlling Interests			
										Capital	Accumulated Deficit	Comprehensive Loss	Total
	Shares	Amount	Shares	Amount				Shares	Amount				
Balance as of December 31, 2016	92,477	\$ 920	48,202	\$ 482	\$1,467,108	\$ (234,440)	\$ 22,912	(254)	\$ (4,025)	\$1,792,295	\$ (312,847)	\$ (14,406)	\$1,465,042
Stock-based compensation	36	5	—	—	1,702	—	—	(11)	(235)	1,472	—	—	1,472
Net loss ¹	—	—	—	—	—	(31,769)	—	—	—	(31,769)	(25,339)	—	(25,339)
Net SunEdison investment	—	—	—	—	3,893	—	—	—	—	3,893	2,031	—	2,031
Other comprehensive income	—	—	—	—	—	—	9,458	—	—	9,458	—	6,890	16,348
Sale of membership interests and contributions from non- controlling interests in renewable energy facilities	—	—	—	—	—	—	—	—	—	6,935	—	—	6,935
Distributions to non-controlling interests in renewable energy facilities	—	—	—	—	—	—	—	—	—	(6,535)	—	—	(6,535)
Accretion of redeemable non- controlling interest	—	—	—	—	(2,226)	—	—	—	—	(2,226)	—	—	(2,226)
Equity reallocation	—	—	—	—	6,015	—	—	—	—	6,015	(6,015)	—	(6,015)
Balance as of March 31, 2017	92,513	\$ 925	48,202	\$ 482	\$1,476,492	\$ (266,209)	\$ 32,370	(265)	\$ (4,260)	\$1,788,711	\$ (338,186)	\$ (7,516)	\$1,443,009

(1) Excludes \$835 of net income attributable to redeemable non-controlling interests.

See accompanying notes to unaudited condensed consolidated financial statements.

TERRAFORM POWER, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Three Months Ended March 31,	
	2017	2016
Cash flows from operating activities:		
Net loss	\$ (56,273)	\$ (33,505)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, accretion and amortization expense	60,987	59,007
Amortization of favorable and unfavorable rate revenue contracts, net	9,827	10,503
Amortization of deferred financing costs and debt discounts	4,639	8,754
Recognition of deferred revenue	(3,987)	(2,322)
Unrealized gain on commodity contract derivatives, net	(2,231)	(352)
Stock-based compensation expense	2,509	1,023
Unrealized loss (gain) on foreign currency exchange, net	748	(3,166)
Loss on receivables - affiliate	—	845
Deferred taxes	639	62
Other, net	(22)	552
Changes in assets and liabilities:		
Accounts receivable	(10,982)	(14,495)
Prepaid expenses and other current assets	7,024	(2,552)
Accounts payable, accrued expenses and other current liabilities	19,858	7,366
Deferred revenue	186	(636)
Other, net	2,306	4,190
Net cash provided by operating activities	35,228	35,274
Cash flows from investing activities:		
Capital expenditures	(2,076)	(31,711)
Acquisitions of renewable energy facilities from third parties, net of cash acquired	—	(4,064)
Change in restricted cash	32,730	5,638
Net cash provided by (used in) investing activities	30,654	(30,137)
Cash flows from financing activities:		
Borrowings of non-recourse long-term debt	79,835	—
Principal payments on non-recourse long-term debt	(11,870)	(29,712)
Revolver repayment	(5,000)	—
Due to SunEdison, net	(4,841)	(11,614)
Sale of membership interests and contributions from non-controlling interests in renewable energy facilities	6,935	15,612
Distributions to non-controlling interests in renewable energy facilities	(9,692)	(6,172)
Net SunEdison investment	7,371	29,747
Debt financing fees	(2,791)	(4,500)
Net cash provided by (used in) financing activities	59,947	(6,639)
Net increase (decrease) in cash and cash equivalents	125,829	(1,502)
Reclassification of cash and cash equivalents to assets held for sale	(14,104)	(21,697)
Effect of exchange rate changes on cash and cash equivalents	(290)	65
Cash and cash equivalents at beginning of period	565,333	626,595
Cash and cash equivalents at end of period	<u>\$ 676,768</u>	<u>\$ 603,461</u>
Supplemental Disclosures:		
Cash paid for interest	\$ 61,318	\$ 61,099
Cash paid for income taxes	—	—

See accompanying notes to unaudited condensed consolidated financial statements.

TERRAFORM POWER, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except per share data, unless otherwise noted)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nature of Operations

TerraForm Power, Inc. ("TerraForm Power") and its subsidiaries (together with TerraForm Power, the "Company") is a controlled affiliate of SunEdison, Inc. (together with its consolidated subsidiaries excluding the Company and TerraForm Global, Inc. and its subsidiaries, "SunEdison"). TerraForm Power is a holding company and its sole asset is an equity interest in TerraForm Power, LLC ("Terra LLC"), which through its subsidiaries owns and operates renewable energy facilities that have long-term contractual arrangements to sell the electricity generated by these facilities to third parties. The related green energy certificates, ancillary services and other environmental attributes generated by these facilities are also sold to third parties. TerraForm Power is the managing member of Terra LLC and operates, controls and consolidates the business affairs of Terra LLC.

The SunEdison Bankruptcy and the Brookfield Sponsorship Transaction

On April 21, 2016, SunEdison Inc. and certain of its domestic and international subsidiaries (the "SunEdison Debtors") voluntarily filed for protection under Chapter 11 of the U.S. Bankruptcy Code (the "SunEdison Bankruptcy"). The Company is not a part of the SunEdison Bankruptcy and has no plans to file for bankruptcy itself. The Company does not rely on SunEdison for funding or liquidity and believes that the Company will have sufficient liquidity to support its ongoing operations, absent the potential negative impact of default conditions that could arise from failure to meet financial statement deadlines as described below. The Company believes its equity interests in its renewable energy facilities that are legally owned by the Company's subsidiaries are not available to satisfy the claims of the creditors of the SunEdison Bankruptcy.

In anticipation of and in response to SunEdison's financial and operating difficulties, which culminated in the SunEdison Bankruptcy, at the direction of its Board of Directors (the "Board"), the Company has undertaken, and continues to undertake, a number of strategic initiatives to mitigate the adverse impacts of the SunEdison Bankruptcy on the Company. These initiatives focused on governance, operations and business performance initiatives deemed especially critical because SunEdison provided all personnel and services to the Company (other than those operational services provided by third parties). These initiatives include, among other things, developing continuity plans, establishing stand-alone information technology, accounting and other systems and infrastructure, directly hiring employees and retaining backup or replacement operation and maintenance ("O&M") and asset management services for the Company's wind and solar facilities from other providers.

As part of this overall strategic review process, the Company also initiated a process for the exploration and evaluation of potential strategic alternatives for the Company, including potential transactions to secure a new sponsor or sell the Company. This process resulted in the Company's entry into a definitive merger and sponsorship transaction agreement (the "Merger Agreement") on March 6, 2017 with Orion US Holdings 1 L.P. ("Orion Holdings") and BRE TERP Holdings Inc., a wholly-owned subsidiary of Orion Holdings ("Merger Sub"), which are affiliates of Brookfield Asset Management, Inc. ("Brookfield"). Subject to the satisfaction of conditions precedent described below, Orion Holdings would hold approximately 51% of the Class A shares of TerraForm Power following the consummation of the merger of Merger Sub with and into the Company (the "Merger"). In addition, the Merger Agreement provides that at or prior to the closing of the Merger, the Company will enter into a series of sponsorship documents with Brookfield and certain of its affiliates as are more fully described in *Note 15. Related Parties* and *Note 6. Long-term Debt*.

Concurrently with the Company's entry into the Merger Agreement, the Company and SunEdison also entered into a settlement agreement (the "Settlement Agreement"). Under the Settlement Agreement, in connection with the closing of the Merger, SunEdison will exchange its Class B units of Terra LLC for 48,202,310 Class A shares of TerraForm Power, plus an incremental amount of Class A shares such that immediately prior to the consummation of the Merger, SunEdison will hold an aggregate number of Class A shares equal to 36.9% of the Company's fully diluted share count. As a result of and following completion of the exchange, all of the issued and outstanding shares of Class B common stock of the Company will be redeemed and retired. In addition, also as part of the settlement, SunEdison agreed to deliver the outstanding incentive distribution rights of Terra LLC (the "IDRs") held by SunEdison or certain of its affiliates to TerraForm Power or its designee and in connection therewith, concurrently with the execution and delivery of the Merger Agreement, TerraForm Power, Terra LLC, BRE Delaware, Inc. (the "Brookfield IDR Holder") and SunEdison and certain of its affiliates have entered into an Incentive Distribution Rights Transfer Agreement (the "IDR Transfer Agreement"), pursuant to which certain SunEdison

affiliates will transfer all of the IDRs to Brookfield IDR Holder at the effective time of the Merger. SunEdison also executed and delivered a voting and support agreement (the "Voting and Support Agreement"), pursuant to which it has agreed to vote or cause to be voted any shares of common stock of TerraForm Power held by it or any of its controlled affiliates in favor of the Merger and to take certain other actions to support the consummation of the transaction. Upon the consummation of the Merger or other transaction jointly supported by the Company and SunEdison, all agreements between the Company and the SunEdison Debtors will be rejected, subject to certain limited exceptions, and the Company will be deemed to have no damages, claims or liabilities arising from those rejections.

The closing of the Merger is subject to conditions, including a non-waivable condition to closing that the Merger Agreement and the transactions contemplated thereby be approved by holders of a majority of the outstanding Class A shares, excluding SunEdison, Orion Holdings, any of their respective affiliates or any person with whom any of them has formed (and not terminated) a "group" (as such term is defined in the Securities Exchange Act of 1934, as amended). Additional conditions include the adoption of the Merger Agreement by the holders of a majority of the total voting power of the outstanding shares of the Company's common stock entitled to vote on the Merger and other customary closing conditions. Certain conditions have been satisfied including (1) the entry by the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") of orders authorizing and approving the entry by SunEdison (and, if applicable, SunEdison's debtor affiliates) into the Settlement Agreement, the Voting and Support Agreement and any other agreement entered into in connection with the Merger or the other transactions contemplated thereby to which SunEdison or any other debtor will be a party, (2) the expiration or early termination of the waiting period applicable to consummation of the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and (3) the closing of the sale of substantially all of the Company's U.K. solar facilities as described in *Note 2. Assets Held for Sale*. There is no financing condition to the consummation of the transactions contemplated by the Merger Agreement.

The Merger Agreement contains specified termination rights, including the right for each of the Company or Orion Holdings to terminate the Merger Agreement if the Merger is not consummated by December 6, 2017, subject to extension until March 6, 2018 to obtain required regulatory approvals. The Merger Agreement also provides for other customary termination rights for both the Company and Orion Holdings, as well as a mutual termination right in the event that the Settlement Agreement is terminated in accordance with its terms. In the event the Merger Agreement is terminated by either the Company or Orion Holdings due to the failure to obtain the requisite stockholder approvals or the termination of the Settlement Agreement, and the Board did not change its recommendation to the Company's stockholders to approve the Merger, the Company will pay to Orion Holdings all reasonable and documented out-of-pocket expenses incurred in connection with the Merger Agreement, in an amount not to exceed \$17.0 million. The Merger Agreement further provides that upon termination of the Merger Agreement under certain other specified circumstances, the Company will be required to pay Orion Holdings a termination fee of \$50.0 million. The Company's obligation to pay any combination of out-of-pocket expenses or termination fees shall not in any event exceed \$50.0 million.

The Settlement Agreement has been approved by the Bankruptcy Court. However, the settlements, mutual release and certain other terms and conditions of the Settlement Agreement will only become effective upon the consummation of the Merger or other transaction jointly supported by the Company and SunEdison or upon a "Stand-Alone Conversion." SunEdison may elect to effect a Stand-Alone Conversion if the Merger is not consummated due to the failure to receive the requisite stockholder vote and SunEdison is otherwise in compliance with the Settlement Agreement and the Voting and Support Agreement. Upon a Stand-Alone Conversion, SunEdison would exchange its Class B units in Terra LLC and its Class B shares in TerraForm Power for newly issued Class A common stock constituting 36.9% of the aggregate issued and outstanding Class A common stock on a fully diluted basis. SunEdison would also be required to deliver a customary voting agreement and an irrevocable proxy in customary form and substance reasonably acceptable to the Company and the holder of the Class A common stock issued to SunEdison, which may be SunEdison or a third party that receives the Class A common stock as part of a distribution in connection with SunEdison's plan of reorganization. This voting agreement would require the applicable stockholder, for a period of one year from the date of the Stand-Alone Conversion, to vote one-half of its voting power in the same proportion of the votes cast by stockholders not a party to a similar voting agreement, which would effectively reduce the voting power of the applicable stockholder.

As part of these strategic initiatives, the Company has also been working to obtain waivers or forbearance of defaults that have arisen as a result of the SunEdison Bankruptcy and the delays in the completion of the Company's corporate and project-level audits. In most of the Company's debt-financed projects, SunEdison Debtors are a party to a material project agreement or guarantor thereof, such as being a party to or guarantor of an asset management or O&M contract. As a result of the SunEdison Bankruptcy and delays in delivery of 2015 audited financial statements for the Company and/or certain project-

level subsidiaries, among other things, the Company experienced defaults under most of its non-recourse financing agreements in 2016. During the course of 2016 and to date in 2017, the Company cured or obtained waivers or temporary forbearances with respect to most of these defaults and has transitioned, or is working to transition, the project-level services provided by SunEdison Debtors to third parties or in-house to a Company affiliate; however, certain of these defaults persist. Moreover, the Company has experienced additional defaults under most of the same non-recourse financing agreements in 2017 as the result of the failure to timely complete Company and/or project-level audits. The Company filed its Form 10-K for the year ended December 31, 2016 on July 21, 2017 and is working to complete the remaining project-level audits and seeking to obtain waivers of such default. To date none of the non-recourse financings has been accelerated and no project-level lender has notified the Company of such lenders election to enforce project security interests, although no assurances can be given that the Company will obtain waivers and/or permanent forbearance of existing or future defaults or that none of the financings will be accelerated. The Company's corporate-level revolving credit facility and senior note indentures do not include an event of default provision directly triggered by the occurrence of the SunEdison Bankruptcy.

Going Concern

The accompanying unaudited condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

As described above, SunEdison filed for bankruptcy on April 21, 2016. The Company is not a part of the SunEdison Bankruptcy and has no plans to file for bankruptcy itself. The Company does not rely on SunEdison for funding or liquidity and believes that it will have sufficient liquidity to support its ongoing operations, absent the potential negative impact of default conditions that could arise from failure to meet financial statement deadlines as described below. The Company believes its equity interests in its renewable energy facilities that are legally owned by the Company's subsidiaries are not available to satisfy the claims of the creditors of the SunEdison Bankruptcy. However, we believe the SunEdison Bankruptcy and the related impacts raise substantial doubt about our ability to continue as a going concern for the following reasons:

- Prior to the SunEdison Bankruptcy, we relied almost exclusively on the personnel and management and administration services provided by or under the direction of SunEdison. Subsequent to the SunEdison Bankruptcy, we have incurred and expect to continue to incur significant costs procuring these services from unaffiliated third parties. In addition, if we are unable to replace these services or key personnel in the future, this would restrict our ability to timely complete Company or project-level audits as required by our corporate and non-recourse financing arrangements.
- We experienced covenant defaults under most of our financing arrangements in 2016, mainly because of delays in the delivery of project-level audited financial statements and the delay in the filing of the Company's audited annual financial statements for 2015 on Form 10-K, which was filed in December of 2016. In addition, in a number of cases the SunEdison Bankruptcy resulted in defaults because SunEdison Debtors have been serving as O&M and asset management services providers or as guarantors under relevant contracts. We have been working diligently with our lenders to cure or waive instances of default, including through the completion of project-level audits and the retention of replacement service providers. However, there can be no assurance that all remaining defaults will be cured or waived, and we have experienced additional defaults under most of the same non-recourse financing agreements in 2017 as the result of the failure to timely complete Company and/or project-level audits. The Company filed its Form 10-K for the year ended December 31, 2016 on July 21, 2017 and is working to complete the remaining project-level audits and seeking to obtain waivers of such default. If the remaining or future defaults are not cured or waived, this would restrict the ability of the relevant project-level subsidiaries to make distributions to us, which may affect our ability to meet certain covenants related to our revolving credit facility at the corporate level, or entitle the related lenders to demand repayment or enforce their security interests, which could have a material adverse effect on our business, results of operations, financial condition and ability to pay dividends. If this were to occur, the Company would not have sufficient liquidity to meet its obligations.
- Finally, there is a risk that an interested party in the SunEdison Bankruptcy could request that the assets and liabilities of the Company be substantively consolidated with SunEdison. Bankruptcy courts have broad equitable powers, and thus, outcomes in bankruptcy proceedings are inherently difficult to predict. To the extent the Bankruptcy Court were to determine that substantive consolidation was appropriate under the Company's facts and circumstances, the assets and liabilities of the Company could be made available to help satisfy the debt or contractual obligations of SunEdison. While it has not been requested to date and we believe there is no basis for substantive consolidation in our

circumstances, we cannot assure you that substantive consolidation will not be requested in the future or that the Bankruptcy Court would not consider it.

As described above under *"The SunEdison Bankruptcy and the Brookfield Sponsorship Transaction,"* the Company has undertaken, and continues to undertake, a number of strategic initiatives to mitigate the adverse impacts of the SunEdison Bankruptcy on the Company. While the Company believes that the actions described above are more likely than not to address the substantial doubt surrounding our ability to continue as a going concern, we cannot assert that it is probable that management's plans will fully mitigate the conditions identified. If we cannot continue as a going concern, material adjustments to the carrying values and classifications of our assets and liabilities and the reported amounts of income and expense could be required.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the Securities and Exchange Commission's ("SEC") regulations for interim financial information. Accordingly, they do not include all of the information and notes required by U.S. generally accepted accounting principles ("U.S. GAAP") for complete financial statements. The financial statements should be read in conjunction with the accounting policies and other disclosures as set forth in the notes to the Company's annual financial statements for the year ended December 31, 2016, filed with the SEC on Form 10-K on July 21, 2017. Interim results are not necessarily indicative of results for a full year.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all material adjustments consisting of normal and recurring accruals necessary to present fairly the Company's financial position as of March 31, 2017 and the results of operations, comprehensive loss and cash flows for the three months ended March 31, 2017 and 2016.

Use of Estimates

In preparing the unaudited condensed consolidated financial statements, the Company used estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements. Such estimates also affect the reported amounts of revenues, expenses and cash flows during the reporting period. To the extent there are material differences between the estimates and actual results, the Company's future results of operations would be affected.

Recent Accounting Developments

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU No. 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which clarifies how to apply the implementation guidance on principal versus agent considerations related to the sale of goods or services to a customer as updated by ASU No. 2014-09. ASU No. 2014-09 and ASU No. 2016-08 will become effective for the Company on January 1, 2018. Early application is permitted but not before January 1, 2017. ASU No. 2014-09 and ASU No. 2016-08 permit the use of either the retrospective or modified retrospective method. The Company is working through an adoption plan which includes the evaluation of revenue contracts compared to the new standards and evaluating the impact of the new standards on the Company's consolidated financial statements and related disclosures. The Company does not plan to adopt these standards prior to January 1, 2018.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which primarily changes the lessee's accounting for operating leases by requiring recognition of lease right-of-use assets and lease liabilities. This standard is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the effect of ASU No. 2016-02 on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718)*. This update was issued as part of the FASB's simplification initiative and affects all entities that issue share-based payment awards to their employees. The amendments in this update cover such areas as the recognition of excess tax benefits and deficiencies, the

classification of those excess tax benefits on the statement of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification and the classification of those taxes paid on the statement of cash flows. This update is effective for annual and interim periods beginning after December 15, 2016, with early adoption permitted if all provisions are adopted within the same period. The Company adopted ASU No. 2016-09 as of January 1, 2017, which did not result in any material adjustments to the Company's consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-06, *Derivatives and Hedging (Topic 815)*, which clarifies that determining whether the economic characteristics of a put or call are clearly and closely related to its debt host requires only an assessment of the four-step decision sequence outlined in FASB ASC paragraph 815-15-25-24. Additionally, entities are not required to separately assess whether the contingency itself is clearly and closely related. This standard is effective for annual and interim periods beginning after December 15, 2016, with early adoption permitted. The amendments in this update should be applied on a modified retrospective basis. The adoption of ASU No. 2016-06 as of January 1, 2017 did not have an impact on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07, *Investments - Equity Method and Joint Ventures (Topic 323)*. The amendments of ASU No. 2016-07 eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting with no retroactive adjustment to the investment. In addition, ASU No. 2016-07 requires that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. The guidance in ASU No. 2016-07 is effective for fiscal years beginning after December 15, 2016, and interim periods within those annual periods. The adoption of ASU No. 2016-07 is required to be applied prospectively and early adoption is permitted. The Company evaluated this standard and determined that it did not have an impact on its consolidated financial statements as it does not have any equity method investments.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. The amendments of ASU No. 2016-15 were issued to address eight specific cash flow issues for which stakeholders have indicated to the FASB that a diversity in practice existed in how entities were presenting and classifying these items in the statement of cash flows. The issues addressed by ASU No. 2016-15 include but are not limited to the classification of debt prepayment and debt extinguishment costs, payments made for contingent consideration for a business combination, proceeds from the settlement of insurance proceeds, distributions received from equity method investees and separately identifiable cash flows and the application of the predominance principle. The amendments of ASU No. 2016-15 are effective for public entities for fiscal years beginning after December 15, 2017 and interim periods in those fiscal years. Early adoption is permitted, including adoption in an interim fiscal period with all amendments adopted in the same period. The adoption of ASU No. 2016-15 is required to be applied retrospectively. The Company is currently evaluating the impact of the standard on its consolidated statements of cash flows.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740), Intra-Entity Transfers of Assets Other Than Inventory*. The amendments of ASU No. 2016-16 were issued to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. Current GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party which has resulted in diversity in practice and increased complexity within financial reporting. The amendments of ASU No. 2016-16 would require an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs and do not require new disclosure requirements. The amendments of ASU No. 2016-16 are effective for annual reporting periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted and the adoption of ASU No. 2016-16 should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company does not expect this standard to have an impact on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-17, *Consolidation (Topic 810), Interests Held through Related Parties That Are under Common Control*. ASU No. 2016-17 updates ASU No. 2015-02. Under the amendments, a single decision maker is not required to consider indirect interests held through related parties that are under common control with the

single decision maker to be the equivalent of direct interests in their entirety. Instead, a single decision maker is required to include those interests on a proportionate basis consistent with indirect interests held through other related parties. ASU No. 2016-17 is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods, with early adoption permitted. The adoption of ASU No. 2016-17 as of January 1, 2017 did not have an impact on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 320), Restricted Cash, a Consensus of the FASB Emerging Issues Task Force*. The amendments require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this update do not provide a definition of restricted cash or restricted cash equivalents. ASU No. 2016-18 is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The Company is currently evaluating the effect of this standard on its consolidated financial statements.

In December 2016, the FASB issued ASU No. 2016-19, *Technical Corrections and Improvements*. The amendments cover a wide range of topics in the Accounting Standards Codification, covering differences between original guidance and the Accounting Standards Codification, guidance clarification and reference corrections, simplification and minor improvements. The adoption of ASU No. 2016-19 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2016. The Company evaluated this standard and determined that it did not have an impact on its consolidated financial statements.

In December 2016, the FASB issued ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. The amendments in this update are of a similar nature to the items typically addressed in ASU 2016-19, *Technical Corrections and Improvements*. However, the FASB decided to issue a separate update for technical corrections and improvements to Topic 606 and other Topics amended by ASU No. 2014-09 to increase stakeholders' awareness of the proposals and to expedite improvements to ASU No. 2014-09. The adoption of ASU No. 2016-20 is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual periods. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating the effect of this standard on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805), Clarifying the Definition of a Business*. The amendment seeks to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill and consolidation. The adoption of ASU No. 2017-01 is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. The amendments should be applied prospectively on or after the effective dates. Accordingly, the adoption will not have an effect on the Company's historical financial statements. The Company is currently evaluating the effect of this standard on future consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment*. The amendment simplifies the accounting for goodwill impairment by removing Step 2 of the current test, which requires calculation of a hypothetical purchase price allocation. Under the revised guidance, goodwill impairment will be measured as the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill (currently Step 1 of the two step impairment test). Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The standard is effective January 1, 2020, with early adoption permitted, and must be adopted on a prospective basis. This updated guidance is not currently expected to impact the Company's financial reporting as the Company does not have any goodwill.

In February 2017, the FASB issued ASU No. 2017-05, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*. This ASU is meant to clarify the scope of ASC Subtopic 610-20, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets* and to add guidance for partial sales of nonfinancial assets. ASU No. 2017-05 is to be applied using a full retrospective method or a modified retrospective method as outlined in the guidance and is effective at the same time as ASU No. 2014-09. Further, the Company is required to adopt ASU No. 2017-05 at the same time that it adopts the

guidance in ASU No. 2014-09. The Company is currently evaluating the effect of this standard on its consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting*. The amendment clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as a modification. The new guidance is expected to reduce diversity in practice and result in fewer changes to the terms of an award being accounted for as a modification. Changes to the terms or conditions of a share-based payment award that do not impact the fair value of the award, vesting conditions and the classification as an equity or liability instrument will not need to be assessed under modification accounting. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The amendments in this update should be applied prospectively to an award modified on or after the adoption date. Accordingly, the adoption will not have an effect on the Company's historical financial statements. The Company is currently evaluating the effect of this standard on future consolidated financial statements.

2. ASSETS HELD FOR SALE

U.K. Portfolio Sale

The Company commenced a sale of substantially all of its portfolio of solar power plants located in the United Kingdom (the "U.K.") through a broad based sales process pursuant to a plan approved by management during 2016 (24 operating projects for sale representing 365.0 MW, the "U.K. Portfolio"), and it was determined that this portfolio met the criteria to be classified as held for sale during the first quarter of 2016. As a result, the Company classified the assets and liabilities of this portfolio as held for sale as of March 31, 2017 and December 31, 2016 (refer to the table below) and measured each at the lower of carrying value or fair value less cost to sell. The Company's analysis indicated that the fair value less costs to sell exceeded the carrying value of the assets for each period the portfolio was classified as held for sale and no impairment losses were recognized during the three months ended March 31, 2017 or for any period in 2016.

On May 11, 2017, the Company announced that TerraForm Power Operating, LLC ("Terra Operating LLC") completed its previously announced sale of the U.K. Portfolio to Vortex Solar UK Limited, a renewable energy platform managed by the private equity arm of EFG Hermes, an investment bank. Terra Operating LLC received approximately \$211 million of proceeds from the sale, net of transaction expenses and distributions taken from the U.K. Portfolio after announcement and before closing of the sale, which was used for the reduction of the Company's indebtedness as discussed in *Note 6. Long-term Debt*. The sale also resulted in a reduction in the Company's non-recourse project debt by approximately GBP 301 million at the U.K. Portfolio level. The Company has retained 11.1 MW of solar assets in the U.K.

Residential Portfolio Sale

The Company also began exploring a sale of substantially all of its portfolio of residential rooftop solar assets located in the United States (11.4 MW of assets as described below) through a strategic sales process in 2016, and it was determined that these assets met the criteria to be classified as held for sale during the fourth quarter of 2016. As a result, the Company classified the related assets and liabilities as held for sale as of December 31, 2016 (refer to the table below) and measured each at the lower of carrying value or fair value less costs to sell. The Company's analysis indicated that the carrying value of the assets exceeded the fair value less costs to sell, and thus an impairment charge of \$15.7 million was recognized in the fourth quarter of 2016. The Company also recorded a \$3.3 million charge in the third quarter of 2016 due to the decision to abandon certain residential construction in progress assets that were not completed by SunEdison as a result of the SunEdison Bankruptcy.

On March 14, 2017, Enfinity SPV Holdings 2, LLC, a subsidiary of the Company, entered into a membership interest purchase and sale agreement with Greenbacker Residential Solar II, LLC for the sale of 100% of the membership interests of Enfinity Colorado DHA 1, LLC, a Colorado limited liability company that owns and operates 2.5 MW of solar installations situated on the roof of public housing units located in Colorado and owned by the Denver Housing Authority. The transaction closed on March 31, 2017, and the Company received net proceeds of \$1.1 million in the beginning of the second quarter of 2017. There was no additional loss recognized during the first quarter of 2017 as a result of this sale.

In addition, the Company entered into a membership interest purchase and sale agreement with Greenbacker Residential Solar II, LLC on June 12, 2017 for the sale of 100% of the membership interests of TerraForm Resi Solar Manager,

LLC, a subsidiary of the Company, which owns and operates 8.9 MW of rooftop solar installations. The transaction closed on June 30, 2017, and the Company received total net proceeds of \$6.0 million in the third quarter of 2017. The related assets and liabilities of these residential rooftop solar installations that were not sold until the second quarter of 2017 were also classified as held for sale as of March 31, 2017 (refer to the table below).

The following table summarizes the major classes of assets and liabilities which are classified as held for sale on the Company's unaudited condensed consolidated balance sheets as of March 31, 2017 and December 31, 2016:

(In thousands)	As of March 31, 2017			As of December 31, 2016		
	U.K. Portfolio	Residential Portfolio	Total	U.K. Portfolio	Residential Portfolio	Total
Assets held for sale:						
Cash and cash equivalents	\$ 14,104	\$ —	\$ 14,104	\$ —	\$ —	\$ —
Restricted cash	21,000	262	21,262	53,604	1,202	54,806
Accounts receivable, net	5,438	260	5,698	4,952	300	5,252
Prepaid expenses and other current assets	976	—	976	1,295	170	1,465
Total current assets held for sale	41,518	522	42,040	59,851	1,672	61,523
Renewable energy facilities, net	535,508	14,171	549,679	529,154	19,534	548,688
Intangible assets, net	1,498	—	1,498	1,480	—	1,480
Other assets	3,153	—	3,153	2,103	—	2,103
Total non-current assets held for sale	540,159	14,171	554,330	532,737	19,534	552,271
Total assets held for sale	\$ 581,677	\$ 14,693	\$ 596,370	\$ 592,588	\$ 21,206	\$ 613,794
Liabilities related to assets held for sale:						
Current portion of long-term debt	\$ 14,684	\$ —	\$ 14,684	\$ 14,510	\$ 175	\$ 14,685
Accounts payable, accrued expenses and other current liabilities	9,075	81	9,156	5,980	245	6,225
Deferred revenue	—	10	10	—	10	10
Due to SunEdison, net	—	—	—	692	186	878
Total current liabilities related to assets held for sale	23,759	91	23,850	21,182	616	21,798
Long-term debt, less current portion	353,928	—	353,928	349,687	4,190	353,877
Deferred revenue, less current portion	—	246	246	—	246	246
Asset retirement obligations	40,552	—	40,552	39,563	287	39,850
Other long-term liabilities	18,275	—	18,275	16,786	—	16,786
Total non-current liabilities related to assets held for sale	412,755	246	413,001	406,036	4,723	410,759
Total liabilities related to assets held for sale	\$ 436,514	\$ 337	\$ 436,851	\$ 427,218	\$ 5,339	\$ 432,557

3. RENEWABLE ENERGY FACILITIES

Renewable energy facilities, net consists of the following:

(In thousands)	March 31, 2017	December 31, 2016
Renewable energy facilities in service, at cost	\$ 5,355,826	\$ 5,354,883
Less accumulated depreciation - renewable energy facilities	(416,512)	(364,756)
Renewable energy facilities in service, net	4,939,314	4,990,127
Construction in progress - renewable energy facilities	2,917	3,124
Total renewable energy facilities, net	<u>\$ 4,942,231</u>	<u>\$ 4,993,251</u>

Depreciation expense related to renewable energy facilities was \$52.2 million and \$49.2 million for the three months ended March 31, 2017 and 2016, respectively.

Construction in progress represents costs incurred to complete the construction of the facilities in the Company's current portfolio that were acquired from SunEdison. All construction in progress costs are stated at SunEdison's historical cost.

As of March 31, 2017 and December 31, 2016, the Company reclassified \$549.7 million and \$548.7 million, respectively, from renewable energy facilities, net to non-current assets held for sale in the unaudited condensed consolidated balance sheets (see *Note 2. Assets Held for Sale*).

4. INTANGIBLES

The following table presents the gross carrying amount, accumulated amortization and net book value of intangibles as of March 31, 2017:

(In thousands, except weighted average amortization period)	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Favorable rate revenue contracts	15 years	\$ 715,377	\$ (68,915)	\$ 646,462
In-place value of market rate revenue contracts	19 years	518,442	(53,667)	464,775
Favorable rate land leases	18 years	15,800	(1,730)	14,070
Total intangible assets, net		<u>\$ 1,249,619</u>	<u>\$ (124,312)</u>	<u>\$ 1,125,307</u>
Unfavorable rate revenue contracts	7 years	\$ 35,086	\$ (11,880)	\$ 23,206
Unfavorable rate O&M contracts	3 years	5,000	(1,615)	3,385
Unfavorable rate land lease	16 years	1,000	(120)	880
Total intangible liabilities, net		<u>\$ 41,086</u>	<u>\$ (13,615)</u>	<u>\$ 27,471</u>

The following table presents the gross carrying amount, accumulated amortization and net book value of intangibles as of December 31, 2016:

(In thousands, except weighted average amortization period)	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Favorable rate revenue contracts	16 years	\$ 714,758	\$ (57,634)	\$ 657,124
In-place value of market rate revenue contracts	20 years	518,003	(47,284)	470,719
Favorable rate land leases	18 years	15,800	(1,531)	14,269
Total intangible assets, net		<u>\$ 1,248,561</u>	<u>\$ (106,449)</u>	<u>\$ 1,142,112</u>
Unfavorable rate revenue contracts	7 years	\$ 35,086	\$ (10,541)	\$ 24,545
Unfavorable rate O&M contracts	3 years	5,000	(1,302)	3,698
Unfavorable rate land lease	16 years	1,000	(107)	893
Total intangible liabilities, net		<u>\$ 41,086</u>	<u>\$ (11,950)</u>	<u>\$ 29,136</u>

The Company has intangible assets related to revenue contracts, representing long-term power purchase agreements ("PPAs") and renewable energy certificate ("REC") agreements, and favorable rate land leases that were obtained through acquisitions. The revenue contract intangible assets are comprised of favorable rate PPAs and REC agreements and the in-place value of market rate PPAs. The Company also has intangible liabilities related to unfavorable rate PPAs and REC agreements, unfavorable rate O&M contracts and an unfavorable rate land lease, which are classified within other long-term liabilities in the unaudited condensed consolidated balance sheets. These intangible assets and liabilities are amortized on a straight-line basis over the remaining lives of the agreements, which range from 1 to 28 years as of March 31, 2017.

Amortization expense related to favorable rate revenue contracts is reflected in the unaudited condensed consolidated statements of operations as a reduction of operating revenues, net. Amortization related to unfavorable rate revenue contracts is reflected in the unaudited condensed consolidated statements of operations as an increase to operating revenues, net. During the three months ended March 31, 2017 and 2016, net amortization expense related to favorable and unfavorable rate revenue contracts resulted in a reduction of operating revenues, net of \$9.8 million and \$10.5 million, respectively.

Amortization expense related to the in-place value of market rate revenue contracts is reflected in the unaudited condensed consolidated statements of operations within depreciation, accretion and amortization expense. During the three months ended March 31, 2017 and 2016, amortization expense related to the in-place value of market rate revenue contracts was \$6.4 million and \$6.8 million, respectively.

Amortization expense related to favorable rate land leases is reflected in the unaudited condensed consolidated statements of operations within cost of operations. Amortization related to the unfavorable rate land lease and unfavorable rate O&M contracts is reflected in the unaudited condensed consolidated statements of operations as a reduction of cost of operations. During the three months ended March 31, 2017 and 2016, net amortization related to favorable and unfavorable rate land leases and unfavorable rate O&M contracts resulted in a \$0.1 million reduction of cost of operations and \$0.2 million increase to cost of operations, respectively.

5. VARIABLE INTEREST ENTITIES

The Company consolidates variable interest entities ("VIEs") in renewable energy facilities when the Company is the primary beneficiary. The VIEs own and operate renewable energy facilities in order to generate contracted cash flows. The VIEs were funded through a combination of equity contributions from the owners and non-recourse project-level debt. No VIEs were deconsolidated during the three months ended March 31, 2017 and 2016.

The carrying amounts and classification of the consolidated VIEs' assets and liabilities included in the Company's unaudited condensed consolidated balance sheets are as follows:

(In thousands)	March 31, 2017	December 31, 2016
Current assets	\$ 179,648	\$ 191,244
Non-current assets	4,315,546	4,351,635
Total assets	<u>\$ 4,495,194</u>	<u>\$ 4,542,879</u>
Current liabilities	\$ 645,232	\$ 638,452
Non-current liabilities	512,554	514,464
Total liabilities	<u>\$ 1,157,786</u>	<u>\$ 1,152,916</u>

The amounts shown in the table above exclude intercompany balances that are eliminated upon consolidation. All of the assets in the table above are restricted for settlement of the VIE obligations, and all of the liabilities in the table above can only be settled by using VIE resources.

6. LONG-TERM DEBT

Long-term debt consists of the following:

(In thousands, except rates)	March 31, 2017	December 31, 2016	Interest Type	Interest Rate (%) ¹	Financing Type
<i>Corporate-level long-term debt²:</i>					
Senior Notes due 2023	\$ 950,000	\$ 950,000	Fixed	6.38	Senior notes
Senior Notes due 2025	300,000	300,000	Fixed	6.63	Senior notes
Revolver	547,000	552,000	Variable	4.06	Revolving loan
<i>Non-recourse long-term debt³:</i>					
Permanent financing	2,149,437	2,078,009	Blended ⁴	5.91 ⁵	Term debt / Senior notes
Financing lease obligations	122,769	123,930	Imputed	5.63 ⁵	Financing lease obligations
Total principal due for long-term debt and financing lease obligations	4,069,206	4,003,939		5.81 ⁵	
Unamortized discount, net	(14,326)	(13,620)			
Deferred financing costs, net	(38,470)	(39,405)			
Less current portion of long-term debt and financing lease obligations ⁶	(2,202,661)	(2,212,968)			
Long-term debt and financing lease obligations, less current portion ⁷	<u>\$ 1,813,749</u>	<u>\$ 1,737,946</u>			

(1) As of March 31, 2017.

(2) Corporate-level debt represents debt issued by Terra Operating LLC and guaranteed by Terra LLC and certain subsidiaries of Terra Operating LLC other than non-recourse subsidiaries as defined in the relevant debt agreements.

(3) Non-recourse debt represents debt issued by subsidiaries with no recourse to Terra LLC, Terra Operating LLC or guarantors of the Company's corporate-level debt, other than limited or capped contingent support obligations, which in aggregate are not considered to be material to the Company's business and financial condition.

(4) Includes variable rate debt and fixed rate debt. As of March 31, 2017, 53% of this balance had a variable interest rate and the remaining 47% of this balance had a fixed interest rate. The Company has entered into interest rate swap agreements to fix the interest rates of certain variable rate permanent financing non-recourse debt (see *Note 8. Derivatives*).

(5) Represents the weighted average interest rate as of March 31, 2017.

(6) As of March 31, 2017 and December 31, 2016, the Company reclassified \$14.7 million from current portion of long-term debt and financing lease obligations to current liabilities related to assets held for sale in the unaudited condensed consolidated balance sheets (see *Note 2. Assets Held for Sale*).

- (7) As of March 31, 2017 and December 31, 2016, the Company reclassified \$353.9 million from long-term debt and financing lease obligations, less current portion to non-current liabilities related to assets held for sale in the unaudited condensed consolidated balance sheets (see *Note 2. Assets Held for Sale*).

Corporate-level Long-term Debt

Revolving Credit Facility

In conjunction with a consent agreement that Terra Operating LLC entered into in September of 2016 with the Administrative Agent and other parties to the Revolver, which provided consent for the cross-collateralization of certain utility-scale assets located in Canada owned by subsidiaries of the Company, and as a result of the Company's election in February of 2017 to increase the principal amount of the credit facility described in the "*Canada project-level financing*" section below, Terra Operating LLC repaid an additional \$5.0 million of Revolver indebtedness on March 6, 2017 and permanently reduced the revolving commitments and borrowing capacity by such amount.

The terms of the Revolver require the Company to provide audited annual financial statements within 90 days after the end of the fiscal year, with a 10-business day cure period. On April 5, 2017, Terra Operating LLC entered into a tenth amendment to the terms of the Revolver, which provided that the date on which the Company must deliver to the Administrative Agent and other parties to the Revolver its annual financial statements and accompanying audit report with respect to fiscal year 2016 and its financial plan for fiscal year 2017 would be extended to April 28, 2017.

On April 26, 2017, the Company entered into an eleventh amendment to the terms of the Revolver, which further extended the due date for delivery of its 2016 annual financial statements and accompanying audit report to the earlier of (a) July 15, 2017 and (b) the tenth business day prior to the date on which the failure to deliver such financial statements would constitute an event of default under the indenture dated as of January 28, 2015 (as supplemented) with respect to the Senior Notes due 2023 (the "2023 Indenture"). As discussed below, an event of default would not have occurred under the 2023 Indenture until July 31, 2017. The Company's Form 10-K for the year ended December 31, 2016 was filed within the 10-business day cure period that commenced on July 15, 2017, and consequently no event of default occurred under the Revolver with respect to the 2016 10-K filing. The amendment also extended the due date for delivery to the Administrative Agent and other parties to the Revolver for the Company's financial statements and accompanying information with respect to the fiscal quarter ended March 31, 2017 to July 31, 2017 and with respect to the fiscal quarters ending June 30, 2017 and September 30, 2017 to the date that is 75 days after the end of each such fiscal quarter, with a 10-business day cure period for each quarterly deliverable.

The eleventh amendment also amended the Debt Service Coverage Ratio (as defined therein) applicable to the fourth quarter of 2016 and first, second and third quarters of 2017 from 1.75:1.00 to 1.50:1.00 and amended the Leverage Ratio (as defined therein) applicable to the fourth quarter of 2016 from 6.00:1.00 to 6.50:1.00 and applicable to the first, second and third quarters of 2017 from 5.75:1.00 to 6.50:1.00. In addition, the amendment amended the definitions of Debt Service Coverage Ratio and Leverage Ratio to provide for, in each case, certain pro forma treatment of the repayment or refinancing of Non-Recourse Project Indebtedness (as defined therein) net of any new Non-Recourse Project Indebtedness incurred in connection with any such refinancing. Per the terms of the eleventh amendment, Terra Operating LLC agreed to prepay \$50.0 million of revolving loans outstanding under the Revolver and permanently reduce the revolving commitments and borrowing capacity by such amount. This amount was repaid on May 3, 2017.

On July 25, 2017, Terra Operating LLC repaid an additional \$150.0 million of Revolver indebtedness, a portion of which was paid using proceeds the Company received from the sale of the U.K. Portfolio as discussed in *Note 2. Assets Held for Sale*. There was no reduction in revolving commitments and borrowing capacity as a result of this repayment.

On August 10, 2017, the Company entered into a twelfth amendment to the terms of the Revolver which further extended the due dates for delivery to the Administrative Agent and other parties to the Revolver for the Company's financial statements and accompanying information with respect to the first quarter of 2017 to August 30, 2017, the second quarter of 2017 to September 30, 2017 and the third quarter of 2017 to December 15, 2017. In addition, the Administrative Agent and requisite lenders waived all defaults or events of default existing as of or prior to the effective date of the twelfth amendment, and the consequences thereof, in connection with a failure to comply with the covenants requiring the delivery of the financial statements and accompanying information with respect to the first quarter of 2017. The Company filed this Form 10-Q for the first quarter of 2017 prior to August 30, 2017, and consequently no event of default occurred under the Revolver with respect to this Form 10-Q.

Per the terms of the twelfth amendment, Terra Operating LLC agreed to permanently reduce the revolving commitments under the Revolver by \$50.0 million. After giving effect to this reduction in revolving commitments, the total borrowing capacity under the Revolver was \$520.0 million as of such date. There was no additional payment of principal on the Revolver made in connection with this commitment reduction.

Senior Notes due 2023 and Senior Notes due 2025

The Senior Notes due 2023 and the Senior Notes due 2025 require the Company to timely file with the SEC, or make publicly available, audited annual financial statements and unaudited quarterly financial statements no later than 60 days following the date required by the SEC's rules and regulations (including extensions thereof). The Company has a 90-day grace period from the date a notice of default is deemed to be duly given to Terra Operating LLC in accordance with the Senior Notes due 2023 and the Senior Notes due 2025.

On May 2, 2017, Terra Operating LLC received a notice from the trustee of an event of default for failure to deliver 2016 audited annual financial statements and thus had until July 31, 2017 to deliver its 2016 audited financial statements before an event of default would occur under the 2023 Indenture and the indenture dated as of July 17, 2015 (as supplemented) with respect to the Senior Notes due 2025 (the "2025 Indenture"). However, the Form 10-K for the year ended December 31, 2016 was filed with the SEC within the grace period for delivery, and consequently no event of default occurred with respect to the 2016 10-K filing.

On July 11, 2017, Terra Operating LLC received a notice from the trustee of an event of default for failure to comply with its obligation to timely furnish the Company's Form 10-Q for the first quarter of 2017. However, this Form 10-Q for the first quarter of 2017 was filed within the 90-day grace period that commenced on July 11, 2017, and consequently no event of default occurred with respect to this filing.

Refer to the *Merger Agreement* section below for discussion of the Company's successful completion of a solicitation of consents from holders of record as of 5:00 p.m., New York City time, on August 1, 2017 of its Senior Notes due 2023 and its Senior Notes due 2025 to obtain a waiver of the requirement to make an offer to repurchase the Senior Notes issued under the respective indentures upon the occurrence of a change of control that would result from the consummation of the Merger.

Non-recourse Long-term Debt

Indirect subsidiaries of the Company have incurred long-term debt obligations with respect to the renewable energy facilities that those subsidiaries own directly or indirectly. The indebtedness of these subsidiaries is typically secured by the renewable energy facility's assets (mainly the renewable energy facility) or equity interests in such renewable energy facilities with no recourse to Terra LLC or Terra Operating LLC other than limited or capped contingent support obligations, which in aggregate are not considered to be material to the Company's business and financial condition. In connection with these financings and in the ordinary course of its business, the Company and its subsidiaries observe formalities and operating procedures to maintain each of their separate existence and can readily identify each of their separate assets and liabilities as separate and distinct from each other. As a result, these subsidiaries are legal entities that are separate and distinct from TerraForm Power, Terra LLC, Terra Operating LLC and the guarantors under the Revolver, the Senior Notes due 2023 and Senior Notes due 2025.

Canada project-level financing

On November 2, 2016, certain of the Company's subsidiaries entered into a new non-recourse loan financing in an aggregate principal amount of \$120.0 million Canadian dollars ("CAD"), including a CAD \$6.9 million letter of credit, secured by approximately 40 MW(ac) of utility-scale solar power plants located in Canada that are owned by the Company's subsidiaries. On February 28, 2017, the Company increased the principal amount of the credit facility by an additional CAD \$113.9 million (including an additional CAD \$6.7 million letter of credit), increasing the total facility to CAD \$233.9 million. The proceeds of this additional financing are expected to be used for general corporate purposes and were used to pay down an additional \$5.0 million on the Revolver as described above.

Non-recourse Portfolio Term Loan Prepayment

The Company has a non-recourse portfolio term loan with an outstanding principal balance of \$469.8 million as of March 31, 2017 (the "Midco Portfolio Term Loan") that is secured by indirect equity interests in approximately 1,104.3 MW of the Company's renewable energy facilities, consisting of assets acquired from Invenergy Wind Global LLC (together with its subsidiaries, "Invenergy Wind") and certain other renewable energy facilities acquired from SunEdison. The loan matures on January 15, 2019, to the extent the Company exercises its extension options. The Company exercised the first two extension options in January and July of 2017, respectively. In June of 2017, the Company agreed to make a \$100.0 million prepayment for this loan in connection with obtaining (i) a waiver to extend the 2016 audited project financial statement deadline under the loan agreement and (ii) a waiver of the change of control default that would arise under this loan agreement as a result of the Merger until, in the case of the change of control waiver, the date that is the earlier of three months following the closing of the Merger and March 31, 2018. This prepayment was made using a portion of the proceeds the Company received from the sale of the U.K. Portfolio as discussed in *Note 2. Assets Held for Sale*.

Non-recourse Debt Defaults

A SunEdison Debtor is a party to or guarantor of a material project agreement, such as asset management or O&M contracts, for most of the Company's non-recourse financing arrangements. As a result of the SunEdison Bankruptcy and delays in delivery of 2015 audited financial statements for the Company and/or certain project-level subsidiaries, among other things, the Company experienced defaults under most of its non-recourse financing agreements in 2016. During the course of 2016 and to date in 2017, the Company cured or obtained waivers or temporary forbearances with respect to most of these defaults and has transitioned, or is working to transition, the project-level services provided by SunEdison Debtors to third parties or in-house to a Company affiliate; however, certain of these defaults persist. Moreover, the Company has experienced additional defaults under most of the same non-recourse financing agreements in 2017 as the result of the failure to timely complete Company and/or project-level audits. The Company filed its Form 10-K for the year ended December 31, 2016 on July 21, 2017 and is working to complete the remaining project-level audits and seeking to obtain waivers of such default. For certain of these defaults, the corresponding contractual grace periods already expired as of the respective financial statement issuance date or the Company could not assert that it was probable that the violation would be cured within any remaining grace periods, would be cured for a period of more than twelve months or were not likely to recur. In addition, while the Company has been actively negotiating with the lenders to obtain waivers, the lenders have not currently waived or subsequently lost the right to demand repayment for more than one year from the balance sheet date with respect to certain of these defaults. As these defaults occurred prior to the issuance of the financial statements for the three months ended March 31, 2017 and for the year ended December 31, 2016, \$1.6 billion of the Company's non-recourse long-term indebtedness, net of unamortized debt discounts and deferred financing costs, was reclassified to current in the unaudited condensed consolidated balance sheets as of March 31, 2017 and December 31, 2016, as the Company accounts for debt in default as of the date the financial statements are issued in the same manner as if the default existed as of the balance sheet date. Amortization of deferred financing costs and debt discounts continue to be amortized over the maturities of the respective financing agreements as before the violations, as the Company believes there is a reasonable likelihood that it will be able to successfully negotiate a waiver with the lenders and/or cure the defaults.

As a result of these defaults, the Company also reclassified \$78.9 million and \$65.3 million of long-term restricted cash to current as of March 31, 2017 and December 31, 2016, respectively, consistent with the corresponding debt classification, as the restrictions that required the cash balances to be classified as long-term restricted cash were driven by the financing agreements. As of March 31, 2017 and December 31, 2016, \$21.4 million and \$67.1 million, respectively, of cash and cash equivalents was also reclassified to current restricted cash as the cash balances were subject to distribution restrictions related to debt defaults that existed as of the respective balance sheet date. \$33.8 million of the December 31, 2016 reclassification amount was reclassified from current restricted cash to assets held for sale as it related to the portfolios discussed in *Note 2. Assets Held for Sale*. There was no similar reclassification to assets held for sale for the March 31, 2017 reclassification amount. Refer to *Note 8. Derivatives* for discussion of corresponding interest rate swap reclassifications to current as a result of these defaults.

Maturities

The aggregate contractual payments of long-term debt due after March 31, 2017, including financing lease obligations and excluding amortization of debt discounts, premiums and deferred financing costs, as stated in the financing agreements, are as follows:

(In thousands)	Remainder of 2017 ¹	2018	2019	2020	2021	Thereafter	Total
Maturities of long-term debt as of March 31, 2017 ²	\$ 733,218	\$ 114,066	\$ 453,956	\$ 100,748	\$ 104,271	\$ 2,562,947	\$ 4,069,206

- (1) Includes \$547.0 million of Revolver indebtedness as management intends to repay this indebtedness during 2017 (\$200.0 million of which was paid prior to the financial statement issuance date as discussed above). Also includes \$100.0 million prepayment for the Midco Portfolio Term Loan, which the Company agreed to pay in June of 2017 in connection with obtaining (i) a waiver to extend the 2016 audited project financial statement deadline under the loan agreement and (ii) a waiver of the change of control default that would arise under the loan agreement as a result of the Merger until, in the case of the change of control waiver, the date that is the earlier of three months following the closing of the Merger and March 31, 2018. This prepayment was made using a portion of the proceeds the Company received from the sale of the U.K. Portfolio as discussed in *Note 2. Assets Held for Sale*.
- (2) Represents the contractual principal payment due dates for the Company's long-term debt and does not reflect the reclassification of \$1.6 billion of long-term debt to current as a result of debt defaults under certain of the Company's non-recourse financing arrangements, except for the \$100.0 million related to the prepayment discussed directly above (which is classified as current as of March 31, 2017 as this payment was made prior to the issuance of the financial statements in connection with obtaining a waiver of the debt default under the loan agreement).

Merger Agreement

As discussed in *Note 1. Nature of Operations and Basis of Presentation*, on March 6, 2017, TerraForm Power entered into the Merger Agreement with Orion Holdings and Merger Sub, which are both affiliates of Brookfield. The closing of the Merger is subject to certain conditions as previously described. There is no financing condition to the consummation of the transactions contemplated by the Merger Agreement. Pursuant to the Merger Agreement, the Company has agreed to provide cooperation as reasonably requested by Orion Holdings in its efforts to obtain debt financing that is to be made available to the Company from and after the closing of the Merger. Certain lenders have committed, upon the terms and subject to the conditions set forth in debt commitment letters provided to Orion Holdings, to provide certain financing to repay, refinance, redeem, defease or otherwise repurchase certain Company indebtedness.

In addition, the Merger Agreement provides that, at or prior to the effective time of the Merger, TerraForm Power will enter into a revolving credit line agreement, substantially consistent with the term sheet as agreed between Orion Holdings and TerraForm Power as of the date of the Merger Agreement (the "Sponsor Line Agreement"), by and among TerraForm Power and Brookfield or its affiliates pursuant to which Brookfield or its affiliates will commit up to a \$500 million secured revolving credit line to TerraForm Power for use to acquire renewable energy assets or for profit improving capital expenditures.

The closing of the Merger would trigger a change in control under the terms of the Revolver. Such change in control constitutes an event of default under the Revolver and would entitle the Revolver lenders to accelerate the principal amount outstanding under the Revolver. The Company intends to pay down and terminate the Revolver concurrently with consummating the Merger through a refinancing transaction. However, there can be no assurance that the Company will be able to enter into a replacement credit facility or otherwise secure financing on equal or more favorable terms. Such inability could have a materially adverse effect on the Company's liquidity and growth strategy.

The closing of the Merger would also have triggered a change in control under the 2023 Indenture and the 2025 Indenture. The 2023 Indenture and the 2025 Indenture require the Company to make an offer to repurchase the Senior Notes issued under the respective indentures at 101% of the applicable principal amount, plus accrued and unpaid interest and additional interest, if any, to the repurchase date following a change in control. However, on August 11, 2017, the Company announced the successful completion of a solicitation of consents from holders of record as of 5:00 p.m., New York City time, on August 1, 2017 of its Senior Notes due 2023 and its Senior Notes due 2025 to obtain a waiver of the requirement to make an offer to repurchase the Senior Notes issued under the respective indentures upon the occurrence of a change of control that would result from the consummation of the Merger, in each case among Terra Operating LLC, as issuer, the guarantors party thereto and U.S. Bank National Association, as trustee. Terra Operating LLC received validly delivered and unrevoked consents from the holders of a majority of the aggregate principal amount of each series of the Senior Notes outstanding as of the record

date and paid a consent fee to each consenting holder of \$1.25 per \$1,000 principal amount of such series of the Senior Notes for which such holder delivered its consent.

In addition to the change of control waiver, Terra Operating LLC also received consents to effect on the closing date of the Merger certain amendments to the 2023 Indenture and the 2025 Indenture. The amendments would amend the definition of "Permitted Holder" under the respective indentures (which is referred to in the definition of change of control) to replace the references to "the Sponsor" therein with "Brookfield Asset Management, Inc. (or its successors and assigns)." Subject to the closing of the Merger, Terra Operating LLC will be obligated to effectuate the amendments and pay a success fee of \$1.25 per \$1,000 principal amount of each series of the Senior Notes for which such consenting holder delivered its consent. Terra Operating LLC will be under no obligation to effectuate the amendments or pay the success fee if the Merger is not consummated for any reason.

A limited number of the Company's non-recourse financing arrangements also include change in control provisions that would permit the counterparty to terminate the contract or accelerate maturity following the consummation of the Merger. The Company is working to obtain consents or waivers from those counterparties to the applicable change of control provisions, however, there is no assurance those consents will be obtained.

7. INCOME TAXES

The income tax provision consisted of the following:

(In thousands, except effective tax rate)	Three Months Ended March 31,	
	2017	2016
Loss before income tax (benefit) expense	\$ (57,191)	\$ (33,408)
Income tax (benefit) expense	(918)	97
Effective tax rate	1.6%	(0.3)%

As of March 31, 2017, TerraForm Power owned 65.7% of Terra LLC and consolidated the results of Terra LLC through its controlling interest. The Company records SunEdison's 34.3% ownership of Terra LLC as a non-controlling interest in the financial statements. Terra LLC is treated as a partnership for income tax purposes. As such, the Company records income tax on its 65.7% of Terra LLC's taxable income and SunEdison records income tax on its 34.3% share of Terra LLC's taxable income.

For the three months ended March 31, 2017 and 2016, the overall effective tax rate was different than the statutory rate of 35% primarily due to the recording of a valuation allowance on certain tax benefits attributed to the Company, loss allocated to non-controlling interests and the effect of state taxes. As of March 31, 2017, most jurisdictions were in a net deferred tax asset position. A valuation allowance is recorded against the deferred tax assets primarily because of the history of losses in those jurisdictions. As of March 31, 2017, the Company had not identified any uncertain tax positions for which a liability was required.

8. DERIVATIVES

As part of the Company's risk management strategy, the Company has entered into derivative instruments which include interest rate swaps, foreign currency contracts and commodity contracts to mitigate interest rate, foreign currency and commodity price exposure. If the Company elects to do so and if the instrument meets the criteria specified in ASC 815, *Derivatives and Hedging*, the Company designates its derivative instruments as cash flow hedges. The Company enters into interest rate swap agreements in order to hedge the variability of expected future cash interest payments. Foreign currency contracts are used to reduce risks arising from the change in fair value of certain foreign currency denominated assets and liabilities. The objective of these practices is to minimize the impact of foreign currency fluctuations on operating results. The Company also enters into commodity contracts to economically hedge price variability inherent in electricity sales arrangements. The objectives of the commodity contracts are to minimize the impact of variability in spot electricity prices and stabilize estimated revenue streams. The Company does not use derivative instruments for speculative purposes.

As of March 31, 2017 and December 31, 2016, fair values of the following derivative instruments were included in the balance sheet captions indicated below:

(In thousands)	Fair Value of Derivative Instruments					Gross Amounts of Assets/ Liabilities Recognized	Gross Amounts Offset in Consolidated Balance Sheet	Net Amounts in Consolidated Balance Sheet
	Hedging Contracts		Derivatives Not Designated as Hedges					
	Interest Rate Swaps	Commodity Contracts	Interest Rate Swaps	Foreign Currency Contracts	Commodity Contracts			
As of March 31, 2017								
Prepaid expenses and other current assets	\$ 1,626	\$ 8,112	\$ —	\$ 835	\$ 12,491	\$ 23,064	\$ —	\$ 23,064
Other assets	418	79,206	—	202	23,988	103,814	—	103,814
Total assets	<u>\$ 2,044</u>	<u>\$ 87,318</u>	<u>\$ —</u>	<u>\$ 1,037</u>	<u>\$ 36,479</u>	<u>\$ 126,878</u>	<u>\$ —</u>	<u>\$ 126,878</u>
Accounts payable, accrued expenses and other current liabilities	\$ 10,066	\$ —	\$ 737	\$ —	\$ —	\$ 10,803	\$ —	\$ 10,803
Liabilities related to assets held for sale	—	—	3,119	—	—	3,119	—	3,119
Other long-term liabilities	—	—	—	—	—	—	—	—
Non-current liabilities related to assets held for sale	—	—	18,275	—	—	18,275	—	18,275
Total liabilities	<u>\$ 10,066</u>	<u>\$ —</u>	<u>\$ 22,131</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 32,197</u>	<u>\$ —</u>	<u>\$ 32,197</u>
As of December 31, 2016								
Prepaid expenses and other current assets	\$ 1,150	\$ 3,664	\$ —	\$ 953	\$ 12,028	\$ 17,795	\$ —	\$ 17,795
Other assets	411	62,474	—	460	25,167	88,512	—	88,512
Total assets	<u>\$ 1,561</u>	<u>\$ 66,138</u>	<u>\$ —</u>	<u>\$ 1,413</u>	<u>\$ 37,195</u>	<u>\$ 106,307</u>	<u>\$ —</u>	<u>\$ 106,307</u>
Accounts payable, accrued expenses and other current liabilities	\$ 10,689	\$ —	\$ 814	\$ —	\$ —	\$ 11,503	\$ —	\$ 11,503
Liabilities related to assets held for sale	—	—	4,041	—	—	4,041	—	4,041
Other long-term liabilities	47	—	—	—	—	47	—	47
Non-current liabilities related to assets held for sale	—	—	16,786	—	—	16,786	—	16,786
Total liabilities	<u>\$ 10,736</u>	<u>\$ —</u>	<u>\$ 21,641</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 32,377</u>	<u>\$ —</u>	<u>\$ 32,377</u>

As of March 31, 2017 and December 31, 2016, notional amounts for derivative instruments consisted of the following:

(In thousands)	Notional Amount as of	
	March 31, 2017	December 31, 2016
Derivatives designated as hedges:		
Interest rate swaps (USD)	425,744	433,874
Interest rate swaps (CAD)	163,668	84,713
Commodity contracts (MWs)	16,610	16,988
Derivatives not designated as hedges:		
Interest rate swaps (USD)	14,655	14,681
Interest rate swaps (GBP)	222,018	222,018
Foreign currency contracts (CAD)	21,875	25,075
Commodity contracts (MWs)	1,275	1,407

The Company has elected to present net derivative assets and liabilities on the balance sheet as a right to setoff exists. For interest rate swaps, the Company either nets derivative assets and liabilities on a trade-by-trade basis or nets them in accordance with a master netting arrangement if such an arrangement exists with the counterparties. Foreign currency contracts are netted by currency in accordance with a master netting arrangement. The Company has a master netting arrangement for its commodity contracts for which no amounts were netted as of March 31, 2017 as each of the commodity contracts were in a gain position.

Gains and losses on derivatives not designated as hedges for the three months ended March 31, 2017 and 2016 consisted of the following:

(In thousands)	Location of Loss (Gain) in the Statements of Operations	Three Months Ended March 31,	
		2017	2016
Interest rate swaps	Interest expense, net	\$ 1,374	\$ 540
Foreign currency contracts	Loss on foreign currency exchange, net	213	536
Commodity contracts	Operating revenues, net	(4,113)	(8,461)

Gains and losses recognized related to interest rate swaps and commodity contracts designated as cash flow hedges for the three months ended March 31, 2017 and 2016 consisted of the following:

(In thousands)	Three Months Ended March 31,						
	Gain (Loss) Recognized in Other Comprehensive Income (Effective Portion) net of taxes ¹		Location of Amount Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion)	Amount of (Gain) Loss Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion)		Amount of (Gain) Loss Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	2017	2016		2017	2016	2017	2016
Interest rate swaps	\$ (1,619)	\$ (32,193)	Interest expense, net	\$ 2,861	\$ 3,433	\$ (326)	\$ 328
Commodity contracts	15,673	(772)	Operating revenues, net	(3,247)	(3,064)	(2,918)	2,188
Total	\$ 14,054	\$ (32,965)		\$ (386)	\$ 369	\$ (3,244)	\$ 2,516

- (1) Net of taxes of \$5.8 million attributed to commodity contracts during the three months ended March 31, 2017. There were no taxes attributed to interest rate swaps during the three months ended March 31, 2017, and there were no taxes attributed to derivatives designated as cash flow hedges during the three months ended March 31, 2016.

As of March 31, 2017 and December 31, 2016, the Company had posted letters of credit in the amount of \$15.0 million and \$18.0 million, respectively, as collateral related to certain commodity contracts. Certain derivative contracts contain provisions providing the counterparties a lien on specific assets as collateral. There was no cash collateral received or pledged as of March 31, 2017 and December 31, 2016 related to the Company's derivative transactions.

Derivatives Designated as Hedges

Interest Rate Swaps

The Company has interest rate swap agreements to hedge variable rate non-recourse debt. These interest rate swaps qualify for hedge accounting and were designated as cash flow hedges. Under the interest rate swap agreements, the renewable energy facilities pay a fixed rate and the counterparties to the agreements pay a variable interest rate. The amounts deferred in other comprehensive income and reclassified into earnings during the three months ended March 31, 2017 and 2016 related to the interest rate swaps are provided in the tables above. The loss expected to be reclassified into earnings over the next twelve months is approximately \$4.8 million. The maximum term of outstanding interest rate swaps designated as hedges is 17 years.

As discussed in *Note 6. Long-term debt*, the Company experienced defaults under certain of its non-recourse financing agreements prior to the issuance of the financial statements for the three months ended March 31, 2017 and for the year ended December 31, 2016. As the Company's interest rate swap agreements contain cross-default provisions, \$4.5 million and \$4.8 million of related liabilities have been reclassified to current as of March 31, 2017 and December 31, 2016, respectively. The Company is actively working with the counterparties to cure these defaults and obtain waivers as necessary. The Company does not currently expect any changes to the underlying cash flows as a result of these defaults and thus has determined that there is no impact to the swaps' qualification for hedge accounting and designation as cash flow hedges.

Commodity Contracts

The Company has long-dated physically delivered commodity contracts that hedge variability in cash flows associated with the sales of power from certain renewable energy facilities located in Texas. These commodity contracts qualify for hedge accounting and are designated as cash flow hedges. Accordingly, the effective portions of the change in fair value of these derivatives are reported in accumulated other comprehensive income and subsequently reclassified to earnings in the periods when the hedged transactions affect earnings. Any ineffective portions of the derivatives' change in fair value are recognized currently in earnings. The amounts deferred in other comprehensive income and reclassified into earnings during the three months ended March 31, 2017 and 2016 related to the commodity contracts are provided in the tables above. The gain expected to be reclassified into earnings over the next twelve months is approximately \$6.5 million. The maximum term of outstanding commodity contracts designated as hedges is 13 years.

Derivatives Not Designated as Hedges

Interest Rate Swaps

The Company has interest rate swap agreements that economically hedge the cash flows for non-recourse debt. These interest rate swaps pay a fixed rate and the counterparties to the agreements pay a variable interest rate. The changes in fair value are recorded in interest expense, net in the unaudited condensed consolidated statements of operations as these hedges are not accounted for under hedge accounting.

As discussed in *Note 6. Long-term debt*, the Company experienced defaults under certain of its non-recourse financing agreements prior to the issuance of the financial statements for the three months ended March 31, 2017 and for the year ended December 31, 2016. As the Company's interest rate swap agreements contain cross-default provisions, \$0.5 million of related liabilities have been reclassified to current as of March 31, 2017 and December 31, 2016. The Company is actively working with the counterparties to cure these defaults and obtain waivers as necessary.

As of March 31, 2017 and December 31, 2016, the Company reclassified \$3.1 million and \$4.0 million, respectively, of current derivative liabilities to liabilities related to assets held for sale and \$18.3 million and \$16.8 million, respectively, of non-current derivative liabilities to non-current liabilities related to assets held for sale. These pertain to interest rate swap agreements for the U.K. Portfolio that were previously designated as cash flow hedges. The Company discontinued hedge accounting for these interest rate swaps during the second quarter of 2016 and the changes in fair value are now recorded through earnings.

Foreign Currency Contracts

The Company has foreign currency contracts in order to economically hedge its exposure to foreign currency fluctuations. The settlement of these hedges occurs on a quarterly basis through maturity. As these hedges are not accounted for under hedge accounting, the changes in fair value are recorded in loss (gain) on foreign currency exchange, net in the unaudited condensed consolidated statements of operations.

Commodity Contracts

The Company has commodity contracts in order to economically hedge commodity price variability inherent in certain electricity sales arrangements. If the Company sells electricity to an independent system operator market and there is no PPA available, it may enter into a commodity contract to hedge all or a portion of their estimated revenue stream. These commodity contracts require periodic settlements in which the Company receives a fixed-price based on specified quantities of electricity and pays the counterparty a variable market price based on the same specified quantity of electricity. As these hedges are not accounted for under hedge accounting, the changes in fair value are recorded in operating revenues net, in the unaudited condensed consolidated statements of operations.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of assets and liabilities are determined using either unadjusted quoted prices in active markets (Level 1) or pricing inputs that are observable (Level 2) whenever that information is available and using unobservable inputs (Level 3) to estimate fair value only when relevant observable inputs are not available. The Company uses valuation techniques that maximize the use of observable inputs. Assets and liabilities are classified in their entirety based on the lowest priority level of input that is significant to the fair value measurement. Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. If the inputs into the valuation are not corroborated by market data, in such instances, the valuation for these contracts is established using techniques including extrapolation from or interpolation between actively traded contracts as well as calculation of implied volatilities. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized as Level 3. The Company regularly evaluates and validates the inputs used to determine fair value of Level 3 contracts by using pricing services to support the underlying market price of the commodity.

The Company uses a discounted cash flow valuation technique to fair value its derivative assets and liabilities. The primary inputs in the valuation models for commodity contracts are market observable forward commodity curves and risk-free discount rates and to a lesser degree credit spreads and volatilities. The primary inputs into the valuation of interest rate swaps and foreign currency contracts are forward interest rates, foreign currency exchange rates, and to a lesser degree credit spreads.

Recurring Fair Value Measurements

The following table summarizes the financial instruments measured at fair value on a recurring basis classified in the fair value hierarchy (Level 1, 2 or 3) based on the inputs used for valuation in the unaudited condensed consolidated balance sheets:

(In thousands)	As of March 31, 2017				As of December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Interest rate swaps	\$ —	\$ 2,044	\$ —	\$ 2,044	\$ —	\$ 1,561	\$ —	\$ 1,561
Commodity contracts	—	36,479	87,318	123,797	—	37,195	66,138	103,333
Foreign currency contracts	—	1,037	—	1,037	—	1,413	—	1,413
Total derivative assets	\$ —	\$ 39,560	\$ 87,318	\$ 126,878	\$ —	\$ 40,169	\$ 66,138	\$ 106,307
Liabilities								
Interest rate swaps	\$ —	\$ 32,197	\$ —	\$ 32,197	\$ —	\$ 32,377	\$ —	\$ 32,377
Foreign currency contracts	—	—	—	—	—	—	—	—
Total derivative liabilities	\$ —	\$ 32,197	\$ —	\$ 32,197	\$ —	\$ 32,377	\$ —	\$ 32,377

The Company's interest rate swaps, commodity contracts not designated as hedges and foreign currency contracts are considered Level 2, since all significant inputs are corroborated by market observable data. The Company's commodity

contracts designated as hedges are considered Level 3 as they contain significant unobservable inputs. There were no transfers in or out of Level 1, Level 2 and Level 3 during the three months ended March 31, 2017.

The following table reconciles the changes in the fair value of derivative instruments classified as Level 3 in the fair value hierarchy for the three months ended March 31, 2017 and 2016:

(In thousands)	Three Months Ended March 31,	
	2017	2016
Beginning balance	\$ 66,138	\$ 63,154
Realized and unrealized gains (losses):		
Included in other comprehensive income (loss)	18,262	(3,836)
Included in operating revenues, net	6,165	(2,188)
Settlements	(3,247)	—
Balance as of March 31	<u>\$ 87,318</u>	<u>\$ 57,130</u>

The significant unobservable inputs used in the valuation of the Company's commodity contracts categorized as Level 3 of the fair value hierarchy as of March 31, 2017 are as follows:

(In thousands, except range)	Fair Value as of March 31, 2017		Valuation Technique	Unobservable Inputs	Range
	Assets	Liabilities			
Commodity contracts - power	\$ 87,318	\$ —	Discounted cash flow	Forward price (per MWh)	\$ 13.6 - \$ 78.2
			Option model	Volatilities	3.1% - 8.2%

The sensitivity of the Company's fair value measurements to increases (decreases) in the significant unobservable inputs is as follows:

Significant Unobservable Input	Position	Impact on Fair Value Measurement
Increase (decrease) in forward price	Forward sale	Decrease (increase)
Increase (decrease) in implied volatilities	Purchase option	Increase (decrease)

The Company measures the sensitivity of the fair value of its Level 3 commodity contracts to potential changes in commodity prices using a mark-to-market analysis based on the current forward commodity prices and estimates of the price volatility. An increase in power forward prices will produce a mark-to-market loss, while a decrease in prices will result in a mark-to-market gain.

Fair Value of Debt

The carrying amount and estimated fair value of the Company's long-term debt as of March 31, 2017 and December 31, 2016 is as follows:

(In thousands)	As of March 31, 2017		As of December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion	\$ 4,016,410	\$ 4,175,169	\$ 3,950,914	\$ 4,080,397

The fair value of the Company's long-term debt, except the senior notes was determined using inputs classified as Level 2 and a discounted cash flow approach using market rates for similar debt instruments. The fair value of the senior notes is based on market price information which is classified as a Level 1 input. They are measured using the last available trades at the end of each respective fiscal period. The fair value of the Senior Notes due 2023 and Senior Notes due 2025 were 103.88% and 107.00% of face value as of March 31, 2017, respectively, and 101.38% and 103.75% of face value as of December 31, 2016, respectively. The fair value is not indicative of the amount that the Company would have to pay to redeem these notes as they are not callable at this time.

10. STOCKHOLDERS' EQUITY

As of March 31, 2017, the following shares of TerraForm Power were outstanding:

Share Class:	Shares Outstanding	Shareholder(s)
Class A common stock	92,247,740	*
Class B common stock	48,202,310	SunEdison
Total Shares	140,450,050	

* Class A common stockholders are comprised of public and private investors, executive officers, management and personnel who provide services to the Company. Shares of Class A common stock outstanding exclude 264,836 shares of common stock held in treasury. The total par value of Class A common stock reflected on the unaudited condensed consolidated balance sheet and unaudited condensed consolidated statement of stockholders' equity as of March 31, 2017 includes the shares of stock held in treasury.

Merger Agreement and Settlement Agreement

As discussed in *Note 1. Nature of Operations and Basis of Presentation*, on March 6, 2017, TerraForm Power entered into the Merger Agreement with Orion Holdings and Merger Sub, which are both affiliates of Brookfield. Orion Holdings would own approximately 51% of the Class A shares of TerraForm Power following the consummation of the Merger, subject to certain conditions precedent. The Merger Agreement was approved unanimously by the members of the Board of TerraForm Power voting on the matter, following the unanimous recommendation of its Corporate Governance and Conflicts Committee. Completion of the transaction is expected to occur, subject to satisfaction of closing conditions, in the second half of 2017.

Immediately prior to the effective time of the Merger, TerraForm Power will declare the payment of a special cash dividend (the "Special Dividend") in the amount of \$1.94 per fully diluted share, which includes the Company's issued and outstanding Class A shares, Class A shares issued to SunEdison pursuant to the Settlement Agreement (more fully described below) and Class A shares underlying outstanding restricted stock units of the Company under the Company's long-term incentive plan.

At the effective time of the Merger, each share of Class A common stock of TerraForm Power issued and outstanding immediately prior to the effective time of the Merger, with the exception of certain excluded shares, will be converted into the right to, at the holder's election and subject to proration as described below, either (i) receive \$9.52 per Class A Share, in cash, without interest (the "Per Share Cash Consideration") or (ii) retain one share of Class A common stock, par value \$0.01 per share, of the surviving corporation (the "Per Share Stock Consideration," and, together with the Per Share Cash Consideration, without duplication, the "Per Share Merger Consideration"). Issued and outstanding shares include shares issued in connection with the SunEdison Settlement Agreement as more fully described below and shares underlying outstanding restricted stock units of the Company under the Company's long-term incentive plan. The Per Share Stock Consideration will be subject to proration in the event that the aggregate number of Class A Shares for which an election to receive the Per Share Stock Consideration has been made exceeds 49% of the TerraForm Power fully diluted share count (the "Maximum Stock Consideration Shares"). Additionally, the Per Share Cash Consideration will be subject to proration in the event that the aggregate number of Class A shares for which an election to receive the Per Share Cash Consideration has been made exceeds the TerraForm Power fully diluted share count minus (i) the Maximum Stock Consideration Shares, (ii) any Class A shares currently held by affiliates of Brookfield, and (iii) any shares for which the holders seek appraisal under Delaware law.

As part of its strategic alternatives process and the entry into the Merger Agreement, TerraForm Power also entered into the Settlement Agreement with the SunEdison Debtors on March 6, 2017. The Settlement Agreement, which was approved

by the Bankruptcy Court, provides that, subject to the consummation of the Merger and certain other conditions, SunEdison will exchange, effective as of immediately prior to the record time for the Special Dividend, all of the Class B units of Terra LLC held by it or any of its controlled affiliates for 48,202,310 Class A shares of TerraForm Power (the "Exchange Shares" and the "Exchange," as applicable). As a result of and following completion of the Exchange, all of the issued and outstanding shares of Class B common stock of TerraForm Power will be redeemed and retired. The Company will also authorize and issue to SunEdison a number of additional Class A shares (the "Additional SunEdison Shares," together with the Exchange Shares, the "SunEdison Shares"), such that, immediately prior to the effective time of the Merger, SunEdison will hold an aggregate number of Class A shares equal to 36.9% of TerraForm Power's fully diluted share count.

Dividends

TerraForm Power has not declared or paid a dividend since the quarterly dividend for the third quarter of 2015. As a result of the SunEdison Bankruptcy, the limitations on the Company's ability to access the capital markets for its corporate debt and equity securities and other risks that the Company faces as detailed in this report, the Company's management believed it was prudent to defer any decisions on paying dividends to its shareholders for the time being. Further, under the Merger Agreement, the Company is restricted from declaring or paying dividends prior to the consummation of the Merger, except for the Special Dividend as described above.

11. STOCK-BASED COMPENSATION

The Company has equity incentive plans that provide for the award of incentive and nonqualified stock options, restricted stock awards ("RSAs") and restricted stock units ("RSUs") to personnel and directors who provide services to the Company, including personnel and directors who also provide services to SunEdison, Inc. and TerraForm Global, Inc. The maximum contractual term of an award is ten years from the date of grant. As of March 31, 2017, an aggregate of 3,828,288 shares of Class A common stock were available for issuance under these plans. Upon exercise of stock options or the vesting of the RSUs, the Company will issue shares that have been previously authorized to be issued.

Historically, stock-based compensation costs related to equity awards in the Company's stock were allocated to the Company, SunEdison, Inc. and TerraForm Global, Inc. based on the relative percentage of time that the personnel and directors spent providing services to the respective companies. As of January 1, 2017, the Company hired certain former employees of SunEdison who provided dedicated services to the Company. The amount of stock-based compensation expense related to equity awards in the Company's stock which has been awarded to the Company's employees was \$1.5 million and \$0.4 million during the three months ended March 31, 2017 and 2016, respectively, and is reflected in the unaudited condensed consolidated statements of operations within general and administrative expenses. The total amount of stock-based compensation cost related to equity awards in the Company's stock which has been allocated to SunEdison, Inc. and TerraForm Global, Inc. was \$0.2 million and \$0.1 million for the three months ended March 31, 2017 and 2016, respectively, and is recognized as a distribution to SunEdison within Net SunEdison investment on the unaudited condensed consolidated statement of stockholders' equity with no impact to the Company's unaudited condensed consolidated statements of operations. Similarly, stock-based compensation costs related to equity awards in the stock of SunEdison, Inc. and TerraForm Global, Inc. awarded to employees of the Company are allocated to the Company. The amount of stock-based compensation expense related to equity awards in the stock of SunEdison, Inc. and TerraForm Global, Inc. that was allocated to the Company was \$1.0 million and \$0.5 million for the three months ended March 31, 2017 and 2016, respectively, and is reflected in the unaudited condensed consolidated statements of operations within general and administrative expenses - affiliate and has been treated as an equity contribution from SunEdison within Net SunEdison investment on the unaudited condensed consolidated statement of stockholders' equity.

Restricted Stock Awards

RSAs provide the holder with immediate voting rights, but are restricted in all other respects until vested. Upon a termination of employment for any reason, any unvested shares of Class A common stock held by the terminated participant will be forfeited. All unvested RSAs are paid dividends and distributions. There were no unvested RSAs as of March 31, 2017.

The following table presents information regarding outstanding RSAs as of March 31, 2017 and changes during the period then ended:

	Number of RSAs Outstanding	Weighted-Average Grant-Date Fair Value Per Share	Aggregate Intrinsic Value (in millions)
Balance at January 1, 2017	366,195	\$ 8.51	
Converted	(366,195)	8.51	
Balance as of March 31, 2017	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>

No RSAs were granted during the three months ended March 31, 2017 or 2016. As of March 31, 2017, there was no unrecognized compensation cost in relation to outstanding RSAs.

Restricted Stock Units

RSUs will not entitle the holders to voting rights and holders of the RSUs will not have any right to receive dividends or distributions. The following table presents information regarding outstanding RSUs as of March 31, 2017 and changes during the period then ended:

	Number of RSUs Outstanding	Aggregate Intrinsic Value (in millions)	Weighted Average Remaining Contractual Life (In Years)
Balance at January 1, 2017	1,622,953		
Granted	185,980		
Converted	(35,900)		
Forfeited	(296,243)		
Balance as of March 31, 2017	<u>1,476,790</u>	<u>\$ 18.3</u>	<u>1.0</u>

As of March 31, 2017, \$10.6 million of total unrecognized compensation cost related to RSUs is expected to be recognized over a weighted average period of approximately 1.8 years. The weighted-average fair value of RSUs on the date of grant was \$12.08 and \$9.96 for the three months ended March 31, 2017 and 2016, respectively.

During the three months ended March 31, 2017, the Company awarded 173,180 RSUs to certain employees and executive officers of TerraForm Global, Inc. and the Company. These are time-based awards which will vest on the following schedule: 25% after one year, 25% after two years, and 50% after three years. The grant-date fair value of these awards was \$2.1 million, which was calculated based on the Company's closing stock price on the date of grant, and will be recognized as compensation cost on a straight-line basis over the three year service period. On February 12, 2017, the Company awarded 12,800 RSUs to a non-employee director as compensation for services. Pursuant to the terms of the relevant RSU award agreement, these RSUs vested in full on May 25, 2017. The grant-date fair value of these awards was \$0.1 million, which was calculated based on the Company's closing stock price on the date of grant, and was recognized as compensation cost by the Company on a straight-line basis through May 25, 2017.

Stock Options

As of March 31, 2017, there was no unrecognized compensation cost in relation to outstanding stock options.

Merger Agreement

As discussed in *Note 1. Nature of Operations and Basis of Presentation*, on March 6, 2017, TerraForm Power entered into the Merger Agreement with certain affiliates of Brookfield. Pursuant to the TerraForm Power 2014 Second Amended and Restated Long-Term Incentive Plan, if the Merger is consummated, it will result in a change of control and all unvested equity awards will vest, which would result in a significant stock-based compensation charge in such period.

12. LOSS PER SHARE

Loss per share is based upon the weighted average shares outstanding. Net loss attributable to Class A common stockholders is adjusted by the amount of deemed dividends related to the accretion of redeemable non-controlling interest and the amount of dividends paid on Class A shares and participating RSAs. Unvested RSAs that contain non-forfeitable rights to dividends are treated as participating securities and are included in the loss per share computation using the two-class method, to the extent that there are undistributed earnings available as such securities do not participate in losses.

Basic and diluted loss per share of the Company's Class A common stock for the three months ended March 31, 2017 and 2016 was calculated as follows:

(In thousands, except per share amounts)	Three Months Ended March 31,	
	2017	2016
Basic and diluted loss per share ¹ :		
Net loss attributable to Class A common stockholders	\$ (31,769)	\$ (481)
Less: accretion of redeemable non-controlling interest	(2,226)	—
Less: dividends paid on Class A shares and participating RSAs	—	—
Undistributed loss attributable to Class A shares	<u>\$ (33,995)</u>	<u>\$ (481)</u>
Weighted average basic and diluted Class A shares outstanding	<u>92,072</u>	<u>87,833</u>
Distributed earnings per share	\$ —	\$ —
Undistributed loss per share	(0.37)	(0.01)
Basic and diluted loss per share	<u>\$ (0.37)</u>	<u>\$ (0.01)</u>

- (1) The computation for diluted loss per share of the Company's Class A common stock for the three months ended March 31, 2017 excludes 1,476,790 of unvested RSUs because the effect would have been anti-dilutive. The computation for diluted loss per share of the Company's Class A common stock for the three months ended March 31, 2016 excludes 546,633 of unvested RSAs and 2,941,323 of unvested RSUs because the effect would have been anti-dilutive.

13. NON-CONTROLLING INTERESTS

Non-controlling Interests

Non-controlling interests represent the portion of net assets in consolidated entities that are not owned by the Company. The following table presents the non-controlling interest balances reported in stockholders' equity in the unaudited condensed consolidated balance sheets as of March 31, 2017 and December 31, 2016:

(In thousands)	March 31, 2017	December 31, 2016
SunEdison's non-controlling interest in Terra LLC	\$ 645,982	\$ 660,799
Non-controlling interests in renewable energy facilities	797,027	804,243
Total non-controlling interests	<u>\$ 1,443,009</u>	<u>\$ 1,465,042</u>

As of March 31, 2017, TerraForm Power owned 65.7% of Terra LLC and consolidated the results of Terra LLC through its controlling interest, with SunEdison's 34.3% interest shown as a non-controlling interest.

Redeemable Non-controlling Interests

Non-controlling interests in subsidiaries that are redeemable either at the option of the holder or at fixed and determinable prices at certain dates are classified as redeemable non-controlling interests in subsidiaries between liabilities and stockholders' equity in the unaudited condensed consolidated balance sheets. The redeemable non-controlling interests in subsidiaries balance is determined using the hypothetical liquidation at book value method for the VIE funds or allocation of

share of income or losses in other subsidiaries subsequent to initial recognition; however, the non-controlling interests balance cannot be less than the estimated redemption value.

The Company recorded a \$2.2 million adjustment during the three months ended March 31, 2017 to the value of the Invenergy Wind redeemable non-controlling interest, reflecting the excess of the future redemption value over its carrying amount at the balance sheet date based on SEC guidance in ASC 480-10-S99-3A. The Company accretes the redemption value of the redeemable non-controlling interest over the redemption period using the straight-line method. Accretion adjustments to the carrying value of this redeemable non-controlling interest are recorded against additional paid-in capital. There were no similar adjustments recorded during the three months ended March 31, 2016.

The following table presents the activity of the redeemable non-controlling interests balance for the three months ended March 31, 2017:

(In thousands)	Redeemable Non-controlling Interests		
	Capital	Retained Earnings	Total
Balance as of December 31, 2016	\$ 153,490	\$ 26,877	\$ 180,367
Distributions	(3,157)	—	(3,157)
Accretion of redeemable non-controlling interest	2,226	—	2,226
Net income	—	835	835
Balance as of March 31, 2017	<u>\$ 152,559</u>	<u>\$ 27,712</u>	<u>\$ 180,271</u>

14. COMMITMENTS AND CONTINGENCIES

Letters of Credit

The Company's customers, vendors and regulatory agencies often require the Company to post letters of credit in order to guarantee performance under relevant contracts and agreements. The Company is also required to post letters of credit to secure obligations under various swap agreements and leases and may, from time to time, decide to post letters of credit in lieu of cash deposits in reserve accounts under certain financing arrangements. The amount that can be drawn under some of these letters of credit may be increased from time to time subject to the satisfaction of certain conditions. As of March 31, 2017, the Company had outstanding letters of credit under the Revolver of \$66.6 million and outstanding project-level letters of credit of \$148.2 million.

Guarantee Agreements

The Company and its subsidiaries have provided guarantees to certain of its institutional tax equity investors and financing parties in connection with its tax equity financing transactions. These guarantees do not guarantee the returns targeted by the tax equity investors or financing parties, but rather support any potential indemnity payments payable under the tax equity agreements, including related to management of tax partnerships and recapture of tax credits or renewable energy grants in connection with transfers of the Company's direct or indirect ownership interests in the tax partnerships to entities that are not qualified to receive those tax benefits. The Company and its subsidiaries have also provided guarantees in connection with acquisitions of third party assets or to support project contractual obligations, including renewable energy credit sales agreements, and may provide additional guarantees in connection with future acquisitions or project contractual obligations. The Company and its subsidiaries have also provided other capped or limited contingent guarantees and other support obligations with respect to certain project-level indebtedness.

Commitments to Acquire Renewable Energy Facilities

As of March 31, 2017, the Company did not have any open commitments to acquire renewable energy facilities from third parties or SunEdison, other than as described with respect to the Invenergy Wind Option Agreements (as discussed and defined in *Note 15. Related Parties*).

Legal Proceedings

The Company is not a party to any material legal proceedings other than various administrative and regulatory proceedings arising in the ordinary course of the Company's business or as described below. While the Company cannot predict with certainty the ultimate resolution of such proceedings or other claims asserted against the Company, certain of the claims, if adversely concluded, could result in substantial damages or other relief.

Securities Class Action

On April 4, 2016, a securities class action under federal securities laws (*Chamblee v. TerraForm Power, Inc., et al.*, Case No. 1:16-cv-00981-JFM) (the "Chamblee Class Action") was filed in the United States District Court for the District of Maryland against the Company and two of its former officers (one of which was also a director of the Company) asserting claims under Section 10(b) and 20(a) of the Securities and Exchange Act of 1934 and SEC Rule 10b-5 on behalf of a putative class. The Complaint alleges that the defendants made materially false and misleading statements regarding the Company's business, operational and compliance policies, including with respect to disclosures regarding SunEdison's internal controls and the Company's reliance on SunEdison. An amended complaint was filed on September 26, 2016 and a former officer and director of the Company were added as defendants. On October 4, 2016, the Judicial Panel on Multidistrict Litigation transferred this matter to the U.S. District Court for the Southern District of New York (SDNY) for consolidated or coordinated pretrial proceedings. On December 19, 2016, an initial case management conference was held in the multidistrict litigation proceedings in the SDNY. The Court entered an order requiring all parties to the multidistrict litigation to mediate and entered a partial stay of all proceedings through March 31, 2017. On March 24, 2017, the plaintiffs filed an amended complaint adding three additional directors and officers of the Company as defendants, as well as additional factual allegations. On June 9, 2017, the Company filed a motion to dismiss the case. After mediation, the parties agreed in principle to a settlement of \$14.8 million conditioned on, among other things, funding of the settlement by the Company's directors' and officers' liability insurance providers to the satisfaction of the Company. The Company believes that the settlement is likely to be consummated and that a substantial majority of the settlement will be paid by insurance, but, as of the time of this writing, there can be no assurance that this will be the case. The Company's present intention is not to proceed with the settlement in the event (which the Company believes is unlikely) that the Company itself would be required to contribute an uninsured amount towards the settlement which would be material to the Company's consolidated results of operations.

Claim relating to First Wind Acquisition

On May 27, 2016, D.E. Shaw Composite Holdings, L.L.C. and Madison Dearborn Capital Partners IV, L.P., as the representatives of the sellers (the "First Wind Sellers") filed an amended complaint for declaratory judgment against the Company and Terra LLC in the Supreme Court of the State of New York alleging breach of contract with respect to the Purchase and Sale Agreement, dated as of November 17, 2014 (the "FW Purchase Agreement") between, among others, SunEdison, the Company and Terra LLC and the First Wind Sellers. The amended complaint alleges that Terra LLC and SunEdison became jointly obligated to make \$231.0 million in earn-out payments in respect of certain development assets SunEdison acquired from the First Wind Sellers under the FW Purchase Agreement, when those payments were purportedly accelerated by SunEdison's bankruptcy and by the resignations of two SunEdison employees. The amended complaint further alleges that the Company, as guarantor of certain Terra LLC obligations under the FW Purchase Agreement, is liable for this sum. Defendants filed a motion to dismiss the amended complaint on July 5, 2016, on the ground that, among other things, SunEdison is a necessary party to this action. Plaintiffs filed an opposition to the motion to dismiss on August 22, 2016. Defendants filed their reply on September 12, 2016. A hearing on the motion to dismiss took place on January 24, 2017. The Company is awaiting a decision on the motion to dismiss.

The Company believes the First Wind Sellers' allegation is without merit and will contest the claim and allegations vigorously. However, the Company cannot predict with certainty the ultimate resolution of any proceedings brought in connection with such a claim.

Whistleblower Complaint By Francisco Perez Gundin

On May 18, 2016, the Company's former Director and Chief Operating Officer, Francisco Perez Gundin ("Perez"), filed a complaint against the Company, TerraForm Global, Inc. and certain individuals, with the United States Department of Labor. The complaint alleges that the defendants engaged in a retaliatory termination of Mr. Perez's employment after he

allegedly voiced concerns to SunEdison's Board of Directors about public representations made by SunEdison officers regarding SunEdison's liquidity position, and after he allegedly voiced his opposition to transactions that he alleges were self-interested and which he alleges SunEdison forced on the Company. He alleges that the Company participated in SunEdison's retaliatory termination by constructively terminating his position as Chief Operating Officer of the Company in connection with SunEdison's constructive termination of his employment. He seeks lost wages, bonuses, benefits, and other money that he alleges that he would have received if he had not been subjected to the allegedly retaliatory termination. The Company's Position Statement in response to the complaint was filed in October of 2016.

On February 21, 2017, Mr. Perez filed *Gundin v. TerraForm Global, Inc. et al.* against TerraForm Power, TerraForm Global, Inc. and certain individuals as defendants in the United States District Court for the District of Maryland. The complaint asserts claims for retaliation, breach of the implied covenant of good faith and fair dealing and promissory estoppel based on the same allegation in Mr. Perez's Department of Labor complaint. On March 15, 2017, the Company filed notice with the Judicial Panel on Multidistrict Litigation to transfer this action to the Southern District of New York where the Chamblee Class Action and other cases not involving the Company relating to the SunEdison Bankruptcy are being tried. The plaintiff did not oppose the transfer, which was approved by the Judicial Panel on Multidistrict Litigation.

The Company has engaged in settlement discussions with respect to this proceeding and reserved for the estimated loss related to this complaint as of December 31, 2016, which was not considered material to the Company's consolidated results of operations. However, the Company is unable to predict with certainty the ultimate resolution of these proceedings.

Whistleblower Complaint By Carlos Domenech Zornoza

On May 10, 2016, the Company's former Director and Chief Executive Officer, Carlos Domenech Zornoza ("Domenech"), filed a complaint against the Company, TerraForm Global, Inc. and certain individuals, with the United States Department of Labor. The complaint alleges that the defendants engaged in a retaliatory termination of Mr. Domenech's employment on November 20, 2015 after he allegedly voiced concerns to SunEdison's Board of Directors about public representations made by SunEdison officers regarding SunEdison's liquidity position, and after he allegedly voiced his opposition to transactions that he alleges were self-interested and which he alleges SunEdison forced on the Company. He alleges that the Company participated in SunEdison's retaliatory termination by terminating his position as Chief Executive Officer of the Company in connection with SunEdison's termination of his employment. He seeks lost wages, bonuses, benefits, and other money that he alleges that he would have received if he had not been subjected to the allegedly retaliatory termination. The Company's Position Statement in response to the complaint was filed in October of 2016.

On February 21, 2017, Mr. Domenech filed *Domenech Zornoza v. TerraForm Global, Inc. et. al* against TerraForm Power, TerraForm Global, Inc. and certain individuals as defendants in the United States District Court for the District of Maryland. The complaint asserts claims for retaliation, breach of the implied covenant of good faith and fair dealing and promissory estoppel based on the same allegations in Mr. Domenech's Department of Labor complaint. On March 15, 2017, the Company filed notice with the Judicial Panel on Multidistrict Litigation to transfer this action to the Southern District of New York where the Chamblee Class Action and other cases not involving the Company relating to the SunEdison Bankruptcy are being tried. The plaintiff opposed the transfer. However, the transfer was approved by the Judicial Panel on Multidistrict Litigation.

The Company has engaged in settlement discussions with respect to this proceeding and reserved for the estimated loss related to this complaint as of December 31, 2016, which was not considered material to the Company's consolidated results of operations. However, the Company is unable to predict with certainty the ultimate resolution of these proceedings.

Eastern Maine Electric Cooperative Litigation

On November 21, 2016, the Penobscot County Maine Superior Court entered judgment in the amount of \$13.6 million against First Wind Holdings, LLC ("First Wind"), an indirect subsidiary of SunEdison, Inc., and several subsidiaries of the Company. The plaintiff filed judgment liens against the defendants which will stay outstanding through the appeals process. The action involved a claimed breach of contract arising out of a contract between First Wind and Eastern Maine Electric Cooperative, Inc. ("EMEC"), under which First Wind, on behalf of itself and its then wholly-owned subsidiaries, agreed to negotiate a definitive agreement to transfer to EMEC a portion of a transmission line. The transmission line is owned, in part, by one of the Company's subsidiaries, and is the sole means of transmitting power from the Rollins, Stetson I and Stetson II wind farms. The subsidiaries that own these wind farms and the transmission line were acquired by the Company as part of the

Company's acquisition of certain of the operating assets of First Wind Holdings. The Company believes all the defendants acted in good faith and the Company's subsidiaries that are defendants in the action intend to continue to vigorously contest the allegations and have filed an appeal of the verdict with the Maine Supreme Judicial Court. The judgment was for money damages and, if upheld on appeal, would not be expected to result in a loss of the use of the transmission line by the Company's subsidiaries. The amount of the judgment has been accrued for since December of 2015.

Threatened Avoidance Actions

On November 7, 2016, the unsecured creditors' committee in the SunEdison Bankruptcy filed a motion with the Bankruptcy Court seeking standing to assert against the Company, on behalf of SunEdison, avoidance claims arising from payments and other intercompany transactions between the Company and SunEdison dating back to the Company's initial public offering and including drop-down transactions involving the sale of renewable energy facilities by SunEdison to the Company. The Company's objection to the standing motion was filed on November 29, 2016. As described in *Note 1. Nature of Operations and Basis of Presentation* and *Note 15. Related Parties*, the Company and SunEdison have entered into the Settlement Agreement pursuant to which the Company and SunEdison will release these claims and substantially all other intercompany claims between the Company and SunEdison. The Settlement Agreement has been approved by the Bankruptcy Court but the effectiveness of the release of claims between the Company and SunEdison remains subject to the consummation of the Merger with affiliates of Brookfield or other transaction jointly supported by the Company and SunEdison or a Stand-Alone Conversion and certain other conditions.

A failure of the Settlement Agreement to become effective may result in litigation of the underlying claims. In that case, the Company would vigorously contest any relevant claims brought by SunEdison or any other party. However, the Company cannot predict with certainty the ultimate resolution of any proceedings brought in connection with such a claim.

15. RELATED PARTIES

SunEdison Bankruptcy

As described above, the SunEdison Debtors filed for bankruptcy on April 21, 2016. The Company is not a part of the SunEdison Bankruptcy and has no plans to file for bankruptcy itself. The Company does not rely on SunEdison for funding or liquidity and believes that the Company will have sufficient liquidity to support its ongoing operations, absent the potential negative impact of default conditions that could arise from failure to meet financial statement deadlines as described in *Note 1. Nature of Operations and Basis of Presentation* and *Note 6. Long-term Debt*. The Company believes its equity interests in its renewable energy facilities that are legally owned by the Company's subsidiaries are not available to satisfy the claims of the creditors of the SunEdison Bankruptcy.

As discussed below, the Company and SunEdison are currently parties to multiple agreements, including the Management Services Agreement ("MSA"), project-level O&M and asset management agreements, engineering procurement and construction agreements and other support agreements, including module warranties with respect to SunEdison produced modules. Moreover, at the time of the Company's initial public offering ("IPO") on July 23, 2014, SunEdison and the Company entered into a complex contractual arrangement setting forth the terms and conditions of SunEdison's sponsorship of the Company, which included, among other things, the MSA, Interest Payment Agreement and Support Agreement. The Company believes that this sponsor arrangement comprises a single integrated transaction. The agreements comprising this sponsor arrangement are set forth in separate documents and discussed individually in this Form 10-Q.

During the SunEdison Bankruptcy, SunEdison has not performed substantially as obligated under its agreements with the Company, including under this sponsor arrangement and certain O&M and asset management arrangements. In order to mitigate any adverse effects of this non-performance, the Company has undertaken a strategic initiative to transition away from SunEdison as a sponsor, including establishing a stand-alone corporate structure and seeking to retain third party or in-house solutions for project level asset management and O&M. SunEdison's failure to perform substantially as obligated under its agreements with the Company, including under this sponsor arrangement, project-level O&M and asset management agreements and other support agreements, may have a material adverse effect on the Company.

Settlement with SunEdison

As discussed in *Note 1. Nature of Operations and Basis of Presentation*, TerraForm Power entered into the Settlement Agreement with SunEdison on March 6, 2017. The Settlement Agreement has been approved by the Bankruptcy Court but the effectiveness of the intercompany releases and certain other provisions remain subject to the consummation of the Merger or other transaction jointly supported by the Company and SunEdison or a Stand-Alone Conversion and certain other conditions. Upon its effectiveness, subject to the foregoing conditions, the Settlement Agreement will resolve claims between TerraForm Power and SunEdison, including, among other things, claims of SunEdison against the Company for alleged fraudulent and preferential transfers and claims of the Company against SunEdison, including those outlined in the initial proof of claim filed by the Company in the SunEdison Bankruptcy on September 25, 2016 and on October 7, 2016. Under the Settlement Agreement, all such claims will be mutually released, and any agreements between SunEdison Debtors and SunEdison parties to the Settlement Agreement on the one hand and the Company on the other hand will be rejected, subject to certain limited exceptions, and no party will be deemed to have liability under those rejected agreements. The Settlement Agreement also provides that, immediately prior to the record time for the Special Dividend, all Class B shares of TerraForm Power and Class B units of Terra LLC held by SunEdison will be exchanged for Class A Shares of TerraForm Power, and TerraForm Power will issue approximately 6.6 million additional shares to SunEdison, such that, immediately prior to the effective time of the Merger, SunEdison will hold 36.9% of the fully diluted shares of TerraForm Power. SunEdison will also transfer the IDR's of Terra LLC that SunEdison holds to an affiliate of Brookfield. The TerraForm Power Board approved the Settlement Agreement upon the recommendation of the Corporate Governance and Conflicts Committee, each member of which is independent (pursuant to applicable NASDAQ rules) and does not also serve on the Board of Directors of TerraForm Global.

Management Services Agreement

General and administrative expenses - affiliate represent costs incurred by SunEdison for services provided to the Company pursuant to the MSA. Pursuant to the MSA, SunEdison agreed to provide or arrange for other service providers to provide management and administrative services including legal, accounting, tax, treasury, project finance, information technology, insurance, employee benefit costs, communications, human resources and procurement to the Company. As consideration for the services provided, the Company agreed to pay SunEdison a base management fee as follows: (i) 2.5% of the Company's cash available for distribution in 2015, 2016, and 2017 (not to exceed \$4.0 million in 2015, \$7.0 million in 2016 or \$9.0 million in 2017), and (ii) an amount equal to SunEdison's or other service provider's actual cost in 2018 and thereafter. Subsequent to the SunEdison Bankruptcy, SunEdison continued to provide some management and administrative services to the Company, including employee compensation and benefit costs, human resources, information technology and communications, but stopped providing (or reimbursing the Company for) other services pursuant to the MSA. Costs for services that SunEdison stopped providing or reimbursing the Company for are now included within general and administrative expenses in the unaudited condensed consolidated statements of operations.

General and administrative expenses - affiliate were \$1.4 million and \$5.4 million for the three months ended March 31, 2017 and 2016, respectively, as reported in the unaudited condensed consolidated statements of operations. There was no cash consideration paid to SunEdison for these services for the three months ended March 31, 2017 or 2016. The Company was contractually obligated to pay SunEdison \$2.3 million for these services for the three months ended March 31, 2017. Since SunEdison stopped providing (or reimbursing the Company for) certain services covered under the MSA due to the SunEdison Bankruptcy, the Company was required to pay third party service providers and Company employees directly for these services. As the total amount paid by the Company for these services exceeded the contractual amount due to SunEdison, the Company did not pay SunEdison the \$2.3 million base management fee. Since this fee was not paid to SunEdison as of March 31, 2017, it was recorded within Due to SunEdison, net on the unaudited condensed consolidated balance sheet and as a reduction to the net equity contribution from SunEdison. The general and administrative expenses - affiliate amount in excess of this accrued fee was treated as an equity contribution from SunEdison within Net SunEdison investment on the unaudited condensed consolidated statement of stockholders' equity for the three months ended March 31, 2017.

Subject to the satisfaction of the conditions described above under *Settlement with SunEdison*, the MSA will be rejected as part of the Settlement Agreement entered into with SunEdison, and the Company will be deemed to have no liability, damages or claims arising out of the rejection of the MSA. In connection with the consummation of the transactions contemplated by the Merger Agreement discussed in *Note 1. Nature of Operations and Basis of Presentation*, including satisfaction of applicable conditions, the Company will enter into a master services agreement with Brookfield and certain affiliates of Brookfield (collectively, the "MSA Providers") pursuant to which the MSA Providers will provide certain management services to the Company commencing at the effective time of the Merger. As consideration for the services

provided or arranged for by Brookfield and certain of its affiliates pursuant to the master services agreement, the Company will pay a base management fee on a quarterly basis that will be paid in arrears and calculated as follows:

- for each of the first four quarters following the closing date of the Merger, a fixed component of \$2.5 million per quarter (subject to proration for the quarter including the closing date of the Merger) plus 0.3125% of the market capitalization value increase for such quarter;
- for each of the next four quarters, a fixed component of \$3.0 million per quarter plus 0.3125% of the market capitalization value increase for such quarter; and
- thereafter, a fixed component of \$3.75 million per quarter plus 0.3125% of the market capitalization value increase for such quarter.

For purposes of calculating the quarterly payment of the base management fee, the term market capitalization value increase means, for any quarter, the increase in value of the Company's market capitalization for such quarter, calculated by multiplying the number of outstanding shares of Class A common stock as of the last trading day of such quarter by the difference between (x) the volume-weighted average trading price of a share of Class A common stock for the trading days in such quarter and (y) \$9.52. If the difference between (x) and (y) in the market capitalization value increase calculation for a quarter is a negative number, then the market capitalization value increase is deemed to be zero.

O&M and Asset Management Services

O&M services, as well as asset management services, have historically been provided to the Company substantially by SunEdison pursuant to contractual agreements. The Company is in the process of transitioning away from SunEdison for these services, and these contracts are expected to be terminated or rejected no later than upon the effectiveness of the Settlement Agreement with SunEdison subject to the conditions described above under *Settlement with SunEdison*. As described below, the Company has entered into certain transition services agreements with SunEdison with respect to these services to facilitate this transition. Costs incurred for these services from SunEdison were \$5.6 million and \$6.8 million during the three months ended March 31, 2017 and 2016, respectively, and are reported as cost of operations - affiliate in the unaudited condensed consolidated statements of operations. \$1.9 million of the amount for the first quarter of 2017 was incurred in connection with the transition services agreements described below.

Transition Services Agreements

In the first half of 2017, the Company entered into certain transition services agreements with SunEdison with respect to project-level operations and maintenance and asset management services provided by SunEdison. These transition services agreements allow the Company, among other things, to hire employees of SunEdison that are currently performing these project-level services for the Company. These transition services agreements also allow the Company to terminate project-level asset management and operations and maintenance services on 10 days advance notice. Under these agreements, the Company agreed to indemnify SunEdison for certain losses and liabilities to the extent SunEdison failed to perform services under existing services contracts as a result of the transition of SunEdison employees to the Company. SunEdison will also continue to provide certain project related services for a transitional period. The Company is also in the process of negotiating a corporate-level transition services agreement with SunEdison. The Company expects that under this agreement, SunEdison would agree to continue to provide certain corporate-level services, including tax and information technology support services through the end of October of 2017.

Engineering, Procurement and Construction Contracts and Module Warranties

SunEdison served as the prime construction contractor for most of the Company's renewable energy facilities acquired from SunEdison pursuant to engineering, procurement and construction contracts with the Company's project-level subsidiaries. These contracts are generally fixed price, turn-key construction contracts that include workmanship and other warranties with respect to the design and construction of the facilities that survive for a period of time after the completion of construction. These contracts or related contracts (including O&M agreements) also often include production or availability guarantees with respect to the output or availability of the facility that survive completion of construction. Moreover, the Company also generally obtained solar module warranties from SunEdison, including workmanship warranties and output guarantees, for those solar facilities that the Company acquired from SunEdison that utilized SunEdison modules. Third party insurance has been procured by SunEdison to back-stop payment of warranty claims for SunEdison modules purchased from January of 2011 through January of 2017.

During the first quarter of 2017, the Company received \$7.0 million from SunEdison in satisfaction of outstanding claims made under engineering, procurement and construction contracts, of which \$4.8 million related to the Company's renewable energy facility located in Chile and compensated the relevant project company as the facility's performance during the warranty period was below that guaranteed by an affiliate of SunEdison under the applicable EPC contract. These receipts were treated as equity contributions from SunEdison within Net SunEdison investment on the unaudited condensed consolidated statement of stockholders' equity for the three months ended March 31, 2017.

Amended Interest Payment Agreement

On January 28, 2015, Terra LLC and Terra Operating LLC entered into an amended and restated interest payment agreement (the "Amended Interest Payment Agreement") with SunEdison. Pursuant to the Amended Interest Payment Agreement, SunEdison agreed to pay amounts equal to a portion of each scheduled interest payment of the Senior Notes due 2023, beginning with the first scheduled interest payment on August 1, 2015, and continuing through the scheduled interest payment on August 1, 2017. Amounts were to be paid by SunEdison as follows: (1) in respect of the first scheduled interest payment, \$16.0 million, less amounts already paid by SunEdison under the initial interest payment agreement entered into with SunEdison immediately prior to the completion of the Company's IPO, (2) in respect of each scheduled interest payment in 2016, \$8.0 million, and (3) in respect of each scheduled interest payment in 2017, \$8.0 million, provided that the maximum amount payable by SunEdison under the Amended Interest Payment Agreement (inclusive of amounts already paid under the initial interest payment agreement) would not exceed \$48.0 million (plus any interest due on any payment not remitted when due). SunEdison is not be obligated to pay any amounts payable under the Senior Notes due 2023 in connection with an acceleration of the indebtedness thereunder. The Company received an \$8.0 million equity contribution from SunEdison pursuant to the Amended Interest Payment Agreement during the three months ended March 31, 2016, which was accrued for as of the end of 2015. As of the first quarter of 2016, the Company had received a cumulative amount of \$24.0 million under the Amended Interest Payment Agreement and initial interest payment agreement from SunEdison with \$24.0 million of scheduled payments due in future periods. The Company has not received any payments from SunEdison pursuant to the Amended Interest Payment Agreement since the first quarter of 2016.

On July 29, 2016, SunEdison delivered a notice purporting to terminate the Amended Interest Payment Agreement. The notice alleged that SunEdison's bankruptcy permits termination as of right without following the bankruptcy procedures for rejection of executory contracts. Subject to the satisfaction of the conditions described above under *Settlement with SunEdison*, the Amended Interest Payment Agreement will be rejected as part of the Settlement Agreement entered into with SunEdison without further liability, claims or damages on the part of the Company.

Support Agreement and Intercompany Agreement

The Company entered into a project support agreement with SunEdison (the "Support Agreement") on July 23, 2014, which provided the Company the option to purchase additional renewable energy facilities from SunEdison. The Support Agreement also provided the Company a right of first offer with respect to certain other renewable energy facilities. During the three months ended March 31, 2016, the Company acquired renewable energy facilities with a combined nameplate capacity of 19.2 MW from SunEdison under the Support Agreement. The Company paid SunEdison \$39.0 million for the acquisition of these facilities, of which \$9.7 million was paid in the first quarter of 2016 and \$29.3 million was paid in the third quarter of 2016. The Company has not acquired any renewable energy facilities from SunEdison since the first quarter of 2016.

In connection with the Company's acquisition of certain operating renewable energy facilities from First Wind in January of 2015, the Company and SunEdison entered into an agreement (the "Intercompany Agreement") pursuant to which the Company was granted the option to purchase additional renewable energy facilities in the First Wind pipeline from SunEdison. The Company has not acquired any renewable energy facilities from SunEdison under the Intercompany Agreement since the fourth quarter of 2015.

Subject to the satisfaction of the conditions described above under *Settlement with SunEdison*, the Support Agreement and Intercompany Agreement will be rejected as part of the Settlement Agreement entered into with SunEdison without further liability, claims or damages on the part of the Company. Upon consummation of the transactions contemplated by the Merger Agreement as discussed in *Note 1. Nature of Operations and Basis of Presentation*, the Company will enter into the "Relationship Agreement" with Brookfield pursuant to which Brookfield will provide the Company with a right of first offer on

certain operating wind and solar assets that are owned by Brookfield and certain of its affiliates and are located in North America and certain other Western European nations.

The Company believes it continues to maintain a call right over 0.5 GW (net) of operating wind power plants that are owned by a warehouse vehicle that was owned and arranged by SunEdison (the "AP Warehouse"). The Company believes SunEdison has sold its equity interest in the AP Warehouse to an unaffiliated third party.

Insurance Allocation Agreement

The Company, TerraForm Global, Inc., SunEdison and certain of their respective directors and officers shared \$150.0 million of directors' and officers' liability insurance policies that covered the period from July 15, 2015 to July 14, 2016 (the "D&O Insurance"). SunEdison and the independent directors of SunEdison (the "SUNE D&O Parties") entered into an agreement, dated March 27, 2017 and amended on June 7, 2017, with the Company, TerraForm Global, Inc., their respective current directors and certain of their respective current officers (the "YieldCo D&O Parties") related to the D&O Insurance. Among other things, this agreement provides that: (i) the YieldCo D&O Parties consent to a \$32.0 million payment to SunEdison from the D&O Insurance in connection with the settlement of claims proposed to be brought by the unsecured creditors' committee in the SunEdison Bankruptcy under a motion in the SunEdison Bankruptcy case for derivative standing; (ii) for a specified period of time, the SUNE D&O Parties and the YieldCo D&O Parties agree to cooperate in trying to reach settlements of certain lawsuits pending against the YieldCo D&O Parties arising from a variety of alleged prepetition actions and transactions, including, but not limited to, the initial public offering of TerraForm Global, Inc. and other securities transactions, and SunEdison agrees to consent to such proposed settlements to be funded by up to \$32.0 million from the D&O Insurance; and (iii) for a specified period of time, SunEdison, its independent directors, the Company and TerraForm Global, Inc. will not assert certain payment priority provisions of the D&O Insurance. The agreement was approved by the Bankruptcy Court on June 28, 2017.

In addition to the insurance allocation agreement, from time to time, the Company agreed to orders or stipulations with SunEdison and TerraForm Global, Inc. in connection with the SunEdison Bankruptcy related to, among other things, insurance proceeds, interim operating protocols, bankruptcy filing protocols and other matters.

Due to SunEdison, net

All amounts incurred by the Company and not paid as of the balance sheet date for asset management and O&M services received from SunEdison or for renewable energy facilities acquired from SunEdison are reported as a payable to SunEdison. Additionally, prior to the SunEdison Bankruptcy, certain of the Company's expenses were reimbursed by SunEdison pursuant to the MSA, and any of these expenses that were paid for by the Company and not reimbursed by SunEdison as of the balance sheet date were reported as a receivable from SunEdison. As of March 31, 2017 and December 31, 2016, the Company had a net payable to SunEdison of \$16.9 million and \$16.7 million, respectively, which is reported as Due to SunEdison, net in the unaudited condensed consolidated balance sheets. As a result of the SunEdison Bankruptcy, the Company recognized a \$0.8 million loss within loss on receivables - affiliate in the unaudited condensed consolidated statement of operations for the three months ended March 31, 2016 related to recording a bad debt reserve for outstanding receivables from the SunEdison Debtors.

Incentive Distribution Rights

Immediately prior to the completion of the IPO on July 23, 2014, Terra LLC entered into the Amended and Restated Operating Agreement of Terra LLC which granted SunEdison 100% of the IDRs of Terra LLC. IDRs represent the right to receive increasing percentages (15.0%, 25.0% and 50.0%) of Terra LLC's quarterly distributions after the Class A Units, Class B units, and Class B1 units of Terra LLC have received quarterly distributions in an amount equal to \$0.2257 per unit (the "Minimum Quarterly Distribution") and the target distribution levels have been achieved. SunEdison has held 100% of the IDRs since the completion of the IPO. SunEdison has pledged the IDRs as collateral under its DIP financing and its first and second lien credit facilities and second lien secured notes. As of March 31, 2017 and December 31, 2016, there were no Class B1 units of Terra LLC outstanding. There were no payments for IDRs made by the Company during the three months ended March 31, 2017 and 2016.

As discussed in *Note 1. Nature of Operations and Basis of Presentation*, SunEdison agreed to deliver the outstanding IDRs held by SunEdison or certain of its affiliates to TerraForm Power or its designee and in connection therewith, concurrently with the execution and delivery of the Merger Agreement, TerraForm Power, Terra LLC, Brookfield IDR Holder and

SunEdison and certain of its affiliates have entered into the IDR Transfer Agreement which provides that, subject to satisfaction of the conditions in the Merger Agreement, SunEdison affiliates will transfer all of the IDRs to Brookfield IDR Holder at the effective time of the Merger on the terms and conditions set forth in the IDR Transfer Agreement. At the closing of the Merger, the limited liability company agreement of Terra LLC will be amended and restated to, among other things, reset the IDR thresholds of Terra LLC to establish a first distribution threshold of \$0.93 per share of Class A common stock and a second distribution threshold of \$1.05 per share of Class A common stock. As a result of this amendment and restatement, amounts distributed from Terra LLC would be distributed on a quarterly basis as follows:

- first, to the Company in an amount equal to the Company's outlays and expenses for such quarter;
- second, to holders of Class A units, until an amount has been distributed to such holders of Class A units that would result, after taking account of all taxes payable by the Company in respect of the taxable income attributable to such distribution, in a distribution to holders of shares of Class A common stock of \$0.93 per share (subject to adjustment for distributions, combinations or subdivisions of shares of Class A common stock) if such amount were distributed to all holders of shares of Class A common stock;
- third, 15% to the holders of the IDRs and 85% to the holders of Class A units until a further amount has been distributed to holders of Class A units in such quarter that would result, after taking account of all taxes payable by the Company in respect of the taxable income attributable to such distribution, in a distribution to holders of shares of Class A common stock of an additional \$0.12 per share (subject to adjustment for distributions, combinations or subdivisions of shares of Class A common stock) if such amount were distributed to all holders of shares of Class A common stock; and
- thereafter, 75% to holders of Class A units and 25% to holders of the IDRs.

Commitments to Acquire Renewable Energy Facilities from SunEdison

As of March 31, 2017, the Company did not have any open commitments to acquire renewable energy facilities from SunEdison, other than as discussed and defined directly below with respect to the Invenergy Wind Option Agreements.

In connection with the Company's acquisition of certain operating wind power plants from Invenergy Wind in December of 2015, Sun Edison LLC, a wholly owned subsidiary of SunEdison, acting as intermediary, entered into certain option arrangements with Invenergy Wind for its remaining 9.9% interest in the acquired companies that are located in the U.S. (the "Invenergy Wind Interest"). Simultaneously, Terra LLC entered into a back to back option agreement with Sun Edison LLC on substantially identical terms (collectively the "Option Agreements"). The Option Agreements effectively permit (i) Terra LLC to exercise a call option to purchase the Invenergy Wind Interest over a 180-day period beginning on September 30, 2019, and (ii) Invenergy Wind to exercise a put option with respect to the Invenergy Wind Interest over a 180-day period beginning on September 30, 2018. The exercise prices of the put and call options described above would be based on the determination of the fair market value of the Invenergy Wind Interest at the time the relevant option is exercised, subject to certain minimum and maximum thresholds set forth in the Option Agreements. As part of the Settlement Agreement (which was approved by the Bankruptcy Court), with certain limited exceptions, all agreements, including the Option Agreement between Terra LLC and Sun Edison LLC, will be rejected as of the effectiveness of the settlement, which will occur upon the consummation of the Merger, subject to satisfaction of conditions precedent, or an alternative transaction that is jointly supported by the Company and SunEdison or a Stand-Alone Conversion. If the Option Agreement is rejected under the Settlement Agreement, the Company would not expect to be obligated to perform on its Option Agreement.

16. SEGMENT REPORTING

The Company has two reportable segments: Solar and Wind. These segments comprise the Company's entire portfolio of renewable energy facility assets and are determined based on the management approach. This approach designates the internal reporting used by management for making decisions and assessing performance as the source of the reportable segments. The Company's operating segments consist of Distributed Generation, North America Utility and International Utility that are aggregated into the Solar reportable segment and Northeast Wind, Central Wind and Hawaii Wind that are aggregated into the Wind reportable segment. The operating segments have been aggregated as they have similar economic characteristics and meet all of the aggregation criteria. Corporate expenses include general and administrative expenses, acquisition costs, interest expense on corporate-level indebtedness, stock-based compensation and depreciation, accretion and amortization expense. All net operating revenues for the three months ended March 31, 2017 and 2016 were earned by the Company's reportable segments from external customers in the United States (including Puerto Rico), Canada, the United Kingdom and Chile.

The following table reflects summarized financial information concerning the Company's reportable segments for the three months ended March 31, 2017 and 2016:

(In thousands)	Three Months Ended March 31, 2017			
	Solar	Wind	Corporate	Total
Operating revenues, net	\$ 66,001	\$ 85,134	\$ —	\$ 151,135
Depreciation, accretion and amortization expense	26,775	33,451	761	60,987
Other operating costs and expenses	13,908	25,161	39,011	78,080
Interest expense, net	19,581	20,899	27,832	68,312
Other non-operating (income) expenses, net	(42)	548	441	947
Income tax benefit ¹	—	—	(918)	(918)
Net income (loss)	<u>\$ 5,779</u>	<u>\$ 5,075</u>	<u>\$ (67,127)</u>	<u>\$ (56,273)</u>
Balance Sheet				
Total assets ²	\$ 3,537,803	\$ 3,620,311	\$ 598,997	\$ 7,757,111

(In thousands)	Three Months Ended March 31, 2016			
	Solar	Wind	Corporate	Total
Operating revenues, net	\$ 71,148	\$ 82,769	\$ —	\$ 153,917
Depreciation, accretion and amortization expense	31,809	27,127	71	59,007
Other operating costs and expenses	18,569	21,928	21,908	62,405
Interest expense, net	18,430	21,051	29,513	68,994
Other non-operating expenses (income), net	1,249	206	(4,536)	(3,081)
Income tax expense ¹	—	—	97	97
Net income (loss)	<u>\$ 1,091</u>	<u>\$ 12,457</u>	<u>\$ (47,053)</u>	<u>\$ (33,505)</u>
Balance Sheet				
Total assets ²	\$ 3,595,387	\$ 3,609,471	\$ 501,007	\$ 7,705,865

(1) Income tax (benefit) expense is not allocated to the Company's Solar and Wind segments.

(2) Represents total assets as of March 31, 2017 and December 31, 2016, respectively.

17. OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the changes in each component of accumulated other comprehensive income, net of tax, for the three months ended March 31, 2017:

(In thousands)	Foreign Currency Translation Adjustments	Hedging Activities	Accumulated Other Comprehensive Income
Balance as of December 31, 2016	\$ (22,133)	\$ 45,045	\$ 22,912
Net unrealized gain arising during the period	2,680	14,054	16,734
Reclassification of net realized loss (gain) into earnings:			
Interest expense, net	—	2,861	2,861
Operating revenues, net	—	(3,247)	(3,247)
Other comprehensive income	2,680	13,668	16,348
Accumulated other comprehensive (loss) income	(19,453)	58,713	39,260
Less: Other comprehensive income attributable to non-controlling interests	918	5,972	6,890
Balance as of March 31, 2017	<u>\$ (20,371)</u>	<u>\$ 52,741</u>	<u>\$ 32,370</u>

The following tables present each component of other comprehensive income (loss) and the related tax effects for the three months ended March 31, 2017 and 2016:

(In thousands)	Three Months Ended March 31,					
	2017			2016		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Foreign currency translation adjustments:						
Net unrealized gain arising during the period	\$ 2,680	\$ —	\$ 2,680	\$ 6,573	\$ —	\$ 6,573
Hedging activities:						
Net unrealized gain (loss) arising during the period	19,890	(5,836)	14,054	(32,965)	—	(32,965)
Reclassification of net realized (gain) loss into earnings	(386)	—	(386)	369	—	369
Net change	19,504	(5,836)	13,668	(32,596)	—	(32,596)
Other comprehensive income (loss)	<u>\$ 22,184</u>	<u>\$ (5,836)</u>	16,348	<u>\$ (26,023)</u>	<u>\$ —</u>	(26,023)
Less: Other comprehensive income (loss) attributable to non-controlling interests, net of tax			6,890			(9,309)
Other comprehensive income (loss) attributable to Class A common stockholders			<u>\$ 9,458</u>			<u>\$ (16,714)</u>

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

The following discussion and analysis should be read in conjunction with our audited consolidated financial statements and related notes thereto included as part of our Annual Report on Form 10-K for the year ended December 31, 2016 and our unaudited condensed consolidated financial statements for the three months ended March 31, 2017 and other disclosures included in this Quarterly Report on Form 10-Q. References in this section to "we," "our," "us," or the "Company" refer to TerraForm Power, Inc. and its consolidated subsidiaries. The results shown herein are not necessarily indicative of the results to be expected in any future period.

Overview

TerraForm Power, Inc. ("TerraForm Power") and its subsidiaries (together with TerraForm Power, the "Company") is a dividend growth-oriented company formed to own and operate contracted clean power generation assets. The Company's business objective is to acquire assets with high-quality contracted cash flows, primarily from owning clean power generation assets serving utility and commercial customers. The Company's portfolio consists of renewable energy facilities located in the United States (including Puerto Rico), Canada, Chile and the United Kingdom with a combined nameplate capacity of 2,606.7 MW as of June 30, 2017.

TerraForm Power is a holding company and its sole asset is an equity interest in TerraForm Power, LLC, or "Terra LLC." TerraForm Power is the managing member of Terra LLC and operates, controls and consolidates the business affairs of Terra LLC.

Recent Developments

Information regarding recent developments appears in *Item 1. Business - Recent Developments* in the Company's Annual report on Form 10-K for the year ended December 31, 2016, which was filed on July 21, 2017, and is incorporated herein by reference. Recent developments that have occurred subsequent to July 21, 2017 are discussed below.

Revolver Payment and Amendment

On July 25, 2017, we repaid \$150.0 million of indebtedness related to our corporate-level revolving credit facility (the "Revolver"), a portion of which was paid using proceeds we received from the sale of substantially all of our portfolio of solar power plants located in the United Kingdom (24 operating projects representing 365.0 MW, the "U.K. Portfolio") on May 11, 2017 as discussed in *Note 2. Assets Held for Sale* to our unaudited condensed consolidated financial statements. There was no reduction in revolving commitments and borrowing capacity as a result of this repayment. After giving effect to this payment, there were \$347.0 million of revolving loans outstanding under the Revolver as of such date with no change to the total borrowing capacity of \$570.0 million.

In addition, on August 10, 2017, we entered into a twelfth amendment to the terms of the Revolver which further extended the due dates for delivery to the Administrative Agent and other parties to the Revolver for our financial statements and accompanying information with respect to the first quarter of 2017 to August 30, 2017, the second quarter of 2017 to September 30, 2017 and the third quarter of 2017 to December 15, 2017. The Administrative Agent and requisite lenders also waived all defaults or events of default existing as of or prior to the effective date of the twelfth amendment, and the consequences thereof, in connection with a failure to comply with the covenants requiring the delivery of the financial statements and accompanying information with respect to the first quarter of 2017. The Company filed this Form 10-Q for the first quarter of 2017 prior to August 30, 2017, and consequently no event of default occurred under the Revolver with respect to this Form 10-Q.

Per the terms of the twelfth amendment, we agreed to permanently reduce the revolving commitments under the Revolver by \$50.0 million. After giving effect to this reduction in revolving commitments, the total borrowing capacity under the Revolver was \$520.0 million as of such date. There was no additional payment of principal on the Revolver made in connection with this commitment reduction.

Senior Notes Consent Solicitation

In connection with our entry on March 6, 2017 into a definitive merger and sponsorship transaction agreement (the "Merger Agreement") with Orion US Holdings 1 L.P. ("Orion Holdings") and BRE TERP Holdings Inc. ("Merger Sub"), which are affiliates of Brookfield Asset Management, Inc. ("Brookfield"), and agreements to enter into a suite of support and

sponsorship arrangements (the "Sponsorship Transaction") with Brookfield and certain of its affiliates, on August 11, 2017, TerraForm Power Operating, LLC ("Terra Operating LLC") announced the successful completion of a solicitation of consents from holders of record as of 5:00 p.m., New York City time, on August 1, 2017 of its Senior Notes due 2023 and its Senior Notes due 2025 to obtain a waiver of the requirement to make an offer to repurchase the respective Senior Notes upon the occurrence of a change of control (as defined in the indenture dated as of January 28, 2015 (as supplemented, the "2023 Indenture") with respect to the Senior Notes due 2023 and the indenture dated as of July 17, 2015 (as supplemented, the "2025 Indenture") with respect to the Senior Notes due 2025) that would result from the closing of the merger of Merger Sub with and into the Company (the "Merger"), in each case among Terra Operating LLC, as issuer, the guarantors party thereto and U.S. Bank National Association, as trustee. Terra Operating LLC received validly delivered and unrevoked consents from the holders of a majority of the aggregate principal amount of each series of the Senior Notes outstanding as of the record date and paid a consent fee to each consenting holder of \$1.25 per \$1,000 principal amount of such series of the Senior Notes for which such holder delivered its consent.

In addition to the change of control waiver, Terra Operating LLC also received consents to effect on the closing date of the Merger certain amendments to the 2023 Indenture and the 2025 Indenture. The amendments would amend the definition of "Permitted Holder" under the respective indentures (which is referred to in the definition of change of control) to replace the references to "the Sponsor" therein with "Brookfield Asset Management, Inc. (or its successors and assigns)." Subject to the closing of the Merger, Terra Operating LLC will be obligated to effectuate the amendments and pay a success fee of \$1.25 per \$1,000 principal amount of each series of the Senior Notes for which such consenting holder delivered its consent. Terra Operating LLC will be under no obligation to effectuate the amendments or pay the success fee if the Merger is not consummated for any reason.

Delayed Filing of Second Quarter 2017 Form 10-Q

Due mainly to the failure of SunEdison, Inc. (together with its consolidated subsidiaries excluding the Company and TerraForm Global, Inc. and its subsidiaries, "SunEdison") to provide adequate project-level accounting services to us subsequent to the bankruptcy filing of SunEdison, Inc. and certain of its domestic and international subsidiaries (the "SunEdison Debtors") on April 21, 2016 and the time and resources required to complete our delayed SEC periodic reports, including our Form 10-K for the year ended December 31, 2015, our Forms 10-Q for the first, second and third quarters of 2016, our Form 10-K for the year ended December 31, 2016 and this Form 10-Q for the first quarter of 2017, we have experienced delays in our ongoing efforts to complete all steps and tasks necessary to finalize financial statements and other disclosures required to be in our Form 10-Q for the second quarter of 2017 and were not able to file our report by the SEC filing deadline on August 9, 2017. On August 9, 2017, we filed a Form 12b-25 Notification of Late Filing with the SEC with respect to our Form 10-Q for the second quarter of 2017. We continue to work to complete, as soon as practicable, all steps and tasks necessary to finalize our financial statements and other disclosures required to be included in our periodic filings with the SEC. There can be no assurance that our future periodic reports will not be delayed for similar reasons. Continued delays in the filing of our periodic reports with the SEC could have a material adverse effect on the Company. See *"Continued delays in the filing of our reports with the SEC, as well as further delays in the preparation of audited financial statements at the project level, could have a material adverse effect,"* in Item 1A. Risk Factors in our Annual report on Form 10-K for the year ended December 31, 2016, which was filed on July 21, 2017, and is incorporated herein by reference, for additional information, including certain of the risks associated with these delays.

Notification Letter from NASDAQ

On August 10, 2017, we received a notification letter from a Senior Director of NASDAQ Listing Qualifications stating that because we had not yet filed our Form 10-Q for the second quarter of 2017, this served as an additional basis for delisting the Company's securities from the NASDAQ Global Select Market under NASDAQ Listing Rule 5250(c)(1), which requires timely filing of periodic reports with the Securities and Exchange Commission (the "SEC"). As previously disclosed, on June 29, 2017, a NASDAQ Hearings Panel granted the Company further extensions to regain compliance with NASDAQ's continued listing requirements. Under these extensions, the Company's Class A common stock will remain listed on the NASDAQ Global Select Market, subject to the requirement that the Company's Form 10-K for the year ended December 31, 2016 be filed with the SEC by July 24, 2017, its annual meeting of stockholders be held by August 24, 2017, its Form 10-Q for the first quarter of 2017 be filed with the SEC by August 30, 2017 and its Form 10-Q for the second quarter of 2017 be filed with the SEC by September 30, 2017. The Company filed its Form 10-K for the year ended December 31, 2016 on July 21, 2017, held its annual meeting of stockholders on August 10, 2017 (as discussed in more detail below) and filed this Form 10-Q for the first quarter of 2017 prior to August 30, 2017.

Departure of Chief Operating Officer and Interim Chief Accounting Officer

On August 9, 2017, Mr. Thomas Studebaker resigned as Chief Operating Officer of the Company and Mr. David Rawden resigned as Interim Chief Accounting Officer of the Company. Messrs. Studebaker and Rawden had been appointed as officers of the Company, effective July 7, 2016, as part of the Company's engagement of AP Services, LLC, a subsidiary of AlixPartners, LLP, for certain consulting services. Their resignations were in connection with the Company's winding down of its engagement of AP Services, LLC and were not the result, in whole or in part, of any disagreement between Messrs. Studebaker or Rawden and the Company.

2017 Annual Meeting

The Company held its annual meeting of stockholders on August 10, 2017, which was prior to the August 24, 2017 extended deadline granted to us by the NASDAQ Hearings Panel as described above. Pursuant to the matters voted upon at the meeting and the voting results with respect to each matter, (i) each of Ms. Kerri L. Fox and Messrs. Peter Blackmore, Christopher Compton, Hanif "Wally" Dahya, Christian S. Fong, Edward "Ned" Hall, David Pauker, Marc S. Rosenberg and John F. Stark was elected to serve as a director of the Company's Board of Directors for a one-year term or until his or her successor is duly elected or qualified and (ii) the selection of KPMG LLP as the Company's independent registered public accounting firm for the Company's fiscal year ending December 31, 2017 was ratified. The Company's stockholders also approved, on a non-binding advisory basis, the compensation of the Company's named executive officers and recommended, by non-binding advisory vote, that future advisory votes on the compensation of the Company's named executive officers be held every one year.

Changes within Our Portfolio

The following table provides an overview of the changes within our portfolio from December 31, 2016 through June 30, 2017:

Description	Facility Type	Net Nameplate Capacity (MW) ¹	Number of Sites	Weighted Average Remaining Duration of PPA (Years) ²
Total Portfolio as of December 31, 2016		2,983.1	2,503	15
Sale of U.K. Utility Solar Portfolio	Solar	(208.4)	(14)	(13)
Sale of Fairwinds & Crundale	Solar	(55.9)	(2)	(12)
Sale of Stonehenge Q1	Solar	(41.2)	(3)	(12)
Sale of Stonehenge Operating	Solar	(23.6)	(3)	(11)
Sale of Says Court	Solar	(19.8)	(1)	(12)
Sale of Crucis Farm	Solar	(16.1)	(1)	(12)
Sale of Resi 2015 Portfolio 1	Solar	(8.9)	(1,246)	(18)
Sale within Resi 2014 Portfolio 1	Solar	(2.5)	(666)	(15)
Total Portfolio as of June 30, 2017		<u>2,606.7</u>	<u>567</u>	<u>14</u>

- (1) Net nameplate capacity represents the maximum generating capacity at standard test conditions of a facility multiplied by the Company's percentage of economic ownership of that facility after taking into account any redeemable preference shares and stockholder loans the Company holds. Our percentage of economic ownership is subject to change in future periods for certain facilities.
- (2) Calculated as of December 31, 2016 and June 30, 2017, respectively.

Our Portfolio

Our current portfolio consists of renewable energy facilities located in the United States (including Puerto Rico), Canada, Chile and the United Kingdom with a combined nameplate capacity of 2,606.7 MW as of June 30, 2017. These renewable energy facilities generally have long-term power purchase agreements ("PPAs") with creditworthy counterparties. Our PPAs have a weighted average (based on MW) remaining life of 14 years as of June 30, 2017.

The following table lists the renewable energy facilities that comprise our portfolio as of June 30, 2017:

Facility Category / Portfolio	Location	Nameplate Capacity (MW)	Net Nameplate Capacity (MW) ¹	Number of Sites	Weighted Average Remaining Duration of PPA (Years) ²	Counterparty Credit Rating ³
<i>Solar Distributed Generation:</i>						
CD DG Portfolio	U.S.	77.8	77.8	42	16	A- / A1
DG 2015 Portfolio 2	U.S.	48.1	48.1	30	19	AA- / Aa2
U.S. Projects 2014	U.S.	45.4	45.4	41	17	AA- / A1
DG 2014 Portfolio 1	U.S.	44.0	44.0	46	18	AA- / Aa2
TEG	U.S.	33.8	32.0	56	13	AA- / Aa2
HES	U.S.	25.2	25.2	67	12	AA / Aa2
MA Solar	U.S.	21.1	21.1	4	24	AA / Aaa
Summit Solar Projects	U.S.	19.6	19.6	50	10	AA+ / Aa1
U.S. Projects 2009-2013	U.S.	15.2	15.2	73	13	A / A1
SUNE XVIII	U.S.	16.1	16.1	21	19	AAA / Aaa
California Public Institutions	U.S.	13.5	7.0	5	17	AA- / Aa3
Enfinity	U.S.	13.2	13.2	15	15	A- / A2
MA Operating	U.S.	12.2	12.2	4	16	AA+ / Aa2
Duke Operating	U.S.	10.0	10.0	3	13	A- / A1
SunE Solar Fund X	U.S.	8.8	8.8	12	14	AA+ / Aa1
Summit Solar Projects	Canada	3.8	3.8	7	15	NR / Aa2
MPI	Canada	4.7	4.7	13	17	NR / Aa2
Resi 2014 Portfolio 1	U.S.	0.3	0.3	34	14	NR / NR
<i>Total Solar Distributed Generation</i>		412.8	404.5	523	16	AA- / Aa3
<i>Solar Utility:</i>						
Mt. Signal	U.S.	265.8	265.8	1	22	A+ / Aa2
Regulus Solar	U.S.	81.6	81.6	1	17	BBB+ / A3
Blackhawk Solar Portfolio	U.S.	72.8	72.8	10	20	AA+ / Aa2
North Carolina Portfolio	U.S.	26.4	26.4	4	12	A / Aa2
Atwell Island	U.S.	23.5	23.5	1	21	A- / A2
Nellis	U.S.	14.0	14.0	1	10	NR / NR
Alamosa	U.S.	8.2	8.2	1	10	A- / A3
CalRENEW-1	U.S.	6.3	6.3	1	13	A- / A2
Northern Lights	Canada	25.4	25.4	2	16	NR / Aa2
Marsh Hill	Canada	18.5	18.5	1	18	NR / Aa2
SunE Perpetual Lindsay	Canada	15.5	15.5	1	17	NR / Aa2
Norrington	U.K.	11.1	11.1	1	12	A- / Baa1
CAP	Chile	101.6	101.6	1	17	BB+ / NR
<i>Total Solar Utility</i>		670.7	670.7	26	19	A / Aa3

Facility Category / Portfolio	Location	Nameplate Capacity (MW)	Net Nameplate Capacity (MW) ¹	Number of Sites	Weighted Average Remaining Duration of PPA (Years) ²	Counterparty Credit Rating ³
Wind Utility:						
South Plains I	U.S.	200.0	200.0	1	11	BBB+ / A3
California Ridge	U.S.	217.1	195.6	1	15	AA+ / Aaa
Bishop Hill	U.S.	211.4	190.5	1	15	AA+ / Aaa
Rattlesnake	U.S.	207.2	186.7	1	11	BBB+ / Baa1
Prairie Breeze	U.S.	200.6	180.7	1	22	AA / Aa2
Cohocton	U.S.	125.0	125.0	1	3	BBB+ / Baa1
Stetson I & II	U.S.	82.5	82.5	2	3	BBB / Baa2
Rollins	U.S.	60.0	60.0	1	14	A- / A2
Mars Hill	U.S.	42.0	42.0	1	3	A+ / Aa2
Sheffield	U.S.	40.0	40.0	1	11	A+ / NR
Bull Hill	U.S.	34.5	34.5	1	10	A / A2
Kaheawa Wind Power I	U.S.	30.0	30.0	1	9	BBB- / NR
Kahuku	U.S.	30.0	30.0	1	14	BBB- / Baa2
Kaheawa Wind Power II	U.S.	21.0	21.0	1	15	BBB- / NR
Steel Winds I & II	U.S.	35.0	35.0	2	3	BBB+ / A3
Raleigh	Canada	78.0	78.0	1	14	NR / Aa2
Total Wind Utility		1,614.3	1,531.5	18	12	A / A1
Total Renewable Energy Facilities		2,697.8	2,606.7	567	14	A / Aa3

- (1) Net nameplate capacity represents the maximum generating capacity at standard test conditions of a facility multiplied by the Company's percentage of economic ownership of that facility after taking into account any redeemable preference shares and stockholder loans the Company holds. Our percentage of economic ownership is subject to change in future periods for certain facilities.
- (2) Calculated as of June 30, 2017.
- (3) Represents counterparty credit rating issued by S&P and/or Moody's as of August 18, 2017. The percentage of counterparties based on MW that are rated by S&P and/or Moody's for our utility-scale Blackhawk Solar Portfolio, which has multiple counterparties, is 42%. The percentage of counterparties based on MW that are rated by S&P and/or Moody's for our distributed generation portfolios with multiple counterparties is as follows:
- CD DG Portfolio: 99%
 - DG 2014 Portfolio 1: 81%
 - DG 2015 Portfolio 2: 85%
 - Enfinity: 96%
 - HES: 78%
 - TEG: 84%
 - MA Solar: 72%
 - Summit Solar Projects (U.S.): 78%
 - SunE Solar Fund X: 78%
 - SUNE XVIII: 53%
 - U.S. Projects 2009-2013: 76%
 - U.S. Projects 2014: 94%

Call Right Projects

We entered into a project support agreement with SunEdison in connection with our initial public offering (the "Support Agreement"), which required SunEdison to offer us additional qualifying projects from its development pipeline that represented at least \$175.0 million of cash available for distribution. In addition, in connection with our acquisition of certain operating renewable energy facilities from First Wind in January of 2015, we entered into an agreement with SunEdison (the "Intercompany Agreement") pursuant to which we were granted the option to purchase additional renewable energy facilities in the First Wind pipeline from SunEdison.

Subject to the satisfaction of the conditions to the effectiveness of the settlement agreement that we entered into with SunEdison on March 6, 2017 (the "Settlement Agreement"), the Support Agreement and Intercompany Agreement will be rejected as part of the Settlement Agreement without further liability, claims or damages on the part of the Company. At the closing of the Merger, however, we expect to enter into a relationship agreement with Brookfield pursuant to which Brookfield and its affiliates will provide the Company with a right of first offer on certain operating wind and solar assets that are owned by Brookfield and its affiliates and are located in North America and certain other Western European nations.

We believe we continue to maintain a call right over 0.5 GW (net) of interests in operating wind power plants that are owned by a warehouse vehicle that was owned and arranged by SunEdison (the "AP Warehouse"). We believe SunEdison has sold its equity interest in the AP Warehouse to an unaffiliated third party.

Key Metrics

Operating Metrics

Net nameplate capacity

We measure the electricity-generating production capacity of our renewable energy facilities in net nameplate capacity. Rated capacity is the expected maximum output a power generation system can produce without exceeding its design limits. Net nameplate capacity is the rated capacity of all of the renewable energy facilities we own adjusted to reflect our economic ownership of joint ventures and similar power generation facilities. We measure net nameplate capacity for solar generation facilities in MW (DC) and for wind power plants in MW (AC). The size of our renewable energy facilities varies significantly among the assets comprising our portfolio. We believe the combined net nameplate capacity of our portfolio is indicative of our overall production capacity and period to period comparisons of our net nameplate capacity are indicative of the growth rate of our business. Our renewable energy facilities had an aggregate net nameplate capacity of 2,980.6 MW as of March 31, 2017.

Gigawatt hours sold

Gigawatt hours sold refers to the actual volume of electricity sold by our renewable energy facilities during a particular period. We track gigawatt hours sold as an indicator of our ability to realize cash flows from the generation of electricity at our renewable energy facilities. Our GWh sold for solar generation facilities for the three months ended March 31, 2017 and 2016 were 406.2 GWh and 469.7 GWh, respectively. Our GWh sold for wind power plants for the three months ended March 31, 2017 and 2016 were 1,625.8 GWh and 1,602.3 GWh, respectively.

Consolidated Results of Operations

The amounts shown in the table below represent the results of TerraForm Power, which consolidates Terra LLC through its controlling interest. The results of the Company include the operating results of Terra LLC for the three months ended March 31, 2017 and 2016 and \$1.5 million and \$0.4 million of stock-based compensation expense, respectively, which is reflected in the operating results of TerraForm Power. The following table illustrates the unaudited condensed consolidated results of operations for the three months ended March 31, 2017 and 2016:

(In thousands)	Three Months Ended March 31,	
	2017	2016
Operating revenues, net	\$ 151,135	\$ 153,917
Operating costs and expenses:		
Cost of operations	34,338	30,196
Cost of operations - affiliate	5,598	6,846
General and administrative expenses	36,725	17,183
General and administrative expenses - affiliate	1,419	5,437
Acquisition and related costs	—	2,743
Depreciation, accretion and amortization expense	60,987	59,007
Total operating costs and expenses	139,067	121,412
Operating income	12,068	32,505
Other expenses (income):		
Interest expense, net	68,312	68,994
Loss (gain) on foreign currency exchange, net	587	(4,493)
Loss on receivables - affiliate	—	845
Other expenses, net	360	567
Total other expenses, net	69,259	65,913
Loss before income tax (benefit) expense	(57,191)	(33,408)
Income tax (benefit) expense	(918)	97
Net loss	(56,273)	(33,505)
Less: Net income attributable to redeemable non-controlling interests	835	2,545
Less: Net loss attributable to non-controlling interests	(25,339)	(35,569)
Net loss attributable to Class A common stockholders	\$ (31,769)	\$ (481)

Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016

Operating revenues, net for the three months ended March 31, 2017 and 2016 were as follows:

(In thousands, other than MW data)	Three Months Ended March 31,		Change
	2017	2016	
Energy:			
Solar	\$ 42,311	\$ 47,772	\$ (5,461)
Wind	76,955	73,419	3,536
Incentives including affiliates:			
Solar	23,690	23,376	314
Wind	8,179	9,350	(1,171)
Total operating revenues, net	<u>\$ 151,135</u>	<u>\$ 153,917</u>	<u>\$ (2,782)</u>
GWh sold:			
Solar	406.2	469.7	
Wind	1,625.8	1,602.3	
Total GWh sold	<u>2,032.0</u>	<u>2,072.0</u>	
Net nameplate capacity (MW):			
Solar	1,449.1	1,445.0	
Wind	1,531.5	1,531.5	
Total net nameplate capacity (MW)	<u>2,980.6</u>	<u>2,976.5</u>	

Energy revenues decreased by \$1.9 million during the three months ended March 31, 2017, compared to the same period in 2016, due to:

(In thousands)	Solar	Wind	Total
Lower Distributed Generation solar resource	\$ (1,301)	\$ —	\$ (1,301)
Lower Utility solar resource	(1,722)	—	(1,722)
Lower availability of our solar fleet due primarily to temporary operating issues	(1,454)	—	(1,454)
Higher Utility wind resource	—	2,085	2,085
Challenged market conditions in Texas	—	(2,019)	(2,019)
Unrealized gain on commodity contract derivatives	—	1,879	1,879
Impact of changes in foreign currency exchange rates	(1,032)	916	(116)
Amortization of favorable and unfavorable rate revenue contracts, net	542	134	676
Other	(494)	541	47
	<u>\$ (5,461)</u>	<u>\$ 3,536</u>	<u>\$ (1,925)</u>

Incentive revenue decreased by \$0.9 million during the three months ended March 31, 2017, compared to the same period in 2016, due to:

(In thousands)	Solar	Wind	Total
Acquisitions of renewable energy systems from SunEdison during 2015 and the first quarter of 2016	\$ 1,965	\$ —	\$ 1,965
Lower distributed generation solar resource	(1,283)	—	(1,283)
Lower revenue in the U.K. due to weakening of the GBP partially offset by growth	(1,338)	—	(1,338)
Increase in deferred revenue recognition related to the upfront sale of investment tax credits to non-controlling interest members	1,292	—	1,292
Timing of contracting incentives and pricing	(322)	(1,171)	(1,493)
	<u>\$ 314</u>	<u>\$ (1,171)</u>	<u>\$ (857)</u>

Costs of Operations

Costs of operations for the three months ended March 31, 2017 and 2016 were as follows:

(In thousands)	Three Months Ended March 31,		Change
	2017	2016	
Cost of operations:			
Solar	\$ 10,353	\$ 9,657	\$ 696
Wind	23,985	20,539	3,446
Cost of operations - affiliate:			
Solar	3,811	5,815	(2,004)
Wind	1,787	1,031	756
Total cost of operations	<u>\$ 39,936</u>	<u>\$ 37,042</u>	<u>\$ 2,894</u>

Cost of operations increased \$4.1 million during the three months ended March 31, 2017, compared to the same period in 2016, due to:

(In thousands)	Solar	Wind	Total
Higher spare parts inventory costs resulting from repairs and maintenance completed during the period	\$ —	\$ 1,837	\$ 1,837
Loss on disposals of property and equipment resulting from planned replacement of major components at certain of our wind power plants	—	1,439	1,439
Increase in cost of operations as a result of transitioning away from SunEdison for O&M and asset management services	696	170	866
	<u>\$ 696</u>	<u>\$ 3,446</u>	<u>\$ 4,142</u>

Cost of operations - affiliate decreased \$1.2 million during the three months ended March 31, 2017, compared to the same period in 2016, due to:

(In thousands)	Solar	Wind	Total
Decrease in cost of operations - affiliate due to transitioning away from SunEdison for O&M and asset management services for certain of our renewable energy facilities	\$ (3,024)	\$ (111)	\$ (3,135)
Additional costs incurred in connection with transition services agreements entered into with SunEdison in the first quarter of 2017	1,020	867	1,887
	<u>\$ (2,004)</u>	<u>\$ 756</u>	<u>\$ (1,248)</u>

General and Administrative Expenses

General and administrative expenses for the three months ended March 31, 2017 and 2016 were as follows:

(In thousands)	Three Months Ended March 31,		Change
	2017	2016	
General and administrative expenses:			
Solar	\$ 794	\$ 3,018	\$ (2,224)
Wind	197	357	(160)
Corporate	35,734	13,808	21,926
General and administrative expenses - affiliate:			
Corporate	1,419	5,437	(4,018)
Total general and administrative expenses	<u>\$ 38,144</u>	<u>\$ 22,620</u>	<u>\$ 15,524</u>

General and administrative expenses increased by \$19.5 million compared to the three months ended March 31, 2016, and general and administrative expenses - affiliate decreased by \$4.0 million compared to the three months ended March 31, 2016 due to:

(In thousands)	General and administrative expenses	General and administrative expenses - affiliate
Higher professional fees for legal, accounting, and advisory services resulting from transition to standalone operations, the Merger and obtaining waivers for non-recourse debt defaults	\$ 12,209	\$ —
Increase in salaries and benefits costs due to directly hiring former employees of SunEdison who provided dedicated services to the Company	7,895	—
Decrease in bad debt expense resulting from a reduction of the reserve	(1,643)	—
Increase in stock-based compensation expense due to new awards combined with the impact of higher forfeitures in the same period in the prior year	1,081	405
Decrease in the management and administrative services provided by SunEdison subsequent to the Bankruptcy	—	(4,423)
Total change	<u>\$ 19,542</u>	<u>\$ (4,018)</u>

Pursuant to the management services agreement ("MSA"), SunEdison agreed to provide or arrange for other service providers to provide management and administrative services including legal, accounting, tax, treasury, project finance, information technology, insurance, employee benefit costs, communications, human resources and procurement to the Company. Subsequent to the SunEdison Bankruptcy, SunEdison continued to provide some management and administrative services to the Company, including employee compensation and benefit costs, human resources, information technology and communications, but stopped providing (or reimbursing the Company for) other services pursuant to the MSA. The MSA will be rejected as part of the Settlement Agreement entered into with SunEdison, and the Company will be deemed to have no liability, damages or claims arising out of the rejection of the MSA.

Pursuant to the TerraForm Power, Inc. 2014 Second Amended and Restated Long-Term Incentive Plan and individual employee incentive grant agreements, if the Company's strategic initiatives result in a change in control, or if the SunEdison Bankruptcy results in a liquidation event for SunEdison, all outstanding equity awards will vest, which would result in a significant charge for stock-based compensation expense in such period. As of March 31, 2017, the Company had \$10.6 million of unrecognized compensation expense related to outstanding equity awards.

Acquisition and Related Costs

There were no acquisition and related costs, including amounts related to affiliates, during the three months ended March 31, 2017, compared to \$2.7 million during the same period in 2016. The 2016 fees primarily consisted of investment banking advisory fees and professional fees for legal and accounting services related to our consummated acquisitions.

Depreciation, Accretion and Amortization Expense

Depreciation, accretion and amortization expense increased by \$2.0 million during the three months ended March 31, 2017, compared to the same period in 2016. This increase was primarily the result of a change in the estimated useful lives of major components of our wind power plants, which was effective October 1, 2016, and the impact of capital additions placed in service subsequent to the first quarter of 2016. These increases were partially offset by a reduction in depreciation, accretion and amortization expense related to the classification of our U.K. Portfolio assets as held for sale as discussed in *Note 2. Assets Held for Sale* to our unaudited condensed consolidated financial statements.

Interest Expense, Net

(In thousands)	Three Months Ended March 31,		Change
	2017	2016	
Corporate-level	\$ 27,832	\$ 29,513	\$ (1,681)
Non-recourse:			
Solar	19,581	18,430	1,151
Wind	20,899	21,051	(152)
Total interest expense, net	<u>\$ 68,312</u>	<u>\$ 68,994</u>	<u>\$ (682)</u>

Interest expense, net decreased by \$0.7 million during the three months ended March 31, 2017, compared to the same period in 2016, primarily due to a decrease in the outstanding principal balance and interest rate under the Revolver. The impact of lower interest expense under the Revolver was partially offset by higher interest expense resulting from increased project-level indebtedness primarily due to new non-recourse loan financing secured by approximately 40 MW(ac) of utility-scale solar power plants located in Canada as discussed in *Note 6. Long-term Debt* to our unaudited condensed consolidated financial statements.

Loss (Gain) on Foreign Currency Exchange, net

We incurred a net loss on foreign currency exchange of \$0.6 million for the three months ended March 31, 2017, driven by a \$0.4 million unrealized loss on the remeasurement of intercompany loans, which are primarily denominated in British pounds, and \$0.2 million of realized and unrealized net losses on foreign currency derivatives.

Other Expenses, net

Other expenses, net was \$0.4 million for the three months ended March 31, 2017 as compared to other expenses, net of \$0.6 million during the same period in 2016. The change and amounts are considered inconsequential.

Income Tax (Benefit) Expense

Income tax benefit was \$0.9 million for the three months ended March 31, 2017, compared to tax expense of \$0.1 million during the same period in 2016. For the three months ended March 31, 2017, and the three months ended March 31, 2016, the overall effective tax rate was different than the statutory rate of 35% primarily due to the recording of a valuation allowance on certain tax benefits attributed to the Company, loss allocated to non-controlling interests and the effect of state taxes. As of March 31, 2017, most jurisdictions are in a net deferred tax asset position. A valuation allowance is recorded against the deferred tax assets primarily because of the history of losses in those jurisdictions.

Net Loss Attributable to Non-Controlling Interests

Net loss attributable to non-controlling interests including redeemable non-controlling interests, was \$24.5 million for the three months ended March 31, 2017. This was the result of a \$15.8 million loss attributable to SunEdison's interest in Terra LLC's net loss during the three months ended March 31, 2017 and a \$8.7 million loss attributable to project-level tax equity partnerships. Net loss attributable to non-controlling interests was \$33.0 million for the three months ended March 31, 2016 resulting from a \$33.0 million loss attributable to project-level tax equity partnerships during the three months ended March 31, 2016. An inconsequential loss was attributable to SunEdison's interest in Terra LLC's net loss during the three months ended March 31, 2016.

Liquidity and Capital Resources

Our principal liquidity requirements are to finance current operations, service our debt and to fund future cash dividends to our investors. We will also use capital in the future to finance expansion capital expenditures and acquisitions. Our operations are financed by internally generated cash flows as well as corporate and/or project-level borrowings to satisfy operating and capital expenditure requirements. As a normal part of our business, depending on market conditions, we will from time to time consider opportunities to repay, redeem, repurchase or refinance our indebtedness. Changes in our operating plans, lower than anticipated electricity sales, increased expenses, inability to distribute funds from our projects as a result of defaults under project-level financing arrangements, actions of SunEdison and other third parties, acquisitions, the consequences of the SunEdison Bankruptcy or other events may cause us to seek additional debt or equity financing in future periods. There can be no guarantee that financing will be available on acceptable terms or at all. Debt financing, if available, could impose additional cash payment obligations and additional covenants and operating restrictions that may negatively impact our business, operations and financial condition. Equity financing, if any, could result in the dilution of our existing stockholders and make it more difficult for us to pay or increase dividends.

Liquidity Position

Total corporate liquidity, or liquidity available for corporate use, as of March 31, 2017 and December 31, 2016 was \$614.5 million and \$511.9 million, respectively. Corporate liquidity excludes \$68.8 million and \$57.6 million, respectively, of unrestricted cash held at our project subsidiaries, which was available for project expenses but not available for corporate use.

Total liquidity as of March 31, 2017 and December 31, 2016 was \$683.2 million and \$569.5 million, respectively, and was comprised of the following:

(In thousands)	March 31, 2017	December 31, 2016
Unrestricted corporate cash	\$ 577,726	\$ 478,357
Project-level distributable cash	30,290	29,383
Revolver availability	6,446	4,133
Total corporate liquidity	614,462	511,873
Other project-level unrestricted cash	68,752	57,593
Total liquidity	\$ 683,214	\$ 569,466

In conjunction with a consent agreement that we entered into in September of 2016 with the Administrative Agent and other parties to the Revolver and as a result of our election in February of 2017 to increase the principal amount of the credit facility described in the "Canada project-level financing" section of *Note 6. Long-term Debt* to our unaudited condensed consolidated financial statements, we repaid \$5.0 million of Revolver indebtedness on March 6, 2017 and permanently reduced the revolving commitments and borrowing capacity by such amount. After giving effect to this transaction, the total borrowing capacity under the Revolver was \$620.0 million as of March 31, 2017. Subsequent to March 31, 2017, in conjunction with entering into the eleventh amendment to the terms of the Revolver, we further repaid \$50.0 million of revolving loans outstanding under the Revolver on May 3, 2017 and permanently reduced the revolving commitments and borrowing capacity to \$570.0 million. As discussed in *Recent Developments* above, on July 25, 2017, we repaid an additional \$150.0 million of Revolver indebtedness, a portion of which was paid using proceeds we received from the sale of the U.K. Portfolio. There was no reduction in revolving commitments and borrowing capacity as a result of this repayment. On August 10, 2017, the Company entered into a twelfth amendment to the terms of the Revolver, under which we agreed to permanently reduce the commitments under the Revolver by \$50.0 million. After giving effect to this reduction in revolving commitments, the total borrowing capacity under the Revolver was \$520.0 million as of such date.

During 2016, we experienced defaults under most of our non-recourse financing agreements as a result of the SunEdison Bankruptcy and delays in the delivery of 2015 audited financial statements for certain project-level subsidiaries, which caused \$67.1 million of cash held at project subsidiaries to be trapped from future distribution as of December 31, 2016. During the first quarter of 2017, the Company cured or obtained waivers or temporary forbearances with respect to certain of these defaults and has transitioned, or is working to transition, the project-level services provided by SunEdison Debtors to third parties or in-house to a Company affiliate. As a result, a substantial portion of this trapped cash was made available for potential distribution during the quarter and trapped cash was reduced to \$21.4 million as of March 31, 2017, which is presented as current restricted cash as the cash balances were subject to distribution restrictions related to debt defaults that existed as of the balance sheet date. Subsequent to the first quarter, the Company experienced additional defaults under most of

the same non-recourse financing agreements as a result of the failure to timely complete Company or project-level audits. The Company filed its Form 10-K for the year ended December 31, 2016 on July 21, 2017 and is working to complete the remaining project-level audits and seeking to obtain waivers of such default. If the remaining defaults are not cured or waived, this will further restrict the ability of the relevant project-level subsidiaries to make distributions to us, which may affect our ability to meet certain covenants related to our Revolver and have a material adverse effect on our liquidity position.

In June of 2017, we agreed to make a \$100.0 million prepayment in connection with obtaining a waiver for one of our non-recourse portfolio financing arrangements ("the Midco Portfolio Term Loan"), which is secured by indirect interests in approximately 1,104.3 MW of our renewable energy facilities, consisting of our wind power plants acquired from Invenergy Wind Global LLC and certain other assets. The waiver was obtained to (i) extend the 2016 audited project financial statement deadline under the loan agreement and (ii) waive the change of control default that would arise under the loan agreement as a result of the closing of the Merger until, in the case of the change of control waiver, the date that is the earlier of three months following the closing of the Merger and March 31, 2018. This prepayment was made using a portion of the proceeds the Company received from the sale of the U.K. Portfolio as discussed below in "Sources of Liquidity."

Management believes that our current corporate liquidity position and distributable operating cash flows will be adequate to finance our short-term operating and maintenance capital expenditures and other liquidity commitments. As discussed above in the context of current market conditions, management continues to regularly monitor our ability to finance the needs of the operating, financing and investing activities of our business within the dictates of prudent balance sheet management as our long-term growth will require additional capital.

Sources of Liquidity

Our principal sources of liquidity generally include cash on hand, cash generated from operations, borrowings under new and existing financing arrangements and the issuance of additional equity and debt securities as appropriate given market conditions. We are currently limited in our ability to access the capital markets for our debt and equity securities at costs that are attractive to us. We expect that sources of funds that are available to us, including cash on hand and cash generated from our operations, will be adequate to provide for our short-term and long-term liquidity needs. Our ability to meet our debt service obligations and other capital requirements (including capital expenditures), as well as make acquisitions, will depend on our future operating performance which, in turn, will be subject to general economic, financial, business, competitive, legislative, regulatory and other conditions, many of which are beyond our control.

Management can also optimize its portfolio and capital structure by exiting certain markets or selling certain assets if we believe the opportunity would improve stockholder value. As discussed in *Note 2. Assets Held for Sale* to our unaudited condensed consolidated financial statements, the sale of the U.K. Portfolio closed on May 11, 2017, which provided \$211 million of additional liquidity to us. We also received a combined total of \$7.1 million in the second and third quarter of 2017 from the sale of substantially all of our portfolio of residential rooftop solar assets.

Uses of Liquidity

Our principal requirements for liquidity and capital resources, other than for operating our business, can generally be categorized by the following: (i) funding acquisitions, if any; (ii) debt service obligations; (iii) wind plant maintenance capital expenditures; and (iii) cash dividends to investors. Generally, once commercial operation is achieved, our solar power plants do not require significant capital expenditures to maintain operating performance.

Funding Acquisitions

Commitments to Acquire Renewable Energy Facilities

We currently do not have any open commitments to acquire renewable energy facilities from third parties or SunEdison other than as described with respect to the Invenergy Wind Option Agreements (see *Note 15. Related Parties* to our unaudited condensed consolidated financial statements).

Debt Service Obligations

As discussed above, as a result of the SunEdison Bankruptcy and delays in delivery of 2015 audited financial statements for the Company and/or certain project-level subsidiaries, the Company experienced defaults under most of its non-recourse financing agreements in 2016. During the course of 2016 and to date in 2017, the Company cured or obtained waivers

or temporary forbearances with respect to most of these defaults and has transitioned, or is working to transition, the project-level services provided by SunEdison Debtors to third parties or in-house to a Company affiliate; however, certain of these defaults persist. Moreover, the Company has experienced additional defaults under most of the same non-recourse financing agreements in 2017 as the result of the failure to timely complete Company and/or project-level audits. The Company filed its Form 10-K for the year ended December 31, 2016 on July 21, 2017 and is working to complete the remaining project-level audits and seeking to obtain waivers of such default. For certain of these defaults, the corresponding contractual grace periods already expired as of the financial statement issuance date or the Company could not assert that it was probable that the violation would be cured within any remaining grace periods, would be cured for a period of more than twelve months or were not likely to recur. In addition, while the Company has been actively negotiating with the lenders to obtain waivers, the lenders have not currently waived or subsequently lost the right to demand repayment for more than one year from the balance sheet date with respect to certain of these defaults. As these defaults occurred prior to the issuance of the financial statements for the three months ended March 31, 2017, \$1.6 billion of the Company's non-recourse long-term indebtedness, net of unamortized debt discounts and deferred financing costs, has been reclassified to current in the unaudited condensed consolidated balance sheet as of March 31, 2017, as the Company accounts for debt in default as of the date the financial statements are issued in the same manner as if the default existed as of the balance sheet date.

The aggregate contractual payments of long-term debt due after March 31, 2017, including financing lease obligations and excluding amortization of debt discounts, premiums and deferred financing costs, as stated in the financing agreements, are as follows:

(In thousands)	Remainder of 2017 ¹	2018	2019	2020	2021	Thereafter	Total
Maturities of long-term debt and financing lease obligations ²	\$ 733,218	\$ 114,066	\$ 453,956	\$ 100,748	\$ 104,271	\$ 2,562,947	\$ 4,069,206

- (1) Includes \$547.0 million of Revolver indebtedness as management intends to repay this indebtedness during 2017 (\$200.0 million of which was paid prior to the financial statement issuance date as discussed above). Also includes \$100.0 million prepayment for the Midco Portfolio Term Loan, which the Company agreed to pay in June of 2017 in connection with obtaining (i) a waiver to extend the 2016 audited project financial statement deadline under the loan agreement and (ii) a waiver of the change of control default that would arise under the loan agreement as a result of the Merger until, in the case of the change of control waiver, the date that is the earlier of three months following the closing of the Merger and March 31, 2018. This prepayment was made using a portion of the proceeds the Company received from the sale of the U.K. Portfolio as discussed above.
- (2) Represents the contractual principal payment due dates for the Company's long-term debt and does not reflect the reclassification of \$1.6 billion of long-term debt to current as a result of debt defaults under certain of the Company's non-recourse financing arrangements, except for the \$100.0 million related to the prepayment discussed directly above (which is classified as current as of March 31, 2017 as this payment was made prior to the issuance of the financial statements in connection with obtaining a waiver of the debt default under the loan agreement).

Amended Interest Payment Agreement

On January 28, 2015, concurrent with the issuance of the Senior Notes due 2023, Terra LLC and Terra Operating LLC entered into an amended and restated interest payment agreement (the "Amended Interest Payment Agreement") with SunEdison. The Amended Interest Payment Agreement amended and restated the initial interest payment agreement entered into with SunEdison, all in accordance with the terms of the Intercompany Agreement such that the amount of support provided by SunEdison remained the same as in the initial interest payment agreement. We received an equity contribution of \$8.0 million from SunEdison pursuant to the Amended Interest Payment Agreement during the first quarter of 2016. As of the first quarter of 2016, we had received a cumulative amount of \$24.0 million under the Amended Interest Payment Agreement and initial interest payment agreement from SunEdison with \$24.0 million of scheduled payments due in future periods. We have not received any payments from SunEdison pursuant to the Amended Interest Payment Agreement since the first quarter of 2016.

On July 29, 2016, SunEdison delivered a notice purporting to terminate the Amended Interest Payment Agreement. The notice alleges that SunEdison's bankruptcy permits termination as of right without following the bankruptcy procedures for rejection of executory contracts. Subject to the satisfaction of the conditions to effectiveness for the Settlement Agreement, the Amended Interest Payment Agreement will be rejected as part of the Settlement Agreement entered into with SunEdison without further liability, claims or damages on the part of the Company.

Cash Dividends to Investors

We have not declared or paid a dividend since the third quarter of 2015. We believe it is prudent to defer any decisions on paying dividends to our shareholders for the time being, and under the Merger Agreement, the Company is restricted from declaring or paying dividends prior to the consummation of the Merger, except for the Special Dividend (as discussed and defined in *Note 10. Stockholders' Equity* to our unaudited condensed consolidated financial statements). As such, we have not caused Terra LLC to make any distributions to its members (including to TerraForm Power as the sole holder of the Class A units and to SunEdison as the sole holder of the Class B units). In light of SunEdison's failure to perform under its sponsorship arrangements, including the Management Services Agreement and Amended Interest Payment Agreement, and the risks that we face as described in this quarterly report, we cannot give any assurance that there will not be a substantial reduction in our cash available for distribution and in any dividends that we pay in the future on an annualized basis in comparison to the annualized dividends that we have paid in the past.

Incentive Distribution Rights

Incentive Distribution Rights ("IDRs") represent the right to receive increasing percentages (15.0%, 25.0% and 50.0%) of Terra LLC's quarterly distributions after the Class A Units, Class B units, and Class B1 units of Terra LLC have received quarterly distributions in an amount equal to \$0.2257 per unit and the target distribution levels have been achieved. Since the completion of the IPO, SunEdison holds 100% of the IDRs. As of March 31, 2017 and December 31, 2016, there were no Class B1 units of Terra LLC outstanding. There were no IDR payments made by us during the three months ended March 31, 2017 and 2016.

In connection with the Settlement Agreement, SunEdison agreed to deliver the outstanding IDRs held by SunEdison or certain of its affiliates to TerraForm Power or its designee and in connection therewith, concurrently with the execution and delivery of the Merger Agreement, TerraForm Power, Terra LLC, BRE Delaware, Inc. and SunEdison and certain of its affiliates have entered into the IDR Transfer Agreement which provides that, subject to satisfaction of the conditions in the Merger Agreement, SunEdison affiliates will transfer all of the IDRs to an affiliate of Brookfield at the effective time of the Merger on the terms and conditions set forth in the IDR Transfer Agreement. At the closing of the Merger, the limited liability company agreement of Terra LLC will be amended and restated to, among other things, reset the IDR thresholds of Terra LLC to establish a first distribution threshold of \$0.93 per share of Class A common stock and a second distribution threshold of \$1.05 per Class A common stock. As a result of this amendment and restatement, amounts distributed from Terra LLC would be distributed on a quarterly basis as follows:

- first, to the Company in an amount equal to the Company's outlays and expenses for such quarter;
- second, to holders of Class A units, until an amount has been distributed to such holders of Class A units that would result, after taking account of all taxes payable by the Company in respect of the taxable income attributable to such distribution, in a distribution to holders of shares of Class A common stock of \$0.93 per share (subject to adjustment for distributions, combinations or subdivisions of shares of Class A common stock) if such amount were distributed to all holders of shares of Class A common stock;
- third, 15% to the holders of the IDRs and 85% to the holders of Class A units until a further amount has been distributed to holders of Class A units in such quarter that would result, after taking account of all taxes payable by the Company in respect of the taxable income attributable to such distribution, in a distribution to holders of shares of Class A common stock of an additional \$0.12 per share (subject to adjustment for distributions, combinations or subdivisions of shares of Class A common stock) if such amount were distributed to all holders of shares of Class A common stock; and
- thereafter, 75% to holders of Class A units and 25% to holders of the IDRs.

Cash Flow Discussion

We use traditional measures of cash flow, including net cash provided by operating activities, net cash provided by (used in) investing activities and net cash provided by (used in) financing activities to evaluate our periodic cash flow results.

Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016

The following table reflects the changes in cash flows for the comparative periods:

(In thousands)	Three Months Ended March 31,		Change
	2017	2016	
Net cash provided by operating activities	\$ 35,228	\$ 35,274	\$ (46)
Net cash provided by (used in) investing activities	30,654	(30,137)	60,791
Net cash provided by (used in) financing activities	59,947	(6,639)	66,586

Net Cash Provided By Operating Activities

Net cash provided by operating activities was \$35.2 million for the three months ended March 31, 2017 as compared to \$35.3 million in the same period in the prior year. The comparable operating cash flow was the result of increased general and administrative costs during the three months ended March 31, 2017 associated with operating as a stand-alone organization, including consulting, professional and legal fees, which was offset by an increase in operating cash resulting from the timing of payments and collections as compared to the three months ended March 31, 2016.

Net Cash Provided By (Used In) Investing Activities

Net cash provided by investing activities for the three months ended March 31, 2017 was \$30.7 million, which was driven by a \$32.7 million net decrease in restricted cash balances during the period, primarily resulting from curing or obtaining waivers with respect to non-recourse debt defaults that existed as of December 31, 2016. This impact was partially offset by \$2.1 million of capital expenditures during the period. Net cash used in investing activities for the three months ended March 31, 2016 was \$30.1 million, which consisted of \$31.7 million of capital expenditures and \$4.1 million of cash paid to third parties for acquisitions of renewable energy facilities, which was partially offset by a \$5.6 million net decrease in restricted cash balances.

Net Cash Provided By (Used In) Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2017 was \$59.9 million, which primarily consisted of \$79.8 million of proceeds received from increasing our Canadian project-level financing and \$7.4 million of net cash contributions received from SunEdison, offset by \$11.9 million of principal payments on non-recourse long-term debt, a \$5.0 million Revolver payment and \$9.7 million of distributions to tax equity partners. Net cash used in financing activities for the three months ended March 31, 2016 was \$6.6 million, which primarily consisted of \$29.7 million of principal payments on non-recourse long-term debt and a \$11.6 million decrease in our net payable to SunEdison, partially offset by financing inflows of \$29.7 million related to contributions received from SunEdison.

Off-Balance Sheet Arrangements

The Company enters into guarantee arrangements in the normal course of business to facilitate commercial transactions with third parties. See *Note. 14 Commitments and Contingencies* to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional discussion.

Recently Issued Accounting Standards

See *Note 1. Nature of Operations and Basis of Presentation* to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for disclosures concerning recently issued accounting standards. These disclosures are incorporate herein by reference.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This communication contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. These statements involve estimates, expectations, projections, goals, assumptions, known and unknown risks, and uncertainties and typically include words or variations of words such as “expect,” “anticipate,” “believe,” “intend,” “plan,” “seek,” “estimate,” “predict,” “project,” “goal,” “guidance,” “outlook,” “objective,” “forecast,” “target,” “potential,” “continue,” “would,” “will,” “should,” “could,” or “may” or other comparable terms and phrases. All statements that address operating performance, events, or developments that the Company expects or anticipates will occur in the future are forward-looking statements. They may include estimates of expected cash available for distribution, earnings, revenues, capital expenditures, liquidity, capital structure, future growth, financing arrangements and other financial performance items (including future dividends per share), descriptions of management’s plans or objectives for future operations, products, or services, or descriptions of assumptions underlying any of the above. Forward-looking statements provide the Company’s current expectations or predictions of future conditions, events, or results and speak only as of the date they are made. Although the Company believes its expectations and assumptions are reasonable, it can give no assurance that these expectations and assumptions will prove to have been correct and actual results may vary materially.

Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are listed below and further disclosed under the section entitled *Item 1A. Risk Factors*:

- risks related to our relationship with SunEdison;
- risks related to the SunEdison Bankruptcy, including our continuing transition away from reliance on SunEdison for management, corporate and accounting services, employees, critical systems and information technology infrastructure, and the operation, maintenance and asset management of our renewable energy facilities;
- risks related to events of default and potential events of default arising under (i) our Revolver, (ii) the indentures governing our Senior Notes due 2023 and Senior Notes due 2025 (the “Indentures”), and/or (iii) project-level financings and other agreements related to the SunEdison Bankruptcy, our failure to obtain corporate and/or project level audits, SunEdison’s failure to perform its obligations under project-level agreements, and/or related adverse effects on our business and operations (including the delay in our SEC filings) and other factors;
- risks related to failure to timely file SEC reports and to satisfy the requirements of the NASDAQ, which could result in delisting of our common stock;
- risks related to the merger and the sponsorship transaction with Brookfield and certain of its affiliates, including failure to satisfy conditions to consummation of the merger and the sponsorship transaction, our failure to realize the expected benefits of the transaction and the diminished likelihood that a third party would make a competing transaction proposal;
- risks related to the pendency of the merger and the sponsorship transaction, including disruptions to our business, conflicts of interest and employee departures;
- risks relating to the failure to consummate the merger and the sponsorship transaction, including a potential adverse impact on the trading price of our common stock, the potential termination of our settlement agreement with SunEdison and the likelihood we would need to operate without a sponsor indefinitely or until we were able to conclude a transaction with another party, if at all;
- our ability to integrate the renewable energy facilities we acquire from third parties or otherwise and realize the anticipated benefits from such acquisitions;
- the willingness and ability of the counterparties to our offtake agreements to fulfill their obligations under such agreements;
- price fluctuations, termination provisions and buyout provisions related to our offtake agreements;
- our ability to enter into contracts to sell power on acceptable prices and terms, including as our offtake agreements expire;
- our ability to successfully identify, evaluate and consummate acquisitions;
- government regulation, including compliance with regulatory and permit requirements and changes in market rules or regulations, rates, tariffs, environmental, tax or other laws, policies and incentives affecting the energy markets in general or renewable energy facilities in particular, including any such changes that may be implemented following the recent elections in the U.S. and changes to federal and state tax laws related to renewable energy and renewable energy portfolio standards or renewable energy credits;
- operating and financial restrictions placed on us and our subsidiaries related to agreements governing our indebtedness and other agreements of certain of our subsidiaries and project-level subsidiaries generally and in our Revolver and the Indentures;

- the condition of the debt and equity capital markets and our ability to borrow additional funds and access capital markets, as well as our substantial indebtedness and the possibility that we may incur additional indebtedness going forward;
- our ability to compete against traditional and renewable energy companies;
- hazards customary to the power production industry and power generation operations such as unusual weather conditions, catastrophic weather-related or other damage to facilities, unscheduled generation outages, maintenance or repairs, interconnection problems or other developments, environmental incidents, or electric transmission constraints and curtailment and the possibility that we may not have adequate insurance to cover losses as a result of such hazards;
- the variability of wind and solar resources and the under-performance of our solar modules, wind turbines and other associated components and equipment, which may result in lower than expected output of our renewable energy facilities;
- our ability to expand into new business segments or new geographies;
- departure of some or all of the employees providing services to us, particularly executive officers or key employees and operations and maintenance or asset management personnel;
- pending and future litigation;
- our ability to operate our business efficiently, to operate and maintain our information technology, technical, accounting and generation monitoring systems, to manage capital expenditures and costs, to manage risks related to international operations such as currency exposure and to generate earnings and cash flows from our asset-based businesses in relation to our debt and other obligations, including in light of the SunEdison Bankruptcy and the ongoing process to establish separate information technology and other systems; and
- potential conflicts of interests or distraction due to the fact that several of our directors are also directors of Terraform Global, Inc. and most of our executive officers are also executive officers of TerraForm Global, Inc.

The Company disclaims any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions, factors, or expectations, new information, data, or methods, future events, or other changes, except as required by law. The foregoing list of factors that might cause results to differ materially from those contemplated in the forward-looking statements should be considered in connection with information regarding risks and uncertainties, which are described in this report, as well as additional factors we may describe from time to time in other filings with the SEC. You should understand that it is not possible to predict or identify all such factors and, consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to several market risks in our normal business activities. Market risk is the potential loss that may result from market changes associated with our business or with an existing or forecasted financial or commodity transaction. The types of market risks we are exposed to are interest rate risk, foreign currency risk and commodity risk. We do not use derivative financial instruments for speculative purposes.

Interest Rate Risk

As of March 31, 2017, the estimated fair value of our debt was \$4,175.2 million and the carrying value of our debt was \$4,016.4 million. We estimate that a hypothetical 100 bps, or 1%, increase or decrease in market interest rates would have decreased or increased the fair value of our long-term debt by \$91.9 million and \$102.4 million, respectively.

As of March 31, 2017, our corporate-level debt consisted of the Senior Notes due 2023 (fixed rate), the Senior Notes due 2025 (fixed rate) and the Revolver (variable rate). We have not entered into any interest rate derivatives to swap our variable rate corporate-level debt to a fixed rate, and thus we are exposed to fluctuations in interest rate risk. A hypothetical increase or decrease in interest rates by 1% would have increased or decreased interest expense related to our Revolver by \$1.3 million for the three months ended March 31, 2016.

As of March 31, 2017, our non-recourse permanent financing debt was at both fixed and variable rates. 53% of the \$2,149.4 million balance had a variable interest rate and the remaining 47% of the balance had a fixed interest rate. We have entered into interest rate derivatives to swap certain of our variable rate non-recourse debt to a fixed rate. Although we intend to use hedging strategies to mitigate our exposure to interest rate fluctuations, we may not hedge all of our interest rate risk and, to the extent we enter into interest rate hedges, our hedges may not necessarily have the same duration as the associated indebtedness. Our exposure to interest rate fluctuations will depend on the amount of indebtedness that bears interest at variable rates, the time at which the interest rate is adjusted, the amount of the adjustment, our ability to prepay or refinance variable rate

indebtedness when fixed rate debt matures and needs to be refinanced and hedging strategies we may use to reduce the impact of any increases in rates. We estimate that a hypothetical 100 bps, or 1%, increase or decrease in our variable interest rates pertaining to interest rate swaps not designated as hedges would have increased or decreased our earnings by \$23.0 million and \$25.9 million, respectively, for the three months ended March 31, 2017.

Foreign Currency Risk

During the three months ended March 31, 2017 and 2016, we generated operating revenues in the United States (including Puerto Rico), Canada, the United Kingdom, and Chile, with our revenues being denominated in U.S. dollars, Canadian dollars and British pounds. The PPAs, operating and maintenance agreements, financing arrangements and other contractual arrangements relating to our current portfolio are denominated in U.S. dollars, Canadian dollars and British pounds.

We use currency forward contracts in certain instances to mitigate the financial market risks of fluctuations in foreign currency exchange rates. We manage our foreign currency exposures through the use of these currency forward contracts to reduce risks arising from the change in fair value of certain assets and liabilities denominated in Canadian dollars. The objective of these practices is to minimize the impact of foreign currency fluctuations on our operating results. We estimate that a hypothetical 100 bps, or 1%, increase or decrease in Canadian dollars would have increased or decreased our earnings by \$0.2 million for the the three months ended March 31, 2017.

Commodity Risk

For certain of our wind power plans, we use long-term cash settled swap agreements to economically hedge commodity price variability inherent in wind electricity sales arrangements. If we sell electricity generated by our wind power plants to an independent system operator market and there is no PPA available, then we may enter into a commodity swap to hedge all or a portion of the estimated revenue stream. These price swap agreements require periodic settlements, in which we receive a fixed-price based on specified quantities of electricity and we pay the counterparty a variable market price based on the same specified quantity of electricity. We estimate that a hypothetical 1,000 bps, or 10%, increase or decrease in electricity sales prices pertaining to commodity swaps not designated as hedges would have decreased or increased our earnings by \$3.8 million for the three months ended March 31, 2017.

Liquidity Risk

The Company's principal liquidity requirements are to finance current operations, service debt and to fund cash dividends to investors. Changes in operating plans, lower than anticipated electricity sales, increased expenses, acquisitions or other events may cause management to seek additional debt or equity financing in future periods. There can be no guarantee that financing will be available on acceptable terms or at all. Debt financing, if available, could impose additional cash payment obligations and additional covenants and operating restrictions. The Company's ability to meet its debt service obligations and other capital requirements, including capital expenditures, as well as make acquisitions, will depend on the Company's future operating performance which, in turn, will be subject to general economic, financial, business, competitive, legislative, regulatory and other conditions, many of which are beyond management's control.

Credit Risk

Credit risk relates to the risk of loss resulting from non-performance or non-payment by offtake counterparties or SunEdison under the terms of their contractual obligations, thereby impacting the amount and timing of expected cash flows. We monitor and manage credit risk through credit policies that include a credit approval process and the use of credit mitigation measures such as having a diversified portfolio of offtake counterparties. However, there are a limited number of offtake counterparties under offtake agreements in each region that we operate, and this concentration may impact the overall exposure to credit risk, either positively or negatively, in that the offtake counterparties may be similarly affected by changes in economic, industry or other conditions. If any of these receivable balances in the future should be deemed uncollectible, it could have a material adverse effect on our forecasted cash flows.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As disclosed in our annual report on Form 10-K for the year ended December 31, 2016, management identified material weaknesses in the Company's internal control over financial reporting. We carried out an evaluation as of March 31, 2017, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were ineffective as of March 31, 2017 due to previously identified material weaknesses, which continued to exist as of March 31, 2017.

Notwithstanding such material weaknesses in internal control over financial reporting, our management concluded that our unaudited condensed consolidated financial information presents fairly, in all material respects, the Company's financial position, results of operations and cash flows as of the dates, and for the periods presented, in conformity with generally accepted accounting principles.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended) during the three months ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company continues to develop and implement our remediation plan as described in *Item 9A. Controls and Procedures* in our Annual Report on Form 10-K for the year ended December 31, 2016, including the development and testing of controls over financial reporting with respect to the new cloud-based accounting system we implemented in the first quarter of 2017.

PART II - Other Information

Item 1. Legal Proceedings.

For a description of our legal proceedings, see *Item 1. Note 14 - Commitments and Contingencies* to our unaudited condensed consolidated financial statements.

Item 1A. Risk Factors.

In addition to the information set forth elsewhere in this Quarterly Report on Form 10-Q, you should carefully consider the factors under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016, which was filed on July 21, 2017. These risks could materially and adversely affect our business, financial condition and results of operations. There have been no material changes in the Company's risk factors from those described in our Form 10-K for the year ended December 31, 2016.

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

None.

Item 3. Defaults Upon Senior Securities.

See *Item 1. Note 6 - Long-term Debt* for a description of defaults under the Company's senior indebtedness.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

See the Exhibit Index following the Signature page of this report.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TERRAFORM POWER, INC.

By: /s/ REBECCA CRANNA

Name: Rebecca Cranna

Title: Executive Vice President and Chief
Financial Officer (Principal financial officer
and principal accounting officer)

Date: August 29, 2017

EXHIBIT INDEX

Exhibit Number	Description
2.1	Sale and Purchase Agreement, dated as of January 5, 2017, among TerraForm Power Operating, LLC, SunEdison Yieldco UK Holdco 2, LLC and Vortex Solar UK Limited.**
2.2	Merger and Sponsorship Transaction Agreement, dated as of March 6, 2017, by and among TerraForm Power, Inc., Orion US Holdings 1 L.P. and BRE TERP Holdings Inc. (incorporated by reference to Exhibit 2.1 to the Registrant's Form 8-K filed on March 7, 2017).**
10.1	Tenth Amendment to Credit and Guaranty Agreement, dated April 5, 2017, among TerraForm Power Operating, LLC, as borrower, TerraForm Power, LLC, as a guarantor, certain subsidiaries of Terraform Power Operating, LLC, as guarantors, the lenders party thereto from time to time, and Barclays Bank PLC, as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report Form 8-K filed on April 6, 2017).
10.2	Eleventh Amendment to Credit and Guaranty Agreement, dated April 26, 2017, among TerraForm Power Operating, LLC, as borrower, TerraForm Power, LLC, as a guarantor, certain subsidiaries of Terraform Power Operating, LLC, as guarantors, the lenders party thereto from time to time, and Barclays Bank PLC, as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report Form 8-K filed on April 28, 2017).
10.3	Twelfth Amendment to Credit and Guaranty Agreement, dated August 10, 2017, among TerraForm Power Operating, LLC, as borrower, TerraForm Power, LLC, as a guarantor, certain subsidiaries of Terraform Power Operating, LLC, as guarantors, the lenders party thereto from time to time, and Barclays Bank PLC, as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report Form 8-K filed on August 11, 2017).
10.4	Settlement Agreement, dated as of March 6, 2017, by and among TerraForm Power, Inc., TerraForm Power, LLC, TerraForm Power Operating, LLC, SunEdison Inc. and the other parties named therein (incorporated by reference to Exhibit 2.1 to the Registrant's Form 8-K filed on March 7, 2017).
10.5	Voting and Support Agreement, dated as of March 6, 2017, by and among Orion US Holdings 1 L.P., BRE TERP Holdings Inc., SunEdison, Inc., SunEdison Holdings Corporation, SUNE ML1, LLC and TerraForm Power, Inc. (incorporated by reference to Exhibit 2.3 to the Registrant's Form 8-K filed on March 7, 2017).
10.6	Retention Bonus Award Letter to Sebastian Deschler dated April 10, 2017 (incorporated by reference to Exhibit 10.57 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016).
10.7	Retention Bonus Award Letter to Rebecca Cranna dated April 10, 2017 (incorporated by reference to Exhibit 10.50 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016).
31.1	Certification by the Chief Executive Officer of TerraForm Power, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by the Chief Financial Officer of TerraForm Power, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32*	Certification by the Chief Executive Officer and the Chief Financial Officer of TerraForm Power, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

 * This information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

** Annexes, schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Registrant agrees to furnish a copy of any omitted attachment to the Securities and Exchange Commission on a confidential basis upon request.

EXECUTION VERSION

Dated 5 January 2017

SUNEDISON YIELDCO UK HOLDCO 2, LLC

and

TERRAFORM POWER OPERATING, LLC

and

VORTEX SOLAR UK LIMITED

SALE AND PURCHASE AGREEMENT

relating to the sale and purchase of shares in
TerraForm UK2 Intermediate Holdings, Ltd

Linklaters

Linklaters LLP

One Silk Street

London EC2Y 8HQ

Telephone (+44) 20 7456 2000

Facsimile (+44) 20 7456 2222

Ref L-250204

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This Agreement is made as a deed on 5 January 2017 **between:**

- (1) **SunEdison Yieldco UK HoldCo 2, LLC**, a company incorporated under the laws of the State of Delaware, whose registered office is at 7550 Wisconsin Ave, Bethesda, MD, 20814, United States of America (the “**Seller**”);
- (2) **TerraForm Power Operating, LLC**, a company incorporated under the laws of the State of Delaware and whose registered office is at 7550 Wisconsin Ave, Bethesda, MD, 20814, United States of America (the “**Guarantor**”); and
- (3) **Vortex Solar UK Limited**, a company registered in England and Wales with company number 10473926 and whose registered office is at 6 St Andrew Street, London, EC4A 3AE, United Kingdom (the “**Purchaser**”),

(together the “**Parties**”, and each a “**Party**”).

Whereas:

- (A) The Seller has agreed to sell and the Purchaser has agreed to buy the Shares on the terms and subject to the conditions of this Agreement.
- (B) The Purchaser has agreed to redeem the Loan Note on behalf of the Company and pay the Other Receivables (if any) on behalf of the Company at Completion (and, for the avoidance of doubt, the Company will as a result thereof owe an amount equal to the Loan Note Redemption Amount and the Other Receivables Payment Amount (if any) to the Purchaser) in accordance with Clause 7.
- (C) The Purchaser has agreed to pay the Receivable on behalf of the Direct Subsidiary at Completion (and, for the avoidance of doubt, the Direct Subsidiary will as a result thereof owe an amount equal to the Receivable Payment Amount to the Purchaser) in accordance with Clause 7.

It is agreed as follows:

1 Interpretation

1.1 In this Agreement:

“**Affiliate**” means, in respect of any:

- (i) person that is an undertaking, any person who or which, directly or indirectly, controls, or is controlled by, or is under common control with such person and “control” (together with its correlative meanings, “controlled by” and “under common control with”) means with respect to any other person, the possession, directly or indirectly, of power to direct or cause the direction of management or policies of such person (whether through ownership of voting securities or partnership or other ownership interests, by contract or otherwise); or
- (ii) individual, his or her spouse, or civil partner, and his or her grandparents (and those of his spouse or civil partner) and all descendants of those grandparents,

provided that Affiliate shall, in relation to the Seller, exclude the Group;

“**Agent**” has the meaning given to it in Clause 29.1;

“**Aggregate Amount**” means £196,100,000;

“Agreed Form” means, in relation to any document, the form of that document which has been initialled for the purpose of identification by the Purchaser (or the Purchaser’s Solicitors on behalf of the Purchaser) and the Seller (or the Seller’s Solicitors on behalf of the Seller) with such alterations as may be agreed in writing between the Seller and the Purchaser from time to time;

“Anti-Corruption Laws” means:

- (i) the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions;
- (ii) the Foreign Corrupt Practices Act of 1977 of the United States of America, as amended by the Foreign Corrupt Practices Act Amendments of 1988 and 1998, and as may be further amended and supplemented from time to time;
- (iii) the Bribery Act 2010; and
- (iv) any other applicable law (including any (a) statute, ordinance, rule or regulation; (b) order of any court, tribunal or any other judicial body; and (c) rule, regulation, guideline or order of any public body, or any other administrative requirement) which:
 - a. prohibits the conferring of any gift, payment or other benefit on any person or any officer, employee, agent or adviser of such person; and/or
 - b. is broadly equivalent to (ii) or (iii) or was intended to enact the provisions of the OECD Convention described in (i) or which has as its objective the prevention of corruption;

“Anti-Money Laundering Laws” means:

- (i) all applicable financial recordkeeping and reporting requirements, including those of the Currency and Foreign Transactions Reporting Act of 1970, as amended; and
- (ii) the applicable anti-money laundering statutes of all jurisdictions where the relevant entity conducts business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental or regulatory agency;

“Audited Accounts” means the audited accounts of the Company as at, and for the twelve month period ended on, the Locked Box Date, which are prepared on a basis such that any audit adjustment required to obtain an unqualified opinion is reflected therein, and to the extent audited adjustments are needed they are stated therein;

“Audited Project and Holding Companies Accounts” means the audited accounts of each of the Project Companies, the Holding Companies and the Direct Subsidiary as at, and for the twelve month period ended on, the Locked Box Date;

“Business Day” means a day which is not a Friday, Saturday, Sunday or public holiday in London, Luxembourg, the State of Delaware or the United Arab Emirates;

“Certificates of Title” means the certificates of title in respect of the Properties in the Data Room;

“Claim” means any claim for breach of a Seller’s Warranty or a Tax Deed Claim;

"Common Terms Agreement" means the common terms agreement entered into between, among others, the Direct Subsidiary (as borrower), Abbey National Treasury Services plc (trading as Santander Global Banking & Markets) (as arranger and underwriter) and Santander UK Plc (as both facility agent and as security trustee) dated 6 November 2015, as amended and restated from time to time;

"Company" means TerraForm UK2 Intermediate Holdings, Ltd, details of which are contained in Part A of Schedule 1 (Group Details);

"Completion" means completion of the sale and purchase of the Shares in accordance with Clause 7;

"Completion Date" means the date on which Completion occurs;

"Conditions" has the meaning given to it in Clause 5.1 and **"Condition"** shall be construed accordingly;

"Confidential Information" has the meaning given to it in Clause 17.1;

"Consideration" has the meaning given to it in Clause 3.1;

"Data Room" means the electronic data room containing documents and information relating to the Group made available by the Seller at www.intralinks.com, the contents of which are listed in the Schedule to the Disclosure Letter;

"Dealing" has the meaning given to it in Clause 19.1;

"Direct Subsidiary" means TerraForm UK3 Intermediate Holdings Limited, details of which are contained in Part B of Schedule 1 (Group Details);

"Disclosure Letter" means the letter dated on the same date as this Agreement from the Seller to the Purchaser;

"Encumbrances" means any lien, pledge, charge (fixed or floating), mortgage, option, right of pre-emption, retention arrangement, right to acquire, assignment by way of security, trust arrangement for the purpose of providing security or other security interests of any kind and any agreement to create any of the foregoing;

"Environment" means any or all living organisms including the ecological systems of which they form part and the following media (alone or in combination): air (including the air within the buildings and the air within other natural or man-made structures whether above or below ground); water (including without limitation water under or within land or in drains or sewers and surface, ground, coastal and inland waters); land (including surface land, sub-surface strata, land under water and natural and manmade structures); and in the case of man includes his senses and his property;

"Environmental Claim" means any claim or demand or any civil or administrative litigation, arbitration, dispute resolution proceedings, suit, action, notice or other enforcement process or any voluntary action approved by any regulatory authority, or any enquiry or investigation by any regulatory authority, official warning, abatement or other order or notice (conditional or otherwise) relating to the pollution or protection of the Environment, or harm or protection of the health of humans, animals or plants under any Environmental Laws;

"Environmental Laws" means all applicable laws (including all or any of statute, common law, rule, regulation, treaty, directive, direction, decision of the court, bye-law, code of practice,

circular, guidance note, statutory guidance, order, notice, demand or official guideline of any regulatory authority, agency or body) in force in any relevant jurisdiction (including the European Union) at any time up to and including the date of this Agreement to the extent that they relate to or concern the protection of human health or the Environment or the conditions of the workplace and worker health and safety or they regulate, control or prohibit the generation, use, handling, emission, transportation, storage, treatment or disposal of any substance or any noise, vibration, odour, light or radioactivity or have as a purpose or effect the provision of remedies or compensation for harm or damage to the Environment or any loss arising therefrom;

“EPC Contractor” means the “Contractor” as defined in each EPC Contract;

“EPC Contracts” means the engineering, procurement and construction agreements contained in the Data Room and entered into between the EPC Contractor and the relevant Project Company;

“Equity Commitment Letters” means: (i) the equity commitment letter from Tenaga Nasional Berhad addressed to the Purchaser and EFG Hermes Holding SAE; (ii) the equity commitment letter from EFG Hermes Holding SAE addressed to the Purchaser and Tenaga Nasional Berhad; and (iii) the equity commitment letter from the Purchaser, Tenaga Nasional Berhad and EFG Hermes Holding SAE to the Seller;

“Estimate” has the meaning given to it in Clause 12.5;

“Estimated Total Assets” means the total assets of the Company (other than (i) the Company’s shareholding in the Direct Subsidiary; and (ii) amounts due to the Company from other Group Companies) as set out in Schedule 5;

“Estimated Total Liabilities” means the total liabilities of the Company (other than (i) pursuant to the Loan Note; (ii) amounts due from it to other Group Companies; and (iii) the Other Receivables) as set out in Schedule 5;

“Estimated Total Working Capital” means the Estimated Total Assets minus the Estimated Total Liabilities;

“Existing Facilities” means the facilities provided pursuant to the Common Terms Agreement;

“Existing Finance Parties” means each “Finance Party” as defined in the Common Terms Agreement;

“Financial Debt” means all borrowings and other indebtedness by way of overdraft, acceptance credit or similar facilities, loan stocks, bonds, debentures, notes, debt or inventory financing, finance leases or sale and lease back arrangements or any other arrangements the purpose of which is to borrow money, together with forex, interest rate or other swaps, hedging obligations, bills of exchange, recourse obligations on factored debts and obligations under other derivative instruments;

“Fundamental Warranties” means those Seller’s Warranties set out in paragraphs 1, 2 and 22 of Schedule 2 (Seller’s Warranties);

“Fundamental Warranty Claim” means any claim for breach of a Fundamental Warranty;

“Governmental Authority” means any supranational, national, state, municipal or local government (including any subdivision, court, administrative agency or commission or other

authority thereof) or any other supranational, governmental, intergovernmental, body, department or organisation, including the European Union, or any regulatory body appointed by any of the foregoing, in each case, in any jurisdiction;

“Group” means the Group Companies, taken as a whole;

“Group Companies” means the Company, the Direct Subsidiary, the Holding Companies and the Project Companies and **“Group Company”** means any one of them;

“Guaranteed Obligations” has the meaning given to it in Clause 13.1;

“Holding Companies” means the companies listed in Part C of Schedule 1 (Group Details);

“IASB” means the International Accounting Standards Board;

“IFRS” means the body of pronouncements issued by the IASB, as adopted for use in the European Union further to the IASB regulation (EC 1606 / 2002), including International Financial Reporting Standards and interpretations approved by the IASB and International Accounting Standards and Standing Interpretations Committee interpretations approved by the predecessor International Accounting Standards Committee;

“Income” has the meaning given to it in Clause 12.3;

“Indemnification Agreement” means the indemnification agreement in the form set out in Schedule 9 to be entered into between the Indemnifying Parties (as defined therein) and the Purchaser on the date hereof;

“Independent Inventory Report” has the meaning given to it in Clause 12.6;

“Independent Technical Adviser” means Fichtner, or such other recognised technical advisor of reputable standing as shall be agreed in writing between the Seller and Purchaser;

“Leakage” means any of the following (but does not include any amount in respect of VAT which is recoverable or otherwise creditable as input tax by a Group Company):

- (i) the incurring of any liability or obligation by any Group Company to, or for the benefit of, the Seller or any of its Related Persons, including any management or monitoring fees, any increase in the interest payable on the Loan Note, any repayment of principal and/or payment of interest on the Loan Note and any repayment of principal and/or payment of interest on the Receivable and Other Receivables (other than the payment of the Loan Note Redemption Amount, the Receivable Payment Amount and any Other Receivables Payment Amount pursuant to Clause 7.4);
- (ii) any dividend or distribution (whether in cash or in kind) declared, paid, made or agreed or required to be made by any Group Company to the Seller or any of its Related Persons;
- (iii) the issue or sale of any securities of any Group Company to, on behalf of, or for the benefit of the Seller or any of its Related Persons;
- (iv) any payments made or benefits conferred (whether in cash or in kind), or agreed to be made or conferred by any Group Company to, on behalf of, or for the benefit of the Seller or any of its Related Persons, including in respect of the issue, redemption, repurchase, repayment or acquisition of any share capital or other securities of any

Group Company, or any other return of capital to, on behalf of, or for the benefit of the Seller or any of its Related Persons by a Group Company;

- (v) the waiver, deferral or release or agreement to waive, defer or release by any Group Company of (a) any amount owed to that Group Company by the Seller or any of its Related Persons, or (b) any claims by a Group Company in respect of any agreement or arrangement with the Seller or any of its Related Persons;
- (vi) any assumption or discharge of any liability (including in relation to any recharging of costs of any kind), or any guarantee, indemnity or security provided, by any Group Company on behalf of, or for the benefit of the Seller, or any of its Related Persons;
- (vii) any costs, liabilities, fees, bonuses or expenses related to the Transaction to the extent paid, payable, assumed, indemnified or incurred by any Group Company on behalf of, or for the benefit of, the Seller or any of its Related Persons;
- (viii) any amounts paid by any Group Company to any member of the Seller's Group in respect of any Spare Parts Stock;
- (ix) any payment that reduces the amount that the Seller is or would be required to pay under any Transaction Document or any Project Document;
- (x) any payment which arises solely due to or as a result of the termination of any or all of the O&M Agreements, the Management Services Agreements and/or the Transitional Services Agreement;
- (xi) any agreement to make or undertake any of the payments or matters set out in (i) to (x) above; or
- (xii) the payment or agreement to pay by any Group Company of any Tax, or amount on account of, or in respect of, Tax (including any Tax which would have been charged in the absence of any Purchaser's Relief), fees, costs or expenses directly as a consequence of any of the matters set out in (i) to (xi) of this definition (inclusive);

"Leases" means the leases of the Properties in relation to the Projects;

"Legal Opinion" means the legal opinion issued to the Purchaser on the date of this Agreement by the legal counsel of TerraForm Power, which opines on, among other things, the Seller's and the Guarantor's capacity and authority to enter into the Transaction and each of the Transaction Documents to which they are a party;

"Lightsource" means Lightsource Renewable Energy Holdings Limited, a company registered in England and Wales with company number 09496737;

"Loan Note" means the 7.5 per cent. £172,817,034.25 unsecured loan note 2015 issued by the Company to the Noteholder on 30 October 2015 (as amended and restated on 21 November 2016) and, as at the date of this Agreement, the total principal outstanding thereunder is £73,297,789.40 and the interest accrued thereon is £3,248,543.89;

"Loan Note Redemption Amount" means the amount in sterling required to redeem the Loan Note in accordance with its terms and any other amount required to be paid by the Company under the Loan Note in order to redeem the Loan Note, in each case on the Completion Date;

“Loan Note Redemption Deed” means the deed in the Agreed Form to be executed and delivered by or on behalf of the Company and the Noteholder relating to the redemption of the Loan Note;

“Locked Box Accounts” means the unaudited balance sheet of the Company as at the Locked Box Date in the Agreed Form;

“Locked Box Date” means 31 December 2015;

“Long Stop Date” means 31 July 2017 or such other date as the Seller and the Purchaser may agree in writing;

“Losses” means all losses, liabilities, costs (including legal costs and experts’ and consultants’ fees), charges, expenses, actions, proceedings, claims and demands;

“Management Services Agreements” means the management services agreements entered into between each of the Project Companies and SunE Greenfield, together with the associated parent guarantees, in each case as contained in the Data Room;

“Material Adverse Change” means any event, circumstance, effect, occurrence or state of affairs or any combination of them (whether existing or occurring on or before the date of this Agreement) which is materially adverse to the business, operations, assets, liabilities (including contingent liabilities), Properties or the business or financial condition, results or prospects of any Group Company or the Group Companies taken as a whole, other than any event, circumstance, effect, occurrence or state of affairs or any combination of them also affecting similar businesses operating in the solar photovoltaic sector in the United Kingdom;

“Noteholder” means TerraForm Power Finance B.V., a company incorporated under the laws of the Netherlands, whose registered office is at Barbara Strozilaan 201, 10833 HN Amsterdam, The Netherlands;

“Notice” has the meaning given to it in Clause 18.1;

“Notified Leakage Amount” means any Leakage that has occurred between the Locked Box Date and the date on which the Leakage Amount is notified to the Purchaser pursuant to Clause 7.2.1(iv) and which is deducted for the purposes of calculating the Consideration pursuant to Clause 3.1.5;

“O&M Agreements” means the operation and maintenance agreements entered into between each of the Project Companies and SunE Greenfield, together with the associated guarantees and direct agreements, in each case as contained in the Data Room;

“Other Receivables” means any receivables owed by the Company to any member of the Seller’s Group (other than to any other Group Company) as set out in the Audited Accounts (other than pursuant to the Loan Note);

“Other Receivables Payment Amount” means the amount in sterling required to settle the balance outstanding on the Other Receivables to the relevant member(s) of the Seller’s Group in full on the Completion Date;

“Payment Schedule” has the meaning given to it in Clause 7.2.1;

“PPAs” means the power purchase agreements relating to the Projects contained in the Data Room;

“Press Announcements” means the press announcements relating to the Transaction in the Agreed Form;

“Proceedings” means any proceeding, suit or action arising out of, or in connection with, this Agreement or its subject matter (including its validity, formation at issue, effect, interpretation, performance or termination) or any transaction contemplated by this Agreement;

“Project Companies” means the companies listed in Part D of Schedule 1 (Group Details) and **“Project Company”** means any one of them;

“Project Documents” has the meaning given to it in the Common Terms Agreement;

“Projects” means the photovoltaic projects owned by the Project Companies;

“Properties” means the properties, specified in Schedule 7;

“Purchaser’s Disagreement Notice” has the meaning given to it in Clause 9.2.1;

“Purchaser’s Group” means Beaufort Investments, S.à r.l., Vortex Solar Investments S.à r.l., Vortex Solar UK4 Limited, Vortex Solar UK3 Limited, Vortex Solar UK2 Limited and the Purchaser (including, with effect from Completion only, each Group Company), but shall exclude any third party investor in any member of the Purchaser’s Group;

“Purchase Price Escrow Account” means the purchase price escrow account to be established in accordance with the Purchase Price Escrow Agreement;

“Purchase Price Escrow Agreement” has the meaning given to it in Clause 4.1.2;

“Purchase Price Escrow Amount” means £170,955,922.59;

“Purchase Price Escrow Bank” means a reputable bank located in the United Kingdom with an investment grade credit rating of at least BBB- with Standard & Poor’s or Baa3 with Moody’s, the identity of which is notified by the Purchaser to the Seller in accordance with Clause 4.1.1;

“Purchase Price Escrow Period” has the meaning given to it in Clause 4.6;

“Purchaser’s Relief” has the meaning given to it in the Tax Deed;

“Purchaser’s Solicitors” means Watson Farley & Williams, LLP of 15 Appold Street, London, EC2A 2HB, United Kingdom;

“Purchaser’s Warranties” means the warranties set out in Schedule 3 (Purchaser’s Warranties);

“Receivable” means the £13,215,000 receivable owed by the Direct Subsidiary to the Guarantor as at the Locked Box Date;

“Receivable Payment Amount” means the amount in sterling required to pay the Receivable in full to the Guarantor on the Completion Date;

“Related Persons” means, with respect to the Seller:

(i) the Seller’s Affiliates; and

(ii) the directors, officers and employees of the Seller and its Affiliates;

“Remedial Works” means any measures to investigate, monitor, remove, remedy, clean up, abate, contain, prevent, treat, mitigate or ameliorate the presence or effect on the Environment

of any pollution or contamination including without limitation the removal, treatment and disposal of material and the treatment and monitoring of groundwaters and gases (but excluding any works to remediate the corrosion effects on the piles and their zinc coating at the Hill House Farm site and any structural weakness of racks in external rows affected by wind at the Crundale Extension Project);

“Remedial Works Agreement” means the agreement in the Agreed Form to be entered into between Vogt Solar Limited, the Direct Subsidiary, Sunsave 14 (Fenton) Limited and Cambridge Solar Power Limited;

“Reporting Accountants” means an independent firm of chartered accountants of international repute to be agreed by the Seller and the Purchaser within seven days of a Notice by one to the other requiring such agreement or failing such agreement to be nominated on the application of either of them by or on behalf of the President for the time being of the Institute of Chartered Accountants in England and Wales;

“Representative” means, in relation to any person, such person’s directors, officers, employees, lawyers, accountants, auditors, bankers or other advisers, agents, sub-contractors or brokers;

“RO Accreditation” means “accreditation” as defined in the Renewables Obligation Order 2009 (as amended);

“Seller’s Group” means the Seller, TerraForm Power and each subsidiary of TerraForm Power (including, until Completion, each Group Company);

“Seller’s Solicitors” means Linklaters LLP of One Silk Street, London, EC2Y 8HQ, United Kingdom;

“Seller’s Solicitors’ Bank Account” means the Linklaters LLP Client Account at Lloyds Bank Plc, 34 Moorgate, London EC2R 6DN with: account number 00667153; sort code 30-95-74; swift code LOYDGB2L; and IBAN Code GB30LOYD30957400667153;

“Seller’s Warranties” means the warranties given by the Seller pursuant to Clause 10 and Schedule 2 (Seller’s Warranties) (and **“Seller’s Warranty”** means any one of them);

“Shares” means the entire issued share capital of the Company;

“Spare Parts Escrow Account” has the meaning given to it in Clause 12.1;

“Spare Parts Escrow Agent” has the meaning given to it in Clause 12.1;

“Spare Parts Escrow Agreement” means the escrow agreement to be entered into between the Seller’s Solicitors, the Seller and the Purchaser on or around the date of this Agreement;

“Spare Parts Escrow Amount” has the meaning given to it in Clause 12.1;

“Spare Parts Required Stock” means the list of spare parts required to be held by the Group Companies pursuant to the terms of the EPC Contracts and the O&M Agreements as at the Completion Date as if the O&M Agreements had continued in full force and effect until the Completion Date;

“Spare Parts Stock” means the list of Spare Parts Required Stock actually held by the Group Companies as at the Completion Date;

“SunE Greenfield” means SunE Greenfield Ltd., a company incorporated in England with registered number 08463406 whose registered office is at Eversheds House, 70 Great Bridgewater Street, Manchester, M1 5ES, United Kingdom;

“Surviving Clauses” means Clauses 1, 11 to 22 and 24 to 29;

“Tax” or **“Taxation”** has the meaning given to it in the Tax Deed;

“Tax Authority” has the meaning given to it in the Tax Deed;

“Tax Deed” means the deed of covenant in relation to Taxation in the Agreed Form;

“Tax Deed Claim” means a claim for breach of or under the Tax Deed;

“Tax Warranties” means the Seller’s Warranties given under paragraph 14 of Schedule 2 (and **“Tax Warranty”** means any one of them);

“Tax Warranty Claim” means any claim for breach of a Tax Warranty;

“TerraForm Power” means TerraForm Power, Inc., a company incorporated under the laws of the State of Delaware, whose registered office is at 7550 Wisconsin Avenue, 9th Floor, Bethesda, Maryland 20814, United States of America;

“Third Party Assurance” means all guarantees, indemnities, counter-indemnities and letters of comfort of any nature given to a third party by (i) a Group Company in respect of any obligation of a member of the Seller’s Group or (ii) a member of the Seller’s Group in respect of any obligation of a Group Company;

“Total Assets” means the total assets of the Company (other than: (i) the Company’s shareholding in the Direct Subsidiary and (ii) amounts due to the Company from other Group Companies) as extracted from the Audited Accounts;

“Total Liabilities” means the total liabilities of the Company (other than: (i) pursuant to the Loan Note; (ii) amounts due from it to other Group Companies; and (iii) the Other Receivables) as extracted from the Audited Accounts;

“Total Working Capital” means the Total Assets minus the Total Liabilities which amount may be positive or negative;

“Transaction” means the acquisition by the Purchaser of the Shares, the payment of the Receivable on behalf of the Direct Subsidiary, the payment of any Other Receivables on behalf of the Company and the redemption of the Loan Note on behalf of the Company pursuant to and subject to the provisions of this Agreement;

“Transaction Documents” means this Agreement, the Tax Deed, the Loan Note Redemption Deed, the Indemnification Agreement and any other documents to be entered into pursuant to this Agreement;

“Transitional Services Agreement” means the transitional services agreement entered into on 25 November 2016 between SunE Greenfield, the Seller, the Company, the Direct Subsidiary and the Project Companies; and

“VAT” has the meaning given in the Tax Deed.

1.2 In this Agreement, except where the context otherwise requires:

- 1.2.1 a reference to Clauses, paragraphs, sub-paragraphs, Schedules and the Recitals is to Clauses, paragraphs, sub-paragraphs and the Recitals of, and the Schedules to, this Agreement;
- 1.2.2 a reference to this Agreement or to any specified provision of this Agreement is to this Agreement or provision as in force for the time being, as amended, modified, supplemented, varied, assigned or novated, from time to time;
- 1.2.3 a reference to this Agreement includes the Schedules to it, each of which forms part of this Agreement for all purposes;
- 1.2.4 a reference to any other agreement, deed or similar is to such agreement, deed or similar as in force for the time being, as amended, modified, supplemented, varied, assigned or novated, from time to time;
- 1.2.5 a reference to a “**company**” shall be construed so as to include any company, corporation or other body corporate, wherever and however incorporated or established;
- 1.2.6 a reference to a “**person**” shall be construed so as to include any individual, firm, body corporate, joint venture, unincorporated association, partnership, trust, government, governmental body, authority or agency (whether or not having separate legal personality), and a reference to a person includes a reference to that person’s successors and assigns;
- 1.2.7 a reference to writing shall include any mode of reproducing words in a legible and non-transitory form;
- 1.2.8 a reference to a time of the day is to London time;
- 1.2.9 if a period of time is specified as from a given day, or from the day of an act or event, it shall be calculated exclusive of that day;
- 1.2.10 a reference to “**£**” or “**sterling**” shall be construed as a reference to the lawful currency for the time being of the United Kingdom;
- 1.2.11 the expressions “**subsidiary undertaking**”, “**undertaking**” and “**subsidiary**”, shall have the meanings given to them in the Companies Act 2006;
- 1.2.12 any phrases introduced by the terms “**including**”, “**include**”, “**in particular**” or any similar expression are to be construed without limitation and accordingly the rule known as the ejusdem generis rule shall not apply to this Agreement;
- 1.2.13 the Parties acknowledge that they have participated jointly in the negotiation and drafting of this Agreement. In the event that a question of interpretation arises (including as to the intention of the Parties), no presumption or burden of proof shall arise in favour of or against any Party based on the authorship of any provisions;
- 1.2.14 any statement or Seller’s Warranty in this Agreement qualified by the expression “so far as the Seller is aware”, or any similar expression or statement referring to the knowledge of the Seller, shall be deemed to include an additional statement that it has been made after all reasonable enquiries and shall be deemed to refer to the actual knowledge of Rebecca Cranna, Sebastian Deschler, Adam Kuehne, Lauren Gaffney, Sarah Fleckman and Toon Mols;

- 1.2.15** any statement in this Agreement qualified by the expression “so far as the Purchaser is aware”, or any similar expression or statement referring to the knowledge of the Purchaser, shall be deemed to refer to the actual knowledge of Karim Moussa, Bakr Abdel-Wahab, Edwina Kelly, Mostafa Seif el Nasr, Ahmed Al-Ariki and Hassan Khashaba and, in relation to any Purchaser’s Warranty where such expression is used, shall be deemed to include an additional statement that it has been made after all reasonable enquiries;
- 1.2.16** words importing the singular include the plural and vice versa, and words importing a gender include every gender;
- 1.2.17** headings are inserted for convenience only and shall be ignored in construing this Agreement;
- 1.2.18** references to a statute or statutory provision shall include:
- (i) the statute or statutory provision as from time to time modified, re-enacted or consolidated whether before or after the date of this Agreement; and
 - (ii) any subordinate legislation made from time to time under that statute or statutory provision which is in force at the date of this Agreement;
- 1.2.19** references to any English legal term shall, in respect of any jurisdiction other than England, be construed as references to the term or concept which most nearly corresponds to it in that jurisdiction; and
- 1.2.20** unless expressly stated to the contrary in this Agreement, any reference to (or requirement for) the execution of a document by a person includes execution on behalf of that person.

2 Sale and Purchase of the Shares

- 2.1** On and subject to the provisions of this Agreement, at Completion the Seller shall sell the Shares, and the Purchaser shall purchase the Shares. The Shares shall be sold free from all Encumbrances and together with all rights attaching to them at Completion (including the right to receive all dividends or distributions declared, made or paid on or after Completion) and with full title guarantee.
- 2.2** On and subject to Completion, the Seller irrevocably and unconditionally waives any and all rights of pre-emption in respect of the Shares.
- 2.3** The Purchaser shall not be obliged to complete the sale and purchase of any of the Shares unless the sale and purchase of all the Shares is completed simultaneously in accordance with this Agreement, but completion of the sale and purchase of some of the Shares will not affect the rights of the Purchaser with respect to the sale and purchase of the other Shares.

3 Consideration

3.1 Amount

The consideration for the sale of the Shares shall be an amount equal to:

- 3.1.1** the Aggregate Amount /less
- 3.1.2** the Loan Note Redemption Amount /less

- 3.1.3 the Receivable Payment Amount /less
- 3.1.4 the Other Receivables Payment Amount /less
- 3.1.5 an amount equal to the Notified Leakage Amount,
(the “**Consideration**”).

3.2 Payment of Consideration

The Purchaser shall pay the Consideration by way of cash payment pursuant to Clause 7.4.

3.3 Reduction of Consideration

If any payment is made by or on behalf of the Seller to the Purchaser under or in respect of any breach of any provision of this Agreement (including under Clause 8.2) or under the Indemnification Agreement, the payment shall, so far as possible, be treated as a reduction in the Consideration, and the Consideration shall accordingly be reduced by the amount of such payment.

4 Purchase Price Escrow Account

4.1 As soon as reasonably practicable following the date of this Agreement:

- 4.1.1 the Purchaser shall nominate a reputable escrow bank, based in the United Kingdom, with an investment grade credit rating of at least BBB- with Standard & Poor’s or Baa3 with Moody’s to act as the Purchase Price Escrow Bank; and
- 4.1.2 the Purchaser, the Seller and the Purchase Price Escrow Bank shall enter into an escrow agreement in respect of the Purchase Price Escrow Amount on terms satisfactory to the Purchaser and Seller, provided that such terms are customary for similar escrow arrangements and reflect, among other things, the terms set out in Clause 4 below (the “**Purchase Price Escrow Agreement**”).

4.2 Upon the earlier of:

- 4.2.1 an announcement in a press release that TerraForm Power has agreed to an M&A Transaction (as defined in Schedule 8); and
- 4.2.2 TerraForm Power entering into an Avoidance Action Settlement (as defined in Schedule 8),

the Purchaser shall, within 5 Business Days, pay the Purchase Price Escrow Amount into the Purchase Price Escrow Account and irrevocably release it to the order of the Purchase Price Escrow Bank subject to the provisions of this Clause 4. If the Purchaser fails to pay the Purchase Price Escrow Amount into the Purchase Price Escrow Account within such 5 Business Day period, then the Seller shall have the right, by giving Notice to the Purchaser, to terminate this Agreement (other than the Surviving Clauses) and each of the other Transaction Documents. Upon such termination, no Party (or any of its Affiliates) shall have any claim of any nature whatsoever against any other Party (or any of its Affiliates) under any Transaction Document, save in respect of any rights and/or liabilities which have accrued before such termination or under any of the Surviving Clauses.

4.3 The Purchase Price Escrow Bank shall hold the Purchase Price Escrow Amount as stakeholder on the terms of the Purchase Price Escrow Agreement in the joint names of the

Purchaser and the Seller. The Purchase Price Escrow Bank shall not release any of the Purchase Price Escrow Amount except as provided in this Clause 4 and the Purchase Price Escrow Agreement.

- 4.4** Any bank or other charges arising on the Purchase Price Escrow Account shall be charged to the Purchase Price Escrow Account. Any interest or profit generated on the Purchase Price Escrow Account (subject to any deduction of tax at source or any bank or other charges properly charged to the Purchase Price Escrow Account) shall accrue to and form part of the Purchase Price Escrow Account.
- 4.5** Any payment under this Clause 4 shall be made to such account as the relevant Party has specified in accordance with the Purchase Price Escrow Agreement. Payment to such account shall constitute a full discharge by the Purchase Price Escrow Bank to the payee in respect of the relevant payment obligation. Both the Seller and the Purchaser undertake to each other to issue instructions for payment from the Purchase Price Escrow Account of the amounts due under this Clause 4 without delay when such instructions are due to be delivered pursuant to this Clause 4.
- 4.6** Subject to Clause 4.7, upon the Purchase Price Escrow Amount being paid into the Purchase Price Escrow Account it shall be held in the Purchase Price Escrow Account for a period (the **"Purchase Price Escrow Period"**) that shall be 90 calendar days.
- 4.7** If, prior to the expiry of the Purchase Price Escrow Period, an order or judgment of the Bankruptcy Court (as defined in Schedule 8) or any other court of competent jurisdiction that has been entered on the docket in the Chapter 11 Cases (as defined in the Indemnification Agreement) (or the docket of such other court) in relation to any of the matters set out in paragraph 1 of Schedule 8, the Purchase Price Escrow Period shall be extended for a further 21 calendar days.
- 4.8** If the Conditions are fulfilled prior to the expiry of the Purchase Price Escrow Period, then the Seller and the Purchaser shall, as soon as practicable, jointly notify the Purchase Price Escrow Bank of the fulfilment of the Conditions and the proposed Completion Date. Prior to the proposed Completion Date, the Seller and the Purchaser shall also provide the Purchase Price Escrow Bank with a draft release notice specifying:

 - 4.8.1** the amount of the Purchase Price Escrow Amount that is payable to the Seller's Solicitors' Bank Account (or as otherwise directed by the Seller) in accordance with Clause 7.4; and
 - 4.8.2** that any residual sum (if any) in the Purchase Price Escrow Account is payable on the Completion Date to such account as the Purchaser has specified in accordance with the Purchase Price Escrow Agreement.
- 4.9** The Purchaser and the Seller shall provide an executed version of the release notice, signed by both Parties, to the Purchase Price Escrow Bank on the Completion Date (or at such other time as the Parties agree) to enable the payments set out in Clause 4.8 to be made out of the Purchase Price Escrow Account on the Completion Date.
- 4.10** Without prejudice to the Purchaser's obligations under this Agreement, any Equity Commitment Letter or any other Transaction Document, if the Conditions have not been satisfied upon expiry of the Purchase Price Escrow Period, then any funds standing to the

credit of the Purchase Price Escrow Account shall be returned forthwith to such account as the Purchaser has specified in accordance with the Purchase Price Escrow Agreement.

5 Conditions Precedent

5.1 Conditions Precedent

Completion shall be conditional upon the Seller delivering to the Purchaser:

- 5.1.1 the Audited Accounts;
- 5.1.2 the duly executed reliance letters in favour of Vortex Solar Investments S.à r.l., in respect of each of the Certificates of Title;
- 5.1.3 written confirmation from the Security Trustee and Facility Agent that:
 - (i) the Transaction constitutes a Permitted Change of Control;
 - (ii) the Existing Finance Parties have completed their “Know Your Client” checks in respect of the Purchaser and its Affiliates to their satisfaction (and to the extent required under the Common Terms Agreement); and
 - (iii) all other consents, approvals and waivers of the Existing Finance Parties required in respect of or as a result of the Transaction have been duly obtained or waived, as applicable;
- 5.1.4 written consent from the Security Trustee and Facility Agent for the termination of the existing insurance policies relating to the Group and the entry into the new insurance policies relating to the Group;
- 5.1.5 waivers from the Security Trustee and Facility Agent of all subsisting defaults under the Existing Facilities; and
- 5.1.6 due evidence of the satisfaction of the Condition set out in Schedule 8, together the “**Conditions**”.

Unless the context otherwise requires, words and expressions used in Clauses 5.1.3 to 5.1.5 above shall have the meanings given to them in the Common Terms Agreement.

5.2 Responsibility for Satisfaction

- 5.2.1 The Seller shall use all reasonable efforts to ensure the satisfaction of each Condition as soon as possible after the date of this Agreement.
- 5.2.2 The Purchaser shall use all reasonable efforts to ensure the satisfaction of the Conditions set out in Clauses 5.1.3 and 5.1.4.
- 5.2.3 The Seller shall promptly notify the Purchaser in writing upon the satisfaction of each Condition.

5.3 Waiver/Non-Satisfaction

- 5.3.1 The Purchaser may at any time waive, in whole or in part and conditionally or unconditionally, any Condition by written notice to the Seller.

5.3.2 If any Condition is not satisfied (or waived by the Purchaser) on or before 5:00 p.m. (UK time) on the Long Stop Date, or becomes incapable of satisfaction before the Long Stop Date, the Purchaser may, in its sole discretion, terminate this Agreement and no Party (or any of its Affiliates) shall have any claim of any nature whatsoever against any other Party (or any of its Affiliates) under any Transaction Document, save in respect of any rights and/or liabilities which have accrued before termination or under any of the Surviving Clauses.

5.4 Early Termination

In the event that by 15 April 2017 either:

5.4.1 a definitive M&A Transaction (as defined in Schedule 8) has not been signed; or

5.4.2 an Avoidance Action Settlement (as defined in Schedule 8) has not been reached, the Seller shall, as soon as practicable, give Notice to the Purchaser of such situation. If the Purchaser does not waive all the outstanding Conditions set out in Clause 5.1 within 8 Business Days of receipt of such Notice then, upon expiry of such 8 Business Day period, the Seller and the Purchaser shall each have the right, by giving Notice to the other, to terminate this Agreement (other than the Surviving Clauses) and each of the other Transaction Documents. Upon such termination, no Party (or any of its Affiliates) shall have any claim of any nature whatsoever against any other Party (or any of its Affiliates) under any Transaction Document, save in respect of any rights and/or liabilities which have accrued before such termination or under any of the Surviving Clauses.

6 Pre-Completion Seller Undertakings

6.1 From the date of this Agreement until Completion, the Seller shall comply, and shall procure that the Group Companies comply, with the obligations set out in Schedule 6.

7 Completion

7.1 Date and Place

Completion shall take place at 11.00 a.m. at the offices of the Seller's Solicitors on the date falling 8 Business Days after the date on which the Seller notifies the Purchaser of satisfaction or waiver of the final outstanding Condition, or at such other time and / or venue as may be agreed in writing between the Seller and the Purchaser.

7.2 Payment Schedule

7.2.1 The Seller shall, no later than 8 Business Days prior to Completion, provide the Purchaser with a schedule (the "**Payment Schedule**") setting out:

- (i) the amount of the Loan Note Redemption Amount;
- (ii) the Receivable Payment Amount;
- (iii) the Other Receivables Payment Amount (if any); and
- (iv) the amount of the Notified Leakage Amount.

7.2.2 In the event that Completion is deferred beyond the intended Completion Date in accordance with the terms of this Agreement and a Payment Schedule has been

delivered to the Purchaser prior to such deferral occurring, the Seller may deliver a revised Payment Schedule in accordance with Clause 7.2.1 and the Payment Schedule previously submitted shall cease to apply for all purposes.

7.3 Completion Events

At Completion:

- 7.3.1 the Purchaser shall deliver or take (or cause to be delivered or taken) the documents and actions listed in Part A of Schedule 4 (Completion); and
- 7.3.2 the Seller shall deliver or take (or cause to be delivered and taken) the documents and actions listed in Part B of Schedule 4 (Completion).

7.4 Payments on Completion

At Completion, the Purchaser shall:

- 7.4.1 pay (or procure payment out of the Purchase Price Escrow Account of) the Consideration in cleared funds to the Seller's Solicitors' Bank Account;
- 7.4.2 on behalf of the Direct Subsidiary, pay (or procure payment out of the Purchase Price Escrow Account of) the Receivable Payment Amount in cleared funds to the Seller's Solicitors' Bank Account (and, for the avoidance of doubt, the Direct Subsidiary will as a result thereof owe an amount equal to the Receivable Payment Amount to the Purchaser);
- 7.4.3 to the extent required, on behalf of the Company, pay (or procure payment out of the Purchase Price Escrow Account of) any Other Receivables Payment Amount in cleared funds to the Seller's Solicitors' Bank Account (and, for the avoidance of doubt, the Company will as a result thereof owe an amount equal to the Other Receivables Payment Amount to the Purchaser); and
- 7.4.4 on behalf of the Company, pay (or procure payment out of the Purchase Price Escrow Account of) the Loan Note Redemption Amount in cleared funds to the Seller's Solicitors' Bank Account, which upon such payment shall constitute full and final settlement of all liabilities owed between any Group Company and any member of the Seller's Group (and, for the avoidance of doubt, the Company will as a result thereof owe an amount equal to the Loan Note Redemption Amount to the Purchaser).

7.5 Waiver of Any Other Amounts Owed

Upon payment of the sums as set out in Clause 7.4, the Seller shall settle or procure the settlement of, any amounts receivable by, or due to the Company from the Seller or any other member of the Seller's Group and procure that any other sums or liabilities owed by any Group Company to any other member of the Seller's Group (other than to any other Group Company), if any, shall be fully, unconditionally and irrevocably waived. In addition, the Seller shall: (i) settle or procure the settlement of any amounts receivable by, or due to, the Company from any Affiliates of the Seller (who are not members of the Seller's Group) at Completion; and (ii) shall procure that the Company assigns the benefit of any such receivable to the Seller. The Purchaser shall provide any commercially reasonable assistance required by the Seller to effect such assignment.

7.6 Breach of Completion Obligations

If any foregoing provision of this Clause 7 is not complied with in any respect, the Purchaser (in the case of non-compliance by the Seller) or the Seller (in the case of non-compliance by the Purchaser) shall be entitled (in addition to and without prejudice to all other rights or remedies available to it, including the right to claim damages) by Notice to the other:

- 7.6.1 in the case of material non-compliance with Clause 7.2, to terminate this Agreement (other than the Surviving Clauses) and each of the other Transaction Documents;
- 7.6.2 to effect Completion so far as practicable having regard to the defaults which have occurred; or
- 7.6.3 to fix a new date for Completion, not being later than four Business Days, in which case the foregoing provisions of Clause 7.4 shall apply to Completion as so deferred.

8 No Leakage

8.1 Warranty and Undertaking

Subject to Completion, the Seller warrants to the Purchaser that there has been no Leakage between the Locked Box Date and the date of this Agreement and undertakes to the Purchaser that there will be no Leakage between the date of this Agreement and the Completion Date (in each case other than the Notified Leakage Amount), provided that the Seller shall have no liability to the Purchaser under this Clause 8 if Completion does not occur.

8.2 Post-Completion Adjustment for Leakage

In the event of any Leakage between the Locked Box Date and the Completion Date, the Seller undertakes to the Purchaser that it shall, by way of adjustment to the Consideration, pay to the Purchaser an amount in cash (in the same currency as the Leakage) equal to the amount of such Leakage within 8 Business Days of a written demand by the Purchaser.

8.3 Notification of Leakage

To the extent that any Leakage is included in the Notified Leakage Amount, the Seller's liability under Clauses 8.1 and 8.2 in relation to such Leakage shall be fully and finally discharged.

8.4 Payments pursuant to O&M Agreements, Management Services Agreements and Transitional Services Agreement

- 8.4.1 For the avoidance of doubt, payments made to SunE Greenfield in the ordinary course of business pursuant to the O&M Agreements, the Management Services Agreements and the Transitional Services Agreement for services provided thereunder are not Leakage (but, without limitation, any payment which arises solely due to or as a result of the termination of any or all of the O&M Agreements, the Management Services Agreements and/or the Transitional Services Agreement is Leakage).
- 8.4.2 The Seller agrees and acknowledges that, to the extent it has not already done so, (i) it shall pay, on behalf of the relevant Group Companies, all sums necessary to terminate any or all of the O&M Agreements, the Management Services Agreements and/or the Transitional Services Agreement pursuant to the Transitional Services Agreement; and (ii) no such payment shall give rise to any debt owed by any Group Company or the Purchaser to the Seller and if and to the extent any such debt may exist, the Seller hereby fully, unconditionally and irrevocably waives such debt.

9 Pre-Completion Adjustment

9.1 Total Working Capital

The Total Working Capital shall be derived from the Audited Accounts and notified by the Seller to the Purchaser. Once agreed or determined in accordance with Clause 9.2, the Total Working Capital shall result in an adjustment as follows:

- 9.1.1** if the Total Working Capital is less than the Estimated Total Working Capital, the Seller shall repay to the Purchaser or procure the repayment to the Purchaser of an amount equal to such difference, or
- 9.1.2** if the Total Working Capital exceeds the Estimated Total Working Capital, the Purchaser shall pay or procure the payment to the Seller of an additional amount equal to such excess amount.

9.2 Disagreement in Relation to Total Working Capital

- 9.2.1** If the Purchaser does not within 16 Business Days of presentation to it of the Audited Accounts pursuant to Clause 5 and notification of the Total Working Capital in accordance with Clause 9.1 give Notice to the Seller that it disagrees with the Total Working Capital, such Notice stating the reasons for the disagreement in reasonable detail and specifying the adjustments which, in the Purchaser's opinion should be made to the Total Working Capital (the "**Purchaser's Disagreement Notice**"), the Total Working Capital notified by the Seller to the Purchaser in accordance with Clause 9.1 shall be final and binding on the Parties for all purposes. If the Purchaser gives a valid Purchaser's Disagreement Notice within such 16 Business Day period, the Seller and the Purchaser shall attempt in good faith to reach agreement in respect of the Total Working Capital and, if they are unable to do so within 16 Business Days of such notification, the Seller or the Purchaser may by Notice to the other require that the matter be referred to the Reporting Accountants.
- 9.2.2** The Reporting Accountants shall be engaged jointly by the Seller and the Purchaser on the terms set out in this Clause 9.2 and otherwise on such terms as shall be agreed; provided that neither the Seller nor the Purchaser shall unreasonably (having regard, inter alia, to the provisions of this Clause 9.2) refuse its agreement to terms proposed by the Reporting Accountants or by the other Party.
- 9.2.3** Except to the extent that the Seller and the Purchaser agree otherwise, the Reporting Accountants shall determine their own procedure but:
 - (i) apart from procedural matters and as otherwise set out in this Agreement shall determine only:
 - (a) whether any of the arguments for an alteration to the Total Working Capital put forward in the Purchaser's Disagreement Notice is correct in whole or in part; and
 - (b) if so, what alterations should be made to the Total Working Capital in order to correct the relevant inaccuracy in it;
 - (ii) shall make their determination pursuant to Clause 9.2.3(i) above as soon as is reasonably practicable;

- (iii) the procedure of the Reporting Accountants shall:
 - (a) give the Seller and the Purchaser a reasonable opportunity to make written representations to them, which shall not exceed 8 Business Days; and
 - (b) require the Reporting Accountant to supply the Seller and the Purchaser with a copy of any written representations made by the other upon the expiry of the period given to them pursuant to Clause 9.2.3(iii)(a);
- (iv) for the avoidance of doubt, the Reporting Accountants shall not be entitled to determine the scope of their own jurisdiction.

9.2.4 The determination of the Reporting Accountants pursuant to Clause 9.2.3(i):

- (i) shall be made available to the Seller and the Purchaser in writing; and
- (ii) unless otherwise agreed by the Seller and the Purchaser shall include reasons for each relevant determination.

9.2.5 The Reporting Accountants shall act as experts and not as arbitrators and their determination of any matter falling within their jurisdiction shall be final and binding on the Seller and the Purchaser save in the event of fraud or manifest error (when the relevant part of their determination shall be void and the matter shall be remitted to the Reporting Accountants for correction).

9.2.6 The expenses (including amounts in respect of VAT) of the Reporting Accountants shall be borne as they shall direct at the time they make any determination under Clause 9.2.3(i) or, failing such direction, equally between the Purchaser and the Seller.

9.2.7 The Seller and Purchaser shall co-operate with the Reporting Accountants and comply with their reasonable requests made in connection with the carrying out of their duties under this Agreement. In particular, the Purchaser shall keep up-to-date and, subject to reasonable notice, make available during normal office hours to the Reporting Accountants all books and records relating to the Group as the Reporting Accountants may reasonably request during the period from the appointment of the Reporting Accountants down to the making of the relevant determination.

9.2.8 Nothing in this Clause 9.2 shall entitle a Party or the Reporting Accountants access to any information or document which is protected by legal professional privilege or litigation privilege, provided that neither the Seller nor the Purchaser shall be entitled to refuse to supply such part or parts of documents as contain only the facts on which the relevant claim or argument is based.

9.2.9 Each of the Seller and the Purchaser and the Reporting Accountants shall, and shall procure that its accountants and other advisers shall, keep all information and documents provided to them pursuant to this Clause 9.2 confidential and shall not use the same for any purpose, except for disclosure or use in connection with the derivation of the Total Working Capital, the proceedings of the Reporting Accountants or another matter arising out of this Agreement.

9.3 Payment and Adjustment of Consideration

Any payment to be made pursuant to Clause 9.1 shall be made on or before the date falling 8 Business Days after agreement or determination of the Total Working Capital in accordance with Clause 9.2 and shall be made by way of an adjustment of the Consideration and the provisions of Clause 3.3 shall apply mutatis mutandis.

9.4 No Adjustment for Leakage

No payment shall be required to be made to the Purchaser pursuant to Clause 9.1 if and to the extent that such payment arises as a result of a matter which is also Leakage and in respect of which a payment has been made to the Purchaser under Clause 8.

9.5 Grossing-up

9.5.1 All sums payable under this Agreement or the Indemnification Agreement shall be paid free and clear of all deductions, withholdings, set-offs or counterclaims whatsoever save only as may be required by law. If any deductions or withholdings are required by law to be made from any payment under this Agreement or the Indemnification Agreement (except (i) of interest, (ii) of Consideration paid under Clause 3.2, (iii) pursuant to Clause 8.2 or Clause 9.1, (iv) of the Receivable Payment Amount or Other Receivables Payment Amount or (v) to the extent that the relevant withholding or deduction has already been taken into account in determining the amount of the payment or the recipient has otherwise been compensated therefor):

- (i) to the Purchaser; or
- (ii) by the Purchaser to the Seller,

the payer shall be obliged to pay to the recipient such sum as will after such deduction or withholding has been made leave the recipient with the same amount as it would have been entitled to receive in the absence of any such requirement to make a deduction or withholding, provided that if the recipient shall have transferred (for the avoidance of doubt, by whatever means, including by way of a declaration of trust or anything that amounts in substance to a transfer) the benefit in whole or in part of this Agreement or the Indemnification Agreement or shall have changed its tax residence or the permanent establishment to which the rights under this Agreement or the Indemnification Agreement are allocated then the liability of the payer under this Clause 9.5 shall be limited to that (if any) which it would have been had no such transfer or change taken place.

9.5.2 If, and to the extent that, any relevant Tax Authority notifies any party that it considers that any amount (including, for these purposes, where such amount is nil) deducted or withheld from a payment under this Agreement or the Indemnification Agreement is less than the amount required by law:

- (i) the parties shall co-operate in order to ensure that the correct amount is accounted for to the relevant Tax Authority; and
- (ii) either:
 - (a) where, had the correct amount been deducted or withheld, the payer would not, pursuant to Clause 9.5.1, have been obliged to increase the amount of the payment to the recipient as a result of the deduction or

withholding, the recipient shall indemnify the payer and the payer's Affiliates against any Losses suffered as a result thereof; or

- (b) in all other cases, the payer shall indemnify the recipient and the recipient's Affiliates against any Losses suffered as a result thereof,

except, in each case, in respect of any interest and penalties to the extent that such interest and penalties are attributable to an unreasonable delay or default by the indemnified party or its Affiliates.

- 9.5.3** The recipient or expected recipient of an amount paid under this Agreement or the Indemnification Agreement shall take (and, where relevant, procure that its Affiliates take) all reasonable measures to claim from the appropriate Tax Authority any exemption, rate reduction, refund, credit or similar benefit (including pursuant to any relevant double tax treaty) to which it is entitled in respect of any deduction or withholding in respect of which a payment has been made or would otherwise be required to be made pursuant to Clause 9.5.1 and, for such purposes, shall, within any applicable time limits, submit any claims, notices, returns or applications and send a copy thereof to the payer.
- 9.5.4** If the recipient of a payment made under this Agreement or the Indemnification Agreement (or any of its Affiliates) receives a credit for or refund of any Taxation payable by it or similar benefit by reason of any deduction or withholding for or on account of Taxation then it shall reimburse to the payer such part of such additional amounts paid to it pursuant to Clause 9.5.1 above as the recipient of the payment certifies to the payer will leave it (after such reimbursement) in no better and no worse position than it would have been if the payer had not been required to make such deduction or withholding.
- 9.5.5** Where any payment is made under this Agreement or the Indemnification Agreement (a) by the Seller to the Purchaser pursuant to an indemnity, compensation or reimbursement provision (including, for the avoidance of doubt, pursuant to Clause 8.2 or Clause 12; but not including, for the avoidance of doubt, any payment (i) of interest or (ii) pursuant to Clause 9.1), or as a result of a breach of a Seller's Warranty or (b) by the Purchaser to the Seller pursuant to an indemnity, compensation or reimbursement provision (not including, for the avoidance of doubt, any payment (i) of interest, (ii) of Consideration paid under Clause 3.2 or (iii) pursuant to Clause 9.1), or as a result of a breach of a Purchaser's Warranty, and that sum is subject to a charge to Taxation in the hands of the recipient or would be in the absence of any Purchaser's Reliefs then the sum payable shall be increased to such sum as will ensure that after payment of such Taxation (including any Taxation which would have been charged in the absence of any Purchaser's Reliefs), the recipient shall be left with a sum equal to the sum that it would have received in the absence of such a charge to Taxation provided that if the recipient shall have transferred (for the avoidance of doubt, by whatever means, including by way of a declaration of trust or anything that amounts in substance to a transfer) the benefit in whole or in part of this Agreement or the Indemnification Agreement or shall have changed its tax residence or the permanent establishment to which the rights under this Agreement or the Indemnification Agreement are allocated the liability of the payer under this Clause

9.5.5 shall be limited to that (if any) which it would have been had no such transfer or change taken place.

- 9.5.6** Clause 9.5.5 shall not apply to Taxation (i) to the extent that the amount of the indemnity, compensation or reimbursement payment has already been increased to take account of the Taxation that will or would be charged on receipt, or (ii) to the extent that the amount of the payment or refund has already been increased to take account of the Taxation that will or would be charged on receipt.
- 9.5.7** Clause 9.5.5 shall apply (for the avoidance of doubt, subject to the exclusions in Clause 9.5.6) to any amount deducted, withheld, set off or counterclaimed as contemplated by Clause 9.5.1 as it applies in respect of sums paid to the person entitled.

9.6 VAT

- 9.6.1** Where under the terms of this Agreement one party is liable to indemnify or reimburse another party in respect of any costs, charges or expenses, the payment shall include any amount in respect of VAT included within such costs, charges or expenses not otherwise recoverable by the other party or the representative member of any VAT group of which it forms part, but excluding any such amount in receipt of VAT that is so recoverable by that person or representative member.
- 9.6.2** If any payment under this Agreement constitutes the consideration for a taxable supply for VAT purposes, then (i) the recipient shall provide to the payer a valid VAT invoice, and (ii) except where the reverse charge procedure applies, and subject to the provision of a valid VAT invoice in accordance with (i), in addition to that payment the payer shall pay to the recipient an amount equal to any VAT due for which the recipient is liable to account.

10 Warranties and Undertakings

10.1 The Seller's Warranties

The Seller warrants to the Purchaser that the Seller's Warranties are true and accurate as at the date of this Agreement. Immediately before Completion, the Seller is deemed to warrant to the Purchaser that the Fundamental Warranties and the Warranties set out in Paragraphs 4.5 and 13 of Schedule 2 (Seller's Warranties) are true and accurate by reference to the facts and circumstances existing as at Completion. For this purpose, any express or implied reference in any such Seller's Warranty to the "date of this Agreement" shall be construed as a reference to the Completion Date.

10.2 The Seller's Disclosures

- 10.2.1** The Seller's Warranties are subject to any matter which is fairly disclosed in this Agreement, in the Disclosure Letter or in the Data Room.
- 10.2.2** References in the Disclosure Letter to paragraph numbers shall be to the paragraphs in Schedule 2 (Seller's Warranties) to which the disclosure is most likely to relate. Such references are given for convenience only and shall not limit the effect of any of the disclosures, all of which are made against the Seller's Warranties as a whole.

10.3 Purchaser's Warranties

The Purchaser warrants to the Seller that the Purchaser's Warranties are true and accurate as at the date of this Agreement. Immediately before Completion, the Purchaser is deemed to warrant to the Seller that the Purchaser's Warranties set out in Paragraph 1 of Schedule 3 (Purchaser's Warranties) are true and accurate by reference to the facts and circumstances existing as at Completion. For this purpose, any express or implied reference in any such Warranty to the "date of this Agreement" shall be construed as a reference to the Completion Date.

10.4 Purchaser's Financing Undertaking

The Purchaser undertakes that at Completion, it will have the necessary equity commitments from its financing sources which together are sufficient to meet its obligations under this Agreement and the Transaction Documents.

10.5 Post-Completion Undertakings

10.5.1 The Purchaser undertakes that following Completion it shall promptly confirm to the Seller the satisfaction of SunE Greenfield's obligations pursuant to clause 6.1.2 of the Transitional Services Agreement in respect of each Relevant Project (as defined in the Transitional Services Agreement).

10.5.2 The Seller undertakes that following Completion it shall use its reasonable endeavours to assist the Direct Subsidiary with its compliance with the obligations set out in clauses 5.2.2 and 5.3.3 of the Remedial Works Agreement.

11 Limitation of Liability

11.1 Time Limitations for Claims

The Seller shall not be liable in respect of any Claim unless the Purchaser shall have:

11.1.1 given Notice of such Claim, specifying reasonable information in relation to the matter which gives rise to the Claim, the nature of the Claim and (to the extent reasonably available to the Purchaser) a bona fide estimate of the amount claimed (on a without prejudice basis), as soon as reasonably practicable after the Purchaser became aware of such Claim and in any event by no later than the date falling:

- (i) in relation to a claim under Clause 8, four months after the Completion Date; or
- (ii) in relation to any Fundamental Warranty Claim, four years after the Completion Date; or
- (iii) in relation to a Claim (other than a Fundamental Warranty Claim, Tax Deed Claim or Tax Warranty Claim), 18 months after the Completion Date; or
- (iv) in relation to a Tax Deed Claim or a Tax Warranty Claim, seven years after the Completion Date.

11.1.2 in the case of any Claim, other than a Tax Deed Claim (if it has not been previously satisfied, settled or withdrawn), issued and served Proceedings in respect of the relevant Claim within six months of the date of notification of such Claim in accordance with Clause 11.1.1, provided that:

- (i) in the case of a Claim, other than a Tax Deed Claim, which relates to a contingent liability, this six month period shall instead commence on the date the relevant contingent liability becomes an actual liability and is due and payable; or
- (ii) in the case of a Claim, other than a Tax Deed Claim, which is notified in accordance with Clause 11.1.1 at a time when the relevant amount or threshold specified in Clause 11.2 or 11.3, as applicable, has not been exceeded, this six month period shall instead commence on the date of any subsequent notification of one or more such Claim(s) in accordance with Clause 11.1.1 which result(s) in the total amount claimed pursuant to such Claims exceeding the relevant amount or threshold specified in Clause 11.2 or 11.3, as applicable.

11.2 Minimum Claims

- 11.2.1 The Seller shall not be liable for any individual claim (or a series of claims arising from substantially identical facts or circumstances) under or in respect of the Seller's Warranties (other than the Fundamental Warranties) where the liability agreed or determined for any such claim or series of claims does not exceed £100,000.
- 11.2.2 Where the liability agreed or determined in respect of any such claim or series of claims under or in respect of the Seller's Warranties (other than the Fundamental Warranties) exceeds £100,000, the liability of the Seller shall be for the whole amount of such claim(s) and not limited to the amount of the excess.

11.3 Aggregate Minimum Claims

- 11.3.1 The Seller shall not be liable for any claim (or a series of claims arising from substantially identical facts or circumstances) under or in respect of the Seller's Warranties (other than the Fundamental Warranties) unless the aggregate amount of all such claims for which the Seller would otherwise be liable (disregarding the provisions of this Clause 11.3) exceeds an amount equal to £1,250,000.
- 11.3.2 Where the liability agreed or determined in respect of all claims referred to in Clause 11.3.1 exceeds an amount equal to £1,250,000, the liability of the Seller shall be for the whole amount of such claim(s) and not limited to the amount of the excess.

11.4 Maximum Liability

- 11.4.1 The maximum aggregate liability of the Seller in relation to any claims under or in respect of the Seller's Warranties (other than the Fundamental Warranties) shall not exceed an amount equal to 30 per cent. of the Aggregate Amount.
- 11.4.2 The maximum aggregate liability of the Seller in relation to all claims arising out of or in connection with any Transaction Document shall not in any circumstances exceed the Aggregate Amount.

11.5 Contingent Liabilities

The Seller shall not be liable for any Claim (other than a Tax Deed Claim) in respect of any liability which is contingent unless and until such contingent liability becomes an actual liability and is due and payable, but this Clause 11.5 shall not operate to avoid, or exonerate the

Seller in respect of, a Claim made in respect of a contingent liability within the relevant time limit specified in Clause 11.1.

11.6 Losses

The Seller shall not be liable for any Claim (other than a Tax Deed Claim) in respect of any punitive or special loss or for any loss of goodwill after Completion, except, in each case, to the extent that it is reasonably within the contemplation of the Parties at the date of this Agreement as a reasonably foreseeable consequence of the relevant breach.

11.7 Provisions

The Seller shall not be liable for any Claim (other than a Tax Deed Claim or a Tax Warranty Claim) if and to the extent that proper allowance, provision or reserve is expressly made in the Locked Box Accounts or in the Audited Project and Holding Companies Accounts for the matter giving rise to the Claim.

11.8 Matters Arising Subsequent to this Agreement

The Seller shall not be liable for any Claim (other than a Tax Deed Claim or a Tax Warranty Claim) to the extent that the Claim has arisen as a result of:

- 11.8.1 any matter or thing done or omitted to be done pursuant to and in compliance with this Agreement or any other Transaction Document or otherwise at the request in writing or with the approval in writing of the Purchaser;
- 11.8.2 any act, omission or transaction of the Purchaser or any member of the Purchaser's Group, or their respective directors, officers, employees or agents or successors in title, after Completion;
- 11.8.3 the passing of, or any change in, after the date of this Agreement, any law, rule, regulation or administrative practice of any Governmental Authority including (without prejudice to the generality of the foregoing) any increase in the rates of Taxation or any imposition of Taxation or any withdrawal of relief from Taxation not actually (or prospectively) in effect at the date of this Agreement;
- 11.8.4 any change after the date of this Agreement of any generally accepted interpretation or application of any legislation;
- 11.8.5 any change after the date of this Agreement of any generally accepted accounting principles, procedure or practice; or
- 11.8.6 any change in accounting or Taxation policy, bases or practice of the Purchaser or the Purchaser's Group (except where such change was necessary to comply with law or generally accepted accounting principles).

11.9 Insurance

The Seller shall not be liable for any Claim (other than a Tax Deed Claim or a Tax Warranty Claim) to the extent that the Losses in respect of which the Claim is made (i) are recovered under a policy of insurance (less (a) any costs incurred by the Purchaser or any Group Company in making such recovery and (b) any Tax cost to the Purchaser or any Group Company as a result of the receipt of such recovery) or (ii) would have been covered if the policies of insurance for the benefit of the Group Companies in force at the date of Completion had been maintained after Completion on no less favourable terms.

11.10 Net Financial Benefit

The Seller shall not be liable for any Claim (other than a Tax Deed Claim or a Tax Warranty Claim) in respect of any Losses suffered by the Purchaser or a Group Company to the extent of any corresponding savings by or net quantifiable financial benefit to any member of the Purchaser's Group arising from such Losses or the facts giving rise to such Losses (for example where the amount (if any) and timing by which any Taxation for any member of the Purchaser's Group would otherwise have been accountable or liable to be assessed is reduced or extinguished as a result of the matter giving rise to such Losses).

11.11 Purchaser's Knowledge

The Seller shall not be liable for any Claim under or in respect of the Seller's Warranties to the extent that the Purchaser is actually aware at the date of this Agreement (i) of the facts, matters or circumstances which are the subject matter of the Claim and (ii) that such facts, matters or circumstances could reasonably be expected to give rise to a Claim.

11.12 Purchaser's Right to Recover

11.12.1 Prior to Recovery from the Seller

If, before the Seller pays an amount in discharge of any Claim (other than a Tax Deed Claim or a Tax Warranty Claim), the Purchaser or any Group Company is entitled to recover (whether by payment, discount, credit, relief, insurance or otherwise) from a third party a sum which indemnifies or compensates the Purchaser or Group Company (in whole or in part) for the loss or liability which is the subject matter of the Claim, the Purchaser shall procure that, before steps are taken to enforce a Claim against the Seller following notification under Clause 11.1 of this Agreement, all commercially reasonable steps are taken to enforce the recovery against the third party and any actual recovery (less (a) any reasonable costs incurred in obtaining such recovery and (b) any Tax cost as a result of such recovery) shall reduce or satisfy, as the case may be, such Claim to the extent of such recovery.

11.12.2 Following Recovery from the Seller

If the Seller has paid an amount in discharge of any Claim (other than a Tax Deed Claim or a Tax Warranty Claim) and subsequently the Purchaser or any Group Company is entitled to recover (whether by payment, discount, credit, relief, insurance or otherwise) from a third party a sum which indemnifies or compensates the Purchaser or any Group Company (in whole or in part) for the loss or liability which is the subject matter of the Claim, the Purchaser shall procure that all steps are taken as the Seller may reasonably require to enforce such recovery and shall, or shall procure that the relevant Group Company shall, pay to the Seller as soon as practicable after receipt an amount equal to (i) any sum recovered from the third party less (a) any costs and expenses incurred in obtaining such recovery or receiving the recovered amount and (b) any Tax cost as a result of such recovery or if less (ii) the amount previously paid by the Seller to the Purchaser less any Taxation attributable to it. Any payment made by the Purchaser to the Seller under this Clause 11.12.2 shall be made by way of further adjustment of the Consideration paid by the Purchaser for the Shares and the provisions of Clause 3.3 shall apply mutatis mutandis.

11.13 No Double Recovery and No Double Counting

No Party may recover for breach of or under this Agreement or any of the Transaction Documents or otherwise more than once in respect of the same Losses suffered or amount for which the Party is otherwise entitled to claim (or part of such Losses or amount), and no amount (including any Tax relief) (or part of any amount) shall be taken into account, set off or credited more than once for breach of or under this Agreement or any other Transaction Document or otherwise, with the intent that there will be no double counting for breach of or under this Agreement or any other Transaction Document or otherwise. In particular, no Claim may be made in respect of the warranty in paragraph 3 (Accounts) of Schedule 2 (Seller's Warranties) where any post Completion adjustment has been made under Clause 10 to compensate the Purchaser in respect of a material misstatement of the assets or liabilities of the Group at the Locked Box Date or vice versa.

11.14 Mitigation of Losses

The Purchaser shall procure that all reasonable steps are taken and all reasonable assistance is given to avoid or mitigate any Losses which in the absence of mitigation might give rise to a liability for any Claim (other than a Tax Deed Claim).

11.15 Fraud

The limitations of liability contained in this Clause 11 shall not apply to any liability for any Claim to the extent that the same is attributable to fraud or fraudulent misrepresentation on the part of the Seller.

11.16 No Leakage Warranty and Undertaking and Indemnification Agreement

11.16.1 The limitations of liability contained in this Clause 11 shall not apply to the warranty or the undertaking given by the Seller in Clause 8.1 above (other than that specified in Clause 11.1.1(i)).

11.16.2 The limitations of liability contained in this Clause 11 shall not apply to the Guarantor's liability pursuant to, and in connection with, the Indemnification Agreement save that the provisions of Clause 11.13 shall operate to prevent any double recovery under this Agreement and the Indemnification Agreement.

11.17 Tax claims

The Seller shall not be liable for any Tax Deed Claim or Tax Warranty Claim to the extent that the exclusions in clause 4 of the Tax Deed apply.

11.18 Repetition of Paragraph 3 of Schedule 2 (Seller's Warranties)

Notwithstanding any other provision of this Agreement, the Seller shall not be liable in respect of any claim in relation to Paragraph 3.3 of Schedule 2 (Seller's Warranties), when such warranty is repeated at Completion, to the extent it has arisen directly or indirectly as a result of:

11.18.1 acts or omissions of Lightsource in its capacity as asset management and/or operation and maintenance provider to the Group Companies; or

11.18.2 any event, circumstance, effect, occurrence or state of affairs or any combination of them (whether existing or occurring on or before the Completion Date) but not before the date of this Agreement that is outside of the control (whether directly or indirectly) of any member of the Seller's Group,

and shall only have liability in respect of any such claim to the extent that it has arisen directly or indirectly out of an act or omission (or any series of acts or omissions) of any member of the Seller's Group.

12 Spare Parts Escrow Account

12.1 On the Completion Date, the Seller shall pay the sum of £1,000,000 (the "**Spare Parts Escrow Amount**") into the Seller's Solicitors' Bank Account (for this purpose, the "**Spare Parts Escrow Account**") and irrevocably release it to the order of the Seller's Solicitors (the "**Spare Parts Escrow Agent**") subject to the provisions of this Clause 12.

12.2 The Spare Parts Escrow Agent shall hold the Spare Parts Escrow Amount as stakeholder on the terms of the Spare Parts Escrow Agreement in the joint names of the Purchaser and the Seller. The Spare Parts Escrow Agent shall not release any of the Spare Parts Escrow Amount except as provided in this Clause 12 and the Spare Parts Escrow Agreement.

12.3 Any bank or other charges arising on the Spare Parts Escrow Account shall be charged to the Spare Parts Escrow Account. Any interest or profit generated on the Spare Parts Escrow Account (subject to any deduction of tax at source or any bank or other charges properly charged to the Spare Parts Escrow Account) (the "**Income**") shall accrue to and form part of the Spare Parts Escrow Account. Each time part of the Spare Parts Escrow Amount is paid out it shall have added to it the corresponding proportion of the Income.

12.4 Any payment under this Clause 12 shall be made to such account as the relevant Party has specified in accordance with the Spare Parts Escrow Agreement. Payment to such account shall constitute a full discharge by the Spare Parts Escrow Agent to the payee in respect of the relevant payment obligation. Both the Seller and the Purchaser undertake to each other to issue instructions for payment from the Spare Parts Escrow Account of the amounts due under this Clause 12 without delay.

12.5 As soon as practicable following Completion, the Purchaser shall procure that Lightsource shall perform an inventory of the Spare Parts Stock which are owned by and in the possession of the Group Companies and shall provide a written report, which shall consist of:

12.5.1 a reconciliation between the Spare Parts Stock and the Spare Parts Required Stock; and

12.5.2 an estimate of the aggregate value in pounds sterling of the spare parts on each of the list of Spare Parts Stock and the list of Spare Parts Required Stock (the "**Estimate**"),

to the Seller and the Purchaser. The Seller and the Purchaser shall have five Business Days to review the Estimate. If the Seller and Purchaser agree with the Estimate, then, to the extent that the valuation of the Spare Parts Required Stock exceeds the value of the Spare Parts Stock, they shall jointly instruct the Spare Parts Escrow Agent in writing to pay an amount equal to the difference out of the Spare Parts Escrow Account to the Purchaser (together with the relevant proportion of Income accrued thereon in accordance with Clause 12.3). The Spare Parts Escrow Agent shall immediately thereafter cause the balance (if any) remaining in the Spare Parts Escrow Account to be paid to the Seller. If the valuation of the Spare Parts Stock is equal to or exceeds the valuation of the Spare Parts Required Stock then the Seller and the Purchaser shall instruct the Spare Parts Escrow Agent to pay all sums in the Spare Parts Escrow Account to the Seller.

12.6 If, on the other hand, the Seller or the Purchaser notifies the other in writing that it does not agree with the Estimate, then the Seller and the Purchaser shall jointly instruct the Independent Technical Adviser to perform its own inventory of the Spare Parts Stock and to provide a written report thereon, which shall also include a report on the aggregate value of the Spare Parts Required Stock (the **"Independent Inventory Report"**), to the Seller and the Purchaser. The Seller and Purchaser agree that the Independent Inventory Report shall be binding on them, save in the case of manifest error. Subject to the foregoing, no later than two Business Days following receipt by the Seller and the Purchaser of the Independent Inventory Report, the Seller and Purchaser shall jointly instruct the Spare Parts Escrow Agent in writing as follows:

12.6.1 if the valuation of the Spare Parts Required Stock exceeds the valuation of the Spare Parts Stock (in each case as set out in the Independent Inventory Report), to pay an amount equal to the difference out of the Spare Parts Escrow Account to the Purchaser (together with the relevant proportion of Income accrued thereon in accordance with Clause 12.3) and immediately thereafter to cause the balance (if any) remaining in the Spare Parts Escrow Account to be paid to the Seller; or

12.6.2 if the valuation of the Spare Parts Stock is equal to or exceeds the valuation of the Spare Parts Required Stock (in each case as set out in the Independent Inventory Report) to pay all sums in the Spare Parts Escrow Account to the Seller.

12.7 In no circumstances shall the Seller be obliged to pay the Purchaser any sums in excess of the amount standing to the credit of the Spare Parts Escrow Account in respect of the matters set out in this Clause 12.

13 Guarantee

13.1 The Guarantor unconditionally and irrevocably guarantees to the Purchaser the due and punctual performance and observance by the Seller of all its obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Transaction Documents (the **"Guaranteed Obligations"**) and agrees that if any Guaranteed Obligation is or becomes unenforceable, invalid or illegal it will, as an independent and primary obligation, indemnify the Purchaser immediately on demand against all Losses which the Purchaser suffers through or arising from any act or omission that would be a breach by the Seller of the Guaranteed Obligations if the relevant Guaranteed Obligation were not unenforceable, invalid or illegal, to the extent of any limit on the liability of the Seller in this Agreement.

13.2 If and whenever the Seller defaults for any reason whatsoever in the performance of any of the Guaranteed Obligations, the Guarantor shall forthwith upon demand unconditionally perform (or procure performance of) and satisfy (or procure the satisfaction of) the Guaranteed Obligations in regard to which such default has been made in the manner prescribed by the relevant Transaction Document and so that the same benefits shall be conferred on the Purchaser as it would have received if the Guaranteed Obligations had been duly performed and satisfied by the Seller.

13.3 This guarantee is to be a continuing guarantee and accordingly is to remain in force until all the Guaranteed Obligations shall have been performed or satisfied. This guarantee is in addition to and without prejudice to and not in substitution for any rights or security which the

Purchaser may now or hereafter have or hold for the performance and observance of the Guaranteed Obligations.

13.4 As a separate and independent stipulation the Guarantor agrees that any of the Guaranteed Obligations (including any moneys payable) which may not be enforceable against or recoverable from the Seller by reason of any legal limitation, disability or incapacity on or of the Seller or the dissolution, amalgamation or reconstruction of the Seller or any other fact or circumstances (other than any limitation imposed by this Agreement) shall nevertheless be enforceable against and recoverable from the Guarantor as though the same had been incurred by the Guarantor and the Guarantor were the sole or principal obligor in respect thereof and shall be performed or paid by the Guarantor on demand.

13.5 The liability of the Guarantor under this Clause 13 shall not be affected, impaired, reduced or released by:

13.5.1 any variation of the Guaranteed Obligations;

13.5.2 any forbearance, neglect or delay in seeking performance of the Guaranteed Obligations or any granting of time for such performance;

13.5.3 the illegality, invalidity, unenforceability or, or any defect in, any provision of a Transaction Document or the Seller's obligations under any of them;

13.5.4 any insolvency or similar proceeding; or

13.5.5 any other fact or event which in the absence of this provision would or might constitute or afford a legal or equitable discharge or release or a defence to a guarantor.

14 Signing deliverables

14.1 On the date of this Agreement:

14.1.1 the Seller shall procure that the Legal Opinion is issued to the Purchaser; and

14.1.2 the Purchaser shall procure that the Equity Commitment Letters are delivered to the Seller.

14.2 The Seller shall use its reasonable endeavours to deliver an electronic copy of the contents of the Data Room to the Purchaser prior to execution of this Agreement and to the extent it has not been able to do so, shall use reasonable endeavours to do so as soon as practicable following the date of this Agreement.

15 Indemnification Agreement

Each Party agrees (i) that the Indemnification Agreement shall be entered into by or on behalf of the parties thereto on the date hereof pursuant to and in connection with this Agreement and (ii) to use all its powers and rights to the fullest extent possible to ensure that the Indemnification Agreement is validly executed by or on behalf of the parties thereto on the date hereof.

16 Announcements

16.1 The Parties hereby agree to the release of the Press Announcements promptly following the execution and delivery of this Agreement by or on behalf of the Parties.

16.2 Save for the Press Announcements (and any announcement that is consistent in all material respects with the Press Announcements or any other announcement made in accordance with this Clause 16.2) and subject to Clause 16.4, no public announcement concerning the existence or subject matter of this Agreement shall be made by or on behalf of any Party or any member of the Seller's Group or the Purchaser's Group without the prior written approval of the Purchaser and the Seller.

16.3 Subject to Clause 16.4, the Purchaser undertakes to the Seller that it shall not, and following Completion shall procure that each Group Company shall not, between the date of this Agreement and the date falling nine months after the Completion Date, disclose the purchase price, or any information from which the purchase price could be readily ascertained, for:

16.3.1 the sale of any Shares, or assets directly held by the Company, unless the Seller has provided its prior written consent (such consent not to be unreasonably withheld, conditioned or delayed) to such disclosure; or

16.3.2 the sale of any shares in, or assets directly held by, Vortex Solar UK4 Limited, Vortex Solar UK3 Limited, Vortex Solar UK2 Limited or the Purchaser without first consulting with and taking into account any reasonable requests made by the Seller in relation to such disclosure.

For the avoidance of doubt, the Parties agree that, save as set out in this Clause 16.3, there shall be no restriction whatsoever on any other member of the Purchaser's Group or any of their respective Affiliates issuing any press release regarding their respective business activities (including any acquisitions or disposals of any shares or assets or any similar transactions and the purchase or sale price(s) in respect thereof) at any time.

16.4 A Party may make an announcement concerning the existence or the subject matter of any of the transactions described in Clause 16.3 if required by:

16.4.1 any applicable law or enactment; or

16.4.2 any securities exchange or Governmental Authority to which that Party or any of its Affiliates is subject or submits, wherever situated.

16.5 A Party may make an announcement concerning the existence or the subject matter of this Agreement if required by:

16.5.1 any applicable law or enactment; or

16.5.2 any securities exchange or Governmental Authority to which that Party or any of its Affiliates is subject or submits, wherever situated,

provided that such disclosing Party shall, to the extent permitted by law, have first: (i) given Notice to the Purchaser (in the case of any proposed announcement by or on behalf of the Seller) or the Seller (in the case of any proposed announcement by or on behalf of the Purchaser) of its intention to make such an announcement; and (ii) taken all such steps as may be reasonable and practicable in the circumstances to agree on the contents of such announcement with the Purchaser (in the case of any proposed announcement by the Seller) or the Seller (in the case of any proposed announcement by the Purchaser), before making such announcement.

17 Confidentiality

17.1 Subject to Clauses 17.2 and 17.4, each Party shall treat as strictly confidential and shall not disclose to any other person any information received or obtained as a result of entering into or performing this Agreement which relates to the existence of this Agreement, the provisions of this Agreement, the negotiations and subject matter of this Agreement and the other Parties ("**Confidential Information**") (including written information and information transferred or obtained orally, visually, electronically or by any other means).

17.2 A Party may disclose information which would otherwise be subject to the provisions of Clause 17.1 if and to the extent:

17.2.1 it is required by applicable law or enactment to which such Party is subject;

17.2.2 it is an announcement made in accordance with the provisions of Clause 15;

17.2.3 it is required by any securities exchange or Governmental Authority to which the Party or any of its Affiliates is subject or submits, wherever situated, whether or not the requirement for information has the force of law;

17.2.4 it is disclosed on a strictly confidential basis to that Party's Affiliates, Representatives and the Representatives of its Affiliates;

17.2.5 it is disclosed to such Party's third party financing sources and their professional advisers in connection with the Transaction, provided that such financing sources and their professional advisers are bound by confidentiality obligations in respect of the Confidential Information that are substantially in the form contained in the Loan Market Association's standard form non-disclosure agreement, save for any professional advisors who are subject to a professional duty of confidentiality;

17.2.6 it was lawfully in its possession or in the possession of any of its Affiliates, Representatives or Representatives of its Affiliates (in either case as evidenced by written records or other reasonable evidence), free of any restriction as to its use or disclosure prior to it being so disclosed;

17.2.7 the information has come into the public domain through no fault of that Party or its Affiliates, Representatives or Representatives of its Affiliates;

17.2.8 that the Seller (in relation to disclosure by the Purchaser) or the Purchaser (in relation to disclosure by the Seller) has given prior written consent to the disclosure;

17.2.9 the information is disclosed to a Tax Authority and such disclosure is reasonably required in connection with that Party's Tax affairs;

17.2.10 it is required to enable that Party to perform this Agreement or enforce its rights under this Agreement or disclosure is required for the purposes of any Proceedings; or

17.2.11 it is disclosed on a strictly confidential basis to the SunEdison Debtors (as defined in the Indemnification Agreement) or the Creditors' Committee,

and provided that, to the extent permitted by applicable law, any information to be disclosed in reliance on Clauses 17.2.1 or 17.2.2 shall be disclosed only after consultation with the Purchaser (in the case of intended disclosure by the Seller) or the Seller (in the case of intended disclosure by the Purchaser) and the Party intending to disclose the Confidential

Information shall take into account, and to the extent possible, not take any action in contravention of, the reasonable comments or requests of such other Party.

17.3 Each of the Parties hereby agrees that it shall not use Confidential Information for any purpose other than in relation to the proper performance of its obligations and exercise of its rights under this Agreement (and the transactions contemplated hereby) or in connection with the business of the Group Companies.

17.4 Each of the Parties undertakes that it shall, and shall procure that its Affiliates shall, only disclose Confidential Information to any of its Representatives if it is reasonably required for purposes connected with this Agreement (or the other Transaction Documents) and only if the Representative is informed of the confidential nature of the Confidential Information and accepts equivalent restrictions to those accepted by the Party who discloses the information.

18 Notices

18.1 Any notice or other communication to be given under or in connection with this Agreement (a “**Notice**”) shall be:

18.1.1 in writing in the English language;

18.1.2 signed by or on behalf of the Party giving it; and

18.1.3 delivered personally by hand or courier (using an internationally recognised courier company) or sent by first class post (or by airmail if overseas) or recorded delivery or by email, to the Party due to receive the Notice, to the address and for the attention of the relevant Party set out in this Clause 18 (or to such other address and for such other person’s attention as shall have been notified to the giver of the relevant Notice and become effective in accordance with this Clause 18 prior to dispatch of the Notice).

18.2 In the absence of evidence of earlier receipt, any Notice served in accordance with Clause 18.1 shall be deemed given and received:

18.2.1 in the case of personal delivery by hand or courier, at the time of delivery at the address referred to in Clause 18.4;

18.2.2 in the case of first class post (other than airmail) or recorded delivery, at 10.00 a.m. on the second Business Day after posting;

18.2.3 in the case of airmail, at 10.00 a.m. on the fifth Business Day after posting; and

18.2.4 in the case of email, at the time of sending, provided that receipt shall not occur if the sender receives an automated message that the email has not been delivered to the recipient.

18.3 For the purposes of this Clause 18:

18.3.1 all times are to be read as local time in the place of deemed receipt;

18.3.2 if deemed receipt under this Clause 18 is not within business hours (meaning 9.00 a.m. to 5.30 p.m. Monday to Friday on a day that is not a public holiday in the place of receipt), the Notice is deemed to have been received at 9.00 a.m. on the next Business Day in the place of receipt; and

18.3.3 in the case of a Notice sent by email, the place of receipt is the place in which the Party to whom Notice is sent has its postal address under this Agreement.

18.4 The addresses of the Parties for the purpose of this Clause 18 are as follows:

18.4.1 The Seller and the Guarantor: SunEdison Yieldco UK HoldCo 2, LLC

For the attention of: General Counsel
Address: c/o TerraForm Power, Inc.
7550 Wisconsin Ave.
Bethesda, MD 20814, USA
Email: SDeschler@TerraForm.com

With a copy (which shall not constitute or be essential for valid Notice) to:

For the attention of: Adam Kuehne, Director, Global Capital Markets &
Structured Finance
Address: c/o TerraForm Power, Inc.
7550 Wisconsin Ave.
Bethesda, MD 20814, USA
Email: akuehne@terraform.com

18.4.2 The Purchaser: Vortex Solar UK Limited

For the attention of: Karim Moussa, Managing Director,
Private Equity
Bakr Abdel-Wahab, Managing Director, Private
Equity
Address: c/o EFG-Hermes UAE Limited
Level 6, The Gate
West Wing, Dubai International Financial Centre
Sheikh Zayed Road, PO Box 30727
Dubai, UAE
Email: kmoussa@efg-hermes.com /
bwahab@efg-hermes.com

With a copy (which shall not constitute, or be essential for valid, Notice) to:

For the attention of: Edwina Kelly, Vice President, Private Equity
Address: c/o EFG-Hermes UAE Limited
Level 6, The Gate
West Wing, Dubai International Financial Centre
Sheikh Zayed Road, PO Box 30727
Dubai, UAE
Email: ekelly@efg-hermes.com

18.5 In proving receipt or deemed receipt, it shall be sufficient to prove that the envelope containing the Notice or communication was properly addressed to the address shown thereon or that

the email containing the Notice or communication was transmitted to the email address of the relevant Party.

18.6 Any Party may notify the other Party of any change to its name, address or email address for the purpose of this Clause 18 provided that such Notice shall only be effective on:

18.6.1 the date specified in the Notice as the date on which the change is to take effect; or

18.6.2 if no date is so specified or the date specified is less than three Business Days after which such Notice was given (or deemed to be given), the fourth Business Day after the Notice was given or deemed to be given.

18.7 This Clause 18 shall not apply to the service of, or any step in, Proceedings.

19 Assignment

19.1 No Party may assign the benefit of this Agreement (in whole or in part), transfer, declare a trust of or otherwise dispose of in any manner whatsoever its rights and obligations under this Agreement or sub-contract or delegate its performance under this Agreement (each of the above a “**Dealing**”) without the prior written consent of either the Seller (in the event of intended assignment by the Purchaser) or the Purchaser (in the event of intended assignment by the Seller), such consent to be at the absolute discretion of the other Party to withhold provided that:

19.1.1 the Seller may assign the benefit of this Agreement (in whole or in part) to another member of the Seller’s Group without the consent of the Purchaser provided that if the assignee ceases to be a member of the Seller’s Group, it shall before ceasing to be so assign the benefit, so far as assigned to it, back to the Seller or to another member of the Seller’s Group;

19.1.2 following the Completion Date, the Purchaser may assign the benefit of this Agreement (in whole or in part), or transfer any or all obligations or liabilities of the Purchaser under this Agreement, to another member of the Purchaser’s Group without the consent of the Seller provided that if the assignee ceases to be a member of the Purchaser’s Group, it shall before ceasing to be so assign the benefit, so far as assigned to it, back to the Purchaser or to another member of the Purchaser’s Group; and

19.1.3 the Purchaser may assign its rights under this Agreement (by way of security only) to any bank or financial institution lending money or making other facilities available to the Purchaser (or one of the members of the Purchaser’s Group), the principal purposes of which is to fund (i) the acquisition or the refinancing of the acquisition of the Shares, (ii) the refinancing of the existing indebtedness of the Group or (iii) any capital expenditure, acquisitions and general working capital of the Group.

19.2 If there is a Dealing under Clause 19.1:

19.2.1 the liability of a non-assigning Party to any assignee cannot be greater than its liability to the original Party; and

19.2.2 the assignee may enforce this Agreement as if it were a party to it, but the assignor will remain liable for its obligations under this Agreement.

- 19.3** Any Dealing or purported Dealing in contravention of this Clause 19 shall be ineffective.
- 19.4** Each Party that has rights under this Agreement hereby confirms that it is acting on its own behalf and not for the benefit of another person.

20 Costs and Expenses

- 20.1** Save as otherwise expressly provided in this Agreement, each Party shall pay its own costs and expenses in relation to the negotiation, preparation, execution and carrying into effect of this Agreement and all other documents mentioned herein.
- 20.2** All stamp duty and SDRT payable on or in respect of the transfer of the Shares shall be borne by the Purchaser. The Purchaser shall be responsible for arranging the payment of such stamp duty and SDRT, including fulfilling any administrative or reporting obligation imposed by the jurisdiction in question in connection with such payment. The Purchaser shall indemnify the Seller or any other member of the Seller's Group against any Losses suffered by the Seller or member of the Seller's Group as a result of the Purchaser failing to comply with its obligations under this Clause 20.2.

21 Invalidity

- 21.1** If at any time any provision of this Agreement shall be held to be illegal, void, invalid or unenforceable, in whole or in part, under any enactment or rule of law in any jurisdiction, then:
- 21.1.1** such provision shall:
- (i) to the extent that it is illegal, void, invalid or unenforceable, be given no effect and shall be deemed not to be included in this Agreement; and
 - (ii) not affect or impair the legality, validity or enforceability in that jurisdiction of any other provision of this Agreement or the legality, validity or enforceability under the law of any other jurisdiction of such provision or any other provision of this Agreement; and
- 21.1.2** the Parties shall use all reasonable endeavours to replace such a provision with a valid and enforceable substitute provision which carries out, as closely as possible, the intentions of the Parties under this Agreement.

22 Third Party Rights

- 22.1** A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of or enjoy any benefit under, this Agreement except to the extent set out in this Clause 22.
- 22.2** An assignee pursuant to Clause 19.1 may enforce and rely on this Agreement as if it were a Party.
- 22.3** The Noteholder may enforce and rely on Clause 7.4.2 to the same extent as if it were a party to this Agreement.
- 22.4** Notwithstanding the provisions of Clause 22.2 or any benefits conferred by this Agreement on any third party by virtue of the Contracts (Rights of Third Parties) Act 1999, the Parties

may amend, vary, waive, terminate or rescind this Agreement at any time and in any way without the consent of any person named in Clause 22.2.

23 Further Assurance

Without prejudice to any other provision of this Agreement, the Seller shall, on being required to do so by the Purchaser, do or procure the doing of all such acts and / or execute or procure the execution of such documents as the Purchaser may from time to time reasonably require in order to transfer the Shares to the Purchaser.

24 Whole Agreement

24.1 Each of the Parties to this Agreement confirms that the content of this Agreement as expressly set out herein, together with the content of the Transaction Documents as expressly set out therein, represents the entire understanding, and constitutes the whole agreement, in relation to its subject matter and the transactions contemplated by it and supersedes all previous agreements, understandings or arrangements (whether express, implied, oral or written (whether or not in draft form)) between the Parties with respect thereto which shall cease to have any further force or effect, notwithstanding the existence of any provision of any such prior agreement or understanding that any such rights or provisions shall survive its termination and, without prejudice to the generality of the foregoing, excludes any warranty, condition or other undertaking implied at law or by custom, usage or course of dealing.

24.2 Each of the Purchaser (for itself and on behalf of each other member of the Purchaser's Group) and the Seller (for itself and on behalf of each other member of the Seller's Group) confirms that:

24.2.1 in entering into this Agreement and the other Transaction Documents it has agreed not to rely on any representation (including any misrepresentation or any misstatement), warranty, collateral contract, assurance, covenant, indemnity, undertaking or commitment which is not expressly set out in this Agreement and the other Transaction Documents; and

24.2.2 in any event, without prejudice to any liability for fraudulent misrepresentation or fraudulent misstatement, the only rights or remedies in relation to any representation (including any misrepresentation or any misstatement), warranty, collateral contract, assurance, covenant, indemnity, undertaking or commitment given or action taken in connection with this Agreement, or with any of the Transaction Documents, shall be for breach of the terms of this Agreement or such Transaction Document, and for the avoidance of doubt, no Party has any other right or remedy (whether by way of a claim for contribution or otherwise) in tort (including negligence) or for misrepresentation (whether negligent or otherwise, and whether made prior to, or in, this Agreement), and to the extent that any such claim exists or may exist, each of the Purchaser (for itself and on behalf of each other member of the Purchaser's Group) and the Seller (for itself and on behalf of each other member of the Seller's Group) hereby irrevocably waives such claim and releases the Seller and the Seller's Group (in the case of the Purchaser) and the Purchaser and the Purchaser's Group (in the case of the Seller) from any liability whatsoever in respect thereof.

25 Variation and Waiver

- 25.1** No variation of this Agreement shall be effective unless it is in writing and signed by or on behalf of each of the Parties. The expression “**variation**” shall, in each case, include any variation, supplement, deletion or replacement however effected.
- 25.2** Any waiver or any right or default hereunder shall be effective only in the instance given and will not operate as or imply a waiver of any other or similar right or default on any subsequent occasion. No waiver of this Agreement or of any provision hereof will be effective unless it is in writing and signed by the Party against whom such waiver is sought to be enforced.
- 25.3** Any delay by any Party in exercising, or failure to exercise, any right or remedy under this Agreement shall not constitute a waiver of the right or remedy or a waiver of any other rights or remedies, and no single or partial exercise of any rights or remedy under this Agreement or otherwise shall prevent any further exercise of the right or remedy or the exercise of any other right or remedy.

26 Counterparts

This Agreement may be executed in counterparts, and by the Parties on separate counterparts, but shall not be effective until each Party has executed at least one counterpart. Each counterpart shall constitute an original of this Agreement, but the counterparts shall together constitute one and the same instrument.

27 Payments

Unless otherwise expressly stated in this Agreement, all payments to be made under this Agreement shall be made in sterling to such account as the receiving Party directs by Notice to the paying Party. Receipt of the amount due shall be effective discharge of the relevant payment obligation.

28 Governing Law and Jurisdiction

- 28.1** This Agreement and any dispute or claim (including non-contractual disputes or claims) arising out of, or in connection with, it or its subject matter shall be governed by, and construed in accordance with, English law.
- 28.2** The Parties irrevocably agree to submit to the exclusive jurisdiction of the courts of England to settle any claim, dispute or difference (including non-contractual claims, disputes or differences) which may arise out of, or in connection with, this Agreement or its subject matter (including a dispute regarding the existence, validity, formation, effect, interpretation, performance or termination of this Agreement) and that, accordingly, any Proceedings be brought in such courts.
- 28.3** Each Party waives (and agrees not to raise) any objection, on the ground of inconvenient forum or on any other ground, to the bringing of Proceedings in the English courts.
- 28.4** Each Party irrevocably agrees that a judgment or order against it in Proceedings brought in England shall (provided there is no appeal pending or open) be conclusive and binding upon it and may be enforced against it in the courts of any other jurisdiction.

29 Agent for Service of Process

- 29.1** Each Party which is not a company incorporated in England and Wales shall at all times maintain an agent for service of process in England. The Seller and the Guarantor irrevocably appoint Hackwood Secretaries Limited of One Silk Street, London EC2Y 8HQ, United Kingdom (such entity or any replacement agent appointed pursuant to Clause 29.3 being an “**Agent**”) as its agent for such purpose.
- 29.2** Without prejudice to any other permitted mode of service, each Party agrees that service of any claim form, notice or other document for the purpose of any Proceedings begun in England shall be duly served upon it if served on its Agent in any manner permitted by the Civil Procedure Rules, whether or not it is forwarded to the relevant Party.
- 29.3** If for any reason the Agent appointed by any Party at any time ceases to act as such, the Party shall promptly appoint another such agent and promptly notify the other Parties of the appointment and the new agent’s name and address. If the Party concerned does not make such an appointment within five Business Days of such cessation, then any other Party may do so on its behalf and shall notify the other Parties if it does so.

THIS AGREEMENT has been duly executed by or on behalf of the Parties and has, on the date stated at the beginning of this Agreement, been delivered as a Deed.

Seller:

Executed and delivered as a deed by

SunEdison Yieldco UK HoldCo 2, LLC, a company
incorporated under the laws of the State of Delaware,

/s/ Rebecca Cranna

By: SunEdison Yieldco UK Holdco 2 Master Holdco, LLC,
the sole member and manager of SunEdison Yieldco UK
HoldCo 2, LLC,

.....

By: TerraForm Power Operating, LLC, the sole member
and manager of SunEdison Yieldco UK HoldCo 2 Master
Holdco, LLC,

By: Rebecca Cranna, Executive Vice President and Chief
Financial Officer

being the persons who, in accordance with the laws of
the State of Delaware, is acting under the authority of the
company.

Guarantor:

Executed and delivered as a deed by

Terraform Power Operating, LLC, a company
incorporated under the laws of the State of Delaware

/s/ Rebecca Cranna

By: Rebecca Cranna, Executive Vice President and Chief
Financial Officer

.....

being the person who, in accordance with the laws of the
State of Delaware, is acting under the authority of the
company.

Purchaser:

Executed and delivered as a deed by
Vortex Solar UK Limited, a company
registered in England and Wales, acting by
Karim Moussa, Director

/s/ Karim Moussa

and

.....

Bakr Abdel-Wahab, Director,
being persons who, in accordance with the
laws of England and Wales, are acting
under the authority of the company

/s/ Bakr Abdel-Wahab

.....

Section 1

Group Details

PART A: The Company

Name of company: TerraForm UK2 Intermediate Holdings, Ltd
Company number: 09839939
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom,
M1 5ES

PART B: The Direct Subsidiary

Name of company: TerraForm UK3 Intermediate Holdings Limited
Company number: 09495895
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom,
M1 5ES

PART C: The Holding Companies

Name of company: SunE Green Holdco5 Limited
Company number: 08965363
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom,
M1 5ES

Name of company: SunE Green Holdco4 Limited
Company number: 09014863
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom,
M1 5ES

Name of company: SunE Green Holdco3 Limited
Company number: 08900697
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom,
M1 5ES

Name of company: SunE Green Holdco2 Ltd

Company number: 08793413

Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

Name of company: SunE Green Holdco7 Limited

Company number: 09019523

Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

Name of company: SunE Green Holdco9 Limited

Company number: 09017460

Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

Name of company: SunE Green Holdco13 Limited

Company number: 09095718

Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

Name of company: SunE Green Holdco6 Limited

Company number: 08986263

Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

PART D: The Project Companies

Name of company: SunE Green Energy Ltd

Company number: 08487387

Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

Name of company: Brynteg Solar Limited

Company number: 08409250

Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

Name of company: SunE Burthy Farm Solar Limited
Company number: 08489298
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom,
M1 5ES

Name of company: SE Bury Lane Solar Limited
Company number: 08520628
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom,
M1 5ES

Name of company: Sunsave 17 (Castle Combe) Limited
Company number: 08446187
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom,
M1 5ES

Name of company: SunE Project1 Ltd
Company number: 08520570
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom,
M1 5ES

Name of company: Sunsave 14 (Fenton) Limited
Company number: 08445926
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom,
M1 5ES

Name of company: Sunsave 43 (Epwell) Limited
Company number: 09092736
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom,
M1 5ES

Name of company: Daisy No 1 Limited
Company number: 08492941
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom,
M1 5ES

Name of company: MSP Fairwind Limited
Company number: 08509633
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

Name of company: Sunsave 10 (Fareham) Ltd
Company number: 08166342
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

Name of company: SunE Hill Farm Solar Limited
Company number: 09100857
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

Name of company: Cambridge Solar Power Limited
Company number: 08897205
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

Name of company: Sunsave 31 (Horam) Limited
Company number: 08977670
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

Name of company: Sunsave 20 (Knowlton) Limited
Company number: 08461271
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

Name of company: Boyton Solar Park Limited
Company number: 07488310
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

Name of company: SunE Little Neath Solar Limited
Company number: 08489383
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

Name of company: Sunsave 6 (Manston) Ltd
Company number: 08157474
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

Name of company: SunE Prestop Park Limited
Company number: 09095810
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

Name of company: AEE Renewables UK 31 Limited
Company number: 07502727
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

Name of company: SunE Sundorne Grove Solar Limited
Company number: 08718930
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

Name of company: KS SPV 24 Limited
Company number: 08151512
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

Name of company: Sunsave 15 (Westwood) Limited
Company number: 08412087
Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom, M1 5ES

Name of company: Sunsave 11 (Wrockwardine Farm) Limited

Company number: 08176198

Registered office: Eversheds House, 70 Great Bridgewater Street, Manchester, United Kingdom,
M1 5ES

Schedule 2

Seller's Warranties

1 Title

- 1.1** Each of the Seller and the Guarantor is validly existing and duly registered under the laws of its jurisdiction of incorporation and the Seller is the sole legal and beneficial owner of the Shares and all of the Shares are fully paid and free from all Encumbrances and there is no liability to pay any additional contributions on the Shares.
- 1.2** The Company is the sole legal and beneficial owner of the entire issued share capital of the Direct Subsidiary and all of the issued shares in the Direct Subsidiary are fully paid and free from all Encumbrances.
- 1.3** The Company is the sole indirect legal and beneficial owner of the entire issued share capital of each of the Holding Companies and each of the Project Companies and all of the issued shares in the Holding Companies and the Project Companies are fully paid and free from all Encumbrances.
- 1.4** No person has the right (whether exercisable now or in the future and whether contingent or not) to call for the allotment, issue, sale, transfer or conversion of any share or loan capital of a Group Company under any option or other agreement (including conversion rights and rights of pre-emption).

2 Capacity and Authority

- 2.1** Each of the Seller and the Guarantor has the requisite power and authority to enter into and perform each Transaction Document to which it is a party.
- 2.2** Each Transaction Document to which the Seller or the Guarantor is a party constitutes or will, when executed, constitute legally valid and binding obligations on the Seller or the Guarantor as applicable and shall, upon its execution and/or delivery, be legally enforceable against the Seller or the Guarantor as applicable.
- 2.3** Compliance with the terms of each Transaction Document to which the Seller or the Guarantor is a party does not and will not conflict with or constitute a default or breach under any provision of:
 - 2.3.1** the Seller's or the Guarantor's memorandum or articles of association (or equivalent documents); or
 - 2.3.2** any order, judgment, award, injunction, decree, ordinance or regulation or any other restriction of any kind or character by which the Seller or the Guarantor is bound or submits.

3 Accounts

- 3.1** The Audited Project and Holding Companies Accounts give a true and fair view of the state of affairs of the Group Companies to which they relate, and their respective assets and liabilities as at the Locked Box Date and of the results thereof for the financial year ended on the Locked Box Date and have been prepared in accordance with IFRS and applicable laws and on a basis consistent with the equivalent audited financial statements for the financial year ended

on 31 December 2014 to the extent there are comparable financial statements for such financial year.

- 3.2** The monthly management accounts of the Group Companies from the Locked Box Date to 30 June 2016 have been prepared with a reasonable degree of accuracy and on a basis consistent with the management accounts prepared for the equivalent period in the prior year to the extent such management accounts exist.
- 3.3** Since the Locked Box Date, there has been no Material Adverse Change, each Group Company has carried on business in the ordinary and usual course and no Group Company has made or agreed to make any payment other than routine or customary payments in the ordinary and usual course.

4 Financial Indebtedness

- 4.1** No Group Company has lent any money to any entity other than a Group Company which is due to be repaid and as at the date of this Agreement has not been repaid to it and no Group Company owns the benefit of any debt owed by an entity other than (a) debt owed by a Group Company and (b) any trade debts incurred in the ordinary and usual course of business.
- 4.2** No Group Company owes any Financial Debt to any entity other than a Group Company other than the debt outstanding under the Existing Facilities, the Receivable, any Other Receivable and the Loan Note and no Group Company has granted (or agreed to grant) any Encumbrance in respect of its securities, assets or undertaking save for the Encumbrances granted in respect of the Existing Facilities.
- 4.3** No Financial Debt of any Group Company has become due and payable, or capable of being declared due and payable, before its normal or originally stated maturity and no Group Company or member of the Seller's Group has received a demand or other notice requiring any Financial Debt of any Group Company to be paid or repaid before its normal or originally stated maturity.
- 4.4** No event of default or any other event or circumstance which would entitle any person to call for early repayment of any Financial Debt of any Group Company or to enforce any security given by any Group Company (or, in either case, any event or circumstance which with the giving of notice would constitute such an event or circumstance) has occurred.
- 4.5** The Noteholder is beneficially entitled to all of the interest payable under the Loan Note.
- 4.6** No amount is required by law to be deducted or withheld on account of Tax from the Receivable Payment Amount or any Other Receivable Payment Amounts.

5 Corporate Matters

- 5.1** The Group Companies are duly formed private limited companies in existence and are validly existing and duly registered under the laws of England and Wales and are licensed or qualified to do business under the laws of England and Wales and have been in continuous existence since their formation.
- 5.2** The information set out in Schedule 1 (Group Details) is true, accurate and not misleading.
- 5.3** The copies of the memoranda (if applicable) and articles of association of the Group Companies made available to the Purchaser in the Data Room are correct, complete and in full force and effect and have not been amended or superseded as at the date of this

Agreement. The statutory books and registers of each Group Company are accurate and up to date in all material respects in accordance with all applicable laws.

- 5.4** Except for the Direct Subsidiary, the Holding Companies and the Project Companies, the Company does not have any interest in any undertaking or in the share capital of any body corporate, nor has it agreed to acquire such an interest.
- 5.5** No Group Company is a party to any joint venture agreement or arrangement or any other agreement or arrangement under which it is to participate with any other person in any business or profit or loss sharing arrangement.
- 5.6** No Group Company has, and has never had, any branch, agency, place of business or establishment outside England and Wales.
- 5.7** Each Project Company has full corporate power to carry on its business and to own and operate its assets, the Properties and its business as now carried on and owned and operated.

6 Share Capital

- 6.1** No person is entitled to receive from the Group Companies any introduction fee, brokerage or other commission in connection with the sale of the Shares.

7 Operations

- 7.1** Since incorporation, the Company has not carried on any trade and the only activity of the Company has been holding the shares in the Direct Subsidiary.
- 7.2** No Project Company is in material breach of any of its duties or obligations under its relevant O&M Agreement or Management Services Agreement.
- 7.3** Each Project Company's material obligations under its relevant O&M Agreement and Management Services Agreement due to be discharged prior to Completion in accordance with the terms of such agreements have been discharged in full.
- 7.4** No Project Company has any full-time or part-time employees or consultants.

8 Real Estate

- 8.1** Since the date of each of the Certificates of Title, there has been no material adverse change in the title to the Properties subject to the Certificates of Title.
- 8.2** So far as the Seller is aware, the information provided to Eversheds, DAC Beachcroft, Burges Salmon and Simmons & Simmons for the purposes of the Certificates of Title was true, complete and accurate in all respects at the time it was provided and since the date of each of the Certificates of Title (a) there has been no material change to the Project Company confirmations given in the Certificates of Title, which is likely to have a material adverse effect on the operation of any of the Projects and (b) no material new title matters have been registered against the leasehold titles to the Properties other than those set out in schedule 15 (*Additional Property Conditions Subsequent*) of the Common Terms Agreement.
- 8.3** The Properties comprise all the freehold and leasehold properties owned, occupied or used by the Group Companies or in which the Group Companies have any interest and the Group Companies are not party to any uncompleted agreement or arrangement (written or otherwise) to acquire or dispose of any freehold or leasehold property.

- 8.4** The Group Companies have, except in relation to the Properties, no liability (whether actual or contingent) in relation to any freehold or leasehold property that have at any time before the date of this Agreement been owned (under whatever tenure) or occupied or used by the Group Companies but which are no longer owned occupied or used by the Group Companies and have not disposed of any property in respect of which it has entered into any obligations for which it may continue to be liable notwithstanding such disposal.
- 8.5** All covenants, conditions, restrictions and stipulations contained in each of the Leases have been observed and performed in all material respects, including covenants to obtain consents, and there has not been any waiver of or acquiescence to any breach of them.
- 8.6** All rents and other sums payable under each of the Leases (including any sums due in respect of reinstatement security) have been paid as and when they became due and no such sums have been set off, withheld, commuted, waived, paid in advance of the due date for payment or accepted or agreed beyond what is legally permitted or subject to any qualification.
- 8.7** So far as the Seller is aware, there is no outstanding dispute with the landlord of any of the Leases and, since the date of each of the Certificates of Title, no forfeiture proceedings have been commenced and, so far as the Seller is aware, none are contemplated in relation to any of the Properties.
- 8.8** Since the date of the Certificates of Title each Project Company continues to exercise all of the rights required for the operation of the Projects freely and without interruption or objection
- 8.9** For each Project where the Leases have been varied, all necessary consents to the variation have been obtained.
- 8.10** Since the date of the Certificates of Titles there are no outstanding rent reviews under any of the Leases and none of the Leases have been surrendered whether in whole or part.
- 8.11** So far as the Seller is aware, there has been no change to the matters set out in the disclosures in schedule 3 paragraph 1.1 of the Certificates of Title regarding the title deeds and documents for each of the Properties.
- 8.12** Since the dates of the Certificates of Title, no new mortgage, debenture, charge (whether legal or equitable and whether fixed or floating) or other security affecting the Properties, has been put in place other than that as disclosed in favour of Santander UK Plc.
- 8.13** All sums for the benefit of a community payable by a Project Company in connection with the construction and/or operation of a Project have been paid as and when they became due or have subsequently been settled (including without limitation by the Says Court ProjectCo under the letter to Westerleigh Parish Council dated 15 August 2013).
- 8.14** The deed of variation to the Brynteg Lease and lease supplemental to the Brynteg Lease in connection with access rights and rent have been entered into by the Brynteg ProjectCo with the landlord of the Brynteg Property and have been registered at the Land Registry.
- 8.15** The portion of the leasehold premises at Sundorne Grove, Shrewsbury registered at the Land Registry with Title Number SL235858 which has not been developed by the relevant Project Company and which the landlord has a right to reclaim under the Sundorne Grove Lease is not required as at the date of this Agreement and is not likely to be required in the future, for the operation and performance of the existing project at the Sundorne Grove site.

9 Insurance

- 9.1** The Group maintains, and, for the period during which the Seller has owned each other Group Company, has maintained, valid public liability insurance cover in respect of their respective businesses and assets.
- 9.2** The relevant Group Companies have at all times since the date of the Common Terms Agreement maintained the insurances required under the Common Terms Agreement, no claims are outstanding under or in respect of the validity of such insurances and, so far as the Seller is aware, there is no fact or circumstance that is reasonably likely to give rise to a claim under or in respect of such insurances.

10 Licences and Consents

- 10.1** All material consents which are necessary to develop, build, connect and operate the Projects, have been obtained by the Project Companies and the Seller is not aware of any reason that would affect the validity of any such consents.
- 10.2** So far as the Seller is aware, all reports, returns and information required by law or as a condition of any such consent to be made or given to any person or authority in connection with the Projects and/or the business of the Project Companies have been made or given to the appropriate person or authority.

11 Compliance

For the period during which the Seller has owned each Project Company, each of the Project Companies has at all times complied in all material respects with applicable laws, regulations, orders and byelaws.

12 Litigation and Disputes

- 12.1** The Group Companies are not and, so far as the Seller is aware, no person for whose acts a Group Company may be liable is, engaged in any material litigation, arbitration, administrative or criminal proceedings, whether as claimant, defendant or otherwise.
- 12.2** No litigation, arbitration, administrative, investigative or criminal proceedings by or against any Group Company or, so far as the Seller is aware, against any person for whose acts any Group Company may be liable, are threatened or expected or pending, and no order or judgment in relation to such matters is outstanding.
- 12.3** So far as the Seller is aware, there are no facts or circumstances reasonably likely to give rise to any litigation, arbitration, administrative or criminal proceedings against any of the Group Companies.

13 Insolvency

- 13.1** No order has been made, no resolution has been passed, no petition presented and no meeting convened for the winding up of the Seller, the Guarantor, any Group Company or any other member of the Seller's Group, or for the appointment of any provisions liquidator or in relation to any other process whereby the business is terminated and the assets of the company concerned are distributed amongst creditors and/or shareholders or other contributors, and there are no cases or proceedings under any applicable insolvency,

reorganisation or similar law in any relevant jurisdiction, and no events have occurred which, under applicable laws, would be reasonably like to justify any such cases or proceedings.

- 13.2** No person has taken any step, legal proceeding or other procedure with a view to the appointment of an administrator, whether out of court or otherwise, in relation to the Seller, the Guarantor, any Group Company or any other member of the Seller's Group, and no receiver (including any administrative receiver) has been appointed in respect of the whole or any part of any of the property, assets and/or undertaking of any Group Company nor has any such order been made (including, in any relevant jurisdiction, any other order by which, during the period it is in force, the affairs, business and assets of the company concerned are managed by a person appointed for the purpose by a court, governmental agency or similar body).
- 13.3** None of the Seller, the Guarantor, the Group Companies or any other member of the Seller's Group has taken any step with a view to a suspension of payments or a moratorium of any indebtedness or has made any voluntary arrangement with any of its creditors or is insolvent or unable to pay its debts as they fall due.

14 Tax

- 14.1** So far as the Seller is aware, each Group Company has duly and punctually paid all Tax which it has become liable to pay. No Group Company has paid, within the period of seven years ending on the date of this Agreement, any material penalty, fine, surcharge or interest in relation to any Tax.
- 14.2** All material notices, returns (including any land transaction returns), reports, accounts, computations, statements, assessments, elections and registrations and any other necessary material information required to be submitted by any Group Company to any Taxation Authority for the purposes of Taxation have been made on a proper basis, were punctually submitted, were accurate, correct and complete in all material respects when supplied and remain accurate, correct and complete in all material respects. None of such notices, returns (including any land transaction returns), reports, accounts, computations, statements, assessments and registrations and any other necessary material information are the subject of any material dispute and, so far as the Seller is aware, none is expected to be the subject of any material dispute, in each case with any Taxation Authority.
- 14.3** Each Group Company is and always has been resident for Tax purposes only in the jurisdiction in which it is incorporated. No Group Company is liable to pay, nor has at any time incurred any liability to, Tax chargeable under the laws of any jurisdiction other than the jurisdiction in which it is incorporated. No Group Company is required to be registered for any Tax purpose in any jurisdiction other than the jurisdiction in which it is incorporated.
- 14.4** Each Group Company has complied within applicable time limits with all notices served on it and any other requirements imposed on it, in each case lawfully by any Taxation Authority.
- 14.5** The Audited Project and Holding Companies Accounts make full provision in accordance with IFRS for all Taxation assessed or liable to be assessed on each Group Company in respect of any period ending on or before the Locked Box Date or for which any Group Company is accountable at that date, whether or not any Group Company has (or may have) any right of reimbursement against any other person.

- 14.6** Proper provision has been made and shown in the Audited Project and Holding Companies Accounts for deferred taxation in accordance with IFRS.
- 14.7** Each Group Company has made all deductions and withholdings in respect or on account of any Tax required by any applicable law to be made from any payments made by it before the date of this Agreement and has accounted in full to the relevant Taxation Authority for all amounts so deducted and/or withheld on or before the date on which it is required to do so.
- 14.8** Each Group Company has kept and maintained such records, invoices and other information in relation to Tax as it is required to keep and maintain, and which are required to enable it to complete its Tax returns in respect of periods ending on or before Completion, calculate its liabilities to Tax in respect of periods ending on or before Completion and establish its entitlement to any Relief which has been shown as an asset or taken into account in reducing a provision for deferred tax in the Audited Project and Holding Companies Accounts.
- 14.9** No Group Company has surrendered or claimed the surrender of, or has entered into a commitment to surrender or claim the surrender of, any Relief under Part 5 of the Corporation Tax Act 2010 or of any amounts of Tax refund under section 963 of the Corporation Tax Act 2010 (other than to or from another Group Company).
- 14.10** No Group Company is party to any arrangements or agreement to which any company other than another Group Company is party in respect of which a payment or repayment may need to be made at the date of this Agreement in respect of any surrender of, any Relief under Part 5 of the Corporation Tax Act 2010 or of any amounts of Tax refund under section 963 of the Corporation Tax Act 2010.
- 14.11** No Group Company is a qualifying Company within the meaning of Schedule 46 to the Finance Act 2009.
- 14.12** Neither the execution nor completion of this Agreement, nor any other event since the Locked Box Date, will result in any asset being deemed to have been disposed of and reacquired by any Group Company for Tax purposes.
- 14.13** Each Group Company is registered for VAT purposes and has complied in all material respects with its obligations in relation to VAT. No Group Company has ever been a member of a group for VAT purposes (other than one which includes only other Group Companies).
- 14.14** Each Group Company has complied in all material respects with its obligations under section 59 of the Finance Act 2004.
- 14.15** Any document that may be necessary or desirable in proving the title of a Group Company to any asset which is owned by a Group Company at the date of this Agreement, and each document which a Group Company may wish to enforce or produce in evidence, is, where stampable, duly stamped for stamp duty purposes.
- 14.16** No arrangements have been entered into with HM Revenue & Customs pursuant to Section 59F Taxes Management Act 1970 to which both any Group Company and any company which is not a Group Company are a party.

15 Planning and Environment

- 15.1** There are no material breaches of the planning permissions or any planning agreement at any of the Properties, nor, so far as the Seller is aware, are there any material breaches of any non-material amendments to such planning permissions or planning agreements.
- 15.2** No enforcement action has been taken or, so far as the Seller is aware, threatened by any relevant local planning authority at any of the Properties and the Seller is not aware of any circumstance that is reasonably likely to give rise to enforcement action.
- 15.3** For the period during which the Seller has owned (directly or indirectly) each Group Company, each Group Company and each of its directors and officers has at all times complied in all material respects with all Environmental Laws.
- 15.4** So far as the Seller is aware, there are no facts or circumstances which are reasonably likely to give rise to an Environmental Claim against any of the Group Companies.
- 15.5** So far as the Seller is aware, there are no facts or circumstances which could give rise to Environmental Claims or a requirement for Remedial Works at the Sundorne Grove site or the Hill House Farm site.

16 Grid connection

- 16.1** Each Project Company has the benefit of a legally valid, binding and enforceable connection agreement.
- 16.2** There are no material breaches of the connection agreements and each Project Company's payment and other material obligations under each connection agreement have been discharged prior to the Completion Date.
- 16.3** So far as the Seller is aware no material disconnections, de-energisations or outages have occurred pursuant to the connection agreements (other than in respect of Crundale).

17 EPC Contracts, Performance Security and Manufacturers' Warranties

- 17.1** Each Project Company has the benefit of the manufacturer's warranties which should have been assigned to it pursuant to the terms of the EPC Contract to which it is a party and such warranties reflect the agreed terms, if any.
- 17.2** There has been no material breach by any Project Company or EPC Contractor of its duties or obligations under an EPC Contract to which it is a party.
- 17.3** Each Project Company's payment and other material obligations under each EPC Contract have been fully discharged.
- 17.4** No payments or claims are outstanding under any EPC Contract.
- 17.5** The liability caps under each EPC Contract and associated warranty bond have not been depleted.

18 O&M Agreements and Management Services Agreements

A binding agreement has been entered into pursuant to which all existing O&M Agreements and Management Services Agreements will be duly and validly terminated no later than 30 days after the date of this Agreement and, upon their termination, there will be no outstanding obligations or liabilities under such existing O&M Agreements and Management Services Agreements for any party thereto.

19 RO Accreditation

All the Projects have received RO Accreditation and so far as the Seller is aware there are no circumstances which would result in any such accreditation being revoked.

20 PPAs

- 20.1** There has been no material breach by any Project Company or, so far as the Seller is aware, any other party to a PPA of its material duties or obligations under a PPA to which it is a party.
- 20.2** No material payments or claims are outstanding under any PPA or guarantee provided in respect of a PPA.
- 20.3** In respect of each PPA to which Statkraft Markets GmbH is a party, no Floor Price Rebates (as defined in those PPAs) have been (a) paid or (b) claimed but not yet paid, to Statkraft Markets GmbH.
- 20.4** In respect of each PPA to which Total Gas & Power Limited is a party, no notices have been served by Total Gas & Power Limited with regard to a variation of the calculation of the Index Price as defined in and under those PPAs.

21 Project Documents

- 21.1** All material agreements relating to the Project which have been entered into by one of more of the Group Companies (each a “**Project Agreement**”) are contained in the Data Room.
- 21.2** Each Project Company’s payment obligations that have become due and payable under its relevant Project Agreements have been fully satisfied.

22 Information

No information has been withheld from the Data Room with the intention to conceal it dishonestly or in bad faith from, or to mislead, the Purchaser with regard to any of the Group Companies, the Projects, the Project Documents or the Transaction.

23 Anti-Corruption and Anti-Money Laundering

- 23.1** Neither the Seller, nor any member of the Seller’s Group, nor any of the directors, officers or employees of any member of the Seller’s Group, nor, so far as the Seller is aware, any other person acting on behalf of the Seller’s Group has engaged in any activity or conduct that has resulted or will result in a potential violation of:

- 23.1.1** any Anti-Corruption Laws;

- 23.1.2** any Anti-Money Laundering Laws; or

- 23.1.3** any applicable laws relating to economic or trade sanctions, including the laws or regulations implemented by the Office of Foreign Assets Controls of the United States Department of the Treasury and any similar laws or regulations in other jurisdictions,

in each case either in relation to such person or in relation to the Purchaser or a member of the Purchaser’s Group as a result of the Transaction.

- 23.2** No action, suit or proceeding by or before any court or Governmental Authority or regulatory agency, authority or body or any arbitrator, nor any internal allegation, involving the Seller or any member of the Seller’s Group with respect to the Anti-Corruption Laws, Anti-Money

Laundering Laws, or any applicable laws relating to economic or trade sanctions is pending or, to the knowledge of the Seller or the Seller's Group, threatened.

Schedule 3

Purchaser's Warranties

1 Capacity and Authority

- 1.1** The Purchaser is validly existing and duly registered under the laws of its jurisdiction of incorporation and has the requisite power and authority to enter into and to perform each Transaction Document to which it is a party.
- 1.2** Each Transaction Document to which the Purchaser is a party constitutes or will, when executed, constitute legally valid and binding obligations of the Purchaser.
- 1.3** Compliance with the terms of each Transaction Document to which the Purchaser is a party does not and will not conflict with or constitute a default or a breach under any provision of:
 - 1.3.1** the memorandum or articles of association or equivalent constitutional documents of the Purchaser; or
 - 1.3.2** any order, judgment, award, injunction, decree, ordinance or regulation or any other restriction of any kind or character by which the Purchaser is bound or submits.

2 Anti-Corruption and Anti-Money Laundering

- 2.1** Neither the Purchaser, nor any member of the Purchaser's Group, nor any of the directors, officers or employees of any member of the Purchaser's Group, nor, so far as the Purchaser is aware, any other person acting on behalf of the Purchaser's Group has engaged in any activity or conduct that has resulted or will result in a potential violation of:
 - 2.1.1** any Anti-Corruption Laws;
 - 2.1.2** any Anti-Money Laundering Laws; or
 - 2.1.3** any applicable laws relating to economic or trade sanctions, including the laws or regulations implemented by the Office of Foreign Assets Controls of the United States Department of the Treasury and any similar laws or regulations in other jurisdictions,in each case either in relation to such person or in relation to the Seller or a member of the Seller's Group as a result of the Transaction.
- 2.2** So far as the Purchaser is aware, neither EFG Hermes UAE Limited nor any of its subsidiaries that has a direct or indirect interest in the Purchaser has engaged in any activity or conduct in connection with this Transaction that has resulted or will result in a potential violation of any of the matters set out in paragraph 2.1 of this Schedule 3.
- 2.3** No action, suit or proceeding by or before any court or Governmental Authority or regulatory agency, authority or body or any arbitrator, nor any internal allegation, involving the Purchaser or any member of the Purchaser's Group with respect to the Anti-Corruption Laws, Anti-Money Laundering Laws, or any applicable laws relating to economic or trade sanctions is pending or, so far as the Purchaser is aware, threatened.

Schedule 4

Completion

Part A – Action to be taken by Purchaser

1 The Purchaser shall:

- (a) comply with Clause 3.2; and
- (b) deliver to the Seller:
 - (i) evidence that the Purchaser is authorised to execute this Agreement and each of the Transaction Documents to be executed by the Purchaser;
 - (ii) consents from Karim Moussa, Bakr Abdel-Wahab and Edwina Kelly to their appointment as directors of the Company;
 - (iii) a certified copy of any power of attorney under which any of the foregoing documents are executed; and
 - (iv) a copy of the Tax Deed duly executed and delivered by or on behalf of the Purchaser and the Guarantor.

Part B – Action to be taken by Seller or on behalf of the Seller

2 The Seller shall:

- (a) procure the delivery to the Purchaser of:
 - (i) a copy of the duly executed Transitional Service Agreement redacted only in respect of pricing;
 - (ii) duly executed transfer by the Seller in favour of the Purchaser of all the Shares;
 - (iii) the share certificates representing the Shares;
 - (iv) a copy of the Loan Note Redemption Deed duly executed and delivered by the Company and the Noteholder;
 - (v) a power of attorney in the Agreed Form duly executed and delivered as a deed by the Seller in favour of the Purchaser in respect of the Shares;
 - (vi) evidence that the Seller is authorised to execute this Agreement and each of the Transaction Documents to be executed by the Seller;
 - (vii) the certificate of incorporation, common seal (if any), people with significant control register, share register or ledger and share certificate book and all minute books and other statutory books (written up to but not including Completion) of each Group Company;
 - (viii) the resignation of Rebecca Cranna as director of the Company and its subsidiaries (as applicable) in the Agreed Form to take effect at Completion;
 - (ix) evidence of the appointment of the Agent by the Seller and the Guarantor pursuant to Clause 29.1;
 - (x) a copy of the Tax Deed duly executed and delivered by or on behalf of the Seller;

- (xi) a copy of any power of attorney under which any of the foregoing documents are executed; and
 - (xii) evidence that the Noteholder has consented to repayment of the Loan Note at Completion in accordance with Clause 7.4.4 and waived the notice period prescribed by the terms of the Loan Note;
- (b) procure that a written resolution of the sole director of the Company be passed prior to or at Completion pursuant to which it is resolved in the Agreed Form that:
 - (i) Karim Moussa, Bakr Abdel-Wahab and Edwina Kelly are appointed as replacement directors of the Company with effect from Completion;
 - (ii) the redemption of the Loan Note and payment of the Loan Note Redemption Amount to the Noteholder on the Completion Date and the cancellation of the Loan Note by the Company upon its repayment; and
 - (iii) subject to the payment of applicable stamp duty, the transfer referred to in paragraph 2(a)(ii) of this Schedule 4 is approved for registration.

Schedule 5

\Company Assets and Liabilities

Estimated Total Assets

Cash and cash equivalents	-
Total	-

Estimated Total Liabilities

Other liabilities	10
Total	10

Schedule 6

Conduct of the Group Companies Pre-Completion

- 1** From the date of this Agreement until the Completion Date (both dates inclusive), the Seller shall ensure that (except: (i) as expressly permitted by this Agreement; (ii) as may be required to give effect to and comply with this Agreement; (iii) as may be required by applicable law; or (iv) with the Purchaser's prior written consent):
- (a) each Group Company carries on its business in the ordinary and usual course and that no Group Company makes or agrees to make any material payment other than routine payments in the ordinary and usual course of business (for this purpose any payment in excess of £30,000.00 shall be deemed material);
 - (b) all reasonable steps are taken to preserve and protect the assets of each Group Company and to preserve and retain its goodwill (including the existing relationships with customers and suppliers);
 - (c) subject to Clause 17 (Confidentiality), the Purchaser's Representatives shall be allowed such access as is reasonably requested, upon reasonable notice and during normal working hours, to (i) the statutory books and records of each Group Company and (ii) the premises used by, and management of, each Group Company;
 - (d) no Group Company or other member of the Seller's Group does, allows or procures any act or omission which would constitute or give rise to a breach of any Seller's Warranty if the Seller's Warranties were repeated at any time before Completion by reference to the facts and circumstances then existing as if references in the Seller's Warranties to the date of this Agreement were references to the relevant date;
 - (e) all relevant information which comes to its notice or that of any other member of the Seller's Group in relation to any fact or matter (whether existing on or before the date of this Agreement or arising afterwards) which may constitute a breach of any Seller's Warranty if the Seller's Warranties were to be repeated on or at any time before Completion by reference to the facts and circumstances then existing as if references in the Warranties to the date of this Agreement were references to the relevant date, is promptly disclosed to the Purchaser;
 - (f) no Group Company declares, authorises, makes or pays any dividend or other distribution (whether in cash, stock or in kind) other than any dividend or distribution which is Leakage for the purposes of this Agreement or reduces, purchases or redeems any part of its paid-up share or loan capital;
 - (g) no Group Company (i) creates, allots or issues or agrees to create, allot, or issue any share or loan capital or other security or (ii) grants any option over or right to subscribe for any of its share or loan capital or other security;
 - (h) no Group Company or member of the Seller's Group sells or purchases or disposes of any interest in any share or loan capital or other security of any Group Company;
 - (i) all transactions between a Group Company and a member of the Seller's Group take place on arm's length terms;
 - (j) no Group Company employs or agrees to employ any person, whether full-time or part-time basis;

- (k) no Group Company changes residence for Tax purposes or makes or changes any election, claim or similar in circumstances where that change is likely to materially impact any Group Company's Tax position in an adverse manner;
- (l) no action is taken by any member of the Seller's Group or any Group Company which is inconsistent with the provisions of any Transaction Document or the implementation of the Transaction;
- (m) no Group Company fails to settle in accordance with the payment procedures and timescales normally observed by the Group Companies any debts incurred by the Group Companies in the normal course of trading;
- (n) no Group Company enters into or terminates any contract or arrangement (whether written or otherwise) other than (i) in connection with the new management services agreements and operation and maintenance agreements to be entered into in order to replace the Management Services Agreements and the O&M Agreements, including any associated direct agreements and (ii) an agreement substantively in the form of the Remedial Works Agreement (provided that the Purchaser's prior written consent may not be unreasonably withheld for any substantive amendments to such agreement);
- (o) no Group Company gives any guarantee, indemnity or other agreement to secure an obligation of a third party which if called or enforced would result in a cost to one or more Group Companies of £20,000 or more;
- (p) no Group Company enters into or modifies any Third Party Assurance;
- (q) the institution or settlement of any litigation, arbitration or other proceeding which could result in a payment to or by a Group Company of £20,000 (exclusive of VAT) or more;
- (r) no Group Company institutes or settles any material litigation, arbitration or other proceeding (for this purpose material shall mean any litigation, arbitration or other proceeding with a claim value in excess of £20,000);
- (s) no Group Company creates any Encumbrance over any of the Shares, the Receivable, any Other Receivable, the Loan Note or the share or loan capital or any asset of a Group Company;
- (t) no Group Company acquires or disposes of any material asset or material stocks, in each case, involving consideration, expenditure or liabilities in excess of £20,000 (exclusive of VAT);
- (u) no Group Company shall in connection with the Properties (i) terminate or serve any notice to terminate, surrender or accept any surrender of or vary or waive the terms of any of the Leases, (including any grazing licences granted in respect of the Properties) or (ii) enter into or vary any material agreement, lease, tenancy, licence or other commitment or (iii) agree any rent reviews under the Leases or the amount of any reinstatement securities without the prior written consent of the Purchaser; and
- (v) no Group Company enters into any arrangement or agreement of the kind described in paragraphs 14.10 or 14.16 of Schedule 2.

- (a) reasonable cooperation and assistance to the Purchaser in connection with any matter disclosed by the Purchaser's pre-completion searches for the Properties;
 - (b) an update to the Purchaser showing any Leakage since the date of this Agreement (i) at the end of each calendar month and (ii) approximately 5 Business Days prior to entry into the Purchase Price Escrow Agreement;
 - (c) an update to the Purchaser at the end of each calendar month regarding the progress to remedy any breaches and resolve the dispute referred to in paragraph 3 below; and
 - (d) an update to the Purchaser at the end of each calendar month on the progress towards the satisfaction of the conditions set out in Schedule 8.
- 3** As soon as practicable following the date of this Agreement, the Seller shall use all commercially reasonable efforts to: (i) engage with (or procure engagement by its agents or sub-contractors, including, without limitation, Lightsource, with the landlord of the Hill House Farm site in order to identify all alleged breaches of the lease at the Hill House Farm site; and (ii) remedy any breaches of such lease and to resolve the dispute with such landlord in relation to such alleged breaches as soon as reasonably practicable.
- 4** The Seller expects to receive payments from the Distribution Lock-Up Account (as such term is defined in the Common Terms Agreement) of £10,000,000 and £7,100,000 respectively prior to Completion. The Seller and the Purchaser agree that (i) if such payments are received by the Seller prior to Completion, they shall be treated as Leakage under this Agreement and shall reduce the Consideration payable by the Purchaser at Completion accordingly; and (ii) if such payments are not received by the Seller prior to Completion, the Seller and the Purchaser will discuss in good faith a mechanism to seek to allow these payments to be made on or prior to Completion with the effect that such payments will be treated as Leakage under this Agreement and shall reduce the Consideration payable by the Purchaser at Completion accordingly.

Schedule 7 Properties

1.	Fairwinds	The leasehold land on the west side of Lower Dunton Road, Dunton, Brentwood registered at the Land Registry with Title Number EX906729
2.	Crundale	The leasehold land at Fenton Home Farm, Crundale, Haverfordwest SA62 4PY registered at the Land Registry with Title Numbers CYM623739 and CYM672119
3.	Brook Farm	The leasehold land at Brook Farm, Lower Arncott, Bicester OX25 1NX registered at the Land Registry with Title Numbers ON321391 and ON321396.
4.	Brynteg	The leasehold land at Brynteg Farm and Soho Farm, Five Roads, Llanelli SA15 4ND registered at the Land Registry with Title Number CYM630841
5.	Bury Lane	The leasehold land lying to the south west of Station Road, Meldreth, Royston registered at the Land Registry with Title Number CB394659
6.	Epwell	The leasehold land to the north of Epwell Road, Shutford, Banbury registered at the Land Registry with Title Number ON314857
7.	Exning	The leasehold land on the north east side of Heath Road, Burwell registered at the Land Registry with Title Number SK357008
8.	Prestop Park	The leasehold land on the north side of Moira Road, Shellbrook, Ashby-De-La-Zouch registered at the Land Registry with Title Number LT466215
9.	Little Neath	The leasehold land at Neath and Wogaston Farm, Angle, Pembroke registered at the Land Registry with Title Number CYM645169
10.	Burthy Solar	The leasehold land at Burthy Farm, Summercourt, Newquay registered at the Land Registry with Title Number CL313731
11.	Sundorne Grove	The leasehold land at Sundorne Grove, Shrewsbury registered at the Land Registry with Title Number SL235858
12.	Horam	The leasehold land at Horam Manor Farm, Horam, Heathfield registered at the Land Registry with Title Number ESX365898
13.	Castle Combe	The leasehold land at Castle Combe Circuit, Castle Combe, Chippenham registered at the Land Registry with Title Number WT413222
14.	Crucis Farm	The leasehold land at Crucis Park Farm, Ampney Crucis, Cirencester GL7 5DX registered at the Land Registry with Title Number GR381663 and the leasehold land being subsoil lying to the south of Barnsley Road, Ampney Crucis, Cirencester registered at the Land Registry with Title Number GR381694
15.	Says Court	The leasehold land being Solar Farm, Says Court Farm, Badminton Road, Frampton Cotterell, Bristol BS36 2NY registered at the Land Registry with Title Number GR380004

16.	Fareham	The leasehold land at Newlands Farm, Stroud Green Lane, Fareham PO14 2HT registered at the Land Registry with Title Number HP766637
17.	Westwood	The leasehold land to the south west of Preston Road, Manston, Ramsgate registered at the Land Registry with Title Number TT21436
18.	Knowlton	The leasehold land at Knowlton Court, Knowlton, Canterbury registered at the Land Registry with Title Number TT21451
19.	West Farm	The leasehold land at West Farm, Cosheston, Pembroke Dock SA72 4UN registered at the Land Registry with Title Number CYM582039
20.	Langunnett	The leasehold land at Langunnett Farm, St Veep, Lostwithiel registered at the Land Registry with Title Number CL296043
21.	Manston	The leasehold land at Manston Farm, Manston Court Road, Manston, Ramsgate CT12 5AU registered at the Land Registry with Title Number TT11236
22.	Hill House Farm	The leasehold land at Hill House Farm, Cambridge registered at the Land Registry with Title Number GR390054
23.	Wrockwardine	The leasehold land at Wrockwardine Farm, Wrockwardine, Telford registered at the Land Registry with Title Number SL232048
24.	Hill Farm	The leasehold land at Penrhiwarwydd Farm, Mynyddislwyn, Newport NP11 7BB registered at the Land Registry with Title Number CYM642118

Schedule 8

Further Condition

1 Approval required for Clause 5.1.6

For the purposes of Clause 5.1.6, the Seller shall deliver to the Purchaser a Final Order:

- (a) approving an Avoidance Action Settlement;
- (b) dismissing or releasing the Avoidance Actions (as defined in the Indemnification Agreement); or
- (c) stating that neither a Group Company nor a purchaser of the shares or assets of a Group Company can be named in an Avoidance Action or a lawsuit relating to an Avoidance Action, or that any Claims against such Group Company or purchaser arising from or relating to an Avoidance Action are released;

2 Clause 5.1.6 Termination

- (a) If, following the expiration of the appeal period specified in Rule 8002 of the Federal Rules of Bankruptcy Procedure, an order of the Bankruptcy Court approving an Avoidance Action Settlement has not become a Final Order, other than for reasons relating to (x) entry of an order staying the effectiveness of such approval order or (y) a stipulation by a SunEdison Debtor (as defined in the Indemnification Agreement) not to take any actions in reliance on such order, the Purchaser shall, within 10 Business Days of such expiration, deliver a Notice to the Seller stating whether it will waive the Condition set out in Clause 5.1.6; and if the Purchaser's Notice does not waive the Condition set out in Clause 5.1.6 within such time, the Seller shall have the right to terminate this Agreement (other than the Surviving Clauses) by giving Notice to the Purchaser until the 20th Business Day after receipt of such Notice. For the avoidance of doubt, this sub-paragraph (a) relates only to the situation where there has been a Bankruptcy Court order approving an Avoidance Action Settlement.
- (b) If, at any time following the date of this Agreement, TerraForm Power enters into a definitive agreement for an M&A Transaction (the "**Definitive M&A Agreement**"), TerraForm Power may deliver a Notice to the Seller (which notice shall include all provisions of the Definitive M&A Agreement for which TerraForm Power is not subject to confidentiality obligations and all provisions relating to an Avoidance Action Condition of any ancillary agreements) (i) if the Definitive M&A Agreement includes a condition relating to an Avoidance Action Settlement (an "**Avoidance Action Condition**"), requesting that Seller amend or modify Clause 5.1.6 of this Agreement to be substantially identical to such Avoidance Action Condition, *mutatis mutandis* or (ii) if the Definitive M&A Agreement does not include an Avoidance Action Condition, requesting that Seller amend or modify this Agreement to remove Clause 5.1.6. If, in either case, Purchaser does not agree to so amend or modify this Agreement on or prior to the Purchaser Decision Date:
 - (i) the Seller shall have the right to terminate this Agreement (other than the Surviving Clauses) by giving Notice to the Purchaser until the Seller Decision Date; and

- (ii) notwithstanding anything to the contrary in this Agreement, from the Purchaser Decision Date until after the Seller Decision Date, the Completion Date may not occur without the Seller's prior written consent, in its sole discretion.
- (c) If, at any time following the date of this Agreement and the entry by TerraForm Power into a Definitive M&A Agreement, TerraForm Power delivers a Notice to Seller (which notice shall include all provisions of the Definitive M&A Agreement for which TerraForm Power is not subject to confidentiality obligations and all provisions relating to an Avoidance Action Condition (if any) of any ancillary agreements) (i) stating that all conditions to closing for the M&A Transaction contemplated by such Definitive M&A Agreement that has been approved by the board of directors of TerraForm Power have been satisfied or waived (except for a condition that the transactions contemplated by this Agreement have closed and those conditions that by their nature are to be satisfied at the closing) that the Seller and, to the Seller's knowledge, the other parties to the M&A Transaction, are prepared to close, and (ii) and requesting that Seller waive the Condition set out in Clause 5.1.6; and Purchaser's does not waive the Condition set out in Clause 5.1.6 on or prior to the Purchaser Decision Date:
 - (i) the Seller shall have the right to terminate this Agreement (other than the Surviving Clauses) by giving Notice to the Purchaser effective immediately prior to the closing of the M&A Transaction, if such closing occurs on or prior to the Seller Decision Date; and
 - (ii) notwithstanding anything to the contrary in this Agreement, from the Purchaser Decision Date until after the Seller Decision Date, the Completion Date may not occur without the Seller's prior written consent, in its sole discretion.
- (d) Notwithstanding anything to the contrary in this Agreement, if the Seller terminates this Agreement as a result of a right to terminate arising pursuant to this paragraph 2 of this Schedule 8, no Party or any of its Affiliates shall have any claim whatsoever against any other Party or any of its Affiliates save in relation to any antecedent breach of this Agreement or under any of the Surviving Provisions.

3 Definitions

In this Schedule 8:

"Avoidance Action Settlement" means a settlement, whether under Rule 9019 of the Federal Rules of Bankruptcy Procedure or otherwise, among the SunEdison Debtors (as defined in the Indemnification Agreement), the Creditors' Committee, TerraForm Power, and/or other parties thereto, which includes a release of all Claims held and/or asserted by or on behalf of the SunEdison Debtors (as defined in the Indemnification Agreement) in respect of pre-petition transfers from any of the SunEdison Debtors to any Group Company;

"Bankruptcy Court" means the United States Bankruptcy Court for the Southern District of New York having jurisdiction over the Chapter 11 Cases (as defined in the Indemnification Agreement) and, to the extent of the withdrawal of any reference under section 157 of title 28 of the United States Code and/or order of a district court pursuant to section 157(a) of title 28 of the United States Code with respect to the Chapter 11 Cases, the United States District Court for the Southern District of New York;

"Claims" means a "claim" as defined in section 101(5) of the U.S. Bankruptcy Code;

"Creditors' Committee" means the statutory committee of unsecured creditors appointed in the Chapter 11 Cases (as defined in the Indemnification Agreement) pursuant to section 1102 of the U.S. Bankruptcy Code, as constituted from time to time;

"Final Order" means an order or judgment of the Bankruptcy Court or any other court of competent jurisdiction that has been entered on the docket in the Chapter 11 Cases (or the docket of such other court) that is not subject to a stay and has not been modified, amended, reversed or vacated and as to which (i) the time to appeal, petition for certiorari, or move for a new trial, reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for a new trial, reargument or rehearing shall then be pending, or (ii) if an appeal, writ of certiorari, new trial, reargument or rehearing thereof has been sought, such order or judgment shall have been affirmed by the highest court to which such order was appealed, or certiorari shall have been denied, or a new trial, reargument or rehearing shall have been denied or resulted in no modification of such order, and the time to take any further appeal, petition for certiorari or move for a new trial, reargument or rehearing shall have expired;

"M&A Transaction" means a transaction which would constitute either a Change of Control or a Qualifying Acquisition (as defined in the indentures governing Guarantor's senior notes) provided, however that this definition shall not include any transaction involving the shares or assets that are to be transferred under this Agreement and no other material assets;

"Purchaser Decision Date" means the 15th Business Day after the date a Notice is delivered pursuant to paragraph 2(b) or (c) of this Schedule 8;

"Seller Decision Date" means the 35th Business Day after the date a Notice is delivered pursuant to paragraph 2(b) or (c) of this Schedule 8; and

"U.S. Bankruptcy Code" means title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as amended from time to time.

Schedule 9

Form of Indemnification Agreement

INDEMNIFICATION AGREEMENT

This indemnification agreement (this “**Agreement**”) is effective as of the Effective Date (as defined below) among TerraForm Power Operating LLC, a company incorporated under the laws of the State of Delaware and whose registered office is at 7550 Wisconsin Ave, Bethesda, MD, 20814, United States of America (the “**Indemnifying Party**”), and Vortex Solar UK Limited, a company registered in England and Wales with company number 10473926 and whose registered office is at 6 St Andrew Street, London, EC4A 3AE, United Kingdom (the “**Purchaser**”). The Indemnifying Party and the Purchaser are sometimes referred to herein each individually as a “**Party**” and collectively as the “**Parties**.”

WITNESSETH:

WHEREAS, SunEdison Yieldco UK HoldCo 2, LLC, a company incorporated under the laws of the State of Delaware, whose registered office is at 7550 Wisconsin Ave, Bethesda, MD, 20814, United States of America (the “**Seller**”), the Indemnifying Party, and the Purchaser are parties to that certain Sale and Purchase Agreement (the “**SPA**”), dated as of January 5th, 2017 (the “**Effective Date**”).

WHEREAS, pursuant to and in connection with the SPA, the Indemnifying Party has agreed to indemnify the Purchaser and certain of its affiliates and/or related parties on the terms set forth in this Agreement, and the Indemnifying Party recognizes that the Purchaser would not have entered into the SPA upon the terms therein set forth without such indemnification.

NOW, THEREFORE, in consideration of the consummation of the transactions contemplated by the SPA and intending to be legally bound hereby, the Parties agree as follows:

Article 1

CERTAIN DEFINITIONS

(a) As used in this Agreement:

“**Acquired Entities**” means the entities acquired direct or indirectly by Purchaser in the Transactions.

“**Affiliate**” means, with respect to any Person, (i) any other Person who or which, directly or indirectly, Controls, or is Controlled by, or is under common Control with such Person, (ii) any Person who or which, directly or indirectly, owns or controls 10% or more of any class of voting securities of such Person or (iii) any officer, director, general partner, special limited partner or trustee of any Person described in clause (i) or (ii).

“**Agreement**” has the meaning given to it in the introduction hereto.

“Avoidance Action” means any claim, suit, action, proceeding, investigation or inquiry in connection with or arising out of any conveyance of any nature whatsoever from a SunEdison Debtor to TerraForm Power, Inc. and/or its subsidiaries (or any other claim, suit, action, proceeding, investigation or inquiry arising out of the same facts, events or circumstances), including any adversary complaint (whether filed by the SunEdison Debtors or the official committee of unsecured creditors of the SunEdison Debtors) seeking the avoidance or unwinding of any such transaction and/or the recovery of any sum, compensation, order or award in respect of any such transaction.

“Chapter 11 Cases” means cases commenced by the SunEdison Debtors under chapter 11 of title 11 of the United States Code in the Bankruptcy Court for the Southern District of New York (Case No. 16-10992 (SMB) (Jointly Administered)).

“Control” (together with its correlative meanings, **“Controlled by”** and **“under common Control with”**) means with respect to any other Person, the possession, directly or indirectly, of power to direct or cause the direction of management or policies of such Person (whether through ownership of voting securities or partnership or other ownership interests, by contract, as trustee or executor, or otherwise).

“Indemnifying Party” has the meaning given to it in the introduction hereto.

“Indemnity” means the indemnity given by the Indemnifying Party in favour of the Purchaser pursuant to this Agreement.

“Losses” means any losses, claims, damages, liabilities and expenses in connection with any Proceeding.

“Person” means an individual, corporation, limited or unlimited liability company, limited or general partnership, trust, association, unincorporated organization or other entity, including a governmental or political subdivision or an agency or instrumentality thereof.

“Proceeding” means any claim, suit, action, proceeding, investigation or inquiry (including, without limitation, any shareholder or derivative action or arbitration proceeding) in connection with, relating to, or arising out of the Chapter 11 Cases or any other insolvency proceeding of any Affiliate of the SunEdison Debtors, including, without limitation, any Avoidance Action, in each case, which the Purchaser becomes involved with in any capacity (whether directly or indirectly) as a result of or in connection with any of the Transactions; provided that this definition shall not include any claim, suit, action, proceeding, investigation or inquiry arising out of the failure of any SunEdison Debtor to perform, satisfy or pay, or the rejection by any SunEdison Debtor of, contractual relationships with, or warranty and/or guarantee obligations owed to, (a) any Acquired Entity or (b) any third party engaged by the SunEdison Debtors to provide services to any Acquired Entity, including, in each case, by failing to prepare, or provide services in connection with the preparation of, audited and unaudited financial statements for the Acquired Entities.

“Purchaser” has the meaning given to it in the introduction hereto.

“Seller” has the meaning given to it in the recitals hereto.

“SPA” has the meaning given to it in the recitals hereto.

“**SunEdison Debtors**” means SunEdison, Inc. and certain of its Affiliates that have commenced Chapter 11 Cases, including any such Affiliate that commences a Chapter 11 Case after the date hereof.

“**Transactions**” means any of the transactions between the Purchaser, the Indemnifying Party and/or the Seller, among others, contemplated by the SPA.

(b) For the purposes of the Indemnity (including, for the avoidance of doubt, as used in Article 2, Article 3, and Article 4 hereof):

References to the Purchaser shall include each of Vortex Solar UK Limited, Vortex Solar Investments S.à.r.l., Beaufort Investments S.à.r.l., EFG Hermes Holding SAE, and EFG Hermes UAE Limited, any of their respective Affiliates, each other Person, if any, Controlling any of the foregoing or any of its Affiliates, their respective officers, current and former directors, employees and agents and the successors and assigns of all of the foregoing Persons, in each case from time to time.

ARTICLE 2

INDEMNIFICATION

Section 2.01 . Indemnification. In the event that the Purchaser becomes involved in any capacity in any Proceeding, the Indemnifying Party agrees to indemnify, defend and hold the Purchaser harmless to the fullest extent permitted by law, from and against any Losses.

ARTICLE 3

REIMBURSEMENT OF EXPENSES; SETTLEMENT; LIMITATION ON LIABILITY

Section 3.01 . Reimbursement. In the event that the Purchaser becomes involved in any capacity in any Proceeding, the Indemnifying Party will reimburse all documented legal and other expenses (including the cost of investigation and preparation) incurred by or on behalf of the Purchaser in connection with any such Proceeding within thirty (30) days after the receipt by the Indemnifying Party of a statement or statements from Purchaser requesting such reimbursement from time to time, whether prior to, upon or after final disposition or settlement of such Proceeding.

Section 3.02 . Settlement of Proceedings. The Indemnifying Party will not settle any Proceeding in respect of which indemnity may be sought hereunder, whether or not the Purchaser is an actual or potential party to such Proceeding, without the Purchaser’s prior written consent (which consent may be withheld or conditioned at the Purchaser’s sole discretion), unless such settlement (i) includes a full, unconditional and irrevocable release of the Purchaser from all liability in any way related to or arising out of such Proceeding, and (ii) does not include an admission of fault, culpability or a failure to act by or with respect to the Purchaser or an adverse statement regarding the reputation of the Purchaser or any action taken or omitted to be taken by or on behalf of the Purchaser.

Section 3.03 . *Purchaser – Limitation on Liability.* The Indemnifying Party agrees that the Purchaser shall not have any liability to the Indemnifying Party or any Person asserting claims on behalf of or in right of the Indemnifying Party in connection with or as a result of the entry into any of the Transactions, the SPA or this Agreement or in or in connection with any Proceeding except for any liability arising pursuant to any of the Transaction Documents (as defined in the SPA).

ARTICLE 4

MISCELLANEOUS

Section 4.01 . *Transaction Document.* This Agreement is intended by the Parties to be and shall be a Transaction Document as defined in and for purposes of the SPA.

Section 4.02 . *Nonexclusivity of Rights.* The foregoing Indemnity shall be in addition to any rights that any indemnified party may have at common law or otherwise.

Section 4.03 . *Amendment.* This Agreement may not be modified or amended except by a written instrument executed by or on behalf of each of the Parties. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit, restrict or reduce any right of the Purchaser under this Agreement in respect of any act or omission, or any event occurring, prior to such amendment, alteration or repeal. To the extent that a change in applicable law, whether by statute or judicial decision, (i) permits greater indemnification or reimbursement of expenses than would be afforded currently under this Agreement, it is the intent of the Parties that Purchaser shall enjoy by this Agreement the greater benefits so afforded by such change or (ii) limits rights with respect to indemnification or reimbursement of expenses, it is the intent of the Parties that the rights with respect to indemnification and reimbursement of expenses in effect prior to such change shall remain in full force and effect to the extent permitted by applicable law.

Section 4.04 . *Waivers.* The observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) by the Party entitled to enforce such term only by a writing signed by the Party against which such waiver is to be asserted. Unless otherwise expressly provided herein, no delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any Party of any right, power or privilege hereunder operate as a waiver of any other right, power or privilege hereunder nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

Section 4.05 . *Severability.* If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (a) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the

maximum effect to the intent of the parties hereto; and (a) to the fullest extent possible, the provisions of this Agreement (including each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 4.06 . *Binding Effect.* The Indemnifying Party expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Purchaser to enter into the SPA on the terms set forth therein.

Section 4.07 . *Governing Law; Consent to Jurisdiction; Jury Trial.* This Agreement shall be governed by and construed in accordance with the laws of the State of New York. The courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York shall have exclusive jurisdiction over any proceeding or claim relating to this Agreement. The Purchaser and the Indemnifying Party each hereby waive all right to trial by jury in any proceeding or claim (whether based upon contract, tort or otherwise) relating to this Agreement.

Section 4.08 . *Headings.* The Article and Section headings in this Agreement are for convenience of reference only, and shall not be deemed to alter or affect the meaning or interpretation of any provisions hereof.

Section 4.09 . *Counterparts.* This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 4.10 . *Use of Certain Terms.* As used in this Agreement, (a) the words “herein,” “hereof,” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular paragraph, subparagraph, section, subsection, or other subdivision and (b) the word “including” shall mean “including, without limitation,” regardless of whether the words “without limitation” actually appear. Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered to be effective as of the date first above written.

TerraForm Power Operating LLC

By: _____
Name
:
Title:

Vortex Solar UK Limited

By: _____
Name
:
Title:

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Peter Blackmore, Interim Chief Executive Officer, Director and Chairman, certify that:

- 1 I have reviewed this quarterly report on Form 10-Q of TerraForm Power, Inc.;
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4 The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision; to ensure that material information relating to the registrant, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
- 5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 29, 2017

By: /s/ PETER BLACKMORE

Name: **Peter Blackmore**

Title: **Interim Chief Executive Officer, Director and Chairman
(Principal executive officer)**

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Rebecca Cranna, Executive Vice President and Chief Financial Officer, certify that:

- 1 I have reviewed this quarterly report on Form 10-Q of TerraForm Power, Inc.;
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4 The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision; to ensure that material information relating to the registrant, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
- 5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 29, 2017

By: /s/ REBECCA CRANNA

Name: **Rebecca Cranna**

Title: **Executive Vice President and Chief Financial Officer
(Principal financial officer and principal accounting officer)**

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of TerraForm Power, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Peter Blackmore, Interim Chief Executive Officer, Director and Chairman of the Company, and Rebecca Cranna, Executive Vice President and Chief Financial Officer of the Company, certify, to the best of our knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1 The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 29, 2017

By: /s/ PETER BLACKMORE
Name: **Peter Blackmore**
Title: **Interim Chief Executive Officer, Director and Chairman**
(Principal executive officer)

Date: August 29, 2017

By: /s/ REBECCA CRANNA
Name: **Rebecca Cranna**
Title: **Executive Vice President and Chief Financial Officer**
(Principal financial officer and principal accounting officer)

