

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2021
OR

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

Commission File Number 001-37511

Sunrun Inc.

(Exact name of Registrant as specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

26-2841711
(I.R.S. Employer
Identification No.)

225 Bush Street, Suite 1400
San Francisco, California 94104

(Address of principal executive offices and Zip Code)

(415) 580-6900

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value per share	RUN	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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 definition of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The Nasdaq Stock Market on, June 30, 2021 was approximately \$11.2 billion.

As of February 14, 2022, the number of shares of the registrant's common stock outstanding was 208,418,561.

Portions of the information called for by Part III of this Form 10-K is hereby incorporated by reference from the definitive Proxy Statements for our annual meeting of stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2021.

Table of Contents

	<u>Page</u>
PART I	
Item 1. Business	6
Item 1A. Risk Factors	13
Item 1B. Unresolved Staff Comments	48
Item 2. Properties	49
Item 3. Legal Proceedings	49
Item 4. Mine Safety Disclosures	49
PART II	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	50
Item 6. Selected Financial Data	51
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	53
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	71
Item 8. Financial Statements and Supplementary Data	72
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	122
Item 9A. Controls and Procedures	122
Item 9B. Other Information	123
Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	123
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	124
Item 11. Executive Compensation	124
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	124
Item 13. Certain Relationships and Related Transactions, and Director Independence	124
Item 14. Principal Accounting Fees and Services	124
PART IV	
Item 15. Exhibits, Financial Statement Schedules	125

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The discussion in this Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the Private Securities Litigation Reform Act of 1995, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements about:

- the potential effects of the COVID-19 pandemic, including its variants, on our business and operations, results of operations and financial position;
- the expected benefits and potential value created by the merger with Vivint Solar for our stockholders;
- the inherent risks, costs and uncertainties associated with integrating the businesses in the merger with Vivint Solar successfully and risks of not achieving all or any of the anticipated benefits of the merger with Vivint Solar, or the risk that the anticipated benefits of the acquisition may not be fully realized or take longer to realize than expected;
- the availability of rebates, tax credits and other financial incentives, and decreases to federal solar tax credits;
- determinations by the Internal Revenue Service of the fair market value of our solar energy systems;
- the retail price of utility-generated electricity or electricity from other energy sources;
- regulatory and policy development and changes;
- our ability to manage our supply chains and distribution channels and the impact of natural disasters and other events beyond our control, such as the COVID-19 pandemic;
- our industry's, and specifically our, continued ability to manage costs (including, but not limited to, equipment costs) associated with solar service offerings;
- our strategic partnerships and investments and the expected benefits of such partnerships and investments;
- our ability to realize the anticipated benefits of past or future investments, strategic transactions, or acquisitions, and risk that the integration of these acquisitions may disrupt our business and management;
- the sufficiency of our cash, investment fund commitments and available borrowings to meet our anticipated cash needs;
- our need and ability to raise capital, refinance existing debt, and finance our operations and solar energy systems from new and existing investors;
- the potential impact of interest rates on our interest expense;
- our business plan and our ability to effectively manage our growth, including our rate of revenue growth;

- our ability to further penetrate existing markets, expand into new markets and our expectations regarding market growth (including, but not limited to, expected cancellation rates);
- our expectations concerning relationships with third parties, including the attraction, retention and continued existence of qualified solar partners;
- the impact of seasonality on our business;
- our investment in research and development and new product offerings;
- our ability to protect our intellectual property and customer data, as well as to maintain our brand;
- the willingness of and ability of our solar partners to fulfill their respective warranty and other contractual obligations;
- our ability to renew or replace expiring, cancelled or terminated Customer Agreements at favorable rates or on a long-term basis;
- the ability of our solar energy systems to operate or deliver energy for any reason, including if interconnection or transmission facilities on which we rely become unavailable;
- our expectations regarding certain performance objectives and the renewal rates and purchase value of our solar energy systems after expiration of our Customer Agreements;
- the calculation of certain of our key financial and operating metrics and accounting policies; and
- our ability to capitalize on the market opportunities created by the electrification of the U.S. economy with renewable energy.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the section titled "Risk Factors" and elsewhere in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. These risks and uncertainties may be amplified by the ongoing COVID-19 pandemic, which has caused significant economic uncertainty and negative impacts on capital and credit markets. The extent to which the COVID-19 pandemic impacts our business, operations, and financial results, including the duration and magnitude of such effects, will depend on numerous factors, many of which are unpredictable, including, but not limited to, the duration and spread of the pandemic, its severity, the actions to contain the pandemic or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Annual Report on Form 10-K to conform these statements to actual results or to changes in our expectations, except as required by law.

You should read this Annual Report on Form 10-K and the documents that we reference in this Annual Report on Form 10-K and have filed with the Securities and Exchange Commission (the "SEC") as exhibits to this Annual

Report on Form 10-K with the understanding that our actual future results, levels of activity, performance, and events and circumstances may be materially different from what we expect.

SELECTED RISKS AFFECTING OUR BUSINESS

Investing in our common stock involves numerous risks, including the risks described in “Part I, Item 1A. Risk Factors”, of this Annual Report on Form 10-K. Below are some of these risks, any one of which could materially adversely affect our business, financial condition, results of operations and prospects.

Selected Risks Related to the Impacts of COVID-19

- The COVID-19 pandemic, including its variants, has had and could continue to have an adverse impact on our business, operations and the markets and communities in which we operate. Efforts to mitigate or contain the pandemic and the resulting weakened economic conditions may disrupt and adversely affect our business.

Selected Risks Related to the Solar Industry

- The solar energy industry is an emerging market which is constantly evolving and may not develop to the size or at the rate we expect.
- We have historically benefited from declining costs in our industry, and our business and financial results may be harmed not only as a result of any increases in costs associated with our solar service offerings but also any failure of these costs to continue to decline as we currently expect. If we do not reduce our cost structure in the future, our ability to continue to be profitable may be impaired.
- We face competition from traditional energy companies as well as solar and other renewable energy companies.

Selected Risks Related to Our Operating Structure and Financing Activities

- We need to raise capital to finance the continued growth of our operations and solar service business. If capital is not available to us on acceptable terms, as and when needed, our business and prospects would be materially and adversely impacted. In addition, our business is affected by general economic conditions and related uncertainties affecting markets in which we operate. Volatility in current economic conditions could adversely impact our business, including our ability to raise financing.
- Rising interest rates would adversely impact our business.
- We expect to incur substantially more debt in the future, which could intensify the risks to our business.

Selected Risks Related to Regulation and Policy

- We rely on certain utility rate structures, such as net metering, to offer competitive pricing to customers in all of our current markets, and changes to such policies, such as those currently under consideration by the California Public Utilities Commission, may significantly reduce demand for electricity from our solar service offerings.
- Electric utility statutes and regulations and changes to such statutes or regulations may present technical, regulatory and economic barriers to the purchase and use of our solar service offerings that may significantly reduce demand for such offerings.
- Regulations and policies related to rate design could deter potential customers from purchasing our solar service offerings, reduce the value of the electricity our systems produce, and reduce any savings that our customers could realize from our solar service offerings.

Selected Risks Related to Our Business Operations

- Our growth depends in part on the success of our relationships with third parties, including our solar partners.

- We and our solar partners depend on a limited number of suppliers of solar panels, batteries, and other system components to adequately meet anticipated demand for our solar service offerings. Any shortage, bottlenecks, delay, detentions or component price change from these suppliers, or the acquisition of any of these suppliers by a competitor, could result in sales and installation delays, cancellations and loss of market share.
- We may not realize the anticipated benefits of past or future investments, strategic transactions, or acquisitions, and integration of these acquisitions may disrupt our business and our management.
- A failure to hire and retain a sufficient number of employees and service providers in key functions would constrain our growth and our ability to timely complete customers' Projects and successfully manage customer accounts.
- Regulators may limit the type of electricians qualified to install and service our solar and battery systems in California, which may result in workforce shortages, operational delays, and increased costs.
- Our results of operations may fluctuate from quarter to quarter, which could make our future performance difficult to predict and could cause our results of operations for a particular period to fall below expectations, resulting in a decline in the price of our common stock.
- Our actual financial results may differ materially from any guidance we may publish from time to time.

Selected Risks Related to Taxes and Accounting

- Our ability to provide our solar service offerings to customers on an economically viable basis depends in part on our ability to finance these systems with fund investors who seek particular tax and other benefits.
- If the Internal Revenue Service makes determinations that the fair market value of our solar energy systems is materially lower than what we have claimed, we may have to pay significant amounts to our fund investors, and our business, financial condition and prospects may be materially and adversely affected.
- Our business currently depends on the availability of utility rebates, tax credits and other benefits, tax exemptions and exclusions, and other financial incentives. We may be adversely affected by changes in U.S. tax laws, and the expiration, elimination or reduction of these benefits could adversely impact our business.

If we are unable to adequately address these and other risks we face, our business may be harmed.

PART I

Item 1. Business.

Overview

Sunrun's (the "Company") mission is to provide our customers with clean, affordable solar energy and storage, and a best-in-class customer experience. In 2007, we pioneered the residential solar service model, creating a low-cost solution for customers seeking to lower their energy bills. By removing the high initial cost and complexity of cash system sales that used to define the residential solar industry, we have fostered the industry's rapid growth and exposed an enormous market opportunity. Our relentless drive to increase the accessibility of solar energy is fueled by our enduring vision: to create a planet run by the sun.

On October 8, 2020, we completed the acquisition of Vivint Solar, Inc. ("Vivint Solar") a leading full-service residential solar provider in the United States, at an estimated purchase price of \$5.0 billion, pursuant to an Agreement and Plan of Merger, dated as of July 6, 2020, by and among Sunrun, Vivint Solar and Viking Merger Sub, Inc., a Delaware corporation and direct wholly owned subsidiary of the Company ("Merger Sub"). Further information about the acquisition of Vivint Solar can be found in Note 3, *Acquisitions* to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

We are engaged in the design, development, installation, sale, ownership and maintenance of residential solar energy systems ("Projects") in the United States. We provide clean, solar energy typically at savings compared to traditional utility energy. Our primary customers are residential homeowners. We also offer battery storage along with solar energy systems to our customers in select markets and sell our services to certain commercial developers through our multi-family and new homes offerings. After inventing the residential solar service model and recognizing its enormous market potential, we have built the infrastructure and capabilities necessary to rapidly acquire and serve customers in a low-cost and scalable manner. Today, our scalable operating platform provides us with a number of unique advantages. First, we are able to drive distribution by marketing our solar service offerings through multiple channels, including our diverse partner network and direct-to-consumer operations. This multi-channel model supports broad sales and installation capabilities, which together allow us to achieve capital-efficient growth. Second, we are able to provide differentiated solutions to our customers that, combined with a great customer experience, we believe will drive meaningful margin advantages for us over the long term as we strive to create the industry's most valuable and satisfied customer base.

Our core solar service offerings are provided through our lease and power purchase agreements, which we refer to as our "Customer Agreements" and which provide customers with simple, predictable pricing for solar energy that is insulated from rising retail electricity prices. While customers have the option to purchase a solar energy system outright from us, most of our customers choose to buy solar as a service from us through our Customer Agreements without the significant upfront investment of purchasing a solar energy system. With our solar service offerings, we install solar energy systems on our customers' homes and provide them the solar power produced by those systems for typically a 20- or 25-year initial term. In addition, we monitor, maintain and insure the system during the term of the contract. In exchange, we receive predictable cash flows from high credit quality customers and qualify for tax and other benefits. We finance portions of these tax benefits and cash flows through tax equity, non-recourse debt and project equity structures in order to fund our upfront costs, overhead and growth investments. We develop valuable customer relationships that can extend beyond this initial contract term and provide us an opportunity to offer additional services in the future, such as our home battery storage service. Since our founding, we have continued to invest in a platform of services and tools to enable large scale operations for us and our partner network, and these partners include solar integrators, sales partners, installation partners and other strategic partners. The platform includes processes and software, as well as fulfillment and acquisition of marketing leads. We believe our platform empowers new market entrants and smaller industry participants to profitably serve our large and underpenetrated market without making the significant investments in technology and infrastructure required to compete effectively against established industry players. Our platform provides the support for our multi-channel model, which drives broad customer reach and capital-efficient growth.

Delivering a differentiated customer experience is core to our strategy. We emphasize a customized solution, including a design specific to each customer's home and pricing configurations that typically drive both customer savings and value to us. We believe that our passion for engaging our customers, developing a trusted brand, and providing a customized solar service offering resonates with our customers who are accustomed to a traditional residential power market that is often overpriced and lacking in customer choice.

We have experienced substantial growth in our business and operations since our inception in 2007, as well as through our acquisition of Vivint Solar on October 8, 2020. As of December 31, 2021, we operated the largest fleet of residential solar energy systems in the United States. We have a Networked Solar Energy Capacity of 4,677 Megawatts as of December 31, 2021, which represents the aggregate megawatt production capacity of our solar energy systems that have been recognized as deployments, from the company's inception through the measurement date. Our Gross Earning Assets as of December 31, 2021 were approximately \$9.7 billion. Please see the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Operating Metrics" for more details on how we calculate Networked Solar Energy Capacity and Gross Earning Assets.

We also have a long track record of attracting low-cost capital from diverse sources, including tax equity and debt investors. Since inception we have raised tax equity investment funds to finance the installation of solar energy systems.

Our Multi-Channel Capabilities

Our unique, multi-channel capabilities offer consumers a compelling solar service through scalable, cost-effective and consumer-friendly channels. Customers can access our products through three channels: direct-to-consumer, solar partnerships and strategic partnerships.

Direct-to-Consumer

We sell solar service offerings and install solar energy systems for customers through our direct-to-consumer channel. These solar energy systems are offered to customers either under a Customer Agreement or for purchase. This channel consists of an online lead generation function, a telesales and field sales team, a direct-to-home sales force, a retail sales team and an industry-leading installation organization.

Solar Partnerships

We contract with diverse solar organizations that act as either exclusive or non-exclusive (depending on the terms of their contract with us) distributors of our solar service offerings and subcontractors for the installation of the related solar energy systems. Because of our commitment to these solar organizations and our vested interest in their success, we refer to them as our "solar partners," although the actual legal relationship is that of an independent contractor. Our solar partners include:

- **Solar integrators:** trained and trusted partners who originate customers for our solar service offerings and procure and install the solar energy systems on our customers' homes on our behalf as our subcontractors. Partnerships with solar integrators allow us to expand our brand, quickly enter new markets and drive capital-efficient growth. We compensate our solar integrators on a per solar energy system basis for generating Customer Agreements and the installation work they perform for us.
- **Sales partners:** sales and lead generation partners who provide us with high-quality leads and customers at competitive prices. We typically compensate our sales partners on a per customer basis for the sales and lead generation services they perform for us. All contracts are between the customer and us, based on a price set by us.
- **Installation partners:** trusted installation partners who procure and install a subset of our solar energy systems as our subcontractors and allow us to deploy a mix of in-house and outsourced installation capabilities more efficiently. We compensate our installation partners on a per solar energy system basis for the procurement of materials and installation work they perform for us. Installation partners are solely our subcontractors and do not enter into any agreements with our customers.

Our ability to connect specialized sales and installation firms on a single platform, which we license to our solar partners at no cost, allows us to enjoy the benefits of vertical integration without the additional fixed cost structure. This creates margin opportunities, system efficiencies and benefits from network effects in matching these ecosystem participants.

Strategic Partnerships

Our strategic partnerships encompass relationships with new market entrants not previously engaged in solar, including consumer marketing, retail and specialized energy retail companies. Our strategic partners find the residential solar market attractive, but recognize that significant barriers to entry make partnerships the preferred method to reach solar customers. Through these strategic arrangements, we typically market our solar service offerings to the strategic partner's customer base and install the solar energy systems directly or through one of our solar partners. We manage the customer experience and retain the value of the economic relationship through the term of the customer's contract and potential renewal period. We have executed strategic partnerships in competitive processes that give us access to millions of potential customers. As our industry grows, we believe that our unique platform and deep partnership experience position us to be the partner of choice for new market entrants. We believe that these broad strategic relationships will help us drive down our customer acquisition costs and make solar accessible to even more customers.

The combination of direct-to-consumer, solar partnerships and strategic partnerships offers distinct advantages. The direct-to-consumer channel allows us to scale rapidly, drive incremental unit costs down over the long term, and refine operational processes to share with our partners. Our solar partnerships and strategic partnerships enable nimble market entry and exit, while allowing for capital efficient growth. Together, this multi-channel strategy supported by our open platform allows us to reach more customers with our leading solar service without compromising our ability to provide exceptional customer service.

Customer Agreements

Since we were founded in 2007, we have been providing solar energy to residential customers at prices typically below utility rates through a variety of offerings, most commonly through our leases and power purchase agreements which we refer to as our "Customer Agreements." Under our Customer Agreements, customers have the right to use and consume all electricity produced by the solar energy system on a continuous basis. Most Customer Agreements, other than those billed based on generation, entitle the customer to a refund for underproduction below a guaranteed amount, which we refer to as our "performance guarantee." Either directly or through a solar partner, we construct a solar energy system on a customer's home which generates electricity at set prices through Customer Agreements which typically have an initial term of 20 or 25 years. Rates for both forms of our Customer Agreements can be fixed for the duration of the contract or escalated at a pre-determined percentage annually. Upon installation, a system is interconnected to the local utility grid. The home's energy usage is provided by the solar energy system with any additional energy needs provided by the local utility. Any excess solar energy, including amounts in excess of battery storage, that is not immediately used by our customers is exported to the utility grid using a bi-directional utility net meter, and the customer generally receives a credit for this excess power from their utility to offset future usage of utility-generated energy.

Although many of our customers choose to pay little-to-nothing upfront and instead receive a monthly bill, some customers choose to prepay an amount upfront, thereby reducing their monthly bill. The amount of an upfront payment is customized for each customer. Customers may also choose to fully prepay their 20- or 25-year contracts. The prepayment amount is based on the estimated amount of the solar energy system's output over the typically 20- or 25-year term of the Customer Agreement. If the estimated production of the solar energy system is less than the actual production for a given year after the first full one to two years of the agreement, prepaid customers are refunded the difference at the end of each such year. If the solar energy system's energy production is in excess of the estimate, we allow customers to keep the excess energy at no charge. After the initial term of the Customer Agreement, customers have the option to renew their contracts for the remaining life of the solar energy system, typically at a 10% discount to then-prevailing power prices, to purchase the system from us at its fair market value, or have us remove the system.

Regardless of the type of Customer Agreement our customers choose, we operate the system and agree to monitor and maintain it in good condition at no cost to the customer. We offer an industry-leading performance guarantee to ensure that our customers are receiving the energy they expect at the price they expect. Our customers also receive up to a ten-year warranty for roof penetrations.

If a customer sells his or her home, the customer has the right to purchase the system or assign the Customer Agreement to the new homeowner, provided the new homeowner meets our credit requirements and agrees to be bound by the terms and conditions of the Customer Agreement. In connection with this service transfer, the customer may prepay all or a portion of the remaining payments due under the Customer Agreement to lower or eliminate the monthly rate to be paid by the new homeowner. If the customer fails to purchase the system or assign the Customer Agreement to a new homeowner, we may negotiate directly with the new homeowner to transfer the Customer Agreement (at times on modified terms) and/or look to the original customer to pay all remaining payments due. We have completed thousands of service transfers and, from inception through December 31, 2021, the aggregate expected net present value of the Customer Agreements once assigned represented approximately 100% of what it was prior to assignment.

Sales and Marketing

We sell our solar energy offerings through a scalable sales organization using both a direct-to-consumer approach across online, retail, mass media, digital media, canvassing, field marketing and referral channels as well as our diverse partner network. We sell to customers over the phone, online, in the field through canvassing and in-home sales and through our strategic retail sales partnerships. We also partner with sales-only organizations that focus on direct-to-consumer marketing and sales on our behalf, typically with a Sunrun-branded offering at point of sale, which further increases our brand and reach. We also generate sales volume through customer referrals. Customer referrals increase in relation to our penetration in a market and shortly after market entry become an increasingly effective way to market our solar energy systems. We believe that a customized, customer-focused selling process is important before, during and after the sale of our solar services to maximize our sales success and customer experience.

We train our sales team to customize their consultative presentation to the individual customer based on guidelines and principles outlined in our training materials. We are able to provide our sales team with real-time data and pricing tools through our proprietary technology which is designed to generate a tailored product offering with optimized pricing based on the actual characteristics of a customer's home, including roof characteristics and shading, as well as actual energy usage. This allows our sales team to differentially price homes in the same geographic region quickly and effectively.

Supply Chain

We purchase equipment, including solar panels, inverters and batteries from a limited number of manufacturers and suppliers. If we fail to maintain or expand our relationships with these suppliers and manufacturers, or if one or more that we rely upon to meet anticipated demand reduces or ceases production, it may be difficult to quickly identify and qualify alternatives on acceptable terms. In addition, equipment prices may increase in the coming years, or not decrease at the rates we historically have experienced, due to tariffs or other factors. As discussed in Item 1A. Risk Factors "*We have historically benefited from declining costs in our industry, and our business and financial results may be harmed not only as a result of any increases in costs associated with our solar service offerings but also any failure of these costs to continue to decline as we currently expect. If we do not reduce our cost structure in the future, our ability to continue to be profitable may be impaired.*" Section 201 tariffs on solar modules were imposed beginning in 2018 and were extended through 2026. While these tariffs have not had a material negative impact on our business, we believe the tariffs were a contributing factor to smaller decreases to equipment costs than we would have otherwise experienced in 2021.

In addition, federal agencies and Congress are increasing enforcement against the importation of products suspected of being manufactured with forced labor. U.S. customs enforcement and the implementation of a new federal law could negatively impact our supply chain and the availability of products that we use to conduct our business. See "Risks Related to the Solar Industry" below for more information.

Competition

We believe that our primary competitors are the traditional utilities that supply electricity to our potential customers. We compete with these traditional utilities primarily based on price (cents per kilowatt hour), predictability of future prices (by providing pre-determined annual price escalations), the backup power capabilities of our Brightbox™ battery storage solution and the ease by which customers can switch to electricity generated by our solar energy systems.

We also compete with companies that are not regulated like traditional utilities but that have access to the traditional utility electricity transmission and distribution infrastructure pursuant to state and local pro-competitive and consumer choice policies and with solar companies with business models that are similar to ours. Some customers might choose to subscribe to a community solar project or renewable subscriber program with these companies or their utilities, instead of installing a solar energy system on their home, which could affect our sales. Additionally, some utilities offer generation portfolios that are increasingly renewable in nature. We believe that we compete favorably with these companies based on our unique multi-channel approach and differentiated customer experience.

We also face competition from purely finance-driven organizations that acquire customers and then subcontract out the installation of solar energy systems, from installation businesses that seek financing from external parties, from large construction companies and utilities and from sophisticated electrical and roofing companies.

Intellectual Property

As of December 31, 2021, we had 36 issued patents and 12 filed patent applications in the United States and foreign jurisdictions relating to a variety of aspects of our solar solutions. Our issued U.S. patents will expire 20 years from their respective filing dates, with the earliest expiring in 2029. We intend to file additional patent applications as we continue to innovate through our research and development efforts.

Government Regulation

Although we are not regulated as a public utility in the United States under applicable national, state or other local regulatory regimes where we conduct business, we compete primarily with regulated utilities. As a result, we have developed and are committed to maintaining a policy team to focus on the key regulatory and legislative issues impacting the entire industry. We believe these efforts help us better navigate local markets through relationships with key stakeholders and facilitate a deep understanding of the national and regional policy environment.

To operate our systems, we obtain interconnection permission from the applicable local primary electric utility. Depending on the size of the solar energy system and local law requirements, interconnection permission is provided by the local utility directly to us and/or our customers. In almost all cases, interconnection permissions are issued on the basis of a standard process that has been pre-approved by the local public utility commission or other regulatory body with jurisdiction over net metering policies. As such, no additional regulatory approvals are required once interconnection permission is given.

Our operations are subject to stringent and complex federal, state and local laws, including regulations governing the occupational health and safety of our employees and wage regulations. For example, we are subject to the requirements of the federal Occupational Safety and Health Act, as amended ("OSHA"), the U.S. Department of Transportation ("DOT"), and comparable state laws that protect and regulate employee health and safety. We endeavor to maintain compliance with applicable DOT, OSHA and other comparable government regulations. However, we have in the past experienced workplace accidents and received citations from regulators resulting in fines, as discussed in Item 1A. *Risk Factors "Compliance with occupational safety and health requirements and best practices can be costly, and noncompliance with such requirements may result in potentially significant penalties, operational delays and adverse publicity."* These incidents have not had a material impact on our business or our relations with our employees .

Government Incentives

Federal, state and local government bodies provide incentives to owners, distributors, system integrators and manufacturers of solar energy systems to promote solar energy in the form of rebates, tax credits, payments for renewable energy credits associated with renewable energy generation and exclusion of solar energy systems from property tax assessments. These incentives enable us to lower the price we charge customers for energy from, and to lease, our solar energy systems, helping to catalyze customer acceptance of solar energy as an alternative to utility-provided power. In addition, for some investors, the acceleration of depreciation creates a valuable tax benefit that reduces the overall cost of the solar energy system and increases the return on investment.

The federal government currently offers an investment tax credit (“Commercial ITC”) under Section 48(a) of the Internal Revenue Code of 1986, as amended (the “Code”), for the installation of certain solar power facilities owned for business purposes. If construction on the facility began before January 1, 2020, the amount of the Commercial ITC available is 30%, if construction began during 2020, 2021, or 2022 the amount of the Commercial ITC available is 26%, and if construction begins during 2023 the amount of the Commercial ITC available is 22%. The Commercial ITC steps down to 10% if construction of the facility begins after December 31, 2023 or if the facility is not placed in service before January 1, 2026. The depreciable basis of a solar facility is also reduced by 50% of the amount of any Commercial ITC claimed. The Internal Revenue Service (the “IRS”) provided taxpayers guidance in Notice 2018-59 for determining when construction has begun on a solar facility. This guidance is relevant for any facilities which we seek to deploy in future years but take advantage of a higher tax credit rate available for an earlier year. For example, we have sought to avail ourselves of the methods set forth in the guidance to retain the 30% Commercial ITC that was available prior to January 1, 2020 by incurring certain costs and taking title to equipment in 2019 or early 2020 and/or by performing physical work on components that will be installed in solar facilities. From and after 2023, we may seek to avail ourselves of the 26% credit rate by using these methods to establish the beginning of construction in 2020, 2021, or 2022 and we may plan to similarly further utilize the program in future years if the Commercial ITC step down continues. Congress may extend or otherwise alter the Commercial ITC, as well as the depreciation benefits for solar, via legislation in 2022.

More than half of the states, and many local jurisdictions, have established property tax incentives for renewable energy systems that include exemptions, exclusions, abatements and credits. Many states also have adopted procurement requirements for renewable energy, and in 2018 the California Energy Commission and California Building Standards Commission approved a standard for newly constructed single-family and multifamily residences up to three stories tall to be solar-powered beginning in 2020. Approximately thirty states and the District of Columbia have adopted a renewable portfolio standard (and approximately eight other states have some voluntary goal) that requires regulated utilities to procure a specified percentage of total electricity delivered in the state from eligible renewable energy sources, such as solar energy systems, by a specified date. To prove compliance with such mandates, utilities must surrender solar renewable energy credits (“SRECs”) to the applicable authority. Solar energy system owners such as our investment funds often are able to sell SRECs to utilities directly or in SREC markets.

While there are numerous federal, state and local government incentives that benefit our business, some adverse interpretations or determinations of new and existing laws can have a negative impact on our business.

Human Capital Management

At Sunrun, we are obsessed with our customers and our mission to work together to electrify homes, powered by a planet run by the sun. That is only made possible by focusing on and investing in our people.

At Sunrun, the foundation of all our talent programs and initiatives is fostering a culture of inclusive, connected and innovative teams. In 2021, we focused on talent attraction and acquisition, talent upskilling and bringing out the best in our employees to prepare us for accelerated growth and to meet our customer needs. We expanded our conscious leadership training strategy to encompass all management levels and launched an Everyday Leadership framework for all employees. We also introduced PowerU, an internal learning marketplace offering employees the ability to improve their skills and advance their careers by pursuing degrees and certifications fully funded by Sunrun.

Inclusion and Diversity. We believe we will accomplish our goals by having a diverse team that reflects the diversity of our customers and who can connect with the unique experiences and backgrounds of our customers. Our six Employee Resource Groups (ERGs) have grown to a membership of over 1,200 employees as of December 31, 2021. These ERGs promote connection and communication among our employees, assist in the development and facilitation of programming that supports personal and professional development while also supporting the company’s objectives. Annually, as part of our larger impact report on environment, sustainability and governance, we share details on our strategies, focus areas, outcomes achieved and workforce demographics.

Human Capital. As of December 31, 2021, we had approximately 11,383 full-time employees, inclusive of our active direct-to-home salesforce. Our front-line sales and installation teams are 84% of our total workforce. We also engage independent contractors and consultants. None of our employees are covered by collective bargaining agreements. We have not experienced any work stoppages.

Supporting Our Employees through COVID-19. We stay committed to keeping our customers and employees safe and healthy. In response to COVID-19, our cross functional task force continues to monitor safety standards and implement additional policies and protocols for employees.

Corporate Information

Our principal executive offices are located at 225 Bush Street, Suite 1400, San Francisco, California 94104, and our telephone number is (415) 580-6900. Our website address is www.sunrun.com. Information contained on, or that can be accessed through, our website does not constitute part of this Annual Report on Form 10-K and inclusions of our website address in this Annual Report on Form 10-K are inactive textual references only. We were formed in 2007 as a California limited liability company, and converted in 2008 into a Delaware corporation.

The Sunrun design logo, "Sunrun", "Brightbox" and our other registered or common law trademarks, service marks or trade names appearing in this Annual Report on Form 10-K are the property of Sunrun Inc. Other trademarks and trade names referred to in this Annual Report on Form 10-K are the property of their respective owners.

Available Information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Exchange Act. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements and other information that we file with the SEC electronically. Copies of our reports on Form 10-K, Forms 10-Q, Forms 8-K, and amendments to those reports may also be obtained, free of charge, electronically on the investor relations page on our website located at investors.sunrun.com as soon as reasonably practical after we file such material with, or furnish it to, the SEC.

We also use the investor relations page on our website as a channel of distribution for important company information. Important information, including press releases, analyst presentations and financial information regarding us, as well as corporate governance information, is routinely posted and accessible on the investor relations page on our website. Information on or that can be accessed through our website is not part of this Annual Report on Form 10-K, and the inclusion of our website address is an inactive textual reference only.

Item 1A. Risk Factors.

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes, before making a decision to invest in our common stock. The risks and uncertainties described below may not be the only ones we face. If any of the risks actually occur, our business, financial condition, results of operations, cash flows and prospects could be materially and adversely affected. In that event, the market price of our common stock could decline, and you could lose part or all of your investment.

Risks Related to the Impacts of COVID-19

The COVID-19 pandemic, including its variants, has had and could continue to have an adverse impact on our business, operations, and the markets and communities in which we operate. Efforts to mitigate or contain the pandemic and the resulting weakened economic conditions may disrupt and adversely affect our business.

The COVID-19 pandemic has had an unprecedented impact on the U.S. economy and has impacted our business and created significant uncertainties for our industry and the economy in general. As COVID-19 and its variants continue to spread and impact the country, effects such as the widespread growth in infections, travel restrictions, quarantines, return-to-work restrictions, government regulations, supply chain disruptions, workforce shortages, and site closures have impacted and may continue to impact our ability to staff sales and operations centers and install and maintain solar energy systems in the field, as well as direct-to-home sales activities of our Vivint Solar business. Vaccines and treatments for COVID-19 have been developed and are being administered in the United States and various countries around the world, nonetheless, the long-term efficacy, adoption rate, ease of accessibility, and other uncertain factors may prolong the impacts of the pandemic. The rise of increasingly infectious strains of COVID-19, such as the Delta and Omicron variants, has presented additional challenges and unpredictability that have, and may continue to have, resulted in workforce constraints, delays, and additional costs, particularly in regions experiencing significant outbreaks.

Due to these impacts and uncertainties, we have accelerated our transition to a more digital sales-focused model and reduced the size of certain parts of our workforce, particularly in our retail sales channels. We believe that the actions we have taken, and may continue to take in the future, to address these impacts will better position our company to manage these risks; however, we cannot ensure that the steps we have taken will be successful, and such steps may also disrupt our operations, impede our productivity, or otherwise be ineffective in a rapidly changing environment.

Furthermore, we are taking steps to mitigate the potential risks to us posed by the spread of COVID-19. For example, we are taking extra precautions to safeguard our employees who work in the field and for employees who continue to work in our facilities, including implementing social distancing policies, and have implemented work-from-home policies where appropriate. We have also implemented several protocols aimed at safeguarding customers. Because we provide a critical service to our customers, we believe that we must take steps aimed at keeping our employees and customers safe and minimizing unnecessary risk of exposure to the virus. Even with the mitigation strategies we have employed, we may not be successful in limiting the spread of COVID-19 among our employees or our customers, which could damage our reputation among our employee base and among our customers and materially and adversely impact our business and damage our reputation.

In an effort to curtail the spread of the disease, governing bodies and agencies, such as the Centers for Disease Control and Prevention, have continued to recommend protective measures, including those related to the wearing of facial coverings in public spaces, obtaining vaccines and booster shots, and isolating upon exposure. At Sunrun, we implemented a company-wide COVID-19 vaccine rewards campaign to encourage vaccination among team members. The prevalence of and frequency at which various state and local jurisdictions are adopting executive orders, shelter-in-place orders, quarantines, and similar government orders and restrictions on the operations of many businesses and industries in efforts to mitigate the impacts of COVID-19 and its variants have declined significantly. However, reinstatement of these types of measures to combat the virus and its variants could negatively impact our operations and ability to do business.

The COVID-19 pandemic has also led to significant volatility in global financial markets, which could negatively affect our cost of and access to capital and could have an adverse impact on customer demand and the financial health and credit risk associated with our customers. Future disruptions or instability in capital markets could also negatively impact our ability to raise capital from third parties, such as tax equity partners, to grow our business. In addition, significant inflation, a recession, or a market correction resulting from the impacts of the COVID-19 pandemic could adversely affect our business and the value of our common stock. The full economic impact of the pandemic is still not known. Our customers may face reduced income, unemployment or increased medical bills as a result of the pandemic, which could negatively impact their ability to pay for our services and may cause potential new customers to delay or choose not to engage in a dialogue with us about our services, which may materially and adversely impact our business.

COVID-19 has caused disruptions to the supply chain across the global economy, including within the solar industry, and we are working with our equipment suppliers to minimize disruptions to our operations. Certain suppliers have experienced, and may continue to experience, delays related to a variety of factors, including logistical delays, component shortages from upstream vendors, and COVID-related factory shutdowns. We continue to monitor the situation and are working closely with our solar partners and suppliers to develop contingency plans for potential operations and supply chain interruptions.

The global COVID-19 pandemic continues to rapidly evolve. The ultimate impact of the pandemic is highly uncertain, dependent on future developments that cannot be accurately predicted, and subject to change. We do not yet know the full extent of potential delays or impacts on our business, operations or the global economy as a whole. However, these effects could have a material impact on our operations. We will continue to monitor developments affecting our workforce, our customers, and our business operations generally and will take additional actions that we determine are necessary in order to mitigate the impacts, however, any steps we take may be inadequate and, as a result, our business may be harmed.

Risks Related to the Solar Industry

The solar energy industry is an emerging market which is constantly evolving and may not develop to the size or at the rate we expect.

The solar energy industry is an emerging and constantly evolving market opportunity. We believe the solar energy industry is still developing and maturing, and we cannot be certain that the market will grow to the size or at the rate we expect. For example, we have experienced increases in cancellations of our Customer Agreements in certain geographic markets during various periods in our operating history. Any future growth of the solar energy market and the success of our solar service offerings depend on many factors beyond our control, including recognition and acceptance of the solar service market by consumers, the pricing of alternative sources of energy, a favorable regulatory environment, the continuation of expected tax benefits and other incentives, and our ability to provide our solar service offerings cost effectively. If the markets for solar energy do not develop to the size or at the rate we expect, our business may be adversely affected.

Solar energy has yet to achieve broad market acceptance and depends in part on continued support in the form of rebates, tax credits, and other incentives from federal, state and local governments. If this support diminishes materially, our ability to obtain external financing on acceptable terms, or at all, could be materially adversely affected. These types of funding limitations could lead to inadequate financing support for the anticipated growth in our business. Furthermore, growth in residential solar energy depends in part on macroeconomic conditions, retail prices of electricity and customer preferences, each of which can change quickly. Declining macroeconomic conditions, including in the job markets and residential real estate markets, could contribute to instability and uncertainty among customers and impact their financial wherewithal, credit scores or interest in entering into long-term contracts, even if such contracts would generate immediate and long-term savings.

Furthermore, market prices of retail electricity generated by utilities or other energy sources could decline for a variety of reasons, as discussed further below. Any such declines in macroeconomic conditions, changes in retail prices of electricity or changes in customer preferences would adversely impact our business.

We have historically benefited from declining costs in our industry, and our business and financial results may be harmed not only as a result of any increases in costs associated with our solar service offerings but

also any failure of these costs to continue to decline as we currently expect. If we do not reduce our cost structure in the future, our ability to continue to be profitable may be impaired.

Declining costs related to raw materials, manufacturing and the sale and installation of our solar service offerings have been a key driver in the pricing of our solar service offerings and, more broadly, customer adoption of solar energy. While historically the prices of solar panels and raw materials have declined, the cost of solar panels and raw materials could increase in the future, and such products' availability could decrease, due to a variety of factors, including restrictions stemming from the COVID-19 pandemic, supply chain disruptions, tariffs and trade barriers, export regulations, regulatory or contractual limitations, industry market requirements, and changes in technology and industry standards.

For example, we and our solar partners purchase a significant portion of the solar panels used in our solar service offerings from overseas manufacturers. In January 2018, in response to a petition filed under Section 201 of the Trade Act of 1974, the United States imposed four-year tariffs on imported solar modules and imported solar cells not assembled into other products (the "Section 201 Module Tariffs") that apply to all imports above a 2.5 gigawatts (GW) annual threshold. The Section 201 Module Tariffs were 30% in 2018 and stepped down by 5% each year. While the tariffs were scheduled to expire in February 2022, U.S. International Trade Commission recommended that the Biden Administration extend the tariffs for another four years. On February 4, 2022, the Biden Administration announced a four-year extension of the Section 201 tariffs starting at 14.75%, with a modest reduction to the tariff rate each year. The decision exempted bifacial modules from the tariffs as well as 5 GW of imported solar cells each year.

The United States and China each imposed additional new tariffs in 2018 on various products imported from the other country. These include an additional 25% tariff imposed under Section 301 of the Trade Act of 1974 on solar panels and cells that are manufactured in China and a tariff on inverters, certain batteries and other electrical equipment initially set at 10%. In May 2019, the 10% tariff was increased to 25%. The United States also has, from time to time, considered tariffs on goods imported from other countries. For example, in August 2021, an anonymous group of U.S. solar manufacturers filed petitions with the U.S. Department of Commerce alleging that Chinese companies are evading antidumping and countervailing duty (AD/CVD) orders on crystalline silicon photovoltaic cells and modules, which are used in the production of solar panels. The petitions requested federal investigations into Chinese firms allegedly circumventing tariffs by manufacturing in Malaysia, Vietnam and Thailand, and seek to apply the existing tariffs on China to the specific companies in these three countries. Ultimately, the Department of Commerce objected to the petition and it expired.

In addition, the withhold release order issued by the U.S. Customs and Border Protection (CBP) on June 24, 2021 applicable to certain silica-based products, such as polysilicon, included in the manufacturing of solar panels, and any other allegations regarding forced labor in China and U.S. trade regulations to prohibit the importation of any goods derived from forced labor, could affect our supply chain and operations. Further, the Uyghur Forced Labor Prevention Act that President Biden signed into law on December 23, 2021 could also impact our supply chain and operations. Although we have implemented policies and procedures to maintain compliance with applicable laws and regulations, these and other similar trade restrictions that may be imposed in the future could restrict the global supply of polysilicon and solar products. This could result in near-term demand for available solar energy systems despite higher costs, as well as increase the cost of polysilicon and the overall cost of solar energy systems, potentially reducing demand for our products and services.

We cannot predict what actions may ultimately be taken with respect to tariffs or trade relations between the United States and other countries, what products may be subject to such actions, or what actions may be taken by the other countries in retaliation. The tariffs described above, the adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs, trade agreements or related policies have the potential to adversely impact our supply chain and access to equipment, our costs and ability to economically serve certain markets. Any such cost increases or decreases in availability could slow our growth and cause our financial results and operational metrics to suffer. We cannot predict whether and to what extent U.S. trade policies will change under the Biden Administration and cannot ensure that additional tariffs or other restrictive measures will not continue or increase.

Other factors may also impact costs, such as our choice to make significant investments to drive growth in the future.

We face competition from traditional energy companies as well as solar and other renewable energy companies.

The solar energy industry is highly competitive and continually evolving as participants strive to distinguish themselves within their markets and compete with large utilities. We believe that our primary competitors are the established utilities that supply energy to homeowners by traditional means. We compete with these utilities primarily based on price, predictability of price, and the ease by which homeowners can switch to electricity generated by our solar service offerings. If we cannot offer compelling value to customers based on these factors, then our business and revenue will not grow. Utilities generally have substantially greater financial, technical, operational and other resources than we do. As a result of their greater size, utilities may be able to devote more resources to the research, development, promotion and sale of their products or respond more quickly to evolving industry standards and changes in market conditions than we can. Furthermore, these competitors are able to devote substantially more resources and funding to regulatory and lobbying efforts.

Utilities could also offer other value-added products or services that could help them compete with us even if the cost of electricity they offer is higher than ours. In addition, a majority of utilities' sources of electricity are non-solar, which may allow utilities to sell electricity more cheaply than we can. Moreover, regulated utilities are increasingly seeking approval to "rate-base" their own residential solar and battery businesses. Rate-basing means that utilities would receive guaranteed rates of return for their solar and battery businesses. This is already commonplace for utility-scale solar projects and commercial solar projects. While few utilities to date have received regulatory permission to rate-base residential solar or storage, our competitiveness would be significantly harmed should more utilities receive such permission because we do not receive guaranteed profits for our solar service offerings.

We also face competition from other residential solar service providers. Some of these competitors have a higher degree of brand name recognition, differing business and pricing strategies, and greater capital resources than we have, as well as extensive knowledge of our target markets. If we are unable to establish or maintain a consumer brand that resonates with customers, maintain high customer satisfaction, or compete with the pricing offered by our competitors, our sales and market share position may be adversely affected, as our growth is dependent on originating new customers. We also face competitive pressure from companies that may offer lower-priced consumer offerings than we do.

In addition, we compete with companies that are not regulated like traditional utilities but that have access to the traditional utility electricity transmission and distribution infrastructure. These energy service companies are able to offer customers electricity supply-only solutions that are competitive with our solar service offerings on both price and usage of solar energy technology while avoiding the long-term agreements and physical installations that our current fund-financed business model requires. This may limit our ability to attract customers, particularly those who wish to avoid long-term contracts or have an aesthetic or other objection to putting solar panels on their roofs.

Furthermore, we face competition from purely finance-driven nonintegrated competitors that subcontract out the installation of solar energy systems, from installation businesses (including solar partners) that seek financing from external parties, from large construction companies and from electrical and roofing companies. In addition, local installers that might otherwise be viewed as potential solar partners may gain market share by being able to be the first providers in new local markets. Some of these competitors may provide energy at lower costs than we do. Finally, as declining prices for solar panels and related equipment has resulted in an increase in consumers purchasing instead of leasing solar energy systems, we face competition from companies that offer consumer loans for these solar panel purchases.

As the solar industry grows and evolves, we will continue to face existing competitors as well as new competitors who are not currently in the market (including those resulting from the consolidation of existing competitors) that achieve significant developments in alternative technologies or new products such as storage solutions, loan products, or other programs related to third-party ownership. Our failure to adapt to changing market conditions, to compete successfully with existing or new competitors and to adopt new or enhanced technologies could limit our growth and have a material adverse effect on our business and prospects.

A material drop in the retail price of utility-generated electricity or electricity from other sources would harm our business, financial condition, and results of operations.

A customer's decision to buy solar energy from us often stems from a desire to lower electricity costs. Decreases in the retail prices of electricity from utilities or other energy sources would harm our ability to offer competitive pricing and could harm our business. The price of electricity from utilities could decrease as a result of:

- the construction of a significant number of new power generation plants, including nuclear, coal, natural gas or renewable energy technologies;
- the construction of additional electric transmission and distribution lines;
- a reduction in the price of natural gas or other natural resources;
- energy conservation technologies and public initiatives to reduce electricity consumption;
- development of new energy technologies that provide less expensive energy, including storage; and
- utility rate adjustments and customer class cost reallocation.

A reduction in utility electricity prices would make the purchase of our solar service offerings less attractive. If the retail price of energy available from utilities were to decrease due to any of these or other reasons, we would be at a competitive disadvantage. As a result, we may be unable to attract new customers and our growth would be limited.

The production and installation of solar energy systems depends heavily on suitable meteorological and environmental conditions. If meteorological or environmental conditions are unexpectedly unfavorable, the electricity production from our solar service offerings may be below our expectations, and our ability to timely deploy new systems may be adversely impacted.

The energy produced and revenue and cash flows generated by a solar energy system depend on suitable solar and weather conditions, both of which are beyond our control. Furthermore, components of our systems, such as panels and inverters, could be damaged by severe weather or natural catastrophes, such as hailstorms, tornadoes, fires, or earthquakes. In these circumstances, we generally would be obligated to bear the expense of repairing the damaged solar energy systems that we own. Sustained unfavorable weather or environmental conditions also could unexpectedly delay the installation of our solar energy systems, leading to increased expenses and decreased revenue and cash flows in the relevant periods. Extreme weather conditions, as well as the natural catastrophes that could result from such conditions, can severely impact our operations by delaying the installation of our systems, lowering sales, and causing a decrease in the output from our systems due to smoke or haze. Weather patterns could change, making it harder to predict the average annual amount of sunlight striking each location where our solar energy systems are installed. This could make our solar service offerings less economical overall or make individual systems less economical. Any of these events or conditions could harm our business, financial condition, and results of operations.

Climate change may have long-term impacts on our business, our industry, and the global economy.

Climate change poses a systemic threat to the global economy and will continue to do so until our society transitions to renewable energy and decarbonizes. While our core business model seeks to accelerate this transition to renewable energy, there are inherent climate-related risks to our business operations. Warming temperatures throughout the United States, and in California, our biggest market, in particular, have contributed to extreme weather, intense drought, and increased wildfire risks. These events have the potential to disrupt our business, our third-party suppliers, and our customers, and may cause us to incur additional operational costs. For instance, natural disasters and extreme weather events associated with climate change can impact our operations by delaying the installation of our systems, leading to increased expenses and decreased revenue and cash flows in the period. They can also cause a decrease in the output from our systems due to smoke or haze. Additionally, if weather patterns significantly shift due to climate change, it may be harder to predict the average annual amount of sunlight striking each location where our solar energy systems are installed. This could make our solar service offerings less economical overall or make individual systems less economical.

Our corporate mission is to create a planet run by the sun, and we seek to mitigate these climate-related risks not only through our core business model and sustainability initiatives, but also by working with organizations who are also focused on mitigating their own climate-related risks.

Risks Related to Our Operating Structure and Financing Activities

We need to raise capital to finance the continued growth of our operations and solar service business. If capital is not available to us on acceptable terms, as and when needed, our business and prospects would be materially and adversely impacted. In addition, our business is affected by general economic conditions and related uncertainties affecting markets in which we operate. Volatility in current economic conditions could adversely impact our business, including our ability to raise financing.

Our future success depends on our ability to raise capital from third parties to grow our business. To date, we have funded our business principally through low-cost tax equity investment funds. If we are unable to establish new investment funds when needed, or upon desirable terms, the growth of our solar service business would be impaired. Changes in tax law could also affect our ability to establish such tax equity investment funds, impact the terms of existing or future funds, or reduce the pool of capital available for us to grow our business.

The contract terms in certain of our existing investment fund documents contain various conditions with respect to our ability to draw on financing commitments from the fund investors, including conditions that restrict our ability to draw on such commitments if an event occurs that could reasonably be expected to have a material adverse effect on the fund or, in some instances, us. If we are not able to satisfy such conditions due to events related to our business, a specific investment fund, developments in our industry, including tax or regulatory changes, or otherwise, and as a result, we are unable to draw on existing funding commitments, we could experience a material adverse effect on our business, liquidity, financial condition, results of operations and prospects. If any of the investors that currently invest in our investment funds decide not to invest in future investment funds to finance our solar service offerings due to general market conditions, concerns about our business or prospects or any other reason, or materially change the terms under which they are willing to provide future financing, we would need to identify new investors to invest in our investment funds and our cost of capital may increase.

In addition, our business and results of operations are materially affected by conditions in the global capital markets and the economy. A general slowdown or volatility in current economic conditions, the level of U.S. national debt, currency fluctuations, unemployment rates, the availability and cost of credit, the U.S. housing market, tariffs, trade wars, inflation levels, interest rates, energy costs, and concerns over a slowing economy or other factors, could adversely affect our business, including our ability to raise financing.

There can be no assurance that we will be able to continue to successfully access capital in a manner that supports the growth of our business. Certain sources of capital may not be available in the future, and competition for any available funding may increase. We cannot be sure that we will be able to maintain necessary levels of funding without incurring high funding costs, unfavorable changes in the terms of funding instruments or the liquidation of certain assets. If we are unable to continue to offer a competitive investment profile, we may lose access to these funds or they may only be available on less favorable terms than those provided to our competitors or currently provided to us. If we are unable to arrange new or alternative methods of financing on favorable terms, our business, liquidity, financial condition, results of operations, and prospects could be materially and adversely affected.

Rising interest rates would adversely impact our business.

Rising interest rates may increase our cost of capital. Our future success depends on our ability to raise capital from fund investors and obtain secured lending to help finance the deployment of our solar service offerings. Part of our business strategy is to seek to reduce our cost of capital through these arrangements to improve our margins, offset reductions in government incentives and maintain the price competitiveness of our solar service offerings. Rising interest rates, which could be worsened by inflation or an economic recession, may have an adverse impact on our ability to offer attractive pricing on our solar service offerings to customers, which could negatively impact sales of our solar energy offerings.

The majority of our cash flows to date have been from solar service offerings under Customer Agreements that have been monetized under various investment fund structures. One of the components of this monetization is the present value of the payment streams from customers who enter into these Customer Agreements. If the rate of return required by capital providers, including debt providers, rises as a result of a rise in interest rates, it will reduce the present value of the customer payment stream and consequently reduce the total value derived from this monetization. Any measures that we could take to mitigate the impact of rising interest rates on our ability to secure third-party financing could ultimately have an adverse impact on the value proposition that we offer customers.

We expect to incur substantially more debt in the future, which could intensify the risks to our business.

We and our subsidiaries expect to incur additional debt in the future, subject to the restrictions contained in our debt instruments. Some of our existing debt arrangements restrict our ability to incur additional indebtedness, including secured indebtedness, and we may be subject to similar restrictions under the terms of future debt arrangements. These restrictions could inhibit our ability to pursue our business strategies. Increases in our existing debt obligations would further heighten the debt related risk discussed above.

Furthermore, there is no assurance that we will be able to enter into new debt instruments on acceptable terms or at all. If we were unable to satisfy financial covenants and other terms under existing or new instruments, or obtain waivers or forbearance from our lenders, or if we were unable to obtain refinancing or new financings for our working capital, equipment, and other needs on acceptable terms if and when needed, our business would be adversely affected.

We may be required to make payments or contribute assets to our investors upon the occurrence of certain events, including one-time reset or true-up payments or upon the exercise of a redemption option by one of our tax equity investors.

Our investors in our tax equity investment funds typically advance capital to us based on, among other things, production capacity estimates. The models we use to calculate prepayments in connection with certain of our tax equity investment funds are updated at a fixed date occurring after placement in service of all applicable solar energy systems or an agreed upon date (typically within the first year of the applicable term) to reflect certain specified conditions, as they exist at such date including the ultimate system size of the equipment that was sold or leased to the tax equity investment fund, the cost thereof, and the date the equipment went into service. In some cases, these true-up models also incorporate any changes in law, which would include any reduction in rates (and thus any reduction in the benefits of depreciation). As a result of this true-up, applicable payments are resized, and we may be obligated to refund a portion of the tax equity investor's prepayments or to contribute additional assets to the tax equity investment fund. In addition, certain of our tax equity fund investors have the right to require us to purchase their interests in the tax equity investment funds after a set period of time, generally at a price equal to the greater of a set purchase price or fair market value of the interests at the time of the repurchase. Any significant refunds, capital contributions, or purchases that we may be required to make could adversely affect our liquidity or financial condition.

Loan financing developments could adversely impact our business.

The third-party ownership structure, which we bring to market through our solar service offerings, continues to be the predominant form of system ownership in the residential solar market in many states. However, with the development of new loan financing products, we have seen a modest shift from leasing and power purchase arrangements to outright purchases of the solar energy system by the customer (i.e., a customer purchases the solar energy system outright instead of leasing the system or buying power from us). Continued increases in third-party loan financing products and outright purchases could result in the demand for long-term Customer Agreements to decline, which would require us to shift our product focus to respond to the market trend and could have an adverse effect on our business. The majority of our customers have historically chosen our solar service offerings as opposed to buying a solar energy system outright. Our financial model is impacted by the volume of customers who choose our solar service offerings, and an increase in the number of customers who choose to purchase solar energy systems (whether for cash or through third-party financing) may harm our business and financial results.

Additionally, as discussed above, further reductions in the Commercial ITC as scheduled may impact the attractiveness of solar energy to certain customers and could potentially harm our business. Further reductions in, eliminations of, or expirations of, governmental incentives such as the Residential Energy Efficiency Tax Credit could reduce the number of customers who choose to purchase our solar energy systems.

Servicing our debt requires a significant amount of cash to comply with certain covenants and satisfy payment obligations, and we may not have sufficient cash flow from our business to pay our substantial debt and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

We have substantial amounts of debt, including our Notes, our \$425.0 million credit facility and the non-recourse debt facilities entered into by our subsidiaries, as discussed in more detail in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, in each case, included in this periodic report. Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness depends on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures to operate our business. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to timely repay or otherwise refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations and negatively impact our financial condition and prospects.

Indebtedness under certain of our Senior and Subordinated Debt Facilities bear interest at variable interest rates based on LIBOR, while our credit facility and certain other Senior and Subordinated Debt Facilities accrue interest at variable interest rates based on the Secured Overnight Financing Rate ("SOFR"). The potential replacement of LIBOR with SOFR or an alternative reference rate in the applicable debt facilities where interest is based on LIBOR may adversely affect interest rates charged with respect to such facilities and may otherwise affect our financial condition and results of operations. Our debt facilities accruing interest based on SOFR may suffer from potential volatility and uncertainty around SOFR as a LIBOR replacement rate which could adversely affect our financial condition and results of operations.

In July 2017, the U.K. Financial Conduct Authority, the authority that regulates LIBOR, announced that it intended to stop compelling banks to submit rates for the calculation of LIBOR after 2021. In March 2021, the U.K. Financial Conduct Authority announced that all LIBOR tenors will either cease to be provided by any benchmark administrator or will no longer be representative (a) with respect to the 1-week and 2-month U.S. dollar LIBOR tenors, immediately after December 31, 2021 and (b) with respect to all other U.S. dollar LIBOR tenors, immediately after June 30, 2023. As a result, it appears highly likely that LIBOR will be discontinued or significantly modified by June 30, 2023. In July 2021, the Alternative Reference Rates Committee ("ARRC") in the U.S., a steering committee comprised of large U.S. financial institutions and other market participants organized to ensure a successful transition away from U.S. dollar LIBOR, has identified SOFR as its preferred alternative rate to LIBOR for use in derivatives and other financial contracts that are currently indexed to LIBOR. ARRC has proposed a paced market transition plan to SOFR from U.S. dollar LIBOR and organizations are currently working on industry-wide and company-specific transition plans as relating to derivatives and cash markets exposed to U.S. dollar LIBOR. We have certain financial contracts, including many of our Senior and Subordinated Debt Facilities, that remain indexed to U.S. dollar LIBOR. Furthermore, changes in the method of determining LIBOR, or the replacement of LIBOR with an alternative reference rate, may adversely affect interest rates on our current or future indebtedness. Any transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that rely on LIBOR, reductions in the value of certain instruments or the effectiveness of related transactions such as hedges, increased borrowing costs, uncertainty under applicable documentation, or difficult and costly consent or amendment processes. We are monitoring this activity and evaluating the related risks, and any such effects of the transition away from LIBOR may result in increased expenses, may impair our ability to refinance our indebtedness or hedge our exposure to floating rate instruments, or may result in difficulties, complications or delays in connection with future financing efforts, any of which could adversely affect our financial condition and results of operations. In addition, certain of our debt facilities accrue interest based on SOFR. However, the extent to which SOFR will be widely accepted by financing parties as the replacement for LIBOR remains uncertain. This may, in turn, adversely affect the liquidity of the SOFR loan market and SOFR itself. Since the initial publication of SOFR, daily changes in the rate have, on occasion, been more volatile than daily changes in comparable benchmark or market rates, and SOFR over time may bear little or no relation to the historical actual or historical indicative data. Additionally, our

credit facilities based on SOFR include a credit adjustment on SOFR due to LIBOR representing an unsecured lending rate while SOFR represents a secured lending rate. The possible volatility of, and uncertainty around, SOFR as a LIBOR replacement rate and the applicable credit adjustment could result in higher borrowing costs for us, which would adversely affect our financial condition, and results of operations.

We may not have the ability to raise the funds necessary to settle conversions of the Convertible Senior Notes in cash or to repurchase the Convertible Senior Notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the Convertible Senior Notes.

Holders of the Convertible Senior Notes (the "Notes") will have the right to require us to repurchase all or a portion of their Notes upon the occurrence of a fundamental change under the indenture, which includes certain events such as a change of control, before the maturity date at a fundamental change repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid special interest, if any. In addition, upon conversion of the Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the Notes being converted. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Notes surrendered therefor or pay cash for Notes being converted. In addition, our ability to repurchase the Notes or to pay cash upon conversions of the Notes may be limited by law, by regulatory authority or by agreements governing our indebtedness at the time.

Our failure to repurchase Notes at a time when the repurchase is required by the indenture governing such Notes or to pay any cash payable on future conversions of the Notes as required by the indenture would constitute a default. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our existing or future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Notes or make cash payments upon conversions thereof.

We are subject to counterparty risk with respect to the capped call transactions.

In connection with our issuance of the Notes in January 2021, we entered into privately negotiated capped call transactions (the "Capped Call transactions") with certain financial institutions (the "option counterparties"). The option counterparties are financial institutions or affiliates of financial institutions, and we will be subject to the risk that one or more of such option counterparties may default under the Capped Call transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. If any option counterparty becomes subject to bankruptcy or other insolvency proceedings, with respect to such option counterparty's obligations under the relevant Capped Call transaction, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under such transaction. Our exposure will depend on many factors but, generally, an increase in our exposure will be positively correlated to an increase in our common stock market price and in the volatility of the market price of our common stock. In addition, upon a default by any of the option counterparties, we may suffer adverse tax consequences and dilution with respect to our common stock. We can provide no assurance as to the financial stability or viability of any of the option counterparties.

Risks Related to Regulation and Policy

We rely on certain utility rate structures, such as net metering, to offer competitive pricing to customers in all of our current markets, and changes to those policies, such as those currently under consideration by the California Public Utilities Commission, may significantly reduce demand for electricity from our solar service offerings.

As of December 31, 2021, a substantial majority of states have adopted net metering policies. Net metering policies allow homeowners to serve their own energy load using on-site generation while avoiding the full retail volumetric charge for electricity. Electricity that is generated by a solar energy system and consumed on-site avoids a retail energy purchase from the applicable utility, and excess electricity that is exported back to the electric grid generates a retail credit within a homeowner's monthly billing period. At the end of the monthly billing period, if the homeowner has generated excess electricity within that month, the homeowner typically carries forward a credit for any excess electricity to be offset against future utility energy purchases. At the end of an annual billing period or

calendar year, utilities either continue to carry forward a credit, or reconcile the homeowner's final annual or calendar year bill using different rates (including zero credit) for the exported electricity.

Utilities, their trade associations, and fossil fuel interests in the country are currently challenging net metering policies, and seeking to eliminate them, cap them, reduce the value of the credit provided to homeowners for excess generation, or impose charges on homeowners that have net metering.

In early 2016, we initially ceased new installations in Nevada in response to the elimination of net metering by the Public Utilities Commission of Nevada ("PUCN"). However, in June 2017, Nevada enacted legislation, AB 405, to restore net metering at a reduced credit and guarantee new customers the net metering rate in effect at the time they applied for interconnection for 20 years. In December 2016, the Arizona Corporation Commission ("ACC") issued a decision to eliminate net metering for new solar customers and replace it with a net-feed in tariff (a fixed export rate). In 2019 Connecticut extended net metering through 2021, succeeded by a net metering-equivalent value. In December 2020, the Utah PSC established a new compensation rate at roughly 45% below the average retail rate as the outcome of a case to quantify the value of power exported from behind-the-meter solar energy systems.

Some states set limits on the total percentage of a utility's customers that can adopt net metering or set a timeline to evaluate net metering successor tariffs. For example, South Carolina passed legislation in 2019 that required review of net metering after two years. In 2021, the South Carolina Public Service Commission approved a portion of Duke Energy's proposal that maintains the net metering framework (with the final adoption pending) and rejected a proposal to eliminate net metering altogether. In 2021 legislation, Illinois changed its net metering threshold from a percentage of customers to a date certain (December 31, 2024) with a directed successor tariff. New Jersey currently has no net metering cap; however, it has a threshold that triggers commission review of its net metering policy. These policies could be subject to change in the future, and other states we serve now or in the future may adopt net metering caps. If the net metering caps in these jurisdictions are reached without an extension of net metering policies, homeowners in those jurisdictions will not have access to the economic value proposition net metering provides. Our ability to sell our solar service offerings may be adversely impacted by the failure to extend existing limits to net metering or the elimination of currently existing net metering policies. The failure to adopt a net metering policy where it currently is not in place would pose a barrier to entry in those states.

Additionally, the imposition of charges that only or disproportionately impact homeowners that have solar energy systems, or the introduction of rate designs mentioned above, would adversely impact our business. Because fixed charges cannot easily be avoided with the installation of an on-site battery, which can mitigate or eliminate the negative impacts of net metering changes, these fixed charges have the potential to cause a more significant adverse impact. In June of 2021, two of four commissioners of the Federal Energy Regulatory Commission ("FERC"), including its chairperson, issued a letter stating there was a "strong case" such fixed charges in Alabama "may be violating the Commission's PURPA regulations, undermining the statute's purpose of encouraging Qualifying Facilities," which is the Commission's term for on-site generation. Litigation regarding the legality of these charges is ongoing in federal court.

The California Public Utilities Commission ("CPUC") is revisiting its net metering policy in a proceeding that began in the third quarter of 2020. The California investor-owned utilities, along with other parties, are seeking to significantly reduce the level of compensation for customer-owned generation and to impose large fixed fees on solar customers. The CPUC released a Proposed Decision on the matter in December 2020. If adopted, the Proposed Decision would have an adverse effect on our business. On February 3, 2021, the CPUC said it has paused the proceeding "until further notice" to "consider revisions to the proposed decision." In addition, California Governor Gavin Newsom said at a press conference there is "work to do" on the proposal. However, there is no guarantee that substantial modifications to the proposal will occur before enactment. The CPUC has made changes to rate design for solar customers in the past, such as adopting "time of use" rates which reduce the value of electricity when solar energy is the most plentiful, as well as modifications to the minimum bill for solar customers. Similarly, certain California municipal utilities, which are not regulated by the CPUC and would not be governed by the CPUC's net metering policy, have also reviewed their net metering policies. In September 2021, the Sacramento Municipal Utility District (SMUD) ordered a change in its solar tariff, reducing the compensation of solar energy exported to the grid for new solar customers effective March 1, 2022. Such reviews have been taking place at California municipal utilities since 2015. More of our revenue is generated in California than any other state.

Electric utility statutes and regulations and changes to such statutes or regulations may present technical, regulatory and economic barriers to the purchase and use of our solar service offerings that may significantly reduce demand for such offerings.

Federal, state and local government statutes and regulations concerning electricity heavily influence the market for our solar service offerings and are constantly evolving. These statutes, regulations, and administrative rulings relate to electricity pricing, net metering, consumer protection, incentives, taxation, competition with utilities and the interconnection of homeowner-owned and third party-owned solar energy systems to the electrical grid. These statutes and regulations are constantly evolving. Governments, often acting through state utility or public service commissions, change and adopt different rates for residential customers on a regular basis and these changes can have a negative impact on our ability to deliver savings, or energy bill management, to customers.

In addition, many utilities, their trade associations, and fossil fuel interests in the country, which have significantly greater economic, technical, operational, and political resources than the residential solar industry, are currently challenging solar-related policies to reduce the competitiveness of residential solar energy. Any adverse changes in solar-related policies could have a negative impact on our business and prospects.

Regulations and policies related to rate design could deter potential customers from purchasing our solar service offerings, reduce the value of the electricity our systems produce, and reduce any savings that our customers could realize from our solar service offerings.

All states regulate investor-owned utility retail electricity pricing. In addition, there are numerous publicly owned utilities and electric cooperatives that establish their own retail electricity pricing through some form of regulation or internal process. These regulations and policies could deter potential customers from purchasing our solar service offerings. For example, some utilities in states such as Arizona and Utah have sought and secured rate design changes that reduce credit for residential solar exports to below the retail rate and impose new charges for rooftop solar customers. Utilities in additional states may follow suit. Such rate changes can include changing rates to charge lower volume-based rates—the rates charged for kilowatt hours of electricity purchased by a residential customer—while raising unavoidable fixed charges that a homeowner is subject to when they purchase solar energy from third parties, and levying charges on homeowners based on their point of maximum demand during a month (referred to as “demand charge”). For example, the Arizona Public Service Company offers residential demand charge rate plans and if our solar customers have subscribed to those plans, they may not realize typical savings from our offerings. These forms of rate design could adversely impact our business by reducing the value of the electricity our solar energy systems produce compared to retail net metering, and reducing any savings customers realize by purchasing our solar service offerings. These proposals could continue or be replicated in other states. In addition to changes in general rates charged to all residential customers, utilities are increasingly seeking solar-specific charges (which may be fixed charges, capacity-based charges, or other rate charges). Any of these changes could materially reduce the demand for our offerings and could limit the number of markets in which our offerings are competitive with electricity provided by the utilities.

We are not currently regulated as a utility under applicable laws, but we may be subject to regulation as a utility in the future or become subject to new federal and state regulations for any additional solar service offerings we may introduce in the future.

Most federal, state, and municipal laws do not currently regulate us as a utility. As a result, we are not subject to the various regulatory requirements applicable to U.S. utilities. However, any federal, state, local or other applicable regulations could place significant restrictions on our ability to operate our business and execute our business plan by prohibiting or otherwise restricting our sale of electricity. These regulatory requirements could include restricting our sale of electricity, as well as regulating the price of our solar service offerings. For example, the New York Public Service Commission and the Illinois Power Agency have issued orders regulating distributed energy providers in certain ways as if they were energy service companies, which increases the regulatory compliance burden for us in such states. If we become subject to the same regulatory authorities as utilities in other states or if new regulatory bodies are established to oversee our business, our operating costs could materially increase.

Our business depends in part on the regulatory treatment of third-party-owned solar energy systems.

Our Customer Agreements are third-party ownership arrangements. Sales of electricity by third parties face regulatory challenges in some states and jurisdictions. These challenges pertain to issues such as whether third-party-owned systems qualify for the same rebates, tax exemptions or other non-tax incentives available for homeowner-owned solar energy systems, whether third-party-owned systems are eligible at all for these incentives, and whether third-party-owned systems are eligible for net metering and the associated significant cost savings. In 2021, South Carolina enacted legislation providing a solar property tax exemption. Texas and Connecticut clarified

through legislation that third-party owned residential solar systems would be treated the same as customer-owned systems, and would qualify for the existing residential solar property tax exemption. Adverse regulatory treatment of third-party ownership arrangements could reduce demand for our solar service offerings, adversely impact our access to capital and cause us to increase the price we charge customers for energy.

Interconnection limits or circuit-level caps imposed by regulators may significantly reduce our ability to sell electricity from our solar service offerings in certain markets or slow interconnections, harming our growth rate and customer satisfaction scores.

Interconnection rules establish the circumstances in which rooftop solar will be connected to the electricity grid. Interconnection limits or circuit-level caps imposed by regulators may curb our growth in key markets. Utilities throughout the country have different rules and regulations regarding interconnection and some utilities cap or limit the amount of solar energy that can be interconnected to the grid. Our systems do not provide power to customers until they are interconnected to the grid.

Interconnection regulations are based on claims from utilities regarding the amount of solar energy that can be connected to the grid without causing grid reliability issues or requiring significant grid upgrades. Although recent rulings from the Hawaii Utilities Commission have helped resolve some problems, historically, interconnection limits or circuit-level caps have slowed the pace of our installations in Hawaii. Similar interconnection limits could slow our future installations in Hawaii or other markets, harming our growth rate and customer satisfaction scores. Similarly, the California and Hawaii Public Utilities Commissions require the activation of some advanced inverter functionality to head off presumed grid reliability issues, which may require more expensive equipment and more oversight of the operation of the solar energy systems over time. As a result, these regulations may hamper our ability to sell our offerings in certain markets and increase our costs, adversely affecting our business, operating results, financial condition, and prospects. We expect utility requirements to incorporate these advanced functions provided by the IEEE 1547-2018/UL-1741 SB inverters and that they will become more commonplace. Additional states are expected to adopt the usage of advanced inverters to align with California's anticipated requirement that all new systems use inverters certified to the new UL 1741 SB standard. This requirement could become effective in California during the second quarter of 2023.

Risks Related to Our Business Operations

Our growth depends in part on the success of our relationships with third parties, including our solar partners.

A key component of our growth strategy is to develop or expand our relationships with third parties. For example, we are investing resources in establishing strategic relationships with market players across a variety of industries, including large retailers, to generate new customers. These programs may not roll out as quickly as planned or produce the results we anticipated. A significant portion of our business depends on attracting and retaining new and existing solar partners. Negotiating relationships with our solar partners, investing in due diligence efforts with potential solar partners, training such third parties and contractors, and monitoring them for compliance with our standards require significant time and resources and may present greater risks and challenges than expanding a direct sales or installation team. If we are unsuccessful in establishing or maintaining our relationships with these third parties, our ability to grow our business and address our market opportunity could be impaired. Even if we are able to establish and maintain these relationships, we may not be able to execute on our goal of leveraging these relationships to meaningfully expand our business, brand recognition and customer base. This would limit our growth potential and our opportunities to generate significant additional revenue or cash flows.

We and our solar partners depend on a limited number of suppliers of solar panels, batteries, and other system components to adequately meet anticipated demand for our solar service offerings. Any shortage, bottlenecks, delay, detentions, or component price change from these suppliers, or the acquisition of any of these suppliers by a competitor, could result in sales and installation delays, cancellations, and loss of market share.

We and our solar partners purchase solar panels, inverters, batteries, and other system components from a limited number of suppliers, making us susceptible to quality issues, shortages, bottlenecks, and price changes. If we or our solar partners fail to develop, maintain and expand our relationships with these or other suppliers, we may be unable to adequately meet anticipated demand for our solar service offerings, or we may only be able to offer our systems at higher costs or after delays. If one or more of the suppliers that we or our solar partners rely upon to

meet anticipated demand ceases or reduces production, we may be unable to quickly identify alternate suppliers or to qualify alternative products on commercially reasonable terms, and we may be unable to satisfy this demand.

The acquisition of a supplier by one of our competitors could also limit our access to such components and require significant redesigns of our solar energy systems or installation procedures and have a material adverse effect on our business.

In particular, there is a limited number of suppliers of inverters, which are components that convert electricity generated by solar panels into electricity that can be used to power the home. For example, once we design a system for use with a particular inverter, if that type of inverter is not readily available at an anticipated price, we may incur delays and additional expenses to redesign the system. Further, the inverters on our solar energy systems generally carry only ten year warranties. If there is an inverter equipment shortage in a year when a substantial number of inverters on our systems need to be replaced, we may not be able to replace the inverters to maintain proper system functioning or may be forced to do so at higher than anticipated prices, either of which would adversely impact our business.

Similarly, there is a limited number of suppliers of batteries. Once we design a system for use with a particular battery, if that type of battery is not readily available from our supplier, we may incur delays and additional expenses to install the system or be forced to redesign the system. Global demand has increased for lithium-ion battery cells, which may cause challenges for our battery suppliers, including delays or price volatility. Any such delays or reduced availability of battery cells (or other component materials) may impact our sales and operating results. Further, these risks may increase as market demand for our solar and battery offering grows.

There have also been periods of industry-wide shortage of key components, including solar panels, batteries and inverters, in times of rapid industry growth or regulatory change. For example, guidance from the IRS on the steps required for construction to be deemed to have commenced in time to qualify for federal investment tax credits resulted in significant module shortages in the market as utilities and large commercial customers started purchasing supplies in advance of the December 2019 deadline to qualify for a 30% Commercial ITC. Further, new or unexpected changes in rooftop fire codes or building codes may require new or different system components to satisfy compliance with such newly effective codes or regulations, which may not be readily available for distribution to us or our suppliers. The manufacturing infrastructure for some of these components has a long lead time, requires significant capital investment and relies on the continued availability of key commodity materials, potentially resulting in an inability to meet demand for these components and, as a result, could negatively impact our ability to install systems in a timely manner. Additionally, any decline in the exchange rate of the U.S. dollar compared to the functional currency of our component suppliers could increase our component prices. Any of these shortages, delays or price changes could limit our growth, cause cancellations or adversely affect our operating margins, and result in loss of market share and damage to our brand.

In addition, our supply chain and operations (or those of our partners) could be subject to events beyond our control, such as earthquakes, wildfires, flooding, hurricanes, tsunamis, typhoons, volcanic eruptions, droughts, tornadoes, the effects of climate change and related extreme weather, public health issues and pandemics, war, terrorism, government restrictions or limitations on trade, and geo-political unrest and uncertainties. For example, COVID-19 has caused disruptions to the supply chain across the global economy, including within the solar industry, and we are working with our equipment suppliers to minimize disruptions to our operations. The extent to which the COVID-19 pandemic may continue to impact our supply chain and operations is uncertain. The extent of the impact of the COVID-19 pandemic on our business and operations will depend on several factors that are indeterminable at this time, such as the duration, severity, and geographic spread of the outbreak and the impact of variants.

Human rights issues in foreign countries and the U.S. government response to them could also disrupt our supply chain and operations. For example, the withhold release order issued by the U.S. Customs and Border Protection (CBP) on June 24, 2021 applicable to certain silica-based products manufactured in the Xinjiang Uygur Autonomous Region of China, and any other allegations regarding forced labor in China and U.S. trade regulations to prohibit the importation of any goods derived from forced labor, could affect our supply chain and operations. Although we have implemented policies and procedures to maintain compliance with applicable laws and regulations, these and other similar trade restrictions that may be imposed in the future could cause delivery and installation delays, and restrict the global supply of polysilicon and solar products. This could result in near-term demand for available solar energy systems despite higher costs, as well as increased costs of polysilicon and the overall cost of solar energy systems, potentially reducing demand for our products and services.

As the primary entity that contracts with customers, we are subject to risks associated with construction, cost overruns, delays, customer cancellations, regulatory compliance, and other contingencies, any of which could have a material adverse effect on our business and results of operations.

We are a licensed contractor in certain communities that we service, and we are ultimately responsible as the contracting party for every solar energy system installation. We may be liable, either directly or through our solar partners, to customers for any damage we cause to them, their home, belongings, or property during the installation of our systems. For example, we, either directly or through our solar partners, frequently penetrate customers' roofs during the installation process and may incur liability for the failure to adequately weatherproof such penetrations following the completion of construction. In addition, because the solar energy systems we or our solar partners deploy are high voltage energy systems, we may incur liability for any failure to comply with electrical standards and manufacturer recommendations.

For example, on December 2, 2020, the California Contractors State License Board (the "CSLB") filed an administrative proceeding against Sunrun and certain of its officers related to an accident that occurred during an installation by one of our channel partners, Horizon Solar Power, which holds its own license with the CSLB. On November 8, 2021, the parties entered into a stipulated settlement imposing citations and withdrawing the administrative proceeding with additional conditions. We have consistently denied wrongdoing concerning the allegations in the administrative proceeding and made no admissions of wrongdoing incident to the settlement. We could face other similar claims or proceedings in the future, which, if not resolved in our favor, could potentially result in fines, public reprimand, probation, or the suspension or revocation of certain of our licenses.

Completing the sale and installation of a solar energy system requires many different steps including a site audit, completion of designs, permitting, installation, electrical sign-off and interconnection. Customers may cancel their Customer Agreement, subject to certain conditions, during this process until commencement of installation, and we have experienced increased customer cancellations in certain geographic markets during certain periods in our operating history. We or our solar partners may face customer cancellations, delays or cost overruns which may adversely affect our or our solar partners' ability to ramp up the volume of sales or installations in accordance with our plans. These cancellations, delays or overruns may be the result of a variety of factors, such as labor shortages or other labor issues, defects in materials and workmanship, adverse weather conditions, transportation constraints, construction change orders, site changes or roof conditions, geographic factors and other unforeseen difficulties, any of which could lead to increased cancellation rates, reputational harm and other adverse effects. For example, some customer orders are cancelled after a site visit if we determine that a customer needs to make repairs to or install a new roof, or that there is excessive shading on their property. If we continue to experience increased customer cancellations, our financial results may be materially and adversely affected.

In addition, the installation of solar energy systems and other energy-related products requiring building modifications are subject to oversight and regulation in accordance with national, state and local laws and ordinances relating to building, fire and electrical codes, safety, environmental protection, utility interconnection and metering, and related matters. We also rely on certain of our and our partners' employees to maintain professional licenses in many of the jurisdictions in which we operate, and our failure to employ properly licensed personnel could adversely affect our licensing status in those jurisdictions. It is difficult and costly to track the requirements of every individual authority having jurisdiction over our installations and to design solar energy systems to comply with these varying standards. Any new government regulations or utility policies pertaining to our systems may result in significant additional expenses to us and our customers and, as a result, could cause a significant reduction in demand for our solar service offerings.

We have a variety of stringent quality standards that we apply in the selection, supervision, and oversight of our third-party suppliers and solar partners. We exercise oversight over our partners through written agreements requiring compliance with the laws and requirements of all jurisdictions, including regarding safety and consumer protections, by oversight of compliance with these agreements, and enforced by termination of a partner relationship for failure to meet those obligations. However, because our suppliers and partners are third parties, ultimately, we cannot guarantee that they will follow our standards or ethical business practices, such as fair wage practices and compliance with environmental, safety and other local laws, despite our efforts to hold them accountable to our standards. A lack of demonstrated compliance could lead us to seek alternative suppliers or contractors, which could increase our costs and result in delayed delivery or installation of our products, product shortages or other disruptions of our operations. Violation of labor or other laws by our suppliers and solar partners or the divergence of a supplier's or solar partner's labor or other practices from those generally accepted as ethical

in the United States or other markets in which we do business could also attract negative publicity for us and harm our business, brand and reputation in the market.

We typically bear the risk of loss and the cost of maintenance, repair and removal on solar energy systems that are owned or leased by our investment funds.

We typically bear the risk of loss and are generally obligated to cover the cost of maintenance, repair and removal for any solar energy system that we sell or lease to our investment funds. At the time we sell or lease a solar energy system to an investment fund, we enter into a maintenance services agreement where we agree to operate and maintain the system for a fixed fee that is calculated to cover our future expected maintenance costs. If our solar energy systems require an above-average amount of repairs or if the cost of repairing systems were higher than our estimate, we would need to perform such repairs without additional compensation. If our solar energy systems, more than 40% of which were located in California as of December 31, 2021, are damaged as the result of a natural disaster beyond our control, losses could exceed or be excluded from, our insurance policy limits, and we could incur unforeseen costs that could harm our business and financial condition. We may also incur significant costs for taking other actions in preparation for, or in reaction to, such events. We purchase property insurance with industry standard coverage and limits approved by an investor's third-party insurance advisors to hedge against such risk, but such coverage may not cover our losses.

Product liability claims against us could result in adverse publicity and potentially significant monetary damages.

If our solar service offerings, including our racking systems, photovoltaic modules, batteries, inverters, or other products, injured someone, we would be exposed to product liability claims. Because solar energy systems and many of our other current and anticipated products are electricity-producing devices, it is possible that customers or their property could be injured or damaged by our products, whether by product malfunctions, defects, improper installation or other causes. We rely on third-party manufacturing warranties, warranties provided by our solar partners and our general liability insurance to cover product liability claims and have not obtained separate product liability insurance. Our solar energy systems, including our photovoltaic modules, batteries, inverters, and other products, may also be subject to recalls due to product malfunctions or defects. Any product liability claim we face could be expensive to defend and divert management's attention. The successful assertion of product liability claims against us could result in potentially significant monetary damages that could require us to make significant payments, as well as subject us to adverse publicity, damage our reputation and competitive position and adversely affect sales of our systems and other products. In addition, product liability claims, injuries, defects or other problems experienced by other companies in the residential solar industry could lead to unfavorable market conditions to the industry as a whole, and may have an adverse effect on our ability to attract customers, thus affecting our growth and financial performance.

Our business is concentrated in certain markets, putting us at risk of region-specific disruptions.

As of December 31, 2021, more than 40% of our customers were in California, and we expect many of our future installations to be in California, which could further concentrate our customer base and operational infrastructure. Accordingly, our business and results of operations are particularly susceptible to adverse economic, regulatory, political, weather and other conditions in this market, including the impacts of the COVID-19 pandemic, and in other markets that may become similarly concentrated, in particular the east coast, where we have seen significant growth recently.

Our corporate and sales headquarters are located in San Francisco, California, an area that has a heightened risk of earthquakes and nearby wildfires. We may not have adequate insurance, including business interruption insurance, to compensate us for losses that may occur from any such significant events. A significant natural disaster, such as an earthquake or wildfire, or a public health crisis, such as a pandemic, or civil unrest could have a material adverse impact on our business, results of operations and financial condition. In addition, acts of terrorism or malicious computer viruses could cause disruptions in our or our solar partners' businesses or the economy as a whole. To the extent that these disruptions result in delays or cancellations of installations or the deployment of our solar service offerings, our business, results of operations and financial condition would be adversely affected.

The majority of the Vivint Solar business is conducted using the direct-to-home sales channel and changes to the applicable laws and regulations governing direct-to-home sales and marketing may limit or restrict our ability to effectively compete.

Historically, the Vivint Solar business' primary sales channel has been a direct-to-home sales model. We are vulnerable to changes in laws and regulations related to direct sales and marketing that could impose additional limitations on unsolicited residential sales calls and may impose additional restrictions such as adjustments to our marketing materials and direct-selling processes, and new training for personnel. If additional laws and regulations affecting direct sales and marketing are passed in the markets in which we operate, it would take time to train our sales professionals to comply with such laws, and we may be exposed to fines or other penalties for violations of such laws. If we fail to compete effectively through our direct-selling efforts, our financial condition, results of operations and growth prospects could be adversely affected.

Expansion into new sales channels could be costly and time-consuming. As we enter new channels, we could be at a disadvantage relative to other companies who have more history in these spaces.

As we continue to expand into new sales channels, such as direct-to-home, homebuilder, retail, and e-commerce channels and adapt to a remote selling model, we have incurred and may continue to incur significant costs. In addition, we may not initially or ever be successful in utilizing these new channels. Furthermore, we may not be able to compete successfully with companies with a historical presence in such channels, and we may not realize the anticipated benefits of entering such channels, including efficiently increasing our customer base and ultimately reducing costs. Entering new channels also poses the risk of conflicts between sales channels. If we are unable to successfully compete in new channels, our operating results and growth prospects could be adversely affected.

Obtaining a sales contract with a potential customer does not guarantee that the potential customer will not decide to cancel or that we will not need to cancel due to a failed inspection, which could cause us to generate no revenue despite incurring costs and adversely affect our results of operations.

Even after we secure a sales contract with a potential customer, we (either directly or through our solar partners) must perform an inspection to ensure the home, including the rooftop, meets our standards and specifications. If the inspection finds repairs to the rooftop are required in order to satisfy our standards and specifications to install the solar energy system, and a potential customer does not want to make such required repairs, we would lose that anticipated sale. In addition, per the terms of our Customer Agreements, a customer maintains the ability to cancel before commencement of installation, subject to certain conditions. Any delay or cancellation of an anticipated sale could materially and adversely affect our financial results, as we may have incurred sales-related, design-related, and other expenses and generated no revenue.

The value of our solar energy systems at the end of the associated term of the lease or power purchase agreement may be lower than projected, which may adversely affect our financial performance and valuation.

We depreciate the costs of our solar energy systems over their estimated useful life of 35 years. At the end of the initial typically 20- or 25-year term of the Customer Agreement, customers may choose to purchase their solar energy systems, ask to remove the system at our cost or renew their Customer Agreements. Customers may choose to not renew or purchase for any reason, including pricing, decreased energy consumption, relocation of residence, or switching to a competitor product.

Furthermore, it is difficult to predict how future environmental regulations may affect the costs associated with the removal, disposal or recycling of our solar energy systems. If the value in trade or renewal revenue is less than we expect, we may be required to recognize all or some of the remaining unamortized costs. This could materially impair our future results of operations.

We are exposed to the credit risk of customers and payment delinquencies on our accounts receivables.

Our Customer Agreements are typically for 20 or 25 years and require the customer to make monthly payments to us. Accordingly, we are subject to the credit risk of customers. As of December 31, 2021, the average FICO score of our customers under a Customer Agreement with a monthly payment schedule remained at or above

740, which is generally categorized as a "Very Good" credit profile by the Fair Isaac Corporation. However, this may decline to the extent FICO score requirements under future investment funds are relaxed. While customer defaults have been immaterial to date, we expect that the risk of customer defaults may increase as we grow our business. Due to the immaterial amount of customer defaults to date, our reserve for this exposure is minimal, and our future exposure may exceed the amount of such reserves. If we experience increased customer credit defaults, our revenue and our ability to raise new investment funds could be adversely affected. If economic conditions worsen, certain of our customers may face liquidity concerns and may be unable to satisfy their payment obligations to us on a timely basis or at all, which could have a material adverse effect on our financial condition and results of operations.

We may not realize the anticipated benefits of past or future investments, strategic transactions, or acquisitions, and integration of these acquisitions may disrupt our business and management.

We have in the past and may in the future, acquire companies, Project pipelines, Projects, SRECs, products, or technologies or enter into joint ventures or other strategic transactions. For example, we completed the acquisition of Vivint Solar on October 8, 2020. Also, in July 2020, we announced a venture with SK E&S Co., Ltd. and other affiliated companies focused on home electrification. We may not realize the anticipated benefits of past or future investments, strategic transactions, or acquisitions, and these transactions involve numerous risks that are not within our control. These risks include the following, among others:

- failure to satisfy the required conditions and otherwise complete a planned acquisition, joint venture or other strategic transaction on a timely basis or at all;
- legal or regulatory proceedings, if any, relating to a planned acquisition, joint venture or other strategic transaction and the outcome of such legal proceedings;
- difficulty in assimilating the operations, systems, and personnel of the acquired company, especially given our unique culture;
- difficulty in effectively integrating the acquired technologies or products with our current products and technologies;
- difficulty in maintaining controls, procedures and policies during the transition and integration;
- disruption of our ongoing business and distraction of our management and employees from other opportunities and challenges due to integration issues;
- difficulty integrating the acquired company's accounting, management information and other administrative systems;
- inability to retain key technical and managerial personnel of the acquired business;
- inability to retain key customers, vendors and other business partners of the acquired business;
- inability to achieve the financial and strategic goals for the acquired and combined businesses;
- incurring acquisition-related costs or amortization costs for acquired intangible assets that could impact our results of operations;
- significant post-acquisition investments which may lower the actual benefits realized through the acquisition;

- potential failure of the due diligence processes to identify significant issues with product quality, legal, and financial liabilities, among other things;
- moderating and anticipating the impacts of inherent or emerging seasonality in acquired customer agreements;
- potential inability to assert that internal controls over financial reporting are effective; and
- potential inability to obtain, or obtain in a timely manner, approvals from governmental authorities, which could delay or prevent such acquisitions.

Our failure to address these risks, or other problems encountered in connection with our past or future investments, strategic transactions, or acquisitions, could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities, and harm our business generally. Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses, incremental expenses or the write-off of goodwill, any of which could harm our financial condition or results of operations, and the trading price of our common stock could decline.

Mergers and acquisitions are inherently risky, may not produce the anticipated benefits and could adversely affect our business, financial condition or results of operations.

If we are unsuccessful in developing and maintaining our proprietary technology, including our BrightPath software, our ability to attract and retain solar partners could be impaired, our competitive position could be harmed and our revenue could be reduced.

Our future growth depends on our ability to continue to develop and maintain our proprietary technology that supports our solar service offerings, including our design and proposal software, BrightPath. In addition, we rely, and expect to continue to rely, on licensing agreements with certain third parties for aerial images that allow us to efficiently and effectively analyze a customer's rooftop for solar energy system specifications. In the event that our current or future products require features that we have not developed or licensed, or we lose the benefit of an existing license, we will be required to develop or obtain such technology through purchase, license or other arrangements. If the required technology is not available on commercially reasonable terms, or at all, we may incur additional expenses in an effort to internally develop the required technology. In addition, our BrightPath software was developed, in part, with U.S. federal government funding. When new technologies are developed with U.S. government funding, the government obtains certain rights in any resulting patents, including a nonexclusive license authorizing the government to use the invention for non-commercial purposes. These rights may permit the government to disclose certain confidential information related to BrightPath to third parties and to exercise "march-in" rights to use or allow third parties to use our patented technology. We are also subject to certain reporting and other obligations to the U.S. government in connection with funding for BrightPath. If we are unable to maintain our existing proprietary technology, our ability to attract and retain solar partners could be impaired, our competitive position could be harmed and our revenue could be reduced.

Disruptions to our solar production metering solution could negatively impact our revenue and increase our expenses.

Our ability to monitor solar energy production for various purposes depends on the operation of our metering solution. We could incur significant expense and disruption to our operations in connection with failures of our metering solution, including meter hardware failures and failure or obsolescence of the cellular technology that we use to communicate with those meters. For example, many of our meters operate on either the 3G or 4G cellular data networks, which are expected to sunset before the term of our Customer Agreements, and newer technologies we use today may become obsolete before the end of the term of Customer Agreements entered into now. Upgrading our metering solution may cause us to incur significant expense. Additionally, our meters communicate data through proprietary software, which we license from our metering partners. Should we be unable to continue to license, on agreeable terms, the software necessary to communicate with our meters, it could cause a significant disruption in our business and operations.

Problems with product quality or performance may cause us to incur warranty expenses and performance guarantee expenses, may lower the residual value of our solar energy systems and may damage our market reputation and cause our financial results to decline.

Customers who enter into Customer Agreements with us are covered by production guarantees and roof penetration warranties. As the owners of the solar energy systems, we or our investment funds receive a warranty from the inverter and solar panel manufacturers, and, for those solar energy systems that we do not install directly, we receive workmanship and material warranties as well as roof penetration warranties from our solar partners. Furthermore, one or more of our third-party manufacturers or solar partners could cease operations and no longer honor these warranties, leaving us to fulfill these potential obligations to customers, or such warranties may be limited in scope and amount, and may be inadequate to protect us. We also provide a performance guarantee with certain solar service offerings pursuant to which we compensate customers on an annual basis if their system does not meet the electricity production guarantees set forth in their agreement with us. Customers who enter into Customer Agreements with us are covered by production guarantees equal to the length of the term of these agreements, typically 20 or 25 years. We may suffer financial losses associated if significant performance guarantee payments are triggered.

Because of our limited operating history and the length of the term of our Customer Agreements, we have been required to make assumptions and apply judgments regarding a number of factors, including our anticipated rate of warranty claims and the durability, performance and reliability of our solar energy systems. Our assumptions could prove to be materially different from the actual performance of our systems, causing us to incur substantial expense to repair or replace defective solar energy systems in the future or to compensate customers for systems that do not meet their production guarantees. Product failures or operational deficiencies also would reduce our revenue from power purchase or lease agreements because they are dependent on system production. Any widespread product failures or operating deficiencies may damage our market reputation and adversely impact our financial results.

Our business may be harmed if we fail to properly protect our intellectual property, and we may also be required to defend against claims or indemnify others against claims that our intellectual property infringes on the intellectual property rights of third parties.

We believe that the success of our business depends in part on our proprietary technology, including our software, information, processes and know-how. We rely on copyright, trade secret and patent protections to secure our intellectual property rights. Although we may incur substantial costs in protecting our technology, we cannot be certain that we have adequately protected or will be able to adequately protect it, that our competitors will not be able to utilize our existing technology or develop similar technology independently, that the claims allowed with respect to any patents held by us will be broad enough to protect our technology or that foreign intellectual property laws will adequately protect our intellectual property rights. Moreover, we cannot be certain that our patents provide us with a competitive advantage. Despite our precautions, it may be possible for third parties to obtain and use our intellectual property without our consent. Unauthorized use of our intellectual property by third parties, and the expenses incurred in protecting our intellectual property rights, may adversely affect our business. In the future, some of our products could be alleged to infringe existing patents or other intellectual property of third parties, and we cannot be certain that we will prevail in any intellectual property dispute. In addition, any future litigation required to enforce our patents, to protect our trade secrets or know-how or to defend us or indemnify others against claimed infringement of the rights of third parties could harm our business, financial condition, and results of operations.

We use “open source” software in our solutions, which may require that we release the source code of certain software subject to open source licenses or subject us to possible litigation or other actions that could adversely affect our business.

We utilize software that is licensed under so-called “open source,” “free” or other similar licenses. Open source software is made available to the general public on an “as-is” basis under the terms of a non-negotiable license. We currently combine our proprietary software with open source software but not in a manner that we believe requires the release of the source code of our proprietary software to the public. However, our use of open source software may entail greater risks than use of third-party commercial software. Open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. In addition, if we combine our proprietary software with open source software in a certain manner, we

could, under certain open source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors to create similar offerings with lower development effort and time.

We may also face claims alleging noncompliance with open source license terms or infringement or misappropriation of proprietary software. These claims could result in litigation, require us to purchase a costly license or require us to devote additional research and development resources to change our software, any of which would have a negative effect on our business and results of operations. In addition, if the license terms for open source software that we use change, we may be forced to re-engineer our solutions, incur additional costs or discontinue the use of these solutions if re-engineering cannot be accomplished on a timely basis. Few courts have interpreted open source licenses and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to use our proprietary software. We cannot guarantee that we have incorporated or will incorporate open source software in our software in a manner that will not subject us to liability or in a manner that is consistent with our current policies and procedures.

Any security breach, unauthorized access or disclosure, or theft of data, including personal information, we, our third party service providers, and suppliers gather, store, transmit, and use, or other hacking, cyber-attack, phishing attack, and unauthorized intrusions on our systems or those of our third party service providers, could harm our reputation, subject us to claims, litigation, financial harm, and have an adverse impact on our business.

In the ordinary course of business, we, our third party providers upon which we rely, and our suppliers receive, store, transmit, and use data, including the personal information of customers, such as names, addresses, email addresses, credit information and other housing and energy use information, as well as the personal information of our employees. Unauthorized disclosure of such personal information, whether through a breach of our or those of our third party service providers and suppliers systems by an unauthorized party, including, but not limited to hackers, threat actors, sophisticated nation-states, nation-state-supported actors, personnel theft or misuse of information, or otherwise, could harm our business. In addition, we, our third party service providers upon which we rely, and our suppliers may be subject to a variety of evolving threats, such as computer malware (including as a result of advanced persistent threat intrusions), ransomware, malicious code (such as viruses or worms), social engineering (including spear phishing and smishing attacks), telecommunications failures, natural disasters and extreme weather events, general hacking and other similar threats. Cybersecurity incidents have become more prevalent, have occurred on our systems in the past, and could occur on our systems and those of our third parties in the future. The COVID-19 pandemic and our remote workforce poses increased risks to our information technology systems and data, as more of our employees work from home, utilizing network connections outside our premises.

Inadvertent disclosure of confidential data, such as personal information, or if a third party were to gain unauthorized access to this type of data in our possession, has resulted in, and could result in future claims or litigation arising from damages suffered by those affected, government enforcement actions (for example, investigations, fines, penalties, audits, and inspections), additional reporting requirements and/or oversight, indemnification obligations, reputational harm, interruptions in our operations, financial loss, and other similar harms. In addition, we could incur significant costs in complying with the multitude of federal, state and local laws, and applicable independent security control frameworks, regarding the unauthorized disclosure of personal information. Although we have developed systems and processes that are designed to protect the confidential information we receive, store, transmit, and use and to prevent or detect security breaches, we cannot assure you that such measures will provide absolute security. Finally, any perceived or actual unauthorized disclosure of such information, unauthorized intrusion, or other cyberthreat could harm our reputation, substantially impair our ability to attract and retain customers, interrupt our operations, and have an adverse impact on our business.

Our contracts may not contain limitations of liability, and even where they do, there can be no assurance that limitations of liability in our contracts are sufficient to protect us from liabilities, damages, or claims related to our data privacy and security obligations. While we currently maintain cybersecurity insurance, such insurance may not be sufficient to cover us against claims, and we cannot be certain that cyber insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim.

Our business is subject to complex and evolving laws and regulations regarding privacy and data protection (“data protection laws”). Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, increased cost of operations, or otherwise harm our business.

The regulatory environment surrounding data privacy and protection is constantly evolving and can be subject to significant change. New data protection laws, including California legislation and regulation which affords California consumers an array of new rights, such as the right to be informed about what kinds of personal data companies have collected and why it was collected, pose increasingly complex compliance challenges and potentially elevate our costs. Complying with varying jurisdictional requirements could increase the costs and complexity of compliance, and violations of applicable data protection laws could result in significant penalties. Any failure, or perceived failure, by us to comply with applicable data protection laws could result in proceedings or actions brought against us by governmental entities or others, subject us to significant fines, penalties, judgments and negative publicity, require us to change our business practices, increase the costs and complexity of compliance, and adversely affect our business.

Damage to our brand and reputation or failure to expand our brand would harm our business and results of operations.

We depend significantly on our brand and reputation for high-quality solar service offerings, engineering and customer service to attract customers and grow our business. If we fail to continue to deliver our solar service offerings within the planned timelines, if our solar service offerings do not perform as anticipated or if we damage any customers' properties or cancel Projects, our brand and reputation could be significantly impaired. We also depend greatly on referrals from customers for our growth. Therefore, our inability to meet or exceed customers' expectations would harm our reputation and growth through referrals. We have at times focused particular attention on expeditiously growing our direct sales force and our solar partners, leading us in some instances to hire personnel or partner with third parties who we may later determine do not fit our company culture and standards. Given the sheer volume of interactions our direct sales force and our solar partners have with customers and potential customers, it is also unavoidable that some interactions will be perceived by customers and potential customers as less than satisfactory and result in complaints. If we cannot manage our hiring and training processes to limit potential issues and maintain appropriate customer service levels, our brand and reputation may be harmed and our ability to grow our business would suffer. In addition, if we were unable to achieve a similar level of brand recognition as our competitors, some of which may have a broader brand footprint, more resources and longer operational history, we could lose recognition in the marketplace among prospective customers, suppliers and partners, which could affect our growth and financial performance. Our growth strategy involves marketing and branding initiatives that will involve incurring significant expenses in advance of corresponding revenue. We cannot assure you that such marketing and branding expenses will result in the successful expansion of our brand recognition or increase our revenue. We are also subject to marketing and advertising regulations in various jurisdictions, and overly restrictive conditions on our marketing and advertising activities may inhibit the sales of the affected products.

A failure to hire and retain a sufficient number of employees and service providers in key functions would constrain our growth and our ability to timely complete customers' Projects and successfully manage customer accounts.

To support our growth, we need to hire, train, deploy, manage and retain a substantial number of skilled employees, engineers, installers, electricians, sales and project finance specialists. Competition for qualified personnel in our industry is increasing, particularly for skilled personnel involved in the installation of solar energy systems. We have in the past been, and may in the future be, unable to attract or retain qualified and skilled installation personnel or installation companies to be our solar partners, which would have an adverse effect on our business. We and our solar partners also compete with the homebuilding and construction industries for skilled labor. As these industries grow and seek to hire additional workers, our cost of labor may increase. The unionization of the industry's labor force could also increase our labor costs. Shortages of skilled labor could significantly delay a project or otherwise increase our costs. Because our profit on a particular installation is based in part on assumptions as to the cost of such project, cost overruns, delays or other execution issues may cause us to not achieve our expected margins or cover our costs for that project. In addition, because we are headquartered in the San Francisco Bay Area, we compete for a limited pool of technical and engineering resources that requires us to pay wages that are competitive with relatively high regional standards for employees in these fields. Further, we need to continue to expand upon the training of our customer service team to provide high-end account management and service to customers before, during and following the point of installation of our solar energy systems. Identifying and recruiting qualified personnel and training them requires significant time, expense and attention. It can take several months before a new customer service team member is fully trained and productive at

the standards that we have established. If we are unable to hire, develop and retain talented technical and customer service personnel, we may not be able to realize the expected benefits of this investment or grow our business.

In addition, to support the growth and success of our direct-to-consumer channel, we need to recruit, retain and motivate a large number of sales personnel on a continuing basis. We compete with many other companies for qualified sales personnel, and it could take many months before a new salesperson is fully trained on our solar service offerings. If we are unable to hire, develop and retain qualified sales personnel or if they are unable to achieve desired productivity levels, we may not be able to compete effectively.

If we or our solar partners cannot meet our hiring, retention and efficiency goals, we may be unable to complete customers' Projects on time or manage customer accounts in an acceptable manner or at all. Any significant failures in this regard would materially impair our growth, reputation, business and financial results. If we are required to pay higher compensation than we anticipate, these greater expenses may also adversely impact our financial results and the growth of our business.

Regulators may limit the type of electricians qualified to install and service our solar and battery systems in California, which may result in workforce shortages, operational delays, and increased costs.

On July 27, 2021, the California Contractors State License Board (CSLB) decided that, effective October 25, 2021, only electricians with a certain license (C-10) would be eligible to install energy storage systems in California (the "July CSLB Decision").

On November, 29, 2021, the CSLB voted to postpone initiating a formal rulemaking process to implement the July CSLB Decision. The CSLB is currently engaged in a stakeholder process to develop an alternative regulatory proposal to be brought back to its Board in March 2022 and has committed to adhere to a full rulemaking process in accordance with the California Administrative Procedure Act.

While our workforce includes workers operating under both C-10 and C-46 licenses in California, there are a limited number of C-10 certified electricians in the state, which may result in workforce shortages, operational delays, and increased costs if the CSLB Decision stands. Obtaining a C-10 license can be an extended process, and the timing and cost of having a large number of our C-46 licensed electricians seek such additional qualification is unclear.

A significant portion of our customer base is in California, and as the state deals with growing wildfire risk and grid instability, an increasing number of our customers are choosing our solar and battery offerings. If we are unable to hire, develop and retain sufficient certified electricians, our growth of solar and battery customers in California may be significantly constrained, which would negatively impact our operating results.

Our workforce has led the industry in safely installing solar and battery systems for tens of thousands of customers across the country, and we intend to work with regulators, industry partners, and stakeholders to grow the solar and battery market throughout California.

The loss of one or more members of our senior management or key employees may adversely affect our ability to implement our strategy.

We depend on our experienced management team, and the loss of one or more key executives could have a negative impact on our business. Effective August 31, 2021, Lynn Jurich transitioned from her role as our Chief Executive Officer to the role of Co-Executive Chair and Mary Powell became our new Chief Executive Officer. Our future success depends in part on successfully transitioning Ms. Powell into her new role. With any change in leadership, there is a risk to organizational effectiveness and employee retention as well as the potential for disruption to our business. None of our key executives or our key employees are bound by employment agreements for any specific term, and we may be unable to replace key members of our management team and key employees in the event we lose their services. Integrating new employees into our management team could prove disruptive to our operations, require substantial resources and management attention and ultimately prove unsuccessful. An inability to attract and retain sufficient managerial personnel who have critical industry experience and relationships could limit or delay our strategic efforts, which could have a material adverse effect on our business, financial condition, and results of operations.

We are subject to legal proceedings, regulatory inquiries and litigation, and we have previously been, and may in the future be, named in additional legal proceedings, become involved in regulatory inquiries or be subject to litigation in the future, all of which are costly, distracting to our core business and could result in an unfavorable outcome, or a material adverse effect on our business, financial condition, results of operations, or the trading price for our securities.

We are involved in legal proceedings and receive inquiries from government and regulatory agencies from time to time. In the event that we are involved in significant disputes or are the subject of a formal action by a regulatory agency, we could be exposed to costly and time-consuming legal proceedings that could result in any number of outcomes. Although outcomes of such actions vary, any current or future claims or regulatory actions initiated by or against us, whether successful or not, could result in significant costs, costly damage awards or settlement amounts, injunctive relief, increased costs of business, fines or orders to change certain business practices, significant dedication of management time, diversion of significant operational resources, or otherwise harm our business.

If we are not successful in our legal proceedings and litigation, we may be required to pay significant monetary damages, which could hurt our results of operations. Lawsuits are time-consuming and expensive to resolve and divert management's time and attention. Although we carry general liability insurance, our insurance may not cover potential claims or may not be adequate to indemnify us for all liability that may be imposed. We cannot predict how the courts will rule in any potential lawsuit against us. Decisions in favor of parties that bring lawsuits against us could subject us to significant liability for damages, adversely affect our results of operations and harm our reputation.

A failure to comply with laws and regulations relating to our interactions with current or prospective residential customers could result in negative publicity, claims, investigations, and litigation, and adversely affect our financial performance.

Our business involves transactions with customers. We and our solar partners must comply with numerous federal, state and local laws and regulations that govern matters relating to our interactions with customers, including those pertaining to privacy and data security, consumer financial and credit transactions, home improvement contracts, warranties and direct-to-home solicitation, along with certain rules and regulations specific to the marketing and sale of residential solar products and services. These laws and regulations are dynamic and subject to potentially differing interpretations, and various federal, state and local legislative and regulatory bodies may expand current laws or regulations, or enact new laws and regulations, regarding these matters. Changes in these laws or regulations or their interpretation could dramatically affect how we do business, acquire customers, and manage and use information we collect from and about current and prospective customers and the costs associated therewith. We strive to comply with all applicable laws and regulations relating to our interactions with residential customers. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. Noncompliance with any such laws or regulations, or the perception that we or our solar partners have violated such laws or regulations or engaged in deceptive practices that could result in a violation, could also expose us to claims, proceedings, litigation and investigations by private parties and regulatory authorities, as well as substantial fines and negative publicity, each of which may materially and adversely affect our business. We have incurred, and will continue to incur, significant expenses to comply with such laws and regulations, and increased regulation of matters relating to our interactions with residential customers could require us to modify our operations and incur significant additional expenses, which could have an adverse effect on our business, financial condition, and results of operations.

Any investigations, actions, adoption or amendment of regulations relating to the marketing of our products to residential consumers could divert management's attention from our business, require us to modify our operations and incur significant additional expenses, which could have an adverse effect on our business, financial condition, and results of operations or could reduce the number of our potential customers.

We cannot ensure that our sales professionals and other personnel will always comply with our standard practices and policies, as well as applicable laws and regulations. In any of the numerous interactions between our sales professionals or other personnel and our customers or potential customers, our sales professionals or other personnel may, without our knowledge and despite our efforts to effectively train them and enforce compliance,

engage in conduct that is or may be prohibited under our standard practices and policies and applicable laws and regulations. Any such non-compliance, or the perception of non-compliance, has exposed us to claims and could expose us to additional claims, proceedings, litigation, investigations, or enforcement actions by private parties or regulatory authorities, as well as substantial fines and negative publicity, each of which may materially and adversely affect our business and reputation. We have incurred, and will continue to incur, significant expenses to comply with the laws, regulations and industry standards that apply to us.

Compliance with occupational safety and health requirements and best practices can be costly, and noncompliance with such requirements may result in potentially significant penalties, operational delays and adverse publicity.

The installation of solar energy systems requires our employees and employees of our solar partners to work with complicated and potentially dangerous electrical and utility systems. The evaluation and installation of our energy-related products also require these employees to work in locations that may contain potentially dangerous levels of asbestos, lead or mold or other substances. We also maintain large fleets of vehicles that these employees use in the course of their work. There is substantial risk of serious illness, injury, or death if proper safety procedures are not followed. Our operations are subject to regulation under the U.S. Occupational Safety and Health Act ("OSHA") and equivalent state laws. Changes to OSHA requirements, or stricter interpretation or enforcement of existing laws or regulations, could result in increased costs. If we fail to comply with applicable OSHA regulations, even if no work-related serious illness, injury, or death occurs, we may be subject to civil or criminal enforcement and be required to pay substantial penalties, incur significant capital expenditures, or suspend or limit operations. Any accidents, citations, violations, illnesses, injuries or failure to comply with industry best practices may subject us to adverse publicity, damage our reputation and competitive position and adversely affect our business.

If our products do not work as well as planned or if we are unsuccessful in developing and selling new products or in penetrating new markets, our business, financial condition, and results of operations could be adversely affected.

Our success and ability to compete are dependent on the products that we have developed or may develop in the future. There is a risk that the products that we have developed or may develop may not work as intended, or that the marketing of the products may not be as successful as anticipated. The development of new products generally requires substantial investment and can require long development and testing periods before they are commercially viable. We intend to continue to make substantial investments in developing new products and it is possible that that we may not develop or acquire new products or product enhancements that compete effectively within our target markets or differentiate our products based on functionality, performance or cost and thus our new technologies and products may not result in meaningful revenue. In addition, any delays in developing and releasing new or enhanced products could cause us to lose revenue opportunities and potential customers. Any technical flaws in product releases could diminish the innovative impact of our products and have a negative effect on customer adoption and our reputation. If we fail to introduce new products that meet the demands of our customers or target markets or do not achieve market acceptance, or if we fail to penetrate new markets, our business, financial conditions and results of operations could be adversely affected.

If we fail to manage our recent and future growth effectively, we may be unable to execute our business plan, maintain high levels of customer service, or adequately address competitive challenges.

We have experienced significant growth in recent periods, including as a result of our acquisition of Vivint Solar, and we intend to continue to expand our business within existing markets and in a number of new locations in the future. This growth has placed, and any future growth may continue to place, a significant strain on our management, operational and financial infrastructure. In particular, we have been in the past, and may in the future, be required to expand, train and manage our growing employee base and solar partners. Our management will also be required to maintain and expand our relationships with customers, suppliers, and other third parties and attract new customers and suppliers, as well as to manage multiple geographic locations.

In addition, our current and planned operations, personnel, systems and procedures might be inadequate to support our future growth and may require us to make additional unanticipated investment in our infrastructure, including additional costs for the expansion of our employee base and our solar partners as well as marketing and branding costs. Our success and ability to further scale our business will depend, in part, on our ability to manage these changes in a cost-effective and efficient manner. If we cannot manage our growth, we may be unable to take

advantage of market opportunities, execute our business strategies or respond to competitive pressures. This could also result in declines in quality or customer satisfaction, increased costs, difficulties in introducing new solar service offerings or other operational difficulties. Any failure to effectively manage growth could adversely impact our business and reputation.

We have incurred losses and may be unable to sustain profitability in the future.

We have incurred net losses in the past and may continue to incur net losses as we increase our spending to finance the expansion of our operations, expand our installation, engineering, administrative, sales and marketing staffs, increase spending on our brand awareness and other sales and marketing initiatives, make significant investments to drive future growth in our business and implement internal systems and infrastructure to support our growth. We do not know whether our revenue will grow rapidly enough to absorb these costs and our limited operating history makes it difficult to assess the extent of these expenses or their impact on our results of operations. Our ability to sustain profitability depends on a number of factors, including but not limited to:

- mitigating the impact of the COVID-19 pandemic on our business;
- growing our customer base;
- finding investors willing to invest in our investment funds on favorable terms;
- maintaining or further lowering our cost of capital;
- reducing the cost of components for our solar service offerings;
- growing and maintaining our channel partner network;
- maintaining high levels of product quality, performance, and customer satisfaction;
- successfully integrating the Vivint Solar business;
- growing our direct-to-consumer business to scale; and
- reducing our operating costs by lowering our customer acquisition costs and optimizing our design and installation processes and supply chain logistics.

Even if we do sustain profitability, we may be unable to achieve positive cash flows from operations in the future.

Our results of operations may fluctuate from quarter to quarter, which could make our future performance difficult to predict and could cause our results of operations for a particular period to fall below expectations, resulting in a decline in the price of our common stock.

Our quarterly results of operations are difficult to predict and may fluctuate significantly in the future. We have experienced seasonal and quarterly fluctuations in the past and expect these fluctuations to continue. However, given that we are operating in a rapidly changing industry, those fluctuations may be masked by our recent growth rates and thus may not be readily apparent from our historical results of operations. As such, our past quarterly results of operations may not be good indicators of likely future performance.

In addition to the other risks described in this "Risk Factors" section, as well as the factors discussed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section, the following factors, among others, could cause our results of operations and key performance indicators to fluctuate:

- the expiration, reduction or initiation of any governmental tax rebates, tax exemptions, or incentives;

- significant fluctuations in customer demand for our solar service offerings or fluctuations in the geographic concentration of installations of solar energy systems;
- changes in financial markets, which could restrict our ability to access available and cost-effective financing sources;
- seasonal, environmental or weather conditions that impact sales, energy production, and system installations;
- the amount and timing of operating expenses related to the maintenance and expansion of our business, operations and infrastructure;
- announcements by us or our competitors of new products or services, significant acquisitions, strategic partnerships, joint ventures, or capital-raising activities or commitments;
- changes in our pricing policies or terms or those of our competitors, including utilities;
- changes in regulatory policy related to solar energy generation;
- the loss of one or more key partners or the failure of key partners to perform as anticipated;
- our failure to successfully integrate the Vivint Solar business;
- actual or anticipated developments in our competitors' businesses or the competitive landscape;
- actual or anticipated changes in our growth rate;
- general economic, industry and market conditions, including as a result of the COVID-19 pandemic; and
- changes to our cancellation rate.

In the past, we have experienced seasonal fluctuations in sales and installations, particularly in the fourth quarter. This has been the result of decreased sales through the holiday season and weather-related installation delays. Our incentives revenue is also highly variable due to associated revenue recognition rules, as discussed in greater detail in Management's Discussion and Analysis of Financial Condition and Results of Operations. Seasonal and other factors may also contribute to variability in our sales of solar energy systems and product sales. For these or other reasons, the results of any prior quarterly or annual periods should not be relied upon as indications of our future performance. In addition, our actual revenue or key operating metrics in one or more future quarters may fall short of the expectations of investors and financial analysts. If that occurs, the trading price of our common stock could decline and you could lose part or all of your investment.

Our actual financial results may differ materially from any guidance we may publish from time to time.

We have in the past provided, and may from time to time provide, guidance regarding our future performance that represents our management's estimates as of the date such guidance is provided. Any such guidance is based upon a number of assumptions with respect to future business decisions (some of which may change) and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic, and competitive uncertainties and contingencies (many of which are beyond our control, including those related to the COVID-19 pandemic). Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions that inform such guidance will not materialize or will vary significantly from actual results. Our ability to meet deployment volume, cost, net present value or any other forward-looking guidance is impacted by a number of factors including, but not limited to, the number of our solar energy systems purchased outright versus

the number of our solar energy systems that are subject to long-term Customer Agreements, changes in installation costs, the availability of additional financing on acceptable terms, changes in the retail prices of traditional utility generated electricity, the availability of rebates, tax credits and other incentives, changes in policies and regulations including net metering and interconnection limits or caps, the availability of solar panels and other raw materials, as well as the other risks to our business that are described in this section. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date such guidance is provided. Actual results may vary from such guidance and the variations may be material. Investors should also recognize that the reliability of any forecasted financial data diminishes the farther in the future that the data is forecast. In light of the foregoing, investors should not place undue reliance on our financial guidance, and should carefully consider any guidance we may publish in context.

The requirements of being a public company may strain our resources, divert management’s attention and affect our ability to attract and retain qualified board members and officers.

We are subject to the reporting requirements of the Exchange Act, the listing requirements of the Nasdaq Stock Market and other applicable securities rules and regulations. Compliance with these rules and regulations has increased our legal and financial compliance costs, made some activities more difficult, time-consuming or costly and increased demand on our systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and results of operations and maintain effective disclosure controls and procedures and internal controls over financial reporting. Maintaining our disclosure controls and procedures and internal controls over financial reporting in accordance with this standard requires significant resources and management oversight. As a result, management’s attention may be diverted from other business concerns, which could harm our business and results of operations. Although we have already hired additional employees to comply with these requirements, we may need to hire more employees in the future, which will increase our costs and expenses.

Risks Related to Taxes and Accounting

Our ability to provide our solar service offerings to customers on an economically viable basis depends in part on our ability to finance these systems with fund investors who seek particular tax and other benefits.

Our solar service offerings have been eligible for federal investment tax credits, U.S. Treasury grants, and other tax benefits. We have relied on, and will continue to rely on, tax equity investment funds, which are financing structures that monetize a substantial portion of those benefits, in order to finance our solar service offerings. If, for any reason, we are unable to continue to monetize those benefits through these arrangements, we may be unable to provide and maintain our solar service offerings for customers on an economically viable basis.

The availability of this tax-advantaged financing depends upon many factors, including:

- our ability to compete with other solar energy companies for the limited number of potential fund investors, each of which has limited funds and limited appetite for the tax benefits associated with these financings;
- the state of financial and credit markets;
- changes in the legal or tax risks associated with these financings; and
- legislative or regulatory changes or decreases to these incentives including the anticipated step-down of the Commercial ITC (described below).

The federal government currently offers an investment tax credit (“Commercial ITC”) under Section 48(a) of the Internal Revenue Code of 1986, as amended (the “Code”), for the installation of certain solar power facilities owned for business purposes. If construction on the facility began before January 1, 2020, the amount of the Commercial ITC available is 30%, if construction began during 2020, 2021, or 2022, the amount of the Commercial ITC available is 26%, and if construction begins during 2023, the amount of the Commercial ITC available is 22%. The Commercial ITC steps down to 10% if construction of the facility begins after December 31, 2023 or if the facility is not placed in service before January 1, 2026. The depreciable basis of a solar facility is also reduced by

50% of the amount of any Commercial ITC claimed. The Internal Revenue Service (the "IRS") provided taxpayers guidance in Notice 2018-59 for determining when construction has begun on a solar facility. This guidance is relevant for any facilities which we seek to deploy in future years but take advantage of a higher tax credit rate available for an earlier year. For example, we have sought to avail ourselves of the methods set forth in the guidance to retain the 30% Commercial ITC that was available prior to January 1, 2020 by incurring certain costs and taking title to equipment in 2019 or early 2020 and/or by performing physical work on components that will be installed in solar facilities. Prior to 2023, we may seek to avail ourselves of the 26% credit rate by using these methods to establish the beginning of construction in 2022 and we may plan to similarly further utilize the program in future years if the Commercial ITC step down continues. While we have attempted to ensure that these transactions will comply with the guidance issued by the IRS, this guidance is relatively limited and potentially subject to change. Either the IRS or our financing partners could challenge whether a facility is properly qualified for the relevant tax credit rate under the guidance, which could either result in lower tax equity advances or trigger indemnification obligations to our tax equity investors. It is also possible that we will not be able to use all of the equipment purchased or manufactured to satisfy the beginning of construction rules set forth in the guidance.

The federal government also currently offers a personal income tax credit under Section 25D of the Code ("Residential Energy Efficiency Tax Credit"), for the installation of certain solar power facilities owned by residential taxpayers, which is applicable to customers who purchase a solar energy system outright as opposed to entering into a Customer Agreement. The Residential Energy Efficiency Tax Credit is currently 26% if the facility is placed in service during 2020, 2021, or 2022, and 22% if placed in service during 2023. The Residential Energy Efficiency Tax Credit is not available for property placed in service after December 31, 2023.

Future reductions in the Commercial ITC and any further legislative reductions or changes to the Commercial ITC may impact the attractiveness of solar energy to certain tax equity investors and could potentially harm our business. Obtaining tax equity funding (and tax equity funding on advantageous terms) also may become more challenging. Additionally, the benefits of the Commercial ITC have historically enhanced our ability to provide competitive pricing for customers. Further reductions in, eliminations of, or expirations of, governmental incentives such as the Residential Energy Efficiency Tax Credit could reduce the number of customers who choose to purchase our solar energy systems.

Additionally, potential investors must remain satisfied that the structures that we offer make the tax benefits associated with solar energy systems available to these investors, which depends on the investors' assessment of the tax law, the absence of any unfavorable interpretations of that law and the continued application of existing tax law and interpretations to our funding structures. Changes in existing law or interpretations of existing law by the IRS and/or the courts could reduce the willingness of investors to invest in funds associated with these solar energy systems. Moreover, reductions to the corporate tax rate may have reduced the appetite for tax benefits overall, which could reduce the pool of available funds. Accordingly, we cannot assure you that this type of financing will continue to be available to us. New investment fund structures or other financing mechanisms may become available, but if we are unable to take advantage of these fund structures and financing mechanisms, we may be at a competitive disadvantage. If, for any reason, we are unable to finance our solar service offerings through tax-advantaged structures or if we are unable to realize or monetize Commercial ITCs or other tax benefits, we may no longer be able to provide our solar service offerings to new customers on an economically viable basis, which would have a material adverse effect on our business, financial condition, and results of operations.

If the IRS makes determinations that the fair market value of our solar energy systems is materially lower than what we have claimed, we may have to pay significant amounts to our fund investors, and our business, financial condition, and prospects may be materially and adversely affected.

We and our fund investors claim the Commercial ITC or the U.S. Treasury grant in amounts based on the fair market value of our solar energy systems. We have obtained independent appraisals to determine the fair market values we report for claiming Commercial ITCs and U.S. Treasury grants. With respect to U.S. Treasury grants, the U.S. Treasury Department reviews the reported fair market value in determining the amount initially awarded, and the IRS may also subsequently audit the fair market value and determine that amounts previously awarded constitute taxable income for U.S. federal income tax purposes. With respect to Commercial ITCs, the IRS may review the fair market value on audit and determine that the tax credits previously claimed must be reduced. If the fair market value is determined in these circumstances to be less than what we or our tax equity investment funds reported, we may owe our fund investors an amount equal to this difference (including any interest and penalties), plus any costs and expenses associated with a challenge to that valuation. We could also be subject to

tax liabilities, including interest and penalties. If the IRS further disagrees now or in the future with the amounts we or our tax equity investment funds reported regarding the fair market value of our solar energy systems, it could have a material adverse effect on our business, financial condition, and prospects.

We have purchased insurance policies insuring us and related parties for additional taxes owed in respect of lost Commercial ITCs, gross-up costs and expenses incurred in defending the types of claims described above. However, these policies only cover certain investment funds and have negotiated exclusions from, and limitations to, coverage and therefore may not cover us for all such lost Commercial ITCs, taxes, costs and expenses.

The IRS audited one of our investment funds covered by our 2018 insurance policy in an audit involving a review of the fair market value determination of our solar energy systems. If this audit results in an adverse final determination, we may be subject to an indemnity obligation to our investor, which may result in certain limited out-of-pocket costs and potential increased insurance premiums in the future.

Our business currently depends on the availability of utility rebates, tax credits and other benefits, tax exemptions and exclusions, and other financial incentives. We may be adversely affected by changes in U.S. tax laws, and the expiration, elimination or reduction of these benefits could adversely impact our business.

Our business depends on government policies that promote and support solar energy and enhance the economic viability of owning solar energy systems. U.S. federal, state and local governmental bodies provide incentives to owners, distributors, installers and manufacturers of solar energy systems to promote solar energy. These incentives include Commercial ITCs and Residential Energy Efficiency Tax Credit, as discussed above, as well as other tax credits, rebates and solar renewable energy credits ("SRECs") associated with solar energy generation. Some markets, such as New Jersey and Maryland, currently utilize SRECs. SRECs can be volatile and could decrease over time as the supply of SREC-producing solar energy systems installed in a particular market increases. For example, in New Jersey, because of the substantial supply of solar energy systems installed, the state was on the cusp of reaching the solar carve-out under the state's Renewable Portfolio Standard. In May 2018, legislation was enacted to expand New Jersey's solar carve-out to 5.1% of kilowatt hours of electricity sold in the state. In December 2019, the state regulators adopted a transition program to follow the current SREC program that will be based on a fixed price SREC model and which is anticipated to be available to replace the current SREC program. We rely on these incentives to lower our cost of capital and to attract investors, all of which enable us to lower the price we charge customers for our solar service offerings. These incentives have had a significant impact on the development of solar energy but they could change at any time, especially in light of the recent change in administration, as further described below. These incentives may also expire on a particular date (as discussed above with respect to the Commercial ITC and Residential Energy Efficiency Tax Credit), end when the allocated funding is exhausted, or be reduced, terminated or repealed without notice. The financial value of certain incentives may also decrease over time.

In December 2017, significant tax legislation was enacted, including a change to the corporate tax rate (the "Tax Act"). As part of the Tax Act, the current corporate income tax rate was reduced, and there were other changes including limiting or eliminating various other deductions, credits and tax preferences. This reduction in the corporate income tax rate may have reduced appetite for the Commercial ITC and depreciation benefits available with respect to solar facilities. We cannot predict whether and to what extent U.S. the corporate income tax rate will change under the Biden administration. Further limitations on, or elimination of, such tax benefits could significantly impact our ability to raise tax equity investment funds or impact the terms thereof, including the amount of cash distributable to our investors. Similarly, any unfavorable interpretations of tax law by the IRS and/or the courts with respect to our financing structures could reduce the willingness of investors to invest in our funds associated with any such structure.

Any effort to overturn federal and state laws, regulations or policies that are supportive of solar energy generation or that remove costs or other limitations on other types of energy generation that compete with solar energy projects could materially and adversely affect our business.

Our business model also relies on multiple tax exemptions offered at the state and local levels. For example, some states have property tax exemptions that exempt the value of solar energy systems in determining values for calculation of local and state real and personal property taxes. State and local tax exemptions can have sunset

dates, triggers for loss of the exemption, and can be changed by state legislatures and other regulators, and if solar energy systems were not exempt from such taxes, the property taxes payable by customers would be higher, which could offset any potential savings our solar service offerings could offer. Similarly, if state or local legislatures or tax administrators impose property taxes on third-party owners of solar energy systems, solar companies like us would be subject to higher costs. In Connecticut, a number of municipalities have assessed property tax on third-party-owned solar energy systems, despite an applicable exemption under state law. California provides an exclusion (the "Solar Exclusion") from the assessment of California property taxes for qualifying "active solar energy systems" installed as fixtures before January 1, 2025, provided such systems are locally rather than centrally assessed ("Eligible Property"). However, the Solar Exclusion is not a permanent exclusion from the assessment of property tax. Once a change in ownership of the Eligible Property occurs, the Eligible Property may be subject to reassessment and California property taxes may become due.

In general, we rely on certain state and local tax exemptions that apply to the sale of equipment, sale of power, or both. These state and local tax exemptions can expire or can be changed by state legislatures, regulators, tax administrators, or court rulings and such changes could adversely impact our business and the profitability of our offerings in certain markets.

As a result of our acquisition of Vivint Solar, we may be subject to adverse California property tax consequences.

The State of California provides an exclusion (the "Solar Exclusion") from the assessment of California property taxes for qualifying "active solar energy systems" installed as fixtures before January 1, 2025, provided such systems are locally rather than centrally assessed ("Eligible Property"). However, the Solar Exclusion is not a permanent exclusion from the assessment of property tax. Once a change in ownership of the Eligible Property occurs, the Eligible Property may be subject to reassessment and California property taxes may become due.

Vivint Solar, through certain of its subsidiaries, owns solar energy systems that constitute Eligible Property (the "California PV Systems"). To the extent Vivint Solar or its subsidiaries are considered the tax owners of the California PV Systems for purposes of the California Revenue and Tax Code ("CR&T"), our acquisition of Vivint Solar may constitute a change of control of the California PV Systems triggering the loss of the Solar Exclusion and the imposition of California property taxes, which could adversely affect our business.

If we are unable to maintain effective disclosure controls and internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and, as a result, the value of our common stock may be materially and adversely affected.

We are required, pursuant to the Exchange Act, to furnish a report by management on, among other things, the effectiveness of our internal controls over financial reporting. This assessment includes disclosure of any material weaknesses, if any, identified by our management in our internal controls over financial reporting. We are continuing to develop and refine our disclosure controls and improve our internal controls over financial reporting. We have expended, and anticipate that we will continue to expend, significant resources in order to maintain and continuously look for ways to enhance existing effective disclosure controls and procedures and internal controls over financial reporting. Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business, including the integration of Vivint Solar, which presents additional complexities relating to the design and implementation of our disclosure controls and internal control over financial reporting. In addition, we or our independent accounting firm may identify weaknesses and deficiencies that we may not otherwise identify in a timely manner in the future. If we are not able to complete the work required under Section 404 of the Sarbanes-Oxley Act on a timely basis for future fiscal years, our annual report on Form 10-K may be delayed or deficient. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

We cannot guarantee that our internal controls over financial reporting will prevent or detect all errors and fraud. The risk of errors is increased in light of the complexity of our business and investment funds. For example, we must deal with significant complexity in accounting for our fund structures and the resulting allocation of net income (loss) between our stockholders and noncontrolling interests under the hypothetical liquidation at book value ("HLBV") method as well as the income tax consequences of these fund structures. As we enter into additional

investment funds, which may have contractual provisions different from those of our existing funds, the analysis as to whether we consolidate these funds, the calculation under the HLBV method, and the analysis of the tax impact could become increasingly complicated. This additional complexity could require us to hire additional resources and increase the chance that we experience errors in the future.

If we are unable to assert that our internal controls over financial reporting is effective, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our common stock to decline. In addition, we could become subject to investigations by Nasdaq, the SEC or other regulatory authorities, which could require additional management attention and which could adversely affect our business.

Our reported financial results may be affected, and comparability of our financial results with other companies in our industry may be impacted, by changes in the accounting principles generally accepted in the United States.

Generally accepted accounting principles in the United States are subject to change and interpretation by the Financial Accounting Standards Board ("FASB"), the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results and on the financial results of other companies in our industry, and may even affect the reporting of transactions completed before the announcement or effectiveness of a change. Other companies in our industry may be affected differently by the adoption of new accounting standards, including timing of the adoption of new accounting standards, adversely affecting the comparability of financial statements.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2021, we had U.S. federal and state net operating loss carryforwards ("NOLs") of approximately \$720.7 million and \$2.3 billion, respectively, which begin expiring in varying amounts in 2028 and 2024, respectively, if unused. Our U.S. federal and certain state NOLs generated in tax years beginning after December 31, 2017 total approximately \$1.4 billion and \$198.7 million, respectively, have indefinite carryover periods, and do not expire. Under Sections 382 and 383 of the Code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change NOLs and other pre-change tax assets, such as tax credits, to offset its post change income and taxes may be limited. In general, an "ownership change" occurs if there is a cumulative change in our ownership by "5% shareholders" that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. Additionally, states may impose other limitations on the use of NOLs and tax credit carryforwards. For example, California has recently imposed other limitations on the use of NOLs and limited the use of certain tax credits for taxable years beginning in 2020 through 2022. Any such limitations on our ability to use our NOLs and other tax assets could adversely impact our business, financial condition, and results of operations. We have performed an analysis to determine whether an ownership change under Section 382 of the Code had occurred and determined no ownership changes were identified as of December 31, 2021. Vivint Solar, Inc. underwent an ownership change as of October 8, 2020.

We may be required to record an impairment expense on our goodwill or intangible assets.

We are required under generally accepted accounting principles to test goodwill for impairment at least annually or when events or changes in circumstances indicate that the carrying amount may be impaired, and to review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Factors that can lead to impairment of goodwill and intangible assets include significant adverse changes in the business climate and actual or projected operating results, declines in the financial condition of our business and sustained decrease in our stock price. Since our annual impairment test of goodwill for the fiscal year ended December 31, 2021, we have not identified any qualitative factors that would require a quantitative goodwill impairment analysis. However, if we identify any factors that could indicate an impairment, including a sustained decrease in our stock price, we may be required to record charges to earnings if our goodwill becomes impaired.

Risks Related to Ownership of Our Common Stock

Our executive officers, directors and principal stockholders continue to have substantial control over us, which will limit your ability to influence the outcome of important matters, including a change in control.

Each of our executive officers, directors and each of our stockholders who beneficially own 5% or more of our outstanding common stock and their affiliates, in the aggregate, beneficially own approximately 30.0% of the outstanding shares of our common stock, based on the number of shares outstanding as of December 31, 2021. As a result, these stockholders, if acting together, will be able to influence or control matters requiring approval by our stockholders, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions. They may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentrated control may have the effect of delaying or preventing a change in control of our company, could deprive our stockholders of an opportunity to receive a premium for their capital stock and might ultimately affect the market price of our common stock.

The market price of our common stock has been and may continue to be volatile, and you could lose all or part of your investment in our common stock.

The trading price of our common stock has been volatile since our initial public offering, and is likely to continue to be volatile. Factors that could cause fluctuations in the market price of our common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market prices and trading volumes of companies in our industry or companies that investors consider comparable;
- changes in operating performance and stock market valuations of other companies generally, or those in our industry in particular;
- sales of shares of our common stock by us or our stockholders;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow us, or our failure to meet these estimates or the expectations of investors;
- the financial projections we may provide to the public, any changes in those projections or our failure to meet those projections;
- announcements by us or our competitors of new products or services;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our results of operations;
- the continued adverse impact of the COVID-19 pandemic;
- changes in tax and other incentives that we rely upon in order to raise tax equity investment funds;
- actual or perceived privacy or data security incidents;
- our ability to protect our intellectual property and other proprietary rights;
- changes in the regulatory environment and utility policies and pricing, including those that could reduce any savings we are able to offer to customers;

- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- major catastrophic events or civil unrest;
- negative publicity, including accurate or inaccurate commentary or reports regarding us, our products, our sales professionals or other personnel, or other third parties affiliated with us, on social media platforms, blogs, and other websites;
- any significant change in our management; and
- general economic conditions and slow or negative growth of our markets.

Further, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. In addition, the stock prices of many renewable energy companies have experienced fluctuations that have often been unrelated to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, government shutdowns, interest rate changes, or international currency fluctuations, may cause the trading price of the notes and our common stock to decline. In the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. We are party to litigation that could result in substantial costs and a diversion of our management's attention and resources.

Sales of a substantial number of shares of our common stock in the public market, including by our existing stockholders, could cause our stock price to fall.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that these sales and others may have on the prevailing market price of our common stock.

In addition, certain of our stockholders, including SK E&S Co., Ltd. and other affiliated companies as well as certain stockholders who received shares as a result of our acquisition of Vivint Solar, have registration rights that would require us to register shares of our capital stock owned by them for public sale in the United States. We have also filed a registration statement to register shares of our common stock reserved for future issuance under our equity compensation plans, including shares underlying equity awards assumed in connection with our acquisition of Vivint Solar. Subject to the satisfaction of applicable exercise periods and applicable volume and restrictions that apply to affiliates, the shares of our common stock issued upon exercise of outstanding options will become available for immediate resale in the public market upon issuance.

Future sales of our common stock may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales also could cause the market price of our common stock to decline and make it more difficult for you to sell shares of our common stock.

Anti-takeover provisions contained in our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

Our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law contain provisions that could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by our board of directors and therefore depress the trading price of our common stock. Among other things, our amended and restated certificate of incorporation and amended and restated bylaws include provisions:

- creating a classified board of directors whose members serve staggered three-year terms;
- authorizing “blank check” preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;
- limiting the liability of, and providing indemnification to, our directors and officers;
- limiting the ability of our stockholders to call and bring business before special meetings;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors; and
- controlling the procedures for the conduct and scheduling of board of directors and stockholder meetings.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation law, which prevents certain stockholders holding more than 15% of our outstanding capital stock from engaging in certain business combinations without approval of the holders of at least two-thirds of our outstanding capital stock not held by such stockholder. Any provision of our amended and restated certificate of incorporation, amended and restated bylaws or Delaware law that has the effect of delaying or preventing a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our capital stock and could also affect the price that some investors are willing to pay for our common stock.

Provisions contained in our amended and restated certificate of incorporation and amended and restated bylaws limit the ability of our stockholders to call special meetings and prohibit stockholder action by written consent.

Our amended and restated certificate of incorporation provides that our stockholders may not take action by written consent. Instead, any such actions must be taken at an annual or special meeting of our stockholders. As a result, our stockholders are not able to take any action without first holding a meeting of our stockholders called in accordance with the provisions of our amended and restated bylaws, including advance notice procedures set forth in our amended and restated bylaws. Our amended and restated bylaws further provide that special meetings of our stockholders may be called only by a majority of our board of directors, the chairman of our board of directors, our Chief Executive Officer or our President. As a result, our stockholders are not allowed to call a special meeting. These provisions may delay the ability of our stockholders to force consideration of a stockholder proposal, including a proposal to remove directors.

Provisions contained in our amended and restated certificate of incorporation and amended and restated bylaws could preclude our stockholders from bringing matters before meetings of stockholders and delay changes in our board of directors.

Our amended and restated bylaws provide advance notice procedures for stockholders seeking to bring business before, or nominate candidates for election as directors at, our annual or special meetings of stockholders.

In addition, our amended and restated certificate of incorporation provides that stockholders may remove directors only for cause. Any amendment of these provisions in our amended and restated bylaws or amended and restated certificate of incorporation would require approval by holders of at least 66 2/3% of our then outstanding capital stock. These provisions could preclude our stockholders from bringing matters before annual or special meetings of stockholders and delay changes in our board of directors.

Our amended and restated bylaws provide that a state or federal court located within the State of Delaware will be the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated bylaws provide that, unless we consent to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to us or to our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or (iv) any action asserting a claim governed by the internal affairs doctrine shall be a state or federal court located within the state of Delaware, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. In addition, our amended and restated bylaws also provide that, unless we consent to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America shall be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. If a court were to find the choice of forum provisions contained in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations and financial condition.

If securities or industry analysts cease publishing research or reports about us, our business, our market or our competitors, or if they adversely change their recommendations regarding our common stock, the market price of our common stock and trading volume could decline.

The market for our common stock is influenced by the research and reports that securities or industry analysts publish about us, our business, our market or our competitors. If any of the analysts who cover us adversely change their recommendations regarding our common stock, or provide more favorable recommendations about our competitors, the market price of our common stock would likely decline. If any of the analysts who cover us cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price of our common stock and trading volume to decline.

We do not expect to declare any dividends in the foreseeable future.

We do not anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. In addition, our credit agreements contain restrictions on payments of cash dividends. Consequently, investors may need to rely on sales of our common stock after price appreciation, which may never occur or only occur at certain times, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase shares of our common stock.

Additional issuances of our capital stock or equity-linked securities could result in dilution to our stockholders.

We may issue additional equity securities to raise capital, make acquisitions or for a variety of other purposes. For example, in connection with the acquisition of Vivint Solar, we issued 0.55 shares of our common stock for each share of Vivint Solar's common stock owned prior to the acquisition, which resulted in dilution to our stockholders. Additional issuances of our capital stock may be made pursuant to the exercise or conversion of new or existing convertible debt securities (including the Notes), warrants, stock options or other equity incentive awards to new and existing service providers. Any such issuances will result in dilution to existing holders of our stock. We also rely on equity-based compensation as an important tool in recruiting and retaining employees. The amount of dilution due to equity-based compensation of our employees and other additional issuances of our common stock or

securities convertible into or exchangeable or exercisable for our common stock could be substantial, and the market price of our common stock could decline.

The Capped Call transactions may affect the value of our common stock.

In connection with the issuance of the Notes, we entered into the Capped Call transactions with the option counterparties. The capped call transactions are expected generally to reduce the potential dilution to our common stock upon any conversion of Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap.

The option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the Notes (and are likely to do so during the observation period for conversions of Notes following November 1, 2025 or following any repurchase of Notes by us). This activity could also cause or avoid an increase or a decrease in the market price of our common stock.

The potential effect, if any, of these transactions and activities on the market price of our common stock will depend in part on market conditions and cannot be ascertained at this time.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Our corporate headquarters and executive offices are located in San Francisco, California, where we lease approximately 44,000 square feet of office space. We also maintain 103 other locations, consisting primarily of branch offices, warehouses, sales offices and design centers in 19 states.

We lease all of our facilities and we do not own any real property. We believe that our current facilities are adequate to meet our ongoing needs. If we require additional space, we believe that we will be able to obtain additional facilities on commercially reasonable terms.

Item 3. Legal Proceedings.

See Note 19, *Commitments and Contingencies*, to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock began trading on the Nasdaq Global Select Market under the symbol "RUN" on August 5, 2015.

Holders of Record

As of February 14, 2022, there were approximately 300 holders of record of common stock. Certain shares are held in "street" name and, accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not expect to pay any dividends on our capital stock in the foreseeable future. Any future determination to declare dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual restrictions, general business conditions and other factors that our board of directors may deem relevant. In addition, our credit agreements contain restrictions on payments of cash dividends.

Unregistered Sales of Equity Securities

During the year ended December 31, 2021, we issued warrants exercisable for up to 846,943 shares of our common stock to certain strategic partners, calculated using the closing stock price for the respective stock grant's quarter of issuance. The shares underlying the warrants will vest upon certain time- and performance-based criteria as set forth in the warrants. The exercise price of the warrants is \$0.01 per share, and 69,309 warrants were exercised during the year ended December 31, 2021.

The warrants were issued and sold pursuant to an exemption from the registration requirements of Section 5 of the Securities Act of 1933, as amended, as they did not involve a public offering under Section 4(a)(2) and were issued as restricted securities pursuant to Rule 144 of the Act.

Stock Repurchase Program

In November 2019, our board of directors approved a stock repurchase program authorizing us to repurchase up to \$50.0 million of our common stock from time to time over the next three years. Stock repurchases under this program may be made through open market transactions, negotiated purchases or otherwise, at times and in such amounts as we consider appropriate and in accordance with applicable regulations of the Securities and Exchange Commission. The timing of repurchases and the number of shares repurchased will depend on a variety of factors including price, regulatory requirements, and other market conditions. We may limit, amend, suspend, or terminate the stock repurchase program at any time without prior notice. Any shares repurchased under the program will be returned to the status of authorized, but unissued shares of common stock.

Share repurchase activity as of December 31, 2021 was as follows (in thousands, except per share amounts):

Periods	Total Shares Purchased	Average Price Paid Per Share ⁽¹⁾	Total Shares Purchased As Part Of Publicly Announced Programs	Remaining Authorized Repurchases ⁽²⁾
November 27 - November 29, 2019	86	\$13.97	86	
December 2 to December 10, 2019	283	\$13.40	283	
Total	369			\$45,000

(1) Average price paid per share excludes commission costs.

(2) Amounts represent the approximate dollar value of the maximum remaining number of shares that may yet be purchased under the stock repurchase program, and excludes commission costs.

Stock Price Performance Graph

The following stock performance graph compares our total stock return with the total return for (i) the Nasdaq Composite Index and the (ii) the Invesco Solar ETF, which represents a peer group of solar companies, for the period from December 31, 2016 through December 31, 2021. The figures represented below assume an investment of \$100 in our common stock at the closing price of \$5.31 on December 30, 2016 and in the Nasdaq Composite Index and the Invesco Solar ETF on December 31, 2016 including the reinvestment of dividends into shares of common stock. The comparisons in the table are required by the SEC, and are not intended to forecast or be indicative of possible future performance of our common stock. This graph shall not be deemed "soliciting material" or be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.



Item 6. Selected Consolidated Financial Data.

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include those identified below and those discussed in the section titled "Risk Factors" included elsewhere in this Annual Report on Form 10-K.

We provide clean, solar energy to customers at a significant savings compared to traditional utility energy. We have been selling solar energy to residential customers through a variety of offerings since we were founded in 2007. We, either directly or through one of our solar partners, install a solar energy system on a customer's home and either sell the system to the customer or, as is more often the case, sell the energy generated by the system to the customer pursuant to a lease or power purchase agreement ("PPA") with no or low upfront costs. We refer to these leases and PPAs as "Customer Agreements." Following installation, a system is interconnected to the local utility grid. The home's energy usage is provided by the solar energy system, with any additional energy needs provided by the local utility. Any excess solar energy, including amounts in excess of battery storage, that is not immediately used by the customers is exported to the utility grid using a bi-directional utility net meter, and the customer generally receives a credit for the excess energy from their utility to offset future usage of utility-generated energy.

On October 8, 2020, we completed the acquisition of Vivint Solar, Inc. ("Vivint Solar") a leading full-service residential solar provider in the United States, at an estimated purchase price of \$5.0 billion, pursuant to an Agreement and Plan of Merger, dated as of July 6, 2020, by and among Sunrun, Vivint Solar and Viking Merger Sub, Inc., a Delaware corporation and direct wholly owned subsidiary of the Company ("Merger Sub"). Further information about the acquisition of Vivint Solar can be found in Note 3, Acquisitions, to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

We offer our solar service offerings both directly to the customer and through our solar partners, which include sales and installation partners, and strategic partners, which include retail partners. In addition, we sell solar energy systems directly to customers for cash. We also sell solar energy panels and other products (such as racking) to resellers. As of December 31, 2021, we provided our solar services to customers and sold solar energy panels and other products to resellers throughout the United States. More than 40% of our cumulative systems deployed are in California.

We compete mainly with traditional utilities. In the markets we serve, our strategy is to price the energy we sell below prevailing local retail electricity rates. As a result, the price our customers pay under our solar service offerings varies depending on the state where the customer lives, the local traditional utility that otherwise provides electricity to the customer, as well as the prices other solar energy companies charge in that region. Even within the same neighborhood, site-specific characteristics drive meaningful variability in the revenue and cost profiles of each home. Using our proprietary technology, we target homes with advantageous revenue and cost characteristics, which means we are often able to offer pricing that allows customers to save more on their energy bill while maintaining our ability to meet our targeted returns. For example, with the insights provided by our technology, we can offer competitive pricing to customers with homes that have favorable characteristics, such as roofs that allow for easy installation, high electricity consumption, or low shading, effectively passing through the cost savings we are able to achieve on these installations to the customer.

Our ability to offer Customer Agreements depends in part on our ability to finance the purchase and installation of the solar energy systems by monetizing the resulting customer cash flows and related commercial investment tax credits ("Commercial ITCs"), accelerated tax depreciation and other incentives from governments and local utilities. We monetize these incentives under tax equity investment funds, which are generally structured as non-recourse project financings. Since inception we have raised numerous tax equity investment funds to finance the installation of solar energy systems. From time to time, we may repurchase investors' interests in our tax equity investment funds after the recapture period of the relevant tax incentives. We intend to establish additional investment funds and may also use debt, equity and other financing strategies to fund our growth.

In addition, completing the sale and installation of a solar energy system requires many different steps including a site audit, completion of designs, permitting, installation, electrical sign-off and interconnection. Customers may cancel their Customer Agreements with us, subject to certain conditions, during this process until commencement of installation. Customer cancellation rates can change over time and vary between markets.

The Opportunity of Home Electrification and a Clean, Resilient Grid

The United States is on the precipice of a once-in-a-generation transformation of our energy system. The decarbonization of the American economy will require powering our energy supply, including our homes, appliances and automobiles, with clean energy. Sunrun's next goal and chapter of growth is to be the go-to company for clean and reliable home electrification, providing our customers with affordable renewable energy throughout their homes and our communities with a cleaner, more resilient grid.

We intend to pursue these opportunities on a variety of fronts. For instance, in May 2020, we announced a partnership with Ford Motor Company to be the preferred installer for Ford's Charge Station Pro and Intelligent Backup Power System, debuting with the all-electric F-150 Lightning. Under the partnership, we are co-developing Ford's Home Integration System, including the bi-directional inverter, which enables the F-150 Lightning to serve as a reliable home backup energy source by powering the home during an outage event. Through this partnership, customers in participating markets will also be provided with the opportunity to install a solar and battery system on their home, enabling them to power their household with clean, affordable energy and charge their truck with the power of the sun.

We also continue to pursue the development of our grid services business, creating virtual power plants that lead to a cleaner, more resilient grid. In collaboration with grid managers, we can deploy our battery systems where they will add the most value for utilities, the grid, and customers. We are actively delivering demand response and capacity services to meet operational needs in multiple geographies, and partnering with grid managers to build a more resilient electricity system that integrates the new energy technologies customers want.

We believe the electrification of U.S. households with renewable energy, and the accompanying development of an inter-connected, smart grid will provide a number of market opportunities beyond our traditional solar and battery storage offerings, including EV chargers, battery retrofits, re-powered or expanding systems, home energy management services, and other home electrification products. Additionally, we believe our omni-channel model and geographic reach provides us with the capabilities to execute on these opportunities in a variety of markets.

To further expand such future upsell and retrofit opportunities, from time to time, we may pursue acquisitions of previously installed solar systems. While we do not expect such acquisitions to represent a material portion of our growth on an annual basis, we plan to pursue such transactions opportunistically. For instance, in the third quarter, we completed a strategic transaction that added approximately 2,000 Customers and 13 MW of Networked Solar Energy Capacity.

In sum, we believe the electrification of the U.S. economy with renewable energy presents an unprecedented economic opportunity, as well as our country's best path to achieving net zero emissions by 2050. Through these electrification opportunities and our grid services business, we aim to be the consumer brand synonymous with repowering our customers' homes with renewable energy and providing a pathway to a cleaner, healthier future.

Impacts of COVID-19 on Our Business

The COVID-19 pandemic and the resulting impact on the U.S. economy have accelerated many of our operational initiatives to deliver best-in-class customer value and to reduce costs. We have invested in technology to streamline our installation processes, including online permitting and interconnection in many locations, enabled our entire salesforce to complete sales consultations in a virtual setting, and employed extensive use of drone technology to complete rooftop surveys. We also implemented a company-wide COVID-19 vaccine rewards campaign to encourage vaccination among team members. We believe this transition towards a digital model for many sales channels will position us well to realize sustaining reductions in customer acquisition costs.

The COVID-19 pandemic has had an unprecedented impact on the U.S. economy, resulting in governments and organizations implementing public health measures in an effort to contain the virus, including physical distancing, work from home, supply chain logistical changes and closure of non-essential businesses. With vaccine administration and adoption rising, governments and organizations have responded by adjusting such restrictions

and guidelines accordingly. We are monitoring this fluid situation and will continue to follow official regulations to protect our employees and customers.

The ultimate impact of the COVID-19 pandemic (and virus variants, such as Delta and Omicron) is still highly uncertain and subject to change, and we do not yet know the full extent of potential delays or impacts on our business, operations or the global economy as a whole. We will continue to monitor developments affecting our workforce, our customers, and our business operations generally and will take actions that we determine are necessary in order to mitigate these impacts.

Investment Funds

Our Customer Agreements provide for recurring customer payments, typically over 20 or 25 years, and the related solar energy systems are generally eligible for Commercial ITCs, accelerated tax depreciation and other government or utility incentives. Our financing strategy is to monetize these benefits at a low weighted average cost of capital. This low cost of capital enables us to offer attractive pricing to our customers for the energy generated by the solar energy system on their homes. Historically, we have monetized a portion of the value created by our Customer Agreements and the related solar energy systems through investment funds. These assets are attractive to fund investors due to the long-term, recurring nature of the cash flows generated by our Customer Agreements, the high credit scores of our customers, the fact that energy is a non-discretionary good and our low loss rates. In addition, fund investors can receive attractive after-tax returns from our investment funds due to their ability to utilize Commercial ITCs, accelerated depreciation and certain government or utility incentives associated with the funds' ownership of solar energy systems.

As of December 31, 2021, we had 60 active investment funds, which are described below. We have established different types of investment funds to implement our asset monetization strategy. Depending on the nature of the investment fund, cash may be contributed to the investment fund by the investor upfront or in stages based on milestones associated with the design, construction or interconnection status of the solar energy systems. The cash contributed by the fund investor is used by the investment fund to purchase solar energy systems. The investment funds either own or enter into a master lease with a Sunrun subsidiary for the solar energy systems, Customer Agreements and associated incentives. We receive on-going cash distributions from the investment funds representing a portion of the monthly customer payments received. We use the upfront cash, as well as on-going distributions to cover our costs associated with designing, purchasing and installing the solar energy systems. In addition, we also use debt, equity and other financing strategies to fund our operations. The allocation of the economic benefits between us and the fund investor and the corresponding accounting treatment varies depending on the structure of the investment fund.

We currently utilize three legal structures in our investment funds, which we refer to as: (i) pass-through financing obligations, (ii) partnership flips and (iii) joint venture ("JV") inverted leases. We reflect pass-through financing obligations on our consolidated balance sheet as a pass-through financing obligation. We record the investor's interest in partnership flips or JV inverted leases (which we define collectively as "consolidated joint ventures") as noncontrolling interests or redeemable noncontrolling interests. These consolidated joint ventures are usually redeemable at our option and, in certain cases, at the investor's option. If redemption is at our option or the consolidated joint ventures are not redeemable, we record the investor's interest as a noncontrolling interest and account for the interest using the hypothetical liquidation at book value ("HLBV") method. If the investor has the option to put their interest to us, we record the investor's interest as a redeemable noncontrolling interest at the greater of the HLBV and the redemption value.

The table below provides an overview of our current investment funds (dollars in millions):

	Pass-Through Financing Obligations	Consolidated Joint Ventures	
		Partnership Flip	JV Inverted Lease
Consolidation	Owner entity consolidated, tenant entity not consolidated	Single entity, consolidated	Owner and tenant entities consolidated
Balance sheet classification	Pass-through financing obligation	Redeemable noncontrolling interests and noncontrolling interests	Redeemable noncontrolling interests and noncontrolling interests
Revenue from Commercial ITCs	Recognized on the PTO date	None	None
Method of calculating investor interest	Effective interest rate method	Greater of HLBV or redemption value; or pro rata	Greater of HLBV or redemption value; or pro rata
Liability balance as of December 31, 2021	\$ 321.4	N/A	N/A
Noncontrolling interest balance (redeemable or otherwise) as of December 31, 2021	N/A	\$ 1,298.5	\$ 19.4

For further information regarding our investment funds, including the associated risks, see Item 1A. *Risk Factors*—“**Our ability to provide our solar service offerings to customers on an economically viable basis depends in part on our ability to finance these systems with fund investors who seek particular tax and other benefits.**”, Note 13, *Pass-Through Financing Obligations*, Note 14, *VIE Arrangements* and Note 15, *Redeemable Noncontrolling Interests* to our consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K.

Pass-through Financing Obligations

Pass-Through Financing Obligations. In this investment fund structure, we and the fund investor each utilize separate entities to facilitate the pass-through of the Commercial ITC or U.S. Treasury grants to the fund investors. We contribute solar energy systems to an “owner” entity in exchange for interests in the owner entity, and the fund investors contribute cash to a “tenant” entity in exchange for interests in the tenant entity.

Under our pass-through financing obligation structure, in accordance with the provisions of FASB, Accounting Standards Codification Topic 810 (“ASC 810”) *Consolidation*, we have determined that we are the primary beneficiary of the owner entity, and accordingly, we consolidate that entity. We have also determined that we are not the primary beneficiary of the tenant entity, and accordingly, we do not consolidate that entity.

In this investment fund structure, the investors make a series of large up-front payments as well as, in some instances, subsequent smaller quarterly lease payments through their respective tenant entity to the corresponding owner entity in exchange for the assignment of cash flows from Customer Agreements and certain other benefits associated with the Customer Agreements and related solar energy systems. We account for the payments from investors as borrowings by recording the proceeds received as financing obligations. The financing obligation is reduced over a period of approximately 22 years, or over 7 years in the case of one fund, by customer payments under the Customer Agreements, U.S. Treasury grants (where applicable); and proceeds from the contracted resale of SRECs as they are received by the investor. In addition, funds paid for the Commercial ITC value upfront are initially recorded as a refund liability and recognized as revenue as the associated solar system reaches permission to operate (“PTO”).

We account for these investment funds in our consolidated financial statements as if we have not assigned the Customer Agreement to the investor, and we record on our consolidated financial statements activities arising from the Customer Agreements and any related U.S. Treasury grants, Commercial ITCs monetized as part of the upfront payments received from the investor and SREC sales. The interest charge on our pass-through financing obligations is imputed at the inception of the fund based on the effective interest rate in the arrangement giving rise to the obligation and is updated prospectively as appropriate.

In certain arrangements, we agree to defer a portion of the up-front payments by arranging a loan between one of our indirectly wholly owned subsidiaries to a subsidiary of the investor's tenant entity.

Consolidated Joint Ventures

Partnership Flips. Under partnership flip structures, we and our fund investors contribute cash into a partnership entity. The partnership uses the cash to acquire solar energy systems developed by us with signed Customer Agreements. Each fund investor receives a rate of return, typically on an after-tax basis, which varies by investment fund. Prior to the fund investor receiving its contractual rate of return or for a time period specified in the contractual arrangements, the fund investor receives a significant portion of the value attributable to customer payments, a majority of the accelerated tax depreciation and substantially all of the Commercial ITCs. After the fund investor receives its contractual rate of return or after the specified time period, we receive substantially all of the value attributable to the remaining customer payments and SREC sales.

Included within the Partnership Flips is the project equity financing we entered into in December 2016. We pooled and transferred our interests in certain financing funds into a special purpose entity ("SPE") with a new investor. We did not recognize a gain or loss on the transfer of its interests in the financing funds and continue to consolidate the financing funds. The SPE's assets and cash flows are not available to our other creditors, and the investor has no recourse to our other assets.

Under our partnership flip structures, we have determined that we control the partnership entity which is a variable interest entity ("VIE"), and accordingly we consolidate the entity and record the investor's interest as either noncontrolling interests or redeemable noncontrolling interests in our consolidated balance sheets.

Inverted Leases. Under our inverted lease structure, we and the fund investor set up a multi-tiered investment vehicle that is comprised of two partnership entities which facilitate the pass through of the tax benefits to the fund investors. In this structure we contribute solar energy systems to an "owner" partnership entity in exchange for interests in the owner partnership and the fund investors contribute cash to a "tenant" partnership in exchange for interests in the tenant partnership, which in turn makes an investment in the owner partnership entity in exchange for interests in the owner partnership. The owner partnership uses the cash contributions received from the tenant partnership to purchase systems from us and/or fund installation of such systems. Under our existing JV inverted lease structure, a substantial portion of the value generated by the solar energy systems is provided to the fund investor for a specified period of time, which is generally based upon the period of time corresponding to the expiry of the recapture period associated with the Commercial ITCs. After that point in time, we receive substantially all of the value attributable to the long-term recurring customer payments and the other incentives. Generally, under the terms of each agreement, the investors' contributions include the value of Commercial ITCs earned or grants to be received by the fund investor. Any other proceeds are allocated on a pro rata basis to the fund investor and us in accordance with their ownership percentages. Since Sunrun has the power to control both the owner and tenant entities, both entities are included in our consolidated financial statements.

We also have one JV inverted lease fund whereby we have a pro rata interest in the entity and we account for the noncontrolling interest's share of income on a pro rata basis. Accordingly, the noncontrolling interest of this fund is carried on our balance sheet at the cumulative amount of capital contributions, reduced by cumulative distributions paid to the investor, as well as the pro rata share of their income. Under our JV inverted lease structure, we have determined that we control each VIE, and accordingly we consolidate the entity and record investor's interest as a noncontrolling interest or redeemable noncontrolling interest.

For all of our partnership flips and JV inverted leases, the redeemable noncontrolling interest is carried on our balance sheet at the greater of the redemption value or the amount calculated under the HLBV method. The HLBV method estimates the amount that, if the fund's assets were hypothetically sold at their book value, the investor would be entitled to receive according to the liquidation waterfall in the partnership agreement.

Key Operating Metrics

We regularly review a number of metrics, including the following key operating metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions. Some of our key operating metrics are estimates that are based on our management's beliefs and assumptions and on information currently available to management. Although we believe that we have a reasonable basis for each of these estimates, we caution you that these estimates are based on a combination of assumptions that may prove to be inaccurate over time. Any inaccuracies could be material to our actual results when compared to our calculations. Please see the section titled "Risk Factors" in this Annual Report on Form 10-K for more information. Furthermore, other companies may calculate these metrics differently than we do now or in the future, which would reduce their usefulness as a comparative measure.

- *Networked Solar Energy Capacity* represents the aggregate megawatt production capacity of our solar energy systems, whether sold directly to customers or subject to executed Customer Agreements (i) for which we have confirmation that the systems are installed on the roof, subject to final inspection; (ii) in the case of certain system installations by our partners, for which we have accrued at least 80% of the expected project cost (inclusive of acquisitions of installed systems), or (iii) for multi-family and any other systems that have reached NTP, measured on the percentage of the project that has been completed based on expected project cost. Systems that have met these criteria are considered to be deployed.
- *Gross Earning Assets* is calculated as *Gross Earning Assets Contracted Period* plus *Gross Earning Assets Renewal Period*.
 - *Gross Earning Assets Contracted Period* represents the present value of the remaining net cash flows (discounted at 5%) during the initial term of our Customer Agreements as of the measurement date. It is calculated as the present value of cash flows (discounted at 5%) we expect to receive from Subscribers in future periods, after deducting expected operating and maintenance costs, equipment replacements costs, distributions to tax equity partners in consolidated joint venture partnership flip structures, and distributions to project equity investors. We include cash flows we expect to receive in future periods from state incentive and rebate programs, contracted sales of solar renewable energy credits, and awarded net cash flows from grid service programs with utility or grid operators.
 - *Gross Earning Assets Renewal Period* is the forecasted net present value we would receive upon or following the expiration of the initial Customer Agreement term but before the 30th anniversary of the system's activation (either in the form of cash payments during any applicable renewal period or a system purchase at the end of the initial term), for Subscribers as of the measurement date. We calculate the *Gross Earning Assets Renewal Period* amount at the expiration of the initial contract term assuming either a system purchase or a renewal, forecasting only a 30-year customer relationship (although the customer may renew for additional years, or purchase the system), at a contract rate equal to 90% of the customer's contractual rate in effect at the end of the initial contract term. After the initial contract term, our Customer Agreements typically automatically renew on an annual basis and the rate is initially set at up to a 10% discount to then-prevailing utility power prices.
 - *Subscribers* represent the cumulative number of Customer Agreements for systems that have been recognized as deployments through the measurement date.
- *Customers* represent the cumulative number of deployments, from our inception through the measurement date.

Gross Earning Assets is forecasted as of a specific date. It is forward-looking, and we use judgment in developing the assumptions used to calculate it. Factors that could impact Gross Earning Assets include, but are not limited to, customer payment defaults, or declines in utility rates or early termination of a contract in certain circumstances, including prior to installation.

The definitions of Gross Earning Assets, Gross Earning Assets Contracted Period, and Gross Earning Assets Renewal Period use a discount rate of 5%; whereas the definitions used previously in our periodic reports prior to December 31, 2020 used a discount rate of 6%.

	As of December 31,	
	2021	2020
Networked Solar Energy Capacity (megawatts)	4,677	3,885
Customers	660,311	550,078

	As of December 31,	
	2021	2020
	<i>(in thousands)</i>	
Gross Earning Assets Contracted Period	\$ 6,638,838	\$ 5,234,164
Gross Earning Assets Renewal Period	3,033,150	2,539,311
Gross Earning Assets	<u>\$ 9,671,988</u>	<u>\$ 7,773,475</u>

The tables below provide a range of Gross Earning Asset amounts if different default, discount and purchase and renewal assumptions were used.

Gross Earning Assets Contracted Period:

	As of December 31, 2021				
	Discount rate				
	3%	4%	5%	6%	7%
	<i>(in thousands)</i>				
5%	\$ 7,691,360	\$ 7,029,709	\$ 6,452,831	\$ 5,947,792	\$ 5,503,868
0%	\$ 7,925,281	\$ 7,237,869	\$ 6,638,838	\$ 6,114,671	\$ 5,654,168

Gross Earning Assets Renewal Period:

	As of December 31, 2021				
	Discount rate				
	3%	4%	5%	6%	7%
	<i>(in thousands)</i>				
80%	\$ 3,933,280	\$ 3,211,834	\$ 2,632,585	\$ 2,165,800	\$ 1,788,291
90%	\$ 4,530,579	\$ 3,700,069	\$ 3,033,150	\$ 2,495,631	\$ 2,060,842
100%	\$ 5,127,876	\$ 4,188,302	\$ 3,433,714	\$ 2,825,460	\$ 2,333,392

Total Gross Earning Assets:

<u>Purchase or Renewal rate</u>	As of December 31, 2021				
	Discount rate				
	3%	4%	5%	6%	7%
	<i>(in thousands)</i>				
80%	\$ 11,858,561	\$ 10,449,703	\$ 9,271,422	\$ 8,280,471	\$ 7,442,459
90%	\$ 12,455,860	\$ 10,937,938	\$ 9,671,987	\$ 8,610,301	\$ 7,715,011
100%	\$ 13,053,157	\$ 11,426,171	\$ 10,072,551	\$ 8,940,131	\$ 7,987,561

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. In many instances, we could have reasonably used different accounting estimates, and in other instances, changes in the accounting estimates are reasonably likely to occur from period-to-period. Actual results could differ significantly from our estimates. Our future financial statements will be affected to the extent that our actual results materially differ from these estimates. For further information on all of our significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

We believe that policies associated with our principles of consolidation, revenue recognition, goodwill, impairment of long-lived assets, provision for income taxes, business combinations and calculation of noncontrolling interests and redeemable noncontrolling interests have the greatest impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

Principles of Consolidation

Our consolidated financial statements include our accounts and those of our subsidiaries in which we have a controlling financial interest. The typical condition for a controlling financial interest is holding a majority of the voting interests of an entity. However, a controlling financial interest may also exist in entities, such as VIEs, through arrangements that do not involve controlling financial interests. We consolidate any VIE of which we are the primary beneficiary, which is defined as the party that has (1) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (2) the obligation to absorb losses or receive benefits of the VIE that could potentially be significant to the VIE. We evaluate our relationships with our VIEs on an ongoing basis to determine whether we continue to be the primary beneficiary. Our financial statements reflect the assets and liabilities of VIEs that we consolidate. All intercompany transactions and balances have been eliminated in consolidation. For further information regarding consolidation of our investment funds, see "—Investment Funds" above.

Revenue Recognition

We recognize revenue when control of goods or services is transferred to customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

Customer Agreements and Incentives Revenue. Customer agreements and incentives revenue is primarily comprised of revenue from our Customer Agreements and sales of Commercial ITCs and SRECs to third parties.

We begin to recognize revenue from a Customer Agreement when PTO for the applicable solar energy system is given by the local utility company or on the date daily operation commences if utility approval is not required. For Customer Agreements that include a fixed fee per month which entitles the customer to any and all electricity generated by the system, we recognize revenue evenly over the time that we satisfy our performance obligations over the initial term of Customer Agreements. For Customer Agreements that charge a fixed price per kilowatt hour, revenue is recognized based on the actual amount of power generated at rates specified under the contracts. Customer Agreements typically have an initial term of 20 or 25 years. After the initial contract term, our Customer Agreements typically automatically renew on an annual basis.

We also apply for and receive SRECs associated with the energy generated by our solar energy systems and sell them to third parties in certain jurisdictions. SREC revenue is estimated net of any variable consideration related to possible liquidated damages if we were to deliver fewer SRECs than contractually committed, and is generally recognized upon delivery of the SRECs to the counterparty.

Certain upfront payments related to Customer Agreements and SRECs are deemed to have a financing component, and therefore increase both revenue and interest expense by the same amount over the term of the related agreement. The additional revenue is included in the total transaction price to be recorded over the term of the agreement and is recognized based on the timing of the delivery. The interest expense is recognized based upon an amortization schedule which typically decreases throughout the term of the related agreement.

For pass-through financing obligation funds, the value attributable to the Commercial ITCs is recognized in the period a solar system is granted PTO, at which point we have met our obligation to the investor. The Commercial ITCs are subject to recapture under the Internal Revenue Code ("Code") if the underlying solar energy system either ceases to be a qualifying property or undergoes a change in ownership within five years of its placed-in-service date. The recapture amount decreases on the anniversary of the PTO date. We have not historically incurred a material recapture of Commercial ITCs, and do not expect to experience a material recapture of Commercial ITCs in the future.

Consideration from customers is considered variable due to the performance guarantee under Customer Agreements and liquidated damage provisions under SREC contracts in the event minimum deliveries are not achieved. Customer Agreements with a performance guarantee provide a credit to the customer if the system's cumulative production, as measured on various PTO anniversary dates, is below our guarantee of a specified minimum. Revenue is recognized to the extent it is probable that a significant reversal of such revenue will not occur.

Solar Energy Systems and Product Sales. Solar energy systems sales are comprised of revenue from the sale of solar energy systems directly to customers. We generally recognize revenue from solar energy systems sold to customers when the solar energy system passes inspection by the authority having jurisdiction, which inspection generally occurs after installation but prior to PTO, at which time we have met the performance obligation in the contract. For solar energy system sales that include delivery obligations up until interconnection to the local power grid with permission to operate, we recognize revenue at PTO. Certain solar energy systems sold to customers include fees for extended warranty and maintenance services. These fees are recognized over the life of the service agreement.

Product sales revenue consists of revenue from the sale of solar panels, inverters, racking systems, roof repair, and other solar energy products sold to resellers, as well as the sale of customer leads to third parties, including our partners and other solar providers. Product sales revenue is recognized when control is transferred, generally upon shipment, or as services are delivered. Customer lead revenue is recognized at the time the lead is delivered.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed. Goodwill is reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may be impaired. We have determined that we operate as one reporting unit and our goodwill is tested for impairment at the enterprise level. We perform our annual impairment test of goodwill on October 1 of each fiscal year or whenever events or circumstances change or occur that would indicate that goodwill might be impaired. When assessing goodwill for impairment, we use qualitative and if necessary, quantitative methods in accordance with FASB ASC Topic 350, Goodwill. We also consider our enterprise value and if necessary, a discounted cash flow model, which involves assumptions and estimates, including our future financial performance, weighted average cost of capital and interpretation of currently enacted tax laws.

Circumstances that could indicate impairment and require us to perform a quantitative impairment test include a significant decline in our financial results, a significant decline in our enterprise value relative to our net book value, a sustained decline in our stock price, or an unanticipated change in competition or our market share and a significant change in our strategic plans.

Impairment of Long-Lived Assets

The carrying amounts of our long-lived assets, including solar energy systems and definite-lived intangible assets, are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable or that the useful life is shorter than originally estimated. Factors that we consider in deciding when to perform an impairment review would include significant negative industry or economic trends, and significant changes or planned changes in our use of the assets. Recoverability of these assets is measured by comparison of the carrying amount of each asset group to the future undiscounted cash flows the asset is expected to generate over its remaining life. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset. If the useful life is shorter than originally estimated, we amortize the remaining carrying value over the new shorter useful life.

Provision for Income Taxes

We account for income taxes under an asset and liability approach. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax reporting purposes, net operating loss carryforwards and other tax credits measured by applying currently enacted tax laws. A valuation allowance is provided when necessary to reduce deferred tax assets to an amount that is more likely than not to be realized. We consider all available evidence, both positive and negative, including historical levels of income, estimates of future taxable income, reversing taxable temporary differences, and ongoing tax planning strategies in assessing the need for a valuation allowance. We recognize the effect of tax rate and law changes on deferred taxes in the reporting period in which the legislation is enacted.

We sell solar energy systems to the investment funds. As the investment funds are consolidated by us, the gain on the sale of the solar energy systems is not recognized in the consolidated financial statements. However, this gain is recognized for tax reporting purposes. We account for the income tax consequences of these intra-entity transfers, both current and deferred, as a component of income tax expense and deferred tax liability, net during the period in which the transfers occur.

We account for investment tax credits as a reduction of income tax expense in the year in which the credits arise.

We determine whether a tax position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. We use a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon tax authority examination, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement.

Our policy is to include interest and penalties related to unrecognized tax benefits, if any, within the provision for taxes in the consolidated statements of operations.

Business Combinations

We allocate the fair value of purchase price to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. Any residual purchase price is recorded as goodwill. The allocation of the purchase price requires management to make significant estimates in determining the fair values of assets acquired and liabilities assumed, especially with respect to the solar energy systems acquired as part of our acquisition of Vivint Solar.

Significant estimates in valuing certain tangible and intangible assets include but are not limited to discount rates. These estimates are inherently uncertain and unpredictable.

See Note 3, Acquisition to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Noncontrolling Interests and Redeemable Noncontrolling Interests

Our noncontrolling interests and redeemable noncontrolling interests represent fund investors' interests in the net assets of certain investment funds, which we consolidate, that we have entered into in order to finance the costs of solar energy facilities under Customer Agreements. We have determined that the provisions in the contractual arrangements of the investment funds represent substantive profit-sharing arrangements, which gives rise to the noncontrolling interests and redeemable noncontrolling interests. We have further determined that for all but two of these arrangements, the appropriate methodology for attributing income and loss to the noncontrolling interests and redeemable noncontrolling interests each period is a balance sheet approach using the HLBV method.

Attributing income and loss to the noncontrolling interests and redeemable noncontrolling interests under the HLBV method requires the use of various inputs to calculate the amounts that fund investors would receive upon a hypothetical liquidation. Changes in these inputs, including change in tax rates, can have a significant impact on the amount that fund investors would receive upon a hypothetical liquidation.

We classify certain noncontrolling interests with redemption features that are not solely within our control outside of permanent equity on our consolidated balance sheets. Redeemable noncontrolling interests are reported using the greater of their carrying value at each reporting date as determined by the HLBV method or their estimated redemption value in each reporting period. Estimating the redemption value of the redeemable noncontrolling interests requires the use of significant assumptions and estimates such as projected future cash flows at the time the redemption feature can be exercised.

We determine the net income (loss) attributable to common stockholders by deducting from net loss, the net loss attributable to noncontrolling interests and redeemable noncontrolling interests in these funds. The net loss attributable to noncontrolling interests and redeemable noncontrolling interests represents the fund investors' allocable share in the results of operations of these investment funds. For these funds, we have determined that the provisions in the contractual arrangements represent substantive profit-sharing arrangements, where the allocations to the partners sometimes differ from the stated ownership percentages. We have further determined that, for these arrangements, the appropriate methodology for attributing income and loss to the noncontrolling interests and redeemable noncontrolling interests each period is a balance sheet approach using the HLBV method. Under the HLBV method, the amounts of income and loss attributed to the noncontrolling interests and redeemable noncontrolling interests in the consolidated statements of operations reflect changes in the amounts the fund investors would hypothetically receive at each balance sheet date under the liquidation provisions of the contractual provisions of these funds, assuming the net assets of the respective investment funds were liquidated at the carrying value determined in accordance with GAAP. The fund investors' interest in the results of operations of these investment funds is initially determined by calculating the difference in the noncontrolling interests and redeemable noncontrolling interests' claim under the HLBV method at the start and end of each reporting period, after taking into account any contributions and distributions between the fund and the fund investors and subject to the redemption provisions in certain funds.

Results of Operations

The results of operations presented below should be reviewed in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K. Our Annual Report on Form 10-K for the year ended December 31, 2020 includes a discussion and analysis of our financial condition and results of operations for the year ended December 31, 2019 in Item 7. of Part II, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended December 31,	
	2021	2020
	<i>(in thousands, except per share amounts)</i>	
Revenue:		
Customer agreements and incentives	\$ 826,564	\$ 484,160
Solar energy systems and product sales	783,390	438,031
Total revenue	1,609,954	922,191
Operating expenses:		
Cost of customer agreements and incentives	699,102	385,650
Cost of solar energy systems and product sales	666,370	357,876
Sales and marketing	622,961	352,299
Research and development	23,165	19,548
General and administrative	259,173	266,746
Amortization of intangible assets	5,370	5,180
Total operating expenses	2,276,141	1,387,299
Loss from operations	(666,187)	(465,108)
Interest expense, net	(327,700)	(230,601)
Other income, net	22,628	8,188
Loss before income taxes	(971,259)	(687,521)
Income tax expense (benefit)	9,271	(60,573)
Net loss	(980,530)	(626,948)
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	(901,107)	(453,554)
Net loss attributable to common stockholders	\$ (79,423)	\$ (173,394)
Net loss per share attributable to common stockholders		
Basic	\$ (0.39)	\$ (1.24)
Diluted	\$ (0.39)	\$ (1.24)
Weighted average shares used to compute net loss per share attributable to common stockholders		
Basic	205,132	139,606
Diluted	205,132	139,606

Comparison of the Years Ended December 31, 2021 and 2020

	Year Ended December 31,		Change	
	2021	2020	\$	%
	<i>(in thousands)</i>			
Customer agreements	\$ 725,220	\$ 432,527	\$ 292,693	68 %
Incentives	101,344	51,633	49,711	96 %
Customer agreements and incentives	826,564	484,160	342,404	71 %
Solar energy systems	471,283	269,866	201,417	75 %
Products	312,107	168,165	143,942	86 %
Solar energy systems and product sales	783,390	438,031	345,359	79 %
Total revenue	\$ 1,609,954	\$ 922,191	\$ 687,763	75 %

Customer Agreements and Incentives. The \$292.7 million increase in Revenue from Customer Agreements was primarily due to both an increase in solar energy systems under Customer Agreements being added to our fleet upon the acquisition of Vivint Solar in October 2020, as well as new systems placed in service in 2021 and a full year of revenue recognized in 2021 for systems placed in service in 2020 versus only a partial amount of such revenue related to the period in which the assets were in service in 2020. Revenue from incentives, which primarily consists of the sale of SRECs, increased by \$49.7 million when compared to the prior year due to the timing of sales and market prices.

Solar Energy Systems and Product Sales. Revenue from solar energy systems sales increased by \$201.4 million compared to the prior year primarily due to solar energy systems sales from an expanded sales force following the acquisition of Vivint Solar, as well as increased demand through retail partners. Product sales increased by \$143.9 million compared to the prior year primarily due to lower volume of wholesale products sold in 2020, which was impacted by COVID-19, and customers' reduced purchases in 2020 after purchasing safe harbor materials in 2019 for use in 2020.

Operating Expenses

	Year Ended December 31,		Change	
	2021	2020	\$	%
	<i>(in thousands)</i>			
Cost of customer agreements and incentives	\$ 699,102	\$ 385,650	\$ 313,452	81 %
Cost of solar energy systems and product sales	666,370	357,876	308,494	86 %
Sales and marketing	622,961	352,299	270,662	77 %
Research and development	23,165	19,548	3,617	19 %
General and administrative expense	259,173	266,746	(7,573)	(3)%
Amortization of intangible assets	5,370	5,180	190	4 %
Total operating expenses	<u>\$ 2,276,141</u>	<u>\$ 1,387,299</u>	<u>\$ 888,842</u>	<u>64 %</u>

Cost of Customer Agreements and Incentives. The \$313.5 million increase in Cost of customer agreements and incentives was primarily due to the increase in solar energy systems added to our fleet upon the acquisition of Vivint Solar in October 2020, as well as new systems placed in service in 2021, plus a full year of costs recognized in 2021 for systems placed in service in 2020 versus only a partial amount of such expenses related to the period in which the assets were in service in 2020.

The Cost of customer agreements and incentives increased to 85% of customer agreements and incentives revenue during 2021, from 80% during 2020. The increase was impacted by the acquisition of Vivint Solar, which resulted in an increase in depreciation expense of approximately \$107.6 million related to the step up in solar systems fair value upon the acquisition of Vivint Solar.

Cost of Solar Energy Systems and Product Sales. There was a \$308.5 million increase in Cost of solar energy systems and product sales which was primarily due to the corresponding net increase in the solar energy systems and product sales discussed above.

Sales and Marketing Expense. The \$270.7 million increase in Sales and marketing expense was primarily attributable to increases in headcount, which were primarily driven by the acquisition of Vivint Solar in October 2020, resulting in higher employee compensation. Additionally, we spent more in costs to acquire customers through our sales lead generating partners in 2021 compared to the prior year. Partially offsetting these increases in Sales and marketing expense is an \$8.9 million decrease in non-recurring and restructuring costs incurred compared to the prior year which had \$9.6 million in such costs following the acquisition of Vivint Solar. Included in sales and marketing expense were \$23.3 million and \$14.4 million of amortization of costs to obtain Customer Agreements for 2021 and 2020, respectively.

Research and Development Expense. The \$3.6 million increase in Research and development expense was primarily attributable to the acquisition of Vivint Solar, resulting in an increase in headcount driving higher employee compensation costs.

General and Administrative Expense. The \$7.6 million decrease in General and administrative expenses was primarily attributable to a decrease of \$16.3 million in nonrecurring (primarily acquisition-related) costs incurred during 2021, partially offset by the acquisition of Vivint Solar, which resulted in an increase in headcount driving higher employee compensation and consulting costs.

Non-Operating Expenses

	Year Ended December 31,		Change	
	2021	2020	\$	%
	<i>(in thousands)</i>			
Interest expense, net	\$ (327,700)	\$ (230,601)	\$ (97,099)	42 %
Other income, net	22,628	8,188	14,440	176 %
Total interest and other income, net	\$ (305,072)	\$ (222,413)	\$ (82,659)	37 %

Interest expense, net. The increase in Interest expense, net of \$97.1 million included \$73.0 million for a full year of interest expense associated with the debt acquired with Vivint Solar. The remaining increase is primarily related to additional non-recourse debt entered into in 2021. Included in net interest expense is \$26.3 million and \$24.8 million of non-cash interest recognized under Customer Agreements that have a significant financing component for 2021 and 2020, respectively.

Other income, net. The increase in other income, net of \$14.4 million relates primarily to gains on derivatives recognized in 2021, with no such comparable activity in 2020.

Income Tax Expense (Benefit)

	Year Ended December 31,		Change	
	2021	2020	\$	%
	<i>(in thousands)</i>			
Income tax expense (benefit)	\$ 9,271	\$ (60,573)	\$ 69,844	(115)%

The decrease in Income tax benefit of \$69.8 million primarily relates to an increase in noncontrolling interest and redeemable noncontrolling interests, an increase in valuation allowance on certain federal and state tax credits and net operating losses, and decrease in stock based compensation that was offset by an increase in tax benefit related to a higher pre-tax loss.

Given our net operating loss carryforwards as of December 31, 2021, we do not expect to pay income tax, including in connection with our 2021 income tax provision, until our net operating losses are fully utilized. As of December 31, 2021, the Company had net operating loss carryforwards for federal and state income tax purposes of approximately \$720.7 million and \$2.3 billion, respectively, which will begin to expire in 2028 for federal purposes and in 2024 for state purposes. In addition, federal and certain state net operating loss carryforwards generated in tax years beginning after December 31, 2017 total \$1.4 billion and \$198.7 million, respectively, and have indefinite carryover periods and do not expire.

Net Loss Attributable to Noncontrolling Interests and Redeemable Noncontrolling Interests

	Year Ended December 31,		Change	
	2021	2020	\$	%
	<i>(in thousands)</i>			
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	\$ (901,107)	\$ (453,554)	\$ (447,553)	99 %

Net loss attributable to noncontrolling interests and redeemable noncontrolling interests was primarily the result of an addition of six new investment funds since December 31, 2020, for which the HLBV method was used in determining the amount of net loss attributable to noncontrolling interests, as well as \$66.4 million of net loss related Vivint Solar's noncontrolling interests and redeemable noncontrolling interests. Redeemable noncontrolling interests generally allocates more loss to the noncontrolling interest in the first several years after fund formation.

Liquidity and Capital Resources

As of December 31, 2021, we had cash of \$617.6 million, which consisted of cash held in checking and savings accounts with financial institutions. We finance our operations mainly through a variety of financing fund arrangements that we have formed with fund investors, cash generated from our sources of revenue and borrowings from secured credit facilities arrangements with syndicates of banks and from secured, long-term non-recourse loan arrangements. In 2021, we received \$1.8 billion of new commitments on secured credit facilities arrangements with syndicates of banks and \$888.7 million of commitments from secured, long-term non-recourse loan arrangements. Our principal uses of cash are funding our business, including the costs of acquisition and installation of solar energy systems, satisfaction of our obligations under our debt instruments and other working capital requirements. As of December 31, 2021, we had outstanding borrowings of \$211.1 million on our \$250.0 million corporate bank line of credit maturing in April 2022, however, in January 2022, we retired this corporate bank line of credit, repaid the outstanding balance, and replaced it with a \$425.0 million credit facility maturing in January 2025. Additionally, we have purchase commitments, which have the ability to be canceled without significant penalties, with multiple suppliers to purchase \$558.0 million of photovoltaic modules, inverters and batteries by the end of 2022. In January 2021, we issued \$400.0 million of convertible senior notes with a maturity date of February 1, 2026, for net proceeds of approximately \$389.0 million. Our business model requires substantial outside financing arrangements to grow the business and facilitate the deployment of additional solar energy systems. The solar energy systems that are operational are expected to generate a positive return rate over the term of the Customer Agreement, typically 20 or 25 years. However, in order to grow, we will continue to be dependent on financing from outside parties. If financing is not available to us on acceptable terms if and when needed, we may be required to reduce planned spending, which could have a material adverse effect on our operations. While there can be no assurances, we anticipate raising additional required capital from new and existing investors. We believe our cash, investment fund commitments and available borrowings as further described below will be sufficient to meet our anticipated cash needs for at least the next 12 months. The following table summarizes our cash flows for the periods indicated:

	Year Ended December 31,	
	2021	2020
	<i>(in thousands)</i>	
Consolidated cash flow data:		
Net cash used in operating activities	\$ (817,186)	\$ (317,972)
Net cash used in investing activities	(1,686,185)	(497,789)
Net cash provided by financing activities	2,645,594	1,160,740
Net increase in cash	<u>\$ 142,223</u>	<u>\$ 344,979</u>

Operating Activities

During 2021, we used \$817.2 million in net cash from operating activities. The driver of our operating cash inflow consists of payments received from customers as well as incentives. The driver of our operating cash outflow consists of the costs of our revenue, as well as sales, marketing and general and administrative costs. During 2021, our operating cash outflows were \$332.2 million from our net loss excluding non-cash and non-operating items. Changes in working capital resulted in a net cash outflow of \$485.1 million.

During 2020, we used \$318.0 million in net cash from operating activities. The driver of our operating cash inflow consists of payments received from customers as well as incentives. The driver of our operating cash outflow consists of the costs of our revenue, as well as sales, marketing and general and administrative costs. During 2020, our operating cash outflows were \$239.0 million from our net loss excluding non-cash and non-operating items. Changes in working capital resulted in a net cash outflow of \$79.0 million.

Investing Activities

During 2021, we used \$1.7 billion in cash in investing activities. The majority was used to design, acquire and install solar energy systems and components under our long-term Customer Agreements.

During 2020, we used \$497.8 million in cash in investing activities. The majority was used to design, acquire and install solar energy systems and components under our long-term Customer Agreements. During 2020, we contributed \$65.4 million as an investment in a home electrification venture. Offsetting these outflows was \$537.2 of cash and restricted cash provided by the acquisition of Vivint Solar on October 8, 2020.

Financing Activities

During 2021, we generated \$2.6 billion from financing activities. This was primarily driven by \$1.0 billion in net proceeds from fund investors, \$1.6 billion in net proceeds from debt, \$36.1 million in net proceeds from stock-based awards activity, offset by \$42.0 million in acquisition of noncontrolling interests.

During 2020, we generated \$1.2 billion from financing activities. This was primarily driven by \$705.0 million in net proceeds from fund investors, \$329.1 million in net proceeds from debt and \$48.7 million in net proceeds from stock-based awards activity, offset by \$2.7 million in acquisition of noncontrolling interests. Additionally, during 2020, we received \$75.0 million from the sale and issuance of shares pursuant to a subscription agreement with SK E&S Co., Ltd.

Debt, Equity, and Financing Fund Commitments

Debt Instruments

For a discussion of the terms and conditions of debt instruments and changes thereof in the period, refer to Note 11, *Indebtedness*, to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Convertible Senior Notes Offering

On January 25, 2021, we entered into a purchase agreement (the "Purchase Agreement") with Credit Suisse Securities (USA) LLC and Morgan Stanley & Co. LLC, as representatives of the several initial purchasers (the "Purchasers"), to issue and sell \$350.0 million aggregate principal amount of 0% Convertible Senior Notes due 2026 (the "Notes") in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The Notes were sold to the Purchasers pursuant to an exemption from the registration requirements of the Securities Act afforded by Section 4(a)(2) of the Securities Act. In addition, we granted the Purchasers an option to purchase, during a 13-day period beginning on, and including, the date on which the Notes were first issued, up to an additional \$50.0 million aggregate principal amount of Notes on the same terms and conditions. The Purchasers exercised their option in full on January 26, 2021. The net proceeds from the sale of the Notes issued on January 28, 2021 (after deducting the Purchasers' discount and estimated offering expenses) was approximately \$389.0 million.

On January 28, 2021, we entered into an Indenture (the "Indenture") with Wells Fargo Bank, National Association, as trustee (the "Trustee"), pursuant to which we issued \$400.0 million aggregate principal amount of Notes. The Notes will not bear regular interest, and the principal amount of the notes will not accrete. The Notes may bear special interest under specified circumstances relating to our failure to comply with our reporting obligations under the Indenture or if the Notes are not freely tradable as required by the Indenture. The Notes will mature on February 1, 2026, unless earlier repurchased by us, redeemed by us or converted pursuant to their terms.

In connection with the offering of the Notes, on January 25, 2021 and January 26, 2021, we entered into privately negotiated capped call transactions with Credit Suisse Capital LLC, represented by Credit Suisse Securities (USA) LLC, Morgan Stanley & Co. LLC, Barclays Bank PLC, through its agent Barclays Capital Inc., and Royal Bank of Canada, represented by RBC Capital Markets, LLC (the "Capped Calls"). The Capped Calls each have an initial strike price of approximately \$117.91 per share, subject to certain adjustments, which corresponds to the initial conversion price of the Notes. The Capped Calls have initial cap prices of \$157.22 per share. The Capped Calls cover, subject to anti-dilution adjustments, approximately 3.4 million shares of common stock. The Capped Calls are expected generally to reduce the potential dilution to the common stock upon any conversion of Notes.

and/or offset any cash payments we are required to make in excess of the principal amount of the Notes, as the case may be, in the event the market price per share of common stock, as measured under the Capped Calls, is greater than the strike price of the Capped Call, with such offset subject to a cap. If, however, the market price per share of the common stock, as measured under the Capped Calls, exceeds the cap price of the Capped Calls, there would be dilution and/or there would not be an offset of such potential cash payments, in each case, to the extent that the then-market price per share of the common stock exceeds the cap price. We used approximately \$28.0 million from the net proceeds from the issuance and sale of the Notes to purchase the Capped Calls. The final components of the Capped Calls are scheduled to expire on January 29, 2026.

Investment Fund Commitments

As of December 31, 2021, we had committed and available capital of approximately \$288.7 million that may only be used to purchase and install solar energy systems. We intend to establish new investment funds in the future, and we may also use debt, equity or other financing strategies to finance our business.

Recent Accounting Pronouncements

See Note 2, *Summary of Significant Accounting Policies*, to our consolidated financial statement included elsewhere in this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to certain market risks in the ordinary course of our business. Our primary exposure includes changes in interest rates because certain borrowings bear interest at floating rates based on LIBOR or SOFR, as applicable, plus a specified margin. We sometimes manage our interest rate exposure on floating-rate debt by entering into derivative instruments to hedge all or a portion of our interest rate exposure in certain debt facilities. We do not enter into any derivative instruments for trading or speculative purposes. Changes in economic conditions could result in higher interest rates, thereby increasing our interest expense and operating expenses and reducing funds available for capital investments, operations and other purposes. A hypothetical 10% increase in our interest rates on our variable rate debt facilities would have increased our interest expense by \$3.2 million and \$4.1 million for the year ended December 31, 2021 and 2020, respectively.

Item 8. Financial Statements and Supplementary Data.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Reports of Independent Registered Public Accounting Firm (PCAOB ID: 0042)	73
Consolidated Balance Sheets	76
Consolidated Statements of Operations	78
Consolidated Statements of Comprehensive (Loss) Income	79
Consolidated Statements of Redeemable Noncontrolling Interests and Stockholders' Equity	80
Consolidated Statements of Cash Flows	81
Notes to Consolidated Financial Statements	82

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Sunrun Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sunrun Inc. (the Company) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive (loss) income, redeemable noncontrolling interests and stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 17, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Noncontrolling Interests and Redeemable Noncontrolling Interests

Description of matter

At December 31, 2021, noncontrolling interests were \$722.9 million and redeemable noncontrolling interests were \$595.0 million. As explained in Note 2 to the consolidated financial statements, noncontrolling interests and redeemable noncontrolling interests represent investors' interests in the net assets of the tax equity funds that the Company has created to finance the cost of its solar energy systems subject to the Company's Customer Agreements. The Company has determined that the contractual provisions in the funding arrangements represent substantive profit sharing arrangements. The Company has further determined that the appropriate methodology for attributing income and loss to the noncontrolling interests and redeemable noncontrolling interests each period is a balance sheet approach referred to as the hypothetical liquidation at book value ("HLBV") method.

Auditing the noncontrolling interests and redeemable noncontrolling interests is complex due to the volume of tax equity funds and the allocation of the net income or loss to the equity holders. Each HLBV calculation is based upon the liquidation provisions of each fund's contractual agreement used to calculate the amount of income or loss to be attributed to the noncontrolling member.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls that address the risks of material misstatement relating to the noncontrolling interests and redeemable noncontrolling interests. This included evaluating controls over establishing each HLBV model and management's review of each significant input into the HLBV models for compliance with the contractual provisions of such funding arrangements, the completeness and accuracy of underlying data, the calculation of tax capital accounts, and the mathematical accuracy of the HLBV models.

To test the noncontrolling interests and redeemable noncontrolling interests, our audit procedures included, among others, examining the HLBV models for compliance with contractual provisions in the funding arrangements. We tested the completeness and accuracy of the underlying data used in the HLBV models. We involved tax professionals to assist in evaluating the calculation of the tax capital accounts in accordance with the tax code, as well as compliance with contractual provisions in the funding arrangements. We also tested the mathematical accuracy of management's HLBV models.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2010.

San Francisco, California
February 17, 2022

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Sunrun Inc.

Opinion on Internal Control over Financial Reporting

We have audited Sunrun Inc.'s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Sunrun Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2021 consolidated financial statements of the Company and our report dated February 17, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2010.

San Francisco, California
February 17, 2022

Sunrun Inc.
Consolidated Balance Sheets
(In Thousands, Except Share Par Values)

	As of December 31,	
	2021	2020
Assets		
Current assets:		
Cash	\$ 617,634	\$ 519,965
Restricted cash	232,649	188,095
Accounts receivable (net of allowances for credit losses of \$11,035 and \$4,861 as of December 31, 2021 and 2020, respectively)	146,037	95,141
Inventories	506,819	283,045
Prepaid expenses and other current assets	44,580	51,483
Total current assets	1,547,719	1,137,729
Restricted cash	148	148
Solar energy systems, net	9,459,696	8,202,788
Property and equipment, net	56,886	62,182
Intangible assets, net	12,891	18,262
Goodwill	4,280,169	4,280,169
Other assets	1,125,743	681,665
Total assets ⁽¹⁾	\$ 16,483,252	\$ 14,382,943
Liabilities and total equity		
Current liabilities:		
Accounts payable	\$ 288,108	\$ 207,441
Distributions payable to noncontrolling interests and redeemable noncontrolling interests	31,582	28,627
Accrued expenses and other liabilities	364,136	325,614
Deferred revenue, current portion	111,739	108,452
Deferred grants, current portion	8,302	8,251
Finance lease obligations, current portion	10,901	11,037
Non-recourse debt, current portion	190,186	195,036
Pass-through financing obligation, current portion	7,166	16,898
Total current liabilities	1,012,120	901,356
Deferred revenue, net of current portion	761,872	690,824
Deferred grants, net of current portion	206,615	213,269
Finance lease obligations, net of current portion	11,314	12,929
Line of credit	211,066	230,660
Non-recourse debt, net of current portion	5,711,020	4,370,449
Convertible senior notes	390,618	—
Pass-through financing obligation, net of current portion	314,231	323,496
Other liabilities	190,056	268,684
Deferred tax liabilities	101,753	81,905
Total liabilities ⁽¹⁾	8,910,665	7,093,572
Commitments and contingencies (Note 19)		
Redeemable noncontrolling interests	594,973	560,461
Stockholders' equity:		
Preferred stock, \$0.0001 par value—authorized, 200,000 shares as of December 31, 2021 and 2020; no shares issued and outstanding as of December 31, 2021 and 2020	—	—
Common stock, \$0.0001 par value—authorized, 2,000,000 shares as of December 31, 2021 and 2020; issued and outstanding, 208,176 and 201,406 shares as of December 31, 2021 and 2020, respectively	21	20
Additional paid-in capital	6,330,344	6,107,802
Accumulated other comprehensive loss	(73,050)	(106,755)
Retained earnings	(2,579)	76,844
Total stockholders' equity	6,254,736	6,077,911
Noncontrolling interests	722,878	650,999
Total equity	6,977,614	6,728,910
Total liabilities, redeemable noncontrolling interests and total equity	\$ 16,483,252	\$ 14,382,943

(1) The Company's consolidated assets as of December 31, 2021 and 2020 include \$8,381,220 and \$7,190,866, respectively, in assets of variable interest entities, or "VIEs", that can only be used to settle obligations of the VIEs. Solar energy systems, net, as of December 31, 2021 and 2020 were \$7,605,769 and \$6,748,127, respectively; cash as of December 31, 2021 and 2020 were \$377,044 and \$219,502, respectively; restricted cash as of December 31, 2021 and 2020 were \$70,346 and \$34,559, respectively; accounts receivable, net as of December 31, 2021 and 2020 were \$55,714 and \$35,152, respectively; inventories as of December 31, 2021 and December 31, 2020 of \$93,604 and \$23,306; prepaid expenses and other current assets as of December 31, 2021 and 2020 were \$1,519 and \$2,629, respectively and other assets as of December 31, 2021 and 2020 were \$177,224 and \$127,591, respectively. The Company's consolidated liabilities as of December 31, 2021 and 2020 include \$2,152,492 and \$1,857,967, respectively, in liabilities of VIEs whose creditors have no recourse to the Company. These liabilities include accounts payable as of December 31, 2021 and 2020 of \$26,042 and \$15,609, respectively; distributions payable to noncontrolling interests and redeemable noncontrolling interests as of December 31, 2021 and 2020 of \$31,582 and \$28,577, respectively; accrued expenses and other liabilities as of December 31, 2021 and 2020 of \$31,036 and \$24,660, respectively; deferred revenue as of December 31, 2021 and 2020 of \$530,385 and \$538,067, respectively; deferred grants as of December 31, 2021 and 2020 of \$25,634 and \$26,898, respectively; non-recourse debt as of December 31, 2021 and 2020 of \$1,482,608 and \$1,192,411, respectively; and other liabilities as of December 31, 2021 and December 31, 2020 of \$25,205 and \$31,745, respectively.

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

Sunrun Inc.
Consolidated Statements of Operations
(In Thousands, Except Per Share Amounts)

	Year Ended December 31,		
	2021	2020	2019
Revenue:			
Customer agreements and incentives	\$ 826,564	\$ 484,160	\$ 387,835
Solar energy systems and product sales	783,390	438,031	470,743
Total revenue	<u>1,609,954</u>	<u>922,191</u>	<u>858,578</u>
Operating expenses:			
Cost of customer agreements and incentives	699,102	385,650	280,344
Cost of solar energy systems and product sales	666,370	357,876	365,485
Sales and marketing	622,961	352,299	275,148
Research and development	23,165	19,548	23,563
General and administrative	259,173	266,746	125,023
Amortization of intangible assets	5,370	5,180	4,755
Total operating expenses	<u>2,276,141</u>	<u>1,387,299</u>	<u>1,074,318</u>
Loss from operations	(666,187)	(465,108)	(215,740)
Interest expense, net	(327,700)	(230,601)	(174,246)
Other income (expense), net	22,628	8,188	(9,254)
Loss before income taxes	<u>(971,259)</u>	<u>(687,521)</u>	<u>(399,240)</u>
Income tax expense (benefit)	9,271	(60,573)	(8,218)
Net loss	<u>(980,530)</u>	<u>(626,948)</u>	<u>(391,022)</u>
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	(901,107)	(453,554)	(417,357)
Net (loss) income attributable to common stockholders	<u>\$ (79,423)</u>	<u>\$ (173,394)</u>	<u>\$ 26,335</u>
Net (loss) income per share attributable to common stockholders			
Basic	<u>\$ (0.39)</u>	<u>\$ (1.24)</u>	<u>\$ 0.23</u>
Diluted	<u>\$ (0.39)</u>	<u>\$ (1.24)</u>	<u>\$ 0.21</u>
Weighted average shares used to compute net loss per share attributable to common stockholders			
Basic	<u>205,132</u>	<u>139,606</u>	<u>116,397</u>
Diluted	<u>205,132</u>	<u>139,606</u>	<u>123,876</u>

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

Sunrun Inc.
Consolidated Statements of Comprehensive Loss
(In Thousands)

	Year Ended December 31,		
	2021	2020	2019
Net (loss) income attributable to common stockholders	\$ (79,423)	\$ (173,394)	\$ 26,335
Unrealized gain (loss) on derivatives, net of income taxes	18,496	(63,445)	(48,295)
Adjustment for net loss (gain) on derivatives recognized into earnings, net of income taxes	15,209	9,443	(594)
Other comprehensive income (loss)	33,705	(54,002)	(48,889)
Comprehensive loss	<u>\$ (45,718)</u>	<u>\$ (227,396)</u>	<u>\$ (22,554)</u>

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

Sunrun Inc.
Consolidated Statements of Redeemable Noncontrolling Interests and Stockholders' Equity
(In Thousands)

	Redeemable Noncontrolling Interests	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
		Shares	Amount						
Balance - December 31, 2018	\$ 126,302	113,149	\$ 11	\$ 722,429	\$ (3,124)	\$ 229,391	\$ 948,707	\$ 334,075	\$ 1,282,782
Cumulative effect of adoption of new ASU (No. 2017-12)	—	—	—	—	(740)	740	—	—	—
Exercise of stock options	—	3,624	—	19,840	—	—	19,840	—	19,840
Issuance of restricted stock units, net of tax withholdings	—	1,105	1	(10,585)	—	—	(10,584)	—	(10,584)
Shares issued in connection with the Employee Stock Purchase Plan	—	942	—	6,939	—	—	6,939	—	6,939
Stock-based compensation	—	—	—	26,306	—	—	26,306	—	26,306
Contributions from redeemable noncontrolling interests and noncontrolling interests	429,786	—	—	—	—	—	—	282,127	282,127
Distributions to redeemable noncontrolling interests and noncontrolling interests	(15,137)	—	—	—	—	—	—	(61,732)	(61,732)
Net (loss) income	(234,386)	—	—	—	—	26,335	26,335	(182,971)	(156,636)
Acquisition of noncontrolling interest	—	—	—	1,077	—	—	1,077	(4,798)	(3,721)
Repurchase of common stock	—	(369)	—	—	—	(5,000)	(5,000)	—	(5,000)
Other comprehensive loss, net of taxes	—	—	—	—	(48,889)	—	(48,889)	—	(48,889)
Balance - December 31, 2019	306,565	118,451	12	766,006	(52,753)	251,466	964,731	366,701	1,331,432
Cumulative effect of adoption of new ASU (No. 2018-02)	—	—	—	—	—	(1,228)	(1,228)	—	(1,228)
Exercise of stock options	—	6,609	—	41,840	—	—	41,840	—	41,840
Issuance of restricted stock units, net of tax withholdings	—	4,124	1	(1,026)	—	—	(1,025)	—	(1,025)
Shares issued in connection with the Employee Stock Purchase Plan	—	675	—	7,842	—	—	7,842	—	7,842
Stock-based compensation	—	—	—	177,082	—	—	177,082	—	177,082
Contributions from redeemable noncontrolling interests and noncontrolling interests	484,091	—	—	—	—	—	—	333,970	333,970
Distributions to redeemable noncontrolling interests and noncontrolling interests	(37,453)	—	—	—	—	—	—	(69,060)	(69,060)
Net loss	(243,542)	—	—	—	—	(173,394)	(173,394)	(210,012)	(383,406)
Shares issued in connection with a subscription agreement	—	2,075	—	75,000	—	—	75,000	—	75,000
Acquisition of Vivint Solar	58,300	69,472	7	5,037,516	—	—	5,037,523	229,400	5,266,923
Acquisition of noncontrolling interest	(7,500)	—	—	3,542	—	—	3,542	—	3,542
Other comprehensive loss, net of taxes	—	—	—	—	(54,002)	—	(54,002)	—	(54,002)
Balance - December 31, 2020	560,461	201,406	20	6,107,802	(106,755)	76,844	6,077,911	650,999	6,728,910
Exercise of stock options	—	2,046	—	19,326	—	—	19,326	—	19,326
Issuance of restricted stock units, net of tax withholdings	—	3,749	1	—	—	—	1	—	1
Shares issued in connection with the Employee Stock Purchase Plan	—	975	—	16,812	—	—	16,812	—	16,812
Stock-based compensation	—	—	—	221,857	—	—	221,857	—	221,857
Contributions from redeemable noncontrolling interests and noncontrolling interests	157,127	—	—	—	—	—	—	1,081,605	1,081,605
Distributions to redeemable noncontrolling interests and noncontrolling interests	(63,280)	—	—	—	—	—	—	(136,141)	(136,141)
Net loss	(35,908)	—	—	—	—	(79,423)	(79,423)	(865,199)	(944,622)
Capped call transaction	—	—	—	(28,000)	—	—	(28,000)	—	(28,000)
Acquisition of noncontrolling interests	(23,427)	—	—	(7,453)	—	—	(7,453)	(8,386)	(15,839)
Other comprehensive income, net of taxes	—	—	—	—	33,705	—	33,705	—	33,705
Balance - December 31, 2021	\$ 594,973	208,176	\$ 21	\$ 6,330,344	\$ (73,050)	\$ (2,579)	\$ 6,254,736	\$ 722,878	\$ 6,977,614

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

Sunrun Inc.
Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended December 31,		
	2021	2020	2019
Operating activities:			
Net loss	\$ (980,530)	\$ (626,948)	\$ (391,022)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization, net of amortization of deferred grants	388,096	242,942	187,163
Deferred income taxes	9,607	(60,573)	(8,218)
Stock-based compensation expense	211,000	170,587	26,306
Interest on pass-through financing obligations	21,431	23,166	24,326
Reduction in pass-through financing obligations	(42,309)	(39,188)	(39,083)
Other noncash items	60,600	51,040	25,780
Changes in operating assets and liabilities:			
Accounts receivable	(62,124)	4,988	(14,864)
Inventories	(223,774)	47,554	(181,104)
Prepaid and other assets	(377,505)	(117,033)	(81,630)
Accounts payable	66,932	(45,718)	67,356
Accrued expenses and other liabilities	33,195	(10,306)	42,081
Deferred revenue	78,195	41,517	138,422
Net cash used in operating activities	(817,186)	(317,972)	(204,487)
Investing activities:			
Payments for the costs of solar energy systems	(1,677,609)	(966,580)	(815,188)
Business combination, net of cash acquired	—	537,242	(2,722)
Purchase of equity method investment	—	(65,356)	—
Purchases of property and equipment, net	(8,576)	(3,095)	(25,345)
Net cash used in investing activities	(1,686,185)	(497,789)	(843,255)
Financing activities:			
Proceeds from state tax credits, net of recapture	—	5,683	2,253
Proceeds from line of credit	738,046	182,700	185,450
Repayment of line of credit	(757,640)	(191,525)	(192,965)
Proceeds from issuance of convertible senior notes, net of capped call transaction	372,000	—	—
Proceeds from issuance of non-recourse debt	2,186,990	751,493	1,181,549
Repayment of non-recourse debt	(856,091)	(399,459)	(670,508)
Payment of debt fees	(53,793)	(14,083)	(28,687)
Proceeds from pass-through financing and other obligations	10,032	8,701	9,140
Early repayment of pass-through financing obligations	(18,050)	—	(7,597)
Payment of finance lease obligations	(12,352)	(10,578)	(13,919)
Contributions received from noncontrolling interests and redeemable noncontrolling interests	1,238,732	818,061	711,914
Distributions paid to noncontrolling interests and redeemable noncontrolling interests	(196,466)	(111,223)	(76,654)
Acquisition of noncontrolling interests	(41,955)	(2,694)	(4,600)
Net proceeds related to stock-based award activities	36,141	48,664	16,196
Proceeds from shares issued in connection with a subscription agreement	—	75,000	—
Repurchase of common stock	—	—	(5,000)
Net cash provided by financing activities	2,645,594	1,160,740	1,106,572
Net change in cash and restricted cash	142,223	344,979	58,830
Cash and restricted cash, beginning of period	708,208	363,229	304,399
Cash and restricted cash, end of period	\$ 850,431	\$ 708,208	\$ 363,229
Supplemental disclosures of cash flow information			
Cash paid for interest	\$ 225,250	\$ 119,626	\$ 99,472
Cash paid for income taxes	\$ —	\$ —	\$ —
Supplemental disclosures of noncash investing and financing activities			
Purchases of solar energy systems and property and equipment included in accounts payable and accrued expenses	\$ 50,386	\$ 66,433	\$ 51,719
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 11,055	\$ 4,265	\$ 17,914
Portion of solar energy systems financed with seller financing, included within non-recourse debt	\$ 37,000	\$ —	\$ —

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

Sunrun Inc.
Notes to Consolidated Financial Statements

Note 1. Organization

Sunrun Inc. ("Sunrun" or the "Company") was originally formed in 2007 as a California limited liability company and was converted into a Delaware corporation in 2008. The Company is engaged in the design, development, installation, sale, ownership and maintenance of residential solar energy systems ("Projects") in the United States.

Sunrun acquires customers directly and through relationships with various solar and strategic partners ("Partners"). The Projects are constructed either by Sunrun or by Sunrun's Partners and are owned by the Company. Sunrun's customers enter into an agreement to utilize the solar energy system ("Customer Agreement") which typically has an initial term of 20 or 25 years. Sunrun monitors, maintains and insures the Projects. The Company also sells solar energy systems and products, such as panels and racking and solar leads generated to customers.

The Company has formed various subsidiaries ("Funds") to finance the development of Projects. These Funds, structured as limited liability companies, obtain financing from outside investors and purchase or lease Projects from Sunrun under master purchase or master lease agreements. The Company currently utilizes three legal structures in its investment Funds, which are referred to as: (i) pass-through financing obligations, (ii) partnership-flips and (iii) joint venture ("JV") inverted leases.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and reflect the accounts and operations of the Company and those of its subsidiaries, including Funds, in which the Company has a controlling financial interest. Beginning October 8, 2020, the Company's consolidated subsidiaries also included Vivint Solar, Inc. ("Vivint Solar"). The typical condition for a controlling financial interest ownership is holding a majority of the voting interests of an entity. However, a controlling financial interest may also exist in entities, such as variable interest entities ("VIEs"), through arrangements that do not involve controlling voting interests. In accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 810 ("ASC 810") *Consolidation*, the Company consolidates any VIE of which it is the primary beneficiary. The primary beneficiary, as defined in ASC 810, is the party that has (1) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (2) the obligation to absorb the losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company evaluates its relationships with its VIEs on an ongoing basis to determine whether it continues to be the primary beneficiary. The consolidated financial statements reflect the assets and liabilities of VIEs that are consolidated. All intercompany transactions and balances have been eliminated in consolidation.

Reclassifications

Certain prior period amounts have been reclassified to conform to current period presentation.

Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company regularly makes estimates and assumptions, including, but not limited to, revenue recognition constraints that result in variable consideration, the discount rate used to adjust the promised amount of consideration for the effects of a significant financing component, the estimates that affect the collectability of accounts receivable, the valuation of inventories, the useful lives of solar energy systems, the useful lives of property and equipment, the valuation and useful lives of intangible assets, the effective interest rate used to amortize pass-through financing obligations, the discount rate uses for operating and financing leases, the fair value of contingent consideration, the fair value of assets acquired and liabilities assumed in a business combination, the valuation of stock-based compensation, the determination of valuation allowances associated with deferred tax assets, the fair value of debt instruments disclosed and the redemption value of redeemable noncontrolling

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

interests. The Company bases its estimates on historical experience and on various other assumptions believed to be reasonable. Actual results may differ from such estimates.

Segment Information

The Company has one operating segment with one business activity, providing solar energy services and products to customers. The Company's chief operating decision maker ("CODM") is its Chief Executive Officer, who manages operations on a consolidated basis for purposes of allocating resources. When evaluating performance and allocating resources, the CODM reviews financial information presented on a consolidated basis.

Revenue from external customers (including, but not limited to homeowners) for each group of similar products and services is as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Customer agreements	\$ 725,220	\$ 432,527	\$ 345,486
Incentives	101,344	51,633	42,349
Customer agreements and incentives	826,564	484,160	387,835
Solar energy systems	471,283	269,866	283,429
Products	312,107	168,165	187,314
Solar energy systems and product sales	783,390	438,031	470,743
Total revenue	\$ 1,609,954	\$ 922,191	\$ 858,578

Revenue from Customer Agreements includes payments by customers for the use of the system as well as utility and other rebates assigned by the customer to the Company in the Customer Agreement. Revenue from incentives includes revenue from the sale of commercial investment tax credits ("Commercial ITCs") and solar renewable energy credits ("SRECs").

Cash and Restricted Cash

Cash consists of bank deposits held in checking and savings accounts. The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company has exposure to credit risk to the extent cash balances exceed amounts covered by federal deposit insurance. The Company believes that its credit risk is not significant.

Restricted cash represents amounts related to obligations under certain financing transactions and future replacement of solar energy system components.

The following table provides a reconciliation of cash and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statement of cash flows. Cash and restricted cash consists of the following (in thousands):

	December 31,		
	2021	2020	2019
Cash	\$ 617,634	\$ 519,965	\$ 269,577
Restricted cash, current and long-term	232,797	188,243	93,652
Total	\$ 850,431	\$ 708,208	\$ 363,229

As a result of the acquisition of Vivint Solar on October 8, 2020, cash and restricted cash increased by \$ 537.2 million.

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

Accounts Receivable

Accounts receivable consist of amounts due from customers as well as state and utility rebates due from government agencies and utility companies. Under Customer Agreements, the customers typically assign incentive rebates to the Company.

Accounts receivable are recorded at net realizable value. The Company maintains allowances for the applicable portion of receivables using the expected credit loss model. The Company estimates expected credit losses from doubtful accounts based upon the expected collectability of all accounts receivables, which takes into account the number of days past due, collection history, identification of specific customer exposure, current economic trends, and management's expectation of future economic conditions. Once a receivable is deemed to be uncollectible, it is written off. In 2021, 2020 and 2019, the Company recorded provisions for credit losses of \$11.7 million, \$7.2 million and \$3.4 million, respectively, and wrote-off uncollectible receivables of \$5.6 million, \$5.4 million and \$2.0 million, respectively.

Accounts receivable, net consists of the following (in thousands):

	December 31,	
	2021	2020
Customer receivables	\$ 147,371	\$ 97,723
Rebates and other receivables	9,701	2,279
Allowance for credit losses	(11,035)	(4,861)
Total	\$ 146,037	\$ 95,141

Inventories

Inventories are stated at the lower of cost or net realizable value on a first-in, first-out basis. Inventories consist of raw materials such as photovoltaic panels, inverters and mounting hardware as well as miscellaneous electrical components that are sold as-is by the distribution operations and used in installations and work-in-process. Work-in-process primarily relates to solar energy systems that will be sold to customers, which are partially installed and have yet to meet the criteria for revenue recognition. For solar energy systems where the Company performs the installation, the Company commences transferring component parts from inventories to construction-in-progress, a component of solar energy systems, once a lease contract with a lease customer has been executed and the component parts have been assigned to a specific project. Additional costs incurred including labor and overhead are recorded within construction in progress.

The Company periodically reviews inventories for unusable and obsolete items based on assumptions about future demand and market conditions. Based on this evaluation, provisions are made to write inventories down to their market value.

Solar Energy Systems, net

The Company records solar energy systems subject to signed Customer Agreements and solar energy systems that are under installation as solar energy systems, net on its consolidated balance sheet. Solar energy systems, net is comprised of system equipment costs related to solar energy systems, less accumulated depreciation and amortization. Depreciation on solar energy systems is calculated on a straight-line basis over the estimated useful lives of the systems of 35 years. The Company periodically reviews its estimated useful life and recognizes changes in estimates by prospectively adjusting depreciation expense. Inverters and batteries are depreciated over their estimated useful life of 10 to 13 years.

Solar energy systems under construction will be depreciated as solar energy systems subject to signed Customer Agreements when the respective systems are completed and interconnected.

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

Property and Equipment, net

Property and equipment, net consists of leasehold improvements, furniture, computer hardware and software, machinery and equipment and automobiles. All property and equipment are stated at historical cost net of accumulated depreciation. Repairs and maintenance are expensed as incurred.

Property and equipment is depreciated on a straight-line basis over the following periods:

Leasehold improvements	Lesser of 6 years or lease term
Furniture	5 years
Computer hardware and software	3 years
Machinery and equipment	5 years or lease term
Automobiles	Lease term

Capitalization of Software Costs

For costs incurred in the development of internal use software, the Company capitalizes costs incurred during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Internal use software is amortized on a straight-line basis over its estimated useful life of 3 years. Costs of \$6.2 million, \$2.0 million and \$2.6 million were capitalized in 2021, 2020 and 2019, respectively.

Intangible Assets, net

Finite-lived intangible assets are initially recorded at fair value and are subsequently presented net of accumulated amortization. Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Customer relationships	5 -10 years
Developed technology	5 years
Trade names	5 - 8 years

Impairment of Long-Lived Assets

The carrying amounts of the Company's long-lived assets, including solar energy systems and intangible assets subject to depreciation and amortization, are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable or that the useful life is shorter than originally estimated. Factors that are considered in deciding when to perform an impairment review would include significant negative industry or economic trends and significant changes or planned changes in the use of the assets. Recoverability of these assets is measured by comparison of the carrying amount of each asset group to the future undiscounted cash flows the asset group is expected to generate over its remaining life. If the asset group is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset group. If the useful life is shorter than originally estimated, the Company amortizes the remaining carrying value over the new shorter useful life. The Company has recognized no material impairments of its long-lived assets in any of the periods presented.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed. Goodwill is reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may be impaired. The Company has determined that it operates as one reporting unit and the Company's goodwill is recorded at the enterprise level. The Company performs its annual impairment test of goodwill on October 1 of each fiscal year or whenever events or circumstances change or occur that would indicate that goodwill might be impaired. When assessing goodwill for impairment, the Company uses qualitative and if necessary, quantitative methods in accordance with FASB ASC Topic 350, *Goodwill*. The Company also considers its enterprise value and if necessary, discounted cash flow model, which involves assumptions and

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

estimates, including the Company's future financial performance, weighted average cost of capital and interpretation of currently enacted tax laws.

Circumstances that could indicate impairment and require the Company to perform a quantitative impairment test include a significant decline in the Company's financial results, a significant decline in the Company's enterprise value relative to its net book value, a sustained decline in our stock price, or an unanticipated change in competition or the Company's market share and a significant change in the Company's strategic plans. As of October 1, 2021, the Company concluded that the fair value of the Company exceeded its carrying value.

Deferred Revenue

When the Company receives consideration, or when such consideration is unconditionally due, from a customer prior to delivering goods or services to the customer under the terms of a Customer Agreement, the Company records deferred revenue. Such deferred revenue consists of amounts for which the criteria for revenue recognition have not yet been met and includes amounts that are collected or assigned from customers, including upfront deposits and prepayments, and rebates. Deferred revenue relating to financing components represents the cumulative excess of interest expense recorded on financing component elements over the related revenue recognized to date and will eventually net to zero by the end of the initial term. Amounts received related to the sales of SRECs which have not yet been delivered to the counterparty are recorded as deferred revenue.

The opening balance of deferred revenue was \$729.5 million as of December 31, 2019. Deferred revenue consists of the following (in thousands):

	December 31,	
	2021	2020
Under Customer Agreements:		
Payments received	\$ 645,439	\$ 614,906
Financing component balance	58,517	51,835
	703,956	666,741
Under SREC contracts:		
Payments received	161,575	126,793
Financing component balance	8,080	5,742
	169,655	132,535
Total	\$ 873,611	\$ 799,276

During the years ended December 31, 2021, 2020 and 2019, the Company recognized revenue of \$ 86.3 million, \$80.3 million and \$69.4 million, respectively, from amounts included in deferred revenue at the beginning of the respective periods. Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized and includes deferred revenue as well as amounts that will be invoiced and recognized as revenue in future periods. Contracted but not yet recognized revenue was approximately \$15.5 billion as of December 31, 2021, of which the Company expects to recognize approximately 5% over the next 12 months. The annual recognition is not expected to vary significantly over the next 10 years as the vast majority of existing Customer Agreements have at least 10 years remaining, given that the average age of the Company's fleet of residential solar energy systems under Customer Agreements is less than five years due to the Company being formed in 2007 and having experienced significant growth in the last few years. The annual recognition on these existing contracts will gradually decline over the midpoint of the Customer Agreements over the following 10 years as the typical 20- or 25-year initial term expires on individual Customer Agreements.

Deferred Grants

Deferred grants consist of U.S. Treasury grants and state tax credits. The Company applied for a renewable energy technologies income tax credit offered by one of the states in the form of a cash payment and deferred the tax credit as a grant on the consolidated balance sheets. The Company records the grants as deferred grants and recognizes the benefit on a straight-line basis over the estimated depreciable life of the associated assets as a reduction in Cost of customer agreements and incentives.

Warranty Accrual

The Company accrues warranty costs when revenue is recognized for solar energy systems sales, based on the estimated future costs of meeting its warranty obligations. Warranty costs primarily consist of replacement costs for supplies and labor costs for service personnel since warranties for equipment and materials are covered by the original manufacturer's warranty (other than a small deductible in certain cases). As such, the warranty reserve is immaterial in all periods presented. The Company makes and revises these estimates based on the number of solar energy systems under warranty, the Company's historical experience with warranty claims, assumptions on warranty claims to occur over a systems' warranty period and the Company's estimated replacement costs. A warranty is provided for solar systems sold and leased. However, for the solar energy systems under Customer Agreements, the Company does not accrue a warranty liability because those systems are owned by consolidated subsidiaries of the Company. Instead, any repair costs on those solar energy systems are expensed when they are incurred as a component of customer agreements and incentives costs of revenue.

Solar Energy Performance Guarantees

The Company guarantees to customers certain specified minimum solar energy production output for solar facilities over the initial term of the Customer Agreements. The Company monitors the solar energy systems to determine whether these specified minimum outputs are being achieved. Annually or every two years, depending on the terms of the Customer Agreement, the Company will refund a portion of electricity payments to a customer if his or her solar energy production output was less than the performance guarantee. The Company considers this a variable component that offsets the transaction price.

Derivative Financial Instruments

The Company recognizes all derivative instruments on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive loss if a derivative is designated as part of a hedge transaction. The ineffective portion of the hedge, if any, is immediately recognized in earnings and are included in other (expenses) income, net in the consolidated statements of operations.

The Company uses derivative financial instruments, primarily interest rate swaps, to manage its exposure to interest rate risks on its syndicated term loans, which are recognized on the balance sheet at their fair values. On the date that the Company enters into a derivative contract, the Company formally documents all relationships between the hedging instruments and the hedged items, as well as its risk management objective and strategy for undertaking each hedge transaction. Derivative instruments designated in a hedge relationship to mitigate exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Cash flow hedges are accounted for by recording the fair value of the derivative instrument on the balance sheet as either a freestanding asset or liability. Changes in the fair value of a derivative that is designated and qualifies as an effective cash flow hedge are recorded in accumulated other comprehensive loss, net of tax, until earnings are affected by the variability of cash flows of the hedged item. Any derivative gains and losses that are not effective in hedging the variability of expected cash flows of the hedged item or that do not qualify for hedge accounting treatment are recognized directly into income. At the hedge's inception and at least quarterly thereafter, a formal assessment is performed to determine whether changes in cash flows of the derivative instrument have been highly effective in offsetting changes in the cash flows of the hedged items and whether they are expected to be highly effective in the future. The Company discontinues hedge accounting prospectively when (i) it determines that the derivative is no longer effective in offsetting changes in the cash flows of a hedged item; (ii) the derivative expires or is sold, terminated, or exercised; or (iii) management determines that designating the derivative as a hedging instrument is no longer appropriate. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the derivative instrument is carried at its fair market value on the balance sheet with the changes in fair value recognized in current period earnings. The remaining balance in accumulated other comprehensive loss associated with the derivative that has been discontinued is not recognized in the income statement unless it is probable that the forecasted transaction will not occur. Such amounts are recognized in earnings when earnings are affected by the hedged transaction.

Fair Value of Financial Instruments

The Company defines fair value as the exchange price that would be received for an asset or an exit price that would be paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company uses valuation approaches to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. The FASB establishes a three-tier fair value hierarchy for disclosure of fair value measurements as follows:

- Level 1—Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2—Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and
- Level 3—Inputs that are unobservable, significant to the measurement of the fair value of the assets or liabilities and are supported by little or no market data.

The Company's financial instruments include cash, receivables, accounts payable, accrued expenses, distributions payable to noncontrolling interests, derivatives, contingent consideration, and recourse and non-recourse debt.

Revenue Recognition

The Company recognizes revenue when control of goods or services is transferred to its customers, in an amount that reflects the consideration it expected to be entitled to in exchange for those goods or services.

Customer agreements and incentives

Customer agreements and incentives revenue is primarily comprised of revenue from Customer Agreements in which the Company provides continuous access to a functioning solar energy system and revenue from the sales of SRECs generated by the Company's solar energy systems to third parties.

The Company begins to recognize revenue on Customer Agreements when permission to operate ("PTO") is given by the local utility company or on the date daily operation commences if utility approval is not required. Revenue recognition does not necessarily follow the receipt of cash. For Customer Agreements that include a fixed fee per month which entitles the customer to any and all electricity generated by the system, and for which the Company's obligation is to provide continuous access to a functioning solar energy system, the Company recognizes revenue evenly over the time that it satisfies its performance obligations, which is over the initial term of the Customer Agreements. For Customer Agreements that charge a fixed price per kilowatt hour, and for which the Company's obligation is the provision of electricity from a solar energy system, revenue is recognized based on the actual amount of power generated at rates specified under the contracts. Customer Agreements typically have an initial term of 20 or 25 years. After the initial contract term, Customer Agreements typically automatically renew on an annual basis.

SREC revenue arises from the sale of environmental credits generated by solar energy systems and is generally recognized upon delivery of the SRECs to the counterparty or upon reporting of the electricity generation. For pass-through financing obligation Funds, the value attributable to the monetization of Commercial ITCs are recognized in the period a solar energy system is granted PTO - see Note 13, *Pass-through Financing Obligations*.

In determining the transaction price, the Company adjusts the promised amount of consideration for the effects of the time value of money when the timing of payments provides it with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. When adjusting the promised amount of consideration for a significant financing component, the Company uses the discount rate that would be reflected in a separate financing transaction between the entity and its customer at contract inception and recognizes the revenue amount on a straight-line basis over the term of the Customer Agreement, and interest expense using the effective interest rate method.

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

Consideration from customers is considered variable due to the performance guarantee under Customer Agreements and liquidating damage provisions under SREC contracts in the event minimum deliveries are not achieved. Performance guarantees provide a credit to the customer if the system's cumulative production, as measured on various PTO anniversary dates, is below the Company's guarantee of a specified minimum. Revenue is recognized to the extent it is probable that a significant reversal of such revenue will not occur.

The Company capitalizes incremental costs incurred to obtain a contract in Other Assets in the consolidated balance sheets. These amounts are amortized on a straight-line basis over the term of the Customer Agreements, and are included in Sales and marketing in the consolidated statements of operations.

Solar energy systems and product sales

For solar energy systems sold to customers, revenue is recognized when the solar energy system passes inspection by the authority having jurisdiction, which inspection generally occurs after installation but prior to PTO, at which time the Company has met the performance obligation in the contract. For solar energy system sales that include delivery obligations up until interconnection to the local power grid with permission to operate, the Company recognizes revenue at PTO. Certain solar energy systems sold to customers include fees for extended warranty and maintenance services. These fees are recognized over the life of the service agreement. The Company's installation Projects are typically completed in less than twelve months.

Product sales consist of solar panels, racking systems, inverters, other solar energy products sold to resellers, roofing repair, and customer leads. Product sales revenue is recognized at the time when control is transferred, upon shipment, or as services are delivered. Customer lead revenue, included in product sales, is recognized at the time the lead is delivered.

Taxes assessed by government authorities that are directly imposed on revenue producing transactions are excluded from solar energy systems and product sales.

Cost of Revenue

Customer agreements and incentives

Cost of revenue for customer agreements and incentives is primarily comprised of (1) the depreciation of the cost of the solar energy systems, as reduced by amortization of deferred grants, (2) solar energy system operations, monitoring and maintenance costs including associated personnel costs, and (3) allocated corporate overhead costs.

Solar energy systems and product sales

Cost of revenue for solar energy systems and non-lead generation product sales consist of direct and indirect material and labor costs for solar energy systems installations and product sales. Also included are engineering and design costs, estimated warranty costs, freight costs, allocated corporate overhead costs, vehicle depreciation costs and personnel costs associated with supply chain, logistics, operations management, safety and quality control. Cost of revenue for lead generations consists of costs related to direct-response advertising activities associated with generating customer leads.

Research and development Expense

Research and development expenses include personnel costs, allocated overhead costs, and other costs related to the development of the Company's proprietary technology.

Stock-Based Compensation

The Company grants stock options and restricted stock units (“RSUs”) for its equity incentive plan and employee stock purchase plan. Stock-based compensation to employees is measured based on the grant date fair value of the awards and recognized over the period during which the employee is required to perform services in exchange for the award (generally the vesting period of the award). When determining the grant date fair value of stock-based compensation, the Company utilizes the observable closing share price of its stock on the grant date. The Company considers whether any adjustments are needed to the share price to reflect fair value, including in instances where the observable market price does not reflect certain material non-public information known to the Company, but unavailable to marketplace participants at the time the market price is observed. No such adjustments were made during the years ended December 31, 2021, 2020, and 2019. The Company estimates the fair value of stock options and employee stock purchase plans awards granted using the Black-Scholes option-valuation model. Upon completion of the acquisition of Vivint Solar, all outstanding equity awards under Vivint Solar’s equity incentive plans were automatically converted to Sunrun equity awards with the number of shares underlying such awards (and, in the case of stock options, the applicable exercise price) adjusted based on the exchange ratio of 0.55 shares of Sunrun common stock per share of Vivint Solar common stock and the fair value was also updated in accordance with ASC 718, Stock Compensation. Compensation cost is recognized over the vesting period of the applicable award using the straight-line method for those options expected to vest. For performance-based equity compensation awards, the Company generally recognizes compensation expense for each vesting tranche over the related performance period.

The Company also grants RSUs to non-employees that vest upon the satisfaction of both performance and service conditions. For RSUs granted to non-employees that vest upon the satisfaction of a performance condition, the Company starts recognizing expense on the RSUs when the performance condition is met.

Noncontrolling Interests and Redeemable Noncontrolling Interests

Noncontrolling interests represent investors’ interests in the net assets of the Funds that the Company has created to finance the cost of its solar energy systems subject to the Company’s Customer Agreements. The Company has determined that the contractual provisions in the funding arrangements represent substantive profit sharing arrangements. The Company has further determined that the appropriate methodology for attributing income and loss to the noncontrolling interests and redeemable noncontrolling interests each period is a balance sheet approach referred to as the hypothetical liquidation at book value (“HLBV”) method.

Under the HLBV method, the amounts of income and loss attributed to the noncontrolling interests and redeemable noncontrolling interests in the consolidated statements of operations reflect changes in the amounts the investors would hypothetically receive at each balance sheet date under the liquidation provisions of the contractual agreements of these arrangements, which are based on the investors’ tax capital accounts, assuming the net assets of these funding structures were liquidated at recorded amounts. The Company’s initial calculation of the investor’s noncontrolling interest in the results of operations of these funding arrangements is determined as the difference in the noncontrolling interests’ claim under the HLBV method at the start and end of each reporting period, after taking into account any capital transactions, such as contributions or distributions, between the Fund and the investors.

The Company classifies certain noncontrolling interests with redemption features that are not solely within the control of the Company outside of permanent equity on its consolidated balance sheets. Redeemable noncontrolling interests are reported using the greater of their carrying value as determined by the HLBV method or their estimated redemption value at each reporting date.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements and tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are provided against deferred tax assets to the extent that it is more likely than not that the deferred tax asset will not be realized. The Company is subject to the provisions of ASC 740, *Income Taxes*, which establishes consistent thresholds as it relates to accounting for income taxes. It defines the threshold for recognizing the benefits of tax return positions in the financial statements as “more likely than not” to be sustained by the taxing authority and requires measurement of a tax position meeting the more-likely-than-not criterion, based on the largest benefit that is more than 50% likely to be realized. Management has analyzed the

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

Company's inventory of tax positions with respect to all applicable income tax issues for all open tax years (in each respective jurisdiction).

The Company sells solar energy systems to the Funds. As the Funds are consolidated by the Company, the gain on the sale of the solar energy systems is not recognized in the consolidated financial statements. However, this gain is recognized for tax reporting purposes. The Company accounts for the income tax consequences of these intra-entity transfers, both current and deferred, as a component of income tax expense and deferred tax liability, net during the period in which the transfers occur.

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal, state and local jurisdictions, where applicable. The statute of limitations for the tax returns varies by jurisdiction.

Concentrations of Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable, which includes rebates receivable. The associated risk of concentration for cash is mitigated by banking with institutions with high credit ratings. At certain times, amounts on deposit exceed Federal Deposit Insurance Corporation insurance limits. The Company does not require collateral or other security to support accounts receivable. To reduce credit risk, management performs periodic credit evaluations and ongoing evaluations of its customers' financial condition. Rebates receivable are due from various states and local governments as well as various utility companies. The Company considers the collectability risk of such amounts to be low. The Company is not dependent on any single customer. The Company's customers under Customer Agreements are primarily located in California, Arizona, New Jersey, Hawaii, New York, Maryland and Massachusetts. The loss of a customer would not adversely impact the Company's operating results or financial position. The Company depends on a limited number of suppliers of solar panels and other system components. During the years ended December 31, 2021 and 2020, the solar materials purchases from the top five suppliers were approximately \$627.7 million and \$297.7 million, respectively.

Recently Issued and Adopted Accounting Standards

Accounting standards adopted January 1, 2019:

In February 2018, the FASB issued Accounting Standards Update ("ASU") No. 2018-02, *Income Statement -- Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allows companies to reclassify stranded tax effects resulting from the Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings. The Company adopted ASU No. 2018-02 effective January 1, 2019, which resulted in an adjustment of \$0.7 million for the reclassification, as reflected in its consolidated statement of redeemable noncontrolling interests and equity. The Company uses the aggregate portfolio approach when reclassifying stranded tax effects from accumulated other comprehensive income.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation - Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting*, which is intended to align the accounting for share-based payment awards issued to employees and nonemployees, however, this amendment does not apply to instruments issued in a financing transaction nor to equity instruments granted to a customer under a contract in the scope of Topic 606. Currently, performance conditions are recognized once the performance conditions are met. Under this new amendment, equity-classified nonemployee share-based payments will be measured at the grant-date fair value and will be recognized based on the probable outcome of the performance conditions. This ASU is effective for fiscal periods beginning after December 15, 2018. The Company adopted ASU No. 2018-07 effective January 1, 2019, and there was no material impact to its consolidated financial statements.

In July 2018, the FASB issued ASU No. 2018-09, *Codification Improvements*. This amendment makes changes to a variety of topics to clarify, correct errors in, or make minor improvements to the Accounting Standards Codification. The majority of the amendments in ASU 2018-09 are effective for periods beginning after December 15, 2018. The Company adopted ASU No. 2018-09 effective January 1, 2019, and there was no material impact to its consolidated financial statements.

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

Accounting standards adopted January 1, 2020:

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, which replaces the current incurred loss impairment methodology with a current expected credit losses model. The amendment applies to entities that hold financial assets and net investment in leases that are not accounted for at fair value through net income as well as loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables and any other financial assets not excluded from the scope that have the contractual right to receive cash. The Company adopted ASU No. 2016-13 effective January 1, 2020, using a modified retrospective transition method, which resulted in a cumulative-effect adjustment of \$1.2 million for the establishment of a credit loss allowance for unbilled receivables related to Customer Agreements, as reflected in its consolidated statement of redeemable noncontrolling interests and stockholders' equity.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements as part of its disclosure framework project. Under this amendment, entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy. However, for Level 3 fair value measurements, disclosures around the range and weighted average used to develop significant unobservable inputs will be required. The Company adopted ASU No. 2018-13 effective January 1, 2020, and there was no impact to its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in Topic 350, Intangibles—Goodwill and Other, to determine which implementation costs to capitalize as assets or expense as incurred. This ASU is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2019, and can be applied either prospectively to implementation costs incurred after the date of adoption or retrospectively to all arrangements. The Company prospectively adopted ASU No. 2018-15 effective January 1, 2020, and there was no adoption date impact to its consolidated financial statements.

In October 2018, the FASB issued ASU No. 2018-17, *Consolidation (Topic 810), Targeted Improvements to Related Party Guidance for Variable Interest Entities*, which aligns the evaluation of decision-making fees under the variable interest entity guidance. Under this new guidance, in order to determine whether decision-making fees represent a variable interest, an entity considers indirect interests held through related parties under common control on a proportionate basis. This ASU is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2019, and must be applied retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. The Company adopted ASU No. 2018-17 effective January 1, 2020, and there was no impact to its consolidated financial statements.

Accounting standards adopted January 1, 2021:

In January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848): Scope*, which permits entities to elect certain optional expedients and exceptions when accounting for derivative contracts and certain hedging relationships affected by reference rate reform. This ASU is effective upon issuance and can generally be applied through December 31, 2022. The Company adopted ASU 2019-12 effective January 1, 2021, and there was no impact to its consolidated financial statements.

In November 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740)*, which simplifies the accounting for income taxes, primarily by eliminating certain exceptions to the guidance in ASC 740. The Company adopted ASU 2019-12 effective January 1, 2021, and there was no impact to its consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)*, simplifies the accounting for convertible instruments and the application of the derivatives scope exception for contracts in an entity's own equity. This ASU is effective for fiscal periods beginning after December 15, 2021. The Company adopted ASU 2020-06 effective January 1, 2021, and applied this guidance to the convertible senior notes issued in January 2021, see Note 8 *Indebtedness*, which allowed the Company to account for the notes and their underlying

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

conversion feature as a liability. There was no other impact to the Company's consolidated financial statements as a result of this adoption.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or other reference rates that are expected to be discontinued because of reference rate reform. This ASU is available for adoption as of the beginning of the interim period that includes March 12, 2020 through December 31, 2022, as contract modifications or hedging relationships entered into or evaluated after December 31, 2022 are excluded unless an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. For the Company's cash flow hedges in which the designated hedged risk is LIBOR or another rate that is expected to be discontinued, the Company has adopted the portion of the guidance that allows it to assert that it remains probable that the hedged forecasted transaction will occur. The Company adopted the remainder of this guidance effective January 1, 2021, and there was no impact to its consolidated financial statements.

Accounting standards to be adopted:

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which requires contract assets and contract liabilities acquired in a business combination to be recognized and measured in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. This ASU is effective for interim and annual periods beginning after December 15, 2022 on a prospective basis, with early adoption permitted. Effective January 1, 2022, the Company early adopted ASU 2021-08 on a prospective basis. There was no impact to its consolidated financial statements.

In May 2021, the FASB issued ASU No. 2021-04, *Earnings Per Share (Topic 260), Debt— Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging— Contracts in Entity's Own Equity (Subtopic 815-40)*, which requires issuers to account for modifications or exchanges of freestanding equity-classified written call options that remain equity classified after the modification or exchange based on the economic substance of the modification or exchange. This ASU is effective for fiscal periods beginning after December 15, 2021. The Company is currently evaluating this guidance and the impact it may have on the Company's consolidated financial statements.

Note 3. Acquisitions

Omni Energy, LLC

In July 2019, the Company acquired a specified customer pipeline and assembled workforce from Omni Energy, LLC ("Omni"), an existing solar integrator with multi-family solar project origination and development capabilities.

The purchase consideration for the assets acquired was approximately \$ 23.5 million, consisting of \$ 2.7 million in cash upfront and \$ 20.8 million representing the fair value of contingent consideration based upon new solar system installations through 2022. The Company estimated the fair value of the contingent consideration at the acquisition date using a probability-weighted discounted cash flow methodology. The estimated range of outcomes (undiscounted) was from \$ 17.7 million to \$ 28.9 million. The total fair value of the assets acquired of \$ 23.5 million is comprised of an intangible asset related to customer relationships of \$ 14.2 million with estimated useful life of five years, and goodwill of \$ 9.3 million. Customer relationships were valued with level 3 inputs. The Company reassessed the valuation assumptions each reporting period, with any changes in the fair value accounted for in sales and marketing expense within the consolidated statements of operations. During the years ended December 31, 2021, 2020 and 2019, the Company recognized \$ 4.7 million, \$ 6.0 million and \$ 2.3 million, respectively, of sales and marketing expense related to the changes in fair value. The fair value of the contingent consideration as of December 31, 2021 and 2020 was nil and \$ 4.7 million, respectively.

The fair value of the assets acquired and liabilities assumed was finalized during 2020 and resulted in no additional adjustments.

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

Goodwill represents the excess of the purchase price over the fair value of the assets acquired and liabilities assumed. Goodwill recorded is primarily attributable to the acquired assembled workforce and synergies achieved through the elimination of redundant costs.

There was no revenue contributed from the acquired business to the Company, as measured from the date of the acquisition through December 31, 2019. The portion of the total expenses and net income associated with the acquired business was not separately identifiable due to the integration with the Company's operations. Due to the nature of the acquisition, the operations acquired and the related unaudited pro forma information are immaterial.

Vivint Solar, Inc.

On October 8, 2020, the Company acquired Vivint Solar, a leading full-service residential solar provider in the United States, at an estimated purchase price of \$5.0 billion, pursuant to an Agreement and Plan of Merger, dated as of July 6, 2020, by and among the Company, Vivint Solar and Viking Merger Sub, Inc., a Delaware corporation and direct wholly owned subsidiary of the Company ("Merger Sub"), pursuant to which Merger Sub merged with and into Vivint Solar, with Vivint Solar continuing as the surviving corporation (the "Merger"). As a result of the Merger, Vivint Solar became a direct wholly owned subsidiary of the Company.

The calculation of the purchase price is as follows (in thousands, except for share, per share and ratio amounts):

Vivint Solar outstanding common stock at October 8, 2020	126,313,816
Exchange ratio	0.55
Number of Sunrun shares issued	69,472,599
Per share price of Sunrun common stock at October 8, 2020	\$ 70.54
Fair value of Sunrun common stock issued	4,900,597
Fair value of replacement Sunrun stock options and restricted stock units	136,919
Purchase price	\$ 5,037,516

Transaction costs of \$25.5 million were expensed as incurred in general and administrative expense in the Company's consolidated statements of operations.

The results of Vivint Solar have been included in the Company's consolidated financial statements since the acquisition date. For the year ended December 31, 2020, the revenue and net loss from Vivint Solar recognized in the Company's consolidated statement of operations were \$81.3 million and \$167.7 million, respectively.

Fair values assigned to assets acquired and liabilities assumed are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives and the expected future cash flows and related discount rates, can materially impact the Company's results of operations. Specifically, the Company used discounted cash flow models to value the solar energy systems and the noncontrolling interests in subsidiaries. Inputs used for the models were Level 3 inputs and included the amount of cash flows, the expected period of the cash flows and the discount rates. The fair value of the assumed debt instruments was based on rates offered for debt with similar maturities and terms on October 8, 2020 and its fair value fell under the Level 2 hierarchy.

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

The fair value of the assets acquired and liabilities assumed was finalized during 2021 and resulted in no additional adjustments. The following table sets forth the purchase accounting for Vivint Solar's identifiable tangible and intangible assets acquired and liabilities assumed, with the excess recorded as goodwill (in thousands):

Assets acquired:		
Cash and cash equivalents	\$	433,217
Accounts receivable		29,207
Inventories		70,028
Solar energy systems		2,979,304
Property and equipment		19,308
Intangible assets		3,900
Restricted cash, current and non-current		104,025
Prepaid expenses and other assets, current and non-current		110,402
Total assets acquired		3,749,391
Liabilities assumed:		
Accrued liabilities, accounts payable and distributions payable		177,092
Finance lease obligations, current and non-current		8,408
Deferred revenue, current and long-term		32,604
Debt, current and long-term		2,191,831
Pass-through financing obligation, current and non-current		4,759
Long-term deferred tax liability		92,792
Other long-term liabilities		101,764
Total liabilities assumed		2,609,250
Net assets acquired, excluding goodwill		1,140,141
Redeemable non-controlling interests in subsidiaries		58,300
Non-controlling interests in subsidiaries		229,400
Total other		287,700
Total purchase price		5,037,516
Goodwill	\$	4,185,075

Goodwill represents a significant portion of the purchase price for Vivint Solar and is primarily attributable to the acquired assembled workforce and expected synergies from combining operations. Goodwill is not expected to be deductible for tax purposes.

The following table shows selected unaudited pro forma condensed combined total revenue and earnings of the Company after giving effect to the Merger. The selected unaudited pro forma condensed combined total revenue and earnings for the twelve months ended December 31, 2020 and 2019 give effect to the Merger if it occurred on January 1, 2019, the first day of the Company's 2019 fiscal year (in thousands).

	Year Ended December 31,	
	2020	2019
Total revenues	\$ 1,234,352	\$ 1,198,759
Net loss	\$ (971,554)	\$ 886,774

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

The unaudited pro forma financial information includes adjustments to give effect to pro forma events that are directly attributable to the acquisition. The pro forma financial information includes adjustments to amortization and depreciation for solar energy systems, share based compensation, the effect of acquisition on deferred costs and revenues and noncontrolling interests, and transaction costs related to the acquisition. The unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the results of operations of future periods. The unaudited pro forma financial information does not give effect to the potential impact of current financial conditions, regulatory matters, or any anticipated synergies, operating efficiencies, or cost savings that may be associated with the acquisition.

Note 4. Fair Value Measurement

At December 31, 2021 and 2020, the carrying value of receivables, accounts payable, accrued expenses and distributions payable to noncontrolling interests approximates fair value due to their short-term nature and falls under the Level 2 hierarchy. The carrying values and fair values of debt instruments are as follows (in thousands):

	December 31, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Recourse debt	\$ 601,684	\$ 518,168	\$ 230,660	\$ 230,660
Senior debt	2,269,623	2,261,071	1,722,730	1,733,767
Subordinated debt	1,160,115	1,160,432	934,386	958,880
Securitization debt	2,471,468	2,494,070	1,908,369	2,012,283
Total	<u>\$ 6,502,890</u>	<u>\$ 6,433,741</u>	<u>\$ 4,796,145</u>	<u>\$ 4,935,590</u>

At December 31, 2021 and 2020, the fair value of certain recourse debt and certain senior, subordinated and securitization loans approximate their carrying values because their interest rates are variable rates that approximate rates currently available to the Company. At December 31, 2021 and 2020, the fair value of the Company's other debt instruments are based on rates currently offered for debt with similar maturities and terms. The Company's fair value of the debt instruments fell under the Level 2 hierarchy. These valuation approaches involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market.

At December 31, 2021 and 2020, financial instruments measured at fair value on a recurring basis, based upon the fair value hierarchy are as follows (in thousands):

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Derivative assets:				
Interest rate swaps	\$ —	\$ 26,673	\$ —	\$ 26,673
Total	<u>\$ —</u>	<u>\$ 26,673</u>	<u>\$ —</u>	<u>\$ 26,673</u>
Derivative liabilities:				
Interest rate swaps	\$ —	\$ 83,873	\$ —	\$ 83,873
Total	<u>\$ —</u>	<u>\$ 83,873</u>	<u>\$ —</u>	<u>\$ 83,873</u>

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Derivative assets:				
Interest rate swaps	\$ —	\$ 5,218	\$ —	\$ 5,218
Total	<u>\$ —</u>	<u>\$ 5,218</u>	<u>\$ —</u>	<u>\$ 5,218</u>
Derivative liabilities:				
Interest rate swaps	\$ —	\$ 175,444	\$ —	\$ 175,444
Total	<u>\$ —</u>	<u>\$ 175,444</u>	<u>\$ —</u>	<u>\$ 175,444</u>
Contingent consideration:				
Contingent consideration:	\$ —	\$ —	\$ 4,653	\$ 4,653
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,653</u>	<u>\$ 4,653</u>

The above balances are recorded in other assets and other liabilities, respectively, in the consolidated balance sheets, except for nil and \$0.1 million as of December 31, 2021 and 2020, respectively, which is recorded in prepaid and other assets and \$23.0 million and \$23.9 million as of December 31, 2021 and 2020, respectively, which is recorded in accrued expenses and other liabilities.

The Company determines the fair value of its interest rate swaps using a discounted cash flow model that incorporates an assessment of the risk of non-performance by the interest rate swap counterparty and an evaluation of the Company's credit risk in valuing derivative instruments. The valuation model uses various inputs including contractual terms, interest rate curves, credit spreads and measures of volatility.

The Company recorded contingent consideration in connection with a business combination, which is dependent on the achievement of specified deployment milestones associated with the number of solar energy systems installed through 2022. The Company determined the fair value of the contingent consideration using a probability-weighted expected return methodology that considers the timing and probabilities of achieving these milestones and uses discount rates that reflect the appropriate cost of capital. Contingent consideration was valued with level 3 inputs. The Company reassesses the valuation assumptions each reporting period, with any changes in the fair value accounted for in the consolidated statements of operations.

The following table summarizes the activity of Level 3 contingent consideration balance in the year ended December 31, 2021 (in thousands):

Balance recorded in connection with business acquisition	\$ 11,809
Gains recognized in earnings within sales and marketing expense	(6,030)
Payable for solar systems that have met deployment milestones	<u>(1,126)</u>
Balance at December 31, 2020	4,653
Change in fair value recognized in earnings within sales and marketing expense	<u>(4,653)</u>
Balance at December 31, 2021	<u>\$ —</u>

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

Note 5. Inventories

Inventories consist of the following (in thousands):

	December 31,	
	2021	2020
Raw materials	\$ 413,819	\$ 241,095
Work-in-process	93,000	41,950
Total	\$ 506,819	\$ 283,045

As of January 1, 2020, the federal government offers a Commercial ITC of 26%, which is reduced from 30%, under Section 48(a) of the Internal Revenue Code of 1986, as amended, for the installation of certain solar power facilities owned for business purposes. The Internal Revenue Service (“IRS”) provided taxpayers a safe harbor opportunity to retain access to the pre-2020 30% tax credit amount through specific rules released in Notice 2018-59. The Company sought to avail itself of this safe harbor by incurring certain costs and taking title in the year the Company took delivery, for tax purposes, of the underlying inventory and/or by performing physical work on components that will be installed in solar facilities. There was approximately \$11.0 million and \$37.5 million at December 31, 2021 and 2020, respectively, of inventory that would qualify for a 30% tax credit.

Note 6. Solar Energy Systems, net

Solar energy systems, net consists of the following (in thousands):

	December 31,	
	2021	2020
Solar energy system equipment costs	\$ 9,018,788	\$ 7,789,009
Inverters and batteries	1,127,014	934,203
Total solar energy systems	10,145,802	8,723,212
Less: accumulated depreciation and amortization	(1,267,932)	(914,551)
Add: construction-in-progress	581,826	394,127
Total solar energy systems, net	\$ 9,459,696	\$ 8,202,788

All solar energy systems, including construction-in-progress, have been leased to or are subject to signed Customer Agreements with customers. The Company recorded depreciation expense related to solar energy systems of \$368.0 million, \$225.9 million and \$167.9 million for the years ended December 31, 2021, 2020 and 2019, respectively. The depreciation expense was reduced by the amortization of deferred grants of \$8.3 million, \$8.2 million and \$8.1 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Note 7. Property and Equipment, net

Property and equipment, net consists of the following (in thousands):

	December 31,	
	2021	2020
Machinery and equipment	\$ 10,339	\$ 8,860
Leasehold improvements, furniture, and computer hardware	41,209	42,614
Vehicles	76,487	68,245
Computer software	43,552	37,997
Total property and equipment	171,587	157,716
Less: Accumulated depreciation and amortization	(114,701)	(95,534)
Total property and equipment, net	\$ 56,886	\$ 62,182

Depreciation and amortization expense was \$23.0 million, \$20.0 million and \$22.6 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Note 8. Goodwill and Intangible Assets, net

The goodwill and intangible assets were acquired as part of the acquisition of Mainstream Energy Corporation, which included AEE Solar and its racking business SnapNrack; Clean Energy Experts, LLC; Omni Energy, LLC; and Vivint Solar.

The change in the carrying value of goodwill is as follows (in thousands):

Balance—January 1, 2019	\$	87,543
Acquisition of Omni (Note 3)		7,551
Balance—December 31, 2019		95,094
Acquisition of Vivint Solar (Note 3)		4,185,075
Balance—December 31, 2020 and 2021	\$	4,280,169

The Company performs its annual impairment test of goodwill on October 1 of each fiscal year or whenever events or circumstances change or occur that would indicate that goodwill might be impaired. As of October 1, 2021, the Company conducted its annual goodwill impairment test, based on a qualitative assessment. The test concluded that no impairment had occurred. Since December 31, 2021, the price of the Company's common stock has declined. A sustained decrease in the price of the Company's common stock is one of the qualitative factors to be considered as part of an impairment test when evaluating whether events or changes in circumstances may indicate that it is more likely than not that a potential goodwill impairment exists. The Company will continue monitoring the analysis of the qualitative and quantitative factors used as a basis for the goodwill impairment test during fiscal year 2022.

The Company has determined that it has one reporting unit.

There was no impairment of goodwill during the years ended December 31, 2021, 2020 and 2019, respectively.

Intangible assets, net as of December 31, 2021 consist of the following (in thousands, except weighted average remaining life):

	Cost	Accumulated amortization	Carrying value	Weighted average remaining life (in years)
Customer relationships	\$ 32,770	\$ (20,346)	\$ 12,424	2.7
Developed technology	6,820	(6,820)	—	—
Trade names	6,990	(6,523)	467	1.3
Total	\$ 46,580	\$ (33,689)	\$ 12,891	

Intangible assets, net as of December 31, 2020 consist of the following (in thousands, except weighted average remaining life):

	Cost	Accumulated amortization	Carrying value	Weighted average remaining life (in years)
Customer relationships	\$ 32,770	\$ (15,349)	\$ 17,421	3.6
Developed technology	6,820	(6,820)	—	—
Trade names	6,990	(6,149)	841	2.3
Total	\$ 46,580	\$ (28,318)	\$ 18,262	

The Company recorded amortization of intangible assets expense of \$ 5.4 million, \$5.2 million and \$4.8 million for the years ended December 31, 2021, 2020 and 2019, respectively. As of December 31, 2021, expected amortization of intangible assets for each of the five succeeding fiscal years and thereafter is as follows (in thousands):

2022	\$	5,364
2023		4,673
2024		2,269
2025		585
2026		—
Thereafter		—
Total	\$	<u>12,891</u>

Note 9. Other Assets

Other assets consist of the following (in thousands):

	December 31,	
	2021	2020
Costs to obtain contracts - customer agreements	\$ 703,080	\$ 377,839
Costs to obtain contracts - incentives	2,481	2,481
Accumulated amortization of costs to obtain contracts	(74,529)	(51,365)
Unbilled receivables	212,727	150,603
Allowance for credit loss on unbilled receivables	(2,411)	(1,731)
Operating lease right-of-use assets	92,707	81,516
Equity method investment	63,826	65,356
Other assets	127,862	56,966
Total	<u>\$ 1,125,743</u>	<u>\$ 681,665</u>

The Company recorded amortization of costs to obtain contracts of \$ 23.3 million and \$ 14.4 million for the years ended December 31, 2021 and 2020, respectively, in the sales and marketing expense.

The majority of unbilled receivables arise from fixed price escalators included in the Company's long-term Customer Agreements. The escalator is included in calculating the total estimated transaction value for an individual Customer Agreement. The total estimated transaction value is then recognized over the term of the Customer Agreement. The amount of unbilled receivables increases while cumulative billings for an individual Customer Agreement are less than the cumulative revenue recognized for that Customer Agreement. Conversely, the amount of unbilled receivables decreases when the actual cumulative billings becomes higher than the cumulative revenue recognized. At the end of the initial term of a Customer Agreement, the cumulative amounts recognized as revenue and billed to date are the same, therefore the unbilled receivable balance for an individual Customer Agreement will be zero. As a result of the adoption of ASU No. 2016-13, an allowance for credit loss on unbilled receivables was established as of January 1, 2020. The Company applies an estimated loss-rate in order to determine the current expected credit loss for unbilled receivables. The estimated loss-rate is determined by analyzing historical credit losses, residential first and second mortgage foreclosures and consumers' utility default rates, as well as current economic conditions. The Company reviews individual customer collection status of electricity billings to determine whether the unbilled receivables for an individual customer should be written off, including the possibility of a service transfer to a potential new homeowner.

Note 10. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of the following (in thousands):

	December 31,	
	2021	2020
Accrued employee compensation	\$ 100,357	\$ 91,115
Operating lease obligations	24,780	21,461
Accrued interest	38,665	38,340
Accrued professional fees	11,330	15,834
Other accrued expenses	189,004	158,864
Total	<u>\$ 364,136</u>	<u>\$ 325,614</u>

Note 11. Indebtedness

As of December 31, 2021 and 2020, respectively, debt consisted of the following (in thousands, except percentages):

	December 31, 2021	December 31, 2020	Unused Borrowing Capacity ⁽¹⁾	Weighted Average Interest Rate at December 31, 2021 ₍₂₎	Weighted Average Interest Rate at December 31, 2020 ₍₂₎	Contractual Interest Rate ⁽³⁾	Contractual Maturity Date
Recourse debt							
Bank line of credit ⁽⁴⁾	\$ 211,066	\$ 230,660	\$ —	3.40%	3.53%	LIBOR +3.25%	January 2025
0% Convertible Senior Notes ⁽⁵⁾	\$ 400,000	\$ —	\$ —	—%	N/A	—%	February 2026
Total recourse debt	611,066	230,660	—				
Unamortized debt discount	(9,382)	—	—				
Total recourse debt, net	601,684	230,660	—				
Non-recourse debt ⁽⁶⁾							
Senior revolving and delayed draw loans ⁽⁷⁾⁽⁸⁾	1,301,600	587,600	43,102	2.23%	2.85%	LIBOR +1.75% - 3.25%	March 2024 - October 2027
Senior non-revolving loans	921,038	1,087,386	—	3.66%	3.68%	4.50% - 6.50%; LIBOR +1.75% - 2.75%	April 2022 - November 2040
Subordinated revolving and delayed draw loans	221,464	282,722	—	9.06%	8.43%	8.50% - 9.80%; LIBOR +9.00%	March 2024 - October 2032
Subordinated loans ⁽⁹⁾	959,852	668,642	—	8.46%	8.76%	7.00% - 10.00%; LIBOR +6.75% -	May 2023 - January 2042
Securitized loans	2,466,389	1,885,981	—	3.59%	4.18%	2.27% - 5.31%	August 2023 - January 2057
Total non-recourse debt	5,870,343	4,512,331	43,102				
Unamortized debt premium, net	30,863	53,154	—				
Total non-recourse debt, net	5,901,206	4,565,485	43,102				
Total debt, net	<u>\$ 6,502,890</u>	<u>\$ 4,796,145</u>	<u>\$ 43,102</u>				

(1) Represents the additional amount the Company could borrow, if any, based on the state of its existing assets as of December 31, 2021.

(2) Reflects weighted average contractual, unhedged rates. See Note 12, *Derivatives* for hedge rates.

(3) Ranges shown reflect fixed interest rate and rates using LIBOR, as applicable.

(4) This syndicated working capital facility with banks has a total commitment up to \$ 250.0 million and is secured by substantially all of the unencumbered assets of the Company, as well as ownership interests in certain subsidiaries of the Company. Loans under this facility bear interest at LIBOR +3.25% per annum or Base Rate +2.25% per annum. The Base Rate is the highest of the Federal Funds Rate + 0.50%, the Prime Rate, or

- LIBOR + 1.00%. Subject to various restrictive covenants, such as the completion and presentation of audited consolidated financial statements, maintaining a minimum unencumbered liquidity of at least \$25.0 million at the end of each calendar month, maintaining quarter end liquidity to be at least \$ 35.0 million, and maintaining a minimum interest coverage ratio of 3.50 or greater, measured quarterly as of the last day of each quarter. The Company was in compliance with all debt covenants as of December 31, 2021. Please refer to *Note 22 Subsequent Events* regarding the new credit facility entered into in January 2022.
- (5) These convertible senior notes ("Notes") will not bear regular interest, and the principal amount of the notes will not accrete. The Notes may bear special interest under specified circumstances relating to the Company's failure to comply with its reporting obligations under the Indenture or if the Notes are not freely tradeable as required by the Indenture. The Notes will mature on February 1, 2026, unless earlier repurchased by the Company, redeemed by the Company or converted pursuant to their terms. The initial conversion rate of the Notes is 8.4807 shares of the Company's common stock, par value \$0.0001 per share, per \$1,000 principal amount of Notes, which is equivalent to an initial conversion price of approximately \$ 117.91 per share. The conversion rate will be subject to adjustment upon the occurrence of certain specified events but will not be adjusted for any accrued and unpaid special interest. In addition, upon the occurrence of a make-whole fundamental change or an issuance of a notice of redemption, the Company will, in certain circumstances, increase the conversion rate by a number of additional shares for a holder that elects to convert its Notes in connection with such make-whole fundamental change or notice of redemption. The debt discount recorded on the Notes is being amortized to interest expense at an effective interest rate of 0.57%. As of December 31, 2021, \$2.1 million of the debt discount was amortized to interest expense. In connection with the offering of the Notes, the Company entered into privately negotiated capped call transactions ("Capped Calls") with certain of the initial purchasers and/or their respective affiliates at a cost of approximately \$28.0 million. The Capped Calls are classified as equity and were recorded to additional paid-in-capital within stockholders' equity as of December 31, 2021. The Capped Calls each have an initial strike price of approximately \$117.91 per share, subject to certain adjustments, which corresponds to the initial conversion price of the Notes. The Capped Calls have initial cap prices of \$157.22 per share. The Capped Calls cover, subject to anti-dilution adjustments, approximately 3.4 million shares of common stock. The Capped Calls are expected generally to reduce the potential dilution to the common stock upon any conversion of Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of the Notes, as the case may be, in the event the market price per share of common stock, as measured under the Capped Calls, is greater than the strike price of the Capped Call, with such offset subject to a cap. If, however, the market price per share of the common stock, as measured under the Capped Calls, exceeds the cap price of the Capped Calls, there would be dilution and/or there would not be an offset of such potential cash payments, in each case, to the extent that the then-market price per share of the common stock exceeds the cap price. The final components of the Capped Calls are scheduled to expire on January 29, 2026.
- (6) Certain loans under this category are part of project equity transactions.
- (7) Under a loan within this category, the Company may incur up to an aggregate principal amount of \$ 100.0 million in revolver borrowings. Borrowings under this revolving loan may be designated as base rate loans or LIBOR loans, subject to certain terms and conditions. Base rate loans accrue interest at a rate per year equal to 2.25% plus the highest of (i) the federal funds rate plus 0.50%, (ii) Bank of America, N.A.'s published "prime rate," and (iii) LIBOR rate plus 1.00%, subject to a 0.00% floor. LIBOR loans accrue interest at a rate per annum equal to 3.25% plus the fluctuating rate of interest equal to LIBOR or a comparable successor rate approved by the administrative agent, subject to a 0.00% floor. In addition to customary covenants for these type of facilities, the Company is subject to financial covenants and is required to have unencumbered cash and cash equivalents at the end of each fiscal quarter of at least the greater of (i) \$30.0 million and (ii) the amount of unencumbered liquidity to be maintained by Vivint Solar, Inc. a wholly owned subsidiary of the Company, in accordance with any loan documents governing recourse debt facilities of Vivint Solar Inc. As of September 30, 2021, this facility was terminated.
- (8) Pursuant to the terms of the aggregation facilities within this category the Company may draw up to an aggregate principal amount of \$ 1.9 billion in revolver borrowings depending on the available borrowing base at the time.
- (9) A loan under this category with an outstanding balance of \$ 124.8 million as of December 31, 2021 contains a put option that can be exercised beginning in 2036 that would require the Company to pay off the entire loan on November 30, 2037.

Senior and Subordinated Debt Facilities

Each of the Company's senior and subordinated debt facilities contain customary covenants including the requirement to maintain certain financial measurements and provide lender reporting. Each of the senior and subordinated debt facilities also contain certain provisions in the event of default that entitle lenders to take certain actions including acceleration of amounts due under the facilities and acquisition of membership interests and assets that are pledged to the lenders under the terms of the senior and subordinated debt facilities. The facilities are non-recourse to the Company and are secured by net cash flows from Customer Agreements or inventories less certain operating, maintenance and other expenses that are available to the borrower after distributions to tax equity investors, where applicable. Under the terms of these facilities, the Company's subsidiaries pay interest and principal from the net cash flows available to the subsidiaries. The Company was in compliance with all debt covenants as of December 31, 2021.

Securitization Loans

Each of the Company's securitized loans contains customary covenants including the requirement to provide reporting to the indenture trustee and ratings agencies. Each of the securitized loans also contain certain provisions in the event of default which entitle the indenture trustee to take certain actions including acceleration of amounts due under the facilities and acquisition of membership interests and assets that are pledged to the lenders under the terms of the securitized loans. The facilities are non-recourse to the Company and are secured by net cash flows from Customer Agreements less certain operating, maintenance and other expenses which are available to the borrower after distributions to tax equity investors, where applicable. Under the terms of these loans, the Company's subsidiaries pay interest and principal from the net cash flows available to the subsidiaries. The Company was in compliance with all debt covenants as of December 31, 2021.

Maturities of Indebtedness

The aggregate future principal payments for debt as of December 31, 2021 are as follows (in thousands):

2022	\$	189,562
2023		617,091
2024		716,484
2025		1,174,043
2026		548,561
Thereafter		3,235,668
Subtotal		6,481,409
Debt premium		21,481
Total	\$	<u>6,502,890</u>

Note 12. Derivatives

Interest Rate Swaps

The Company uses interest rate swaps to hedge variable interest payments due on certain of its term loans and aggregation facility. These swaps allow the Company to incur fixed interest rates on these loans and receive payments based on variable interest rates with the swap counterparty based on the one or three month LIBOR on the notional amounts over the life of the swaps.

The interest rate swaps have been designated as cash flow hedges. The credit risk adjustment associated with these swaps is the risk of non-performance by the counterparties to the contracts. In the year ended December 31, 2021, the hedge relationships on the Company's interest rate swaps have been assessed as highly effective as the quarterly assessment performed determined changes in cash flows of the derivative instruments have been highly effective in offsetting the changes in the cash flows of the hedged items, are expected to be highly effective in the future and the critical terms of the interest rate swaps match the critical terms of the underlying forecasted hedged transactions. Accordingly, changes in the fair value of these derivatives are recorded as a component of accumulated other comprehensive income, net of income taxes. Changes in the fair value of these derivatives are subsequently reclassified into earnings, and are included in interest expense, net in the Company's statements of operations, in the period that the hedged forecasted transactions affect earnings. To the extent that the hedge relationships are not effective, changes in the fair value of these derivatives are recorded in other expenses, net in the Company's statements of operations on a prospective basis.

The Company's master netting and other similar arrangements allow net settlements under certain conditions. When those conditions are met, the Company presents derivatives at net fair value. As of December 31, 2021, the information related to these offsetting arrangements were as follows (in thousands):

Instrument Description	Gross Amounts of Recognized Assets / Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets / Liabilities Included in the Consolidated Balance Sheet	Notional Amount ⁽¹⁾
Assets:				
Derivatives designated as hedging instruments	\$ 17,475	\$ (1,815)	\$ 15,660	\$ 421,281
Derivatives not designated as hedging instruments	9,198	—	9,198	345,258
Total derivative assets	26,673	(1,815)	24,858	766,539
Liabilities:				
Derivatives designated as hedging instruments	(54,017)	1,815	(52,202)	1,110,729
Derivatives not designated as hedging instruments	(29,856)	—	(29,856)	621,884
Total derivative liabilities	(83,873)	1,815	(82,058)	1,732,613
Total derivative assets & liabilities	\$ (57,200)	\$ —	\$ (57,200)	\$ 2,499,152

- (1) Comprised of 61 interest rate swaps which effectively fix the LIBOR portion of interest rates on outstanding balances of certain loans under the senior and securitized sections of the debt footnote table (see Note 11, *Indebtedness*) at 0.57% to 3.18% per annum. These swaps mature from August 31, 2022 to January 31, 2043.

As of December 31, 2020, the information related to these offsetting arrangements were as follows (in thousands):

Instrument Description	Gross Amounts of Recognized Assets / Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets / Liabilities Included in the Consolidated Balance Sheet	Notional Amount
Assets:				
Derivatives designated as hedging instruments	\$ 4,293	\$ (6)	\$ 4,287	\$ 191,737
Derivatives not designated as hedging instruments	925	(13)	912	166,138
Total derivative assets	5,218	(19)	5,199	357,875
Liabilities:				
Derivatives designated as hedging instruments	(165,996)	6	(165,990)	1,796,596
Derivatives not designated as hedging instruments	(9,448)	13	(9,435)	190,530
Total derivative liabilities	(175,444)	19	(175,425)	1,987,126
Total derivative assets & liabilities	\$ (170,226)	\$ —	\$ (170,226)	\$ 2,345,001

The losses (gains) on derivatives designated as cash flow hedges recognized into OCI, before tax effect, consisted of the following (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Derivatives designated as cash flow hedges:			
Interest rate swaps	\$ (25,117)	\$ 86,367	\$ 65,809

The losses (gains) on derivatives financial instruments recognized into the consolidated statements of operations, before tax effect, consisted of the following (in thousands):

	Year Ended December 31,					
	2021		2020		2019	
	Interest expense, net	Other expense, net	Interest expense, net	Other expense, net	Interest expense, net	Other expense, net
Derivatives designated as cash flow hedges:						
Interest rate swaps						
Losses (gains) reclassified from AOCI into income	\$ 21,517	\$ —	\$ 12,971	\$ —	\$ (785)	\$ —
Derivatives not designated as cash flow hedges:						
Interest rate swaps						
Gains recognized into income	—	(21,387)	—	(2,911)	—	—
Total losses (gains)	\$ 21,517	\$ (21,387)	\$ 12,971	\$ (2,911)	\$ (785)	\$ —

All amounts in Accumulated other comprehensive income (loss) ("AOCI") in the consolidated statements of redeemable noncontrolling interests and equity relate to derivatives, refer to the consolidated statements of comprehensive loss. The net (losses) gains on derivatives includes the tax effect of \$12.9 million, \$19.4 million and \$17.7 million for the twelve months ended December 31, 2021, 2020 and 2019, respectively.

During the next 12 months, the Company expects to reclassify \$ 18.6 million of net losses on derivative instruments from accumulated other comprehensive income to earnings. There were twelve undesignated derivative instruments recorded by the Company as of December 31, 2021.

Note 13. Pass-Through Financing Obligations

The Company's pass-through financing obligations ("financing obligations") arise when the Company leases solar energy systems to Fund investors who are considered commercial customers under a master lease agreement, and these investors in turn are assigned the Customer Agreements with customers. The Company receives all of the value attributable to the accelerated tax depreciation and some or all of the value attributable to the other incentives. Given the assignment of operating cash flows, these arrangements are accounted for as financing obligations. The Company also sells the rights and related value attributable to the Commercial ITC to these investors.

Under these financing obligation arrangements, wholly owned subsidiaries of the Company finance the cost of solar energy systems with investors for an initial term of typically 22 years, and one fund with an initial term of 7 years. The solar energy systems are subject to Customer Agreements with an initial term of typically 20 or 25 years that automatically renew on an annual basis. These solar energy systems are reported under the line item solar energy systems, net in the consolidated balance sheets. As of December 31, 2021 and 2020, the cost of the solar energy systems placed in service under the financing obligation arrangements was \$705.4 million and \$715.5 million, respectively. The accumulated depreciation related to these assets as of December 31, 2021 and 2020 was \$143.2 million and \$120.2 million, respectively. During the year ended December 31, 2021, the Company retired one of its financing obligations and terminated the associated lease for \$18.1 million, which resulted in a debt extinguishment expense of \$6.3 million.

The investors make a series of large up-front payments and in certain cases subsequent smaller quarterly payments (lease payments) to the subsidiaries of the Company. The Company accounts for the payments received from the investors under the financing obligation arrangements as borrowings by recording the proceeds received as financing obligations on its consolidated balance sheets, and cash provided by financing activities in its consolidated statement of cash flows. These financing obligations are reduced over a period of approximately 22 years, or over 7 years in the case of one fund, by customer payments under the Customer Agreements, U.S. Treasury grants (where applicable,) and proceeds from the contracted resale of SRECs as they are received by the investor. In addition, funds paid for the Commercial ITC value upfront are initially recorded as a refund liability and recognized as revenue as the associated solar energy system reaches PTO. The Commercial ITC value is reflected in cash provided by operations on the consolidated statement of cash flows. The Company accounts for the

Customer Agreements and any related U.S. Treasury grants as well as the resale of SRECs consistent with the Company's revenue recognition accounting policies as described in Note 2, *Summary of Significant Accounting Policies*.

Interest is calculated on the financing obligations using the effective interest rate method. The effective interest rate, which is adjusted on a prospective basis, is the interest rate that equates the present value of the estimated cash amounts to be received by the investor over the lease term with the present value of the cash amounts paid by the investor to the Company, adjusted for amounts received by the investor. The financing obligations are nonrecourse once the associated assets have been placed in service and all the contractual arrangements have been assigned to the investor.

Under the majority of the financing obligations, the investor has a right to extend its right to receive cash flows from the customers beyond the initial term in certain circumstances. Depending on the arrangement, the Company has the option to settle the outstanding financing obligation on the ninth or eleventh anniversary of the Fund inception at a price equal to the higher of (a) the fair value of future remaining cash flows or (b) the amount that would result in the investor earning their targeted return. In several of these financing obligations, the investor has an option to require repayment of the entire outstanding balance on the tenth anniversary of the Fund inception at a price equal to the fair value of the future remaining cash flows.

Under the majority of the financing obligations, the Company is responsible for services such as warranty support, accounting, lease servicing and performance reporting to customers. As part of the warranty and performance guarantee with the customers in applicable funds, the Company guarantees certain specified minimum annual solar energy production output for the solar energy systems leased to the customers, which the Company accounts for as disclosed in Note 2, *Summary of Significant Accounting Policies*.

Note 14. VIE Arrangements

The Company consolidated various VIEs at December 31, 2021 and 2020. The carrying amounts and classification of the VIEs' assets and liabilities included in the consolidated balance sheets are as follows (in thousands):

	December 31,	
	2021	2020
Assets		
Current assets		
Cash	\$ 377,044	\$ 219,502
Restricted cash	70,346	34,559
Accounts receivable, net	55,714	35,152
Inventories	93,604	23,306
Prepaid expenses and other current assets	1,519	2,629
Total current assets	598,227	315,148
Solar energy systems, net	7,605,769	6,748,127
Other assets	177,224	127,591
Total assets	\$ 8,381,220	\$ 7,190,866
Liabilities		
Current liabilities		
Accounts payable	\$ 26,042	\$ 15,609
Distributions payable to noncontrolling interests and redeemable noncontrolling interests	31,582	28,577
Accrued expenses and other liabilities	31,036	24,660
Deferred revenue, current portion	45,956	44,906
Deferred grants, current portion	997	1,007
Non-recourse debt, current portion	41,284	31,594
Total current liabilities	176,897	146,353
Deferred revenue, net of current portion	484,429	493,161
Deferred grants, net of current portion	24,637	25,891
Non-recourse debt, net of current portion	1,441,324	1,160,817
Other liabilities	25,205	31,745
Total liabilities	\$ 2,152,492	\$ 1,857,967

The Company holds certain variable interests in nonconsolidated VIEs established as a result of six pass-through Fund arrangements as further explained in Note 13, *Pass-Through Financing Obligations*. The Company does not have material exposure to losses as a result of its involvement with the VIEs in excess of the amount of the pass-through financing obligation recorded in the Company's consolidated financial statements. The Company is not considered the primary beneficiary of these VIEs.

Note 15. Redeemable Noncontrolling Interests

During certain specified periods of time (the "Early Exit Periods"), noncontrolling interests in certain funding arrangements have the right to put all of their membership interests to the Company (the "Put Provisions"). During a specific period of time (the "Call Periods"), the Company has the right to call all membership units of the related redeemable noncontrolling interests.

The carrying value of redeemable noncontrolling interests was greater than the redemption value except for ten and fifteen Funds at December 31, 2021 and 2020, respectively, where the carrying value has been adjusted to the redemption value.

Note 16. Stockholders' Equity

Convertible Preferred Stock

The Company did not have any convertible preferred stock issued and outstanding as of December 31, 2021 and 2020.

The Company did not declare or pay any dividends in 2021, 2020 or 2019.

Common Stock

The Company has reserved sufficient shares of common stock for issuance upon the exercise of stock options and the exercise of warrants. Common stockholders are entitled to dividends if and when declared by the board of directors, subject to the prior rights of the preferred stockholders. As of December 31, 2021, no common stock dividends had been declared by the board of directors.

The Company has reserved shares of common stock for issuance as follows (in thousands):

	December 31,	
	2021	2020
Stock plans		
Shares available for grant		
Sunrun-VSI 2014 Equity Incentive Plan	11,084	8,940
2015 Equity Incentive Plan	22,371	15,033
2015 Employee Stock Purchase Plan	11,270	8,216
Options outstanding	6,257	8,019
Restricted stock units outstanding	4,485	7,103
Total	55,467	47,311

Stock Repurchase Program

In November 2019, the Company's board of directors approved a stock repurchase program authorizing the Company to repurchase up to \$ 50.0 million of its common stock from time to time over the next three years. Stock repurchases under this program may be made through open market transactions, negotiated purchases or otherwise, at times and in such amounts as the Company considers appropriate and in accordance with applicable regulations of the Securities and Exchange Commission. The timing of repurchases and the number of shares repurchased will depend on a variety of factors including price, regulatory requirements, and other market conditions. The Company may limit, amend, suspend, or terminate the stock repurchase program at any time without prior notice. Any shares repurchased under the program will be returned to the status of authorized, but unissued shares of common stock. During 2019, the Company repurchased 368,996 shares for approximately \$5.0 million. There were no such repurchases in 2021 and 2020.

Note 17. Stock-Based Compensation

2013 Equity Incentive Plan

In July 2013, the Board of Directors approved the 2013 Equity Incentive Plan ("2013 Plan"). In March 2015, the Board of Directors authorized an additional 3,000,000 shares reserved for issuance under the 2013 Plan. An aggregate of 4,500,000 shares of common stock are reserved for issuance under the 2013 Plan plus (i) any shares that were reserved but not issued under the plan that was previously in place, and (ii) any shares subject to stock options or similar awards granted under the plan that was previously in place that expire or otherwise terminate without having been exercised in full and shares issued that are forfeited to or repurchased by the Company, with the maximum number of shares to be added to the 2013 Plan pursuant to clauses (i) and (ii) equal to 8,044,829 shares. Stock options granted to employees generally have a maximum term of ten-years and vest over a four-year period from the date of grant; 25% vest at the end of one year, and 75% vest monthly over the remaining three years. The options may include provisions permitting exercise of the option prior to full vesting. Any unvested shares shall be subject to repurchase by the Company at the original exercise price of the option in the event of a termination of an optionee's employment prior to vesting. All the remaining shares that were available for future grants under the 2013 Plan were transferred to the 2015 Equity Incentive Plan ("2015 Plan") at the inception of the 2015 Plan. As of December 31, 2021, the Company had not granted restricted stock or other equity awards (other than options) under the 2013 Plan.

2014 Equity Incentive Plan

In August 2014, the Board approved Sunrun's 2014 Equity Incentive Plan ("Sunrun 2014 Plan"). An aggregate of 947,342 shares of common stock is reserved for issuance under the Sunrun 2014 Plan. The Sunrun 2014 Plan was adopted to accommodate a broader transaction with a sales entity and to allow for similar transactions in the future. In July 2015, the Board approved an increase in the number of shares of common stock reserved to 1,197,342. As of July 2015, the Company granted all 1,197,342 restricted stock units ("RSUs") available under the Sunrun 2014 Plan.

Sunrun-VSI 2014 Equity Incentive Plan

Upon completion of the Merger, the Company may grant equity awards through the Sunrun-VSI 2014 Equity Incentive Plan ("Sunrun-VSI 2014 Plan"), which was previously called the Vivint Solar 2014 Equity Incentive Plan. Under the Sunrun-VSI 2014 Plan, the Company may grant stock options, restricted stock, restricted stock units ("RSUs"), stock appreciation rights, performance stock units, performance shares and performance awards to its employees, directors and consultants, and its parent and subsidiary corporations' employees and consultants.

As of December 31, 2021, a total of 11.1 million shares of common stock were available for grant under the Sunrun-VSI 2014 Plan, subject to adjustment in the case of certain events. In addition, any shares that otherwise would be returned to the Omnibus Plan (as defined below) as the result of the expiration or termination of stock options may be added to the Sunrun-VSI 2014 Plan. The number of shares available to grant under the Sunrun-VSI 2014 Plan is subject to an annual increase on the first day of each year.

2013 Omnibus Incentive Plan

Vivint Solar's 2013 Omnibus Incentive Plan (the "Omnibus Plan") was terminated in connection with the adoption of the Vivint Solar 2014 Plan in September 2014, and accordingly no additional shares are available for issuance under the Omnibus Plan. The Omnibus Plan will continue to govern outstanding awards granted under the plan. The stock options outstanding under the Omnibus Plan have a ten-year contractual period.

Long-term Incentive Plan

In July 2013, Vivint Solar's board of directors approved shares of common stock for six Long-term Incentive Plan Pools ("LTIP Pools") that comprise the 2013 Long-term Incentive Plan (the "LTIP"). Participants in the LTIP are allocated a portion of the LTIP Pools relative to the performance of other participants on a measurement date that is determined once performance conditions are met. The Merger Agreement provided that the LTIP awards outstanding immediately prior to the Closing Date were cancelled and terminated and that subsequent to the Closing Date, each holder of a cancelled LTIP award would be granted an RSU award to be settled in shares of

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

Sunrun common stock, with the number of shares underlying such award calculated as if the LTIP performance hurdles were achieved, with the Closing Date as the determination date. As a result, approximately 1.5 million shares of the Company common stock were awarded as RSUs to LTIP participants with a grant date equal to the Closing Date. These RSUs vest in three equal installments, subject to the grantee's continued provision of services to the Company. One-third vested 30 days after the Closing Date, one-third vested nine months after the Closing Date, and one-third will vest 18 months after the Closing Date. As of December 31, 2021, there are no remaining shares available for grant under the LTIP.

2015 Equity Incentive Plan

In July 2015, the Sunrun Board approved the 2015 Plan. An aggregate of 11,400,000 shares of common stock are reserved for issuance under the 2015 Plan plus (i) any shares that were reserved but not issued under the 2013 Plan at the inception of the 2015 Plan, and (ii) any shares subject to stock options or similar awards granted under the 2008 Plan, 2013 Plan and 2014 Plan that expire or otherwise terminate without having been exercised in full and shares issued that are forfeited to or repurchased by the Company, with the maximum number of shares to be added to the 2015 Plan pursuant to clauses (i) and (ii) equal to 15,439,334 shares. The 2015 Plan provides for annual automatic increases on January 1 to the shares reserved for issuance. The automatic increase of the number of shares available for issuance under the 2015 Plan is equal to the least of 10 million shares, 4% of the outstanding shares of common stock as of the last day of the Company's immediately preceding fiscal year or such other amount as the Board of Directors may determine. In 2021 and 2020, an additional 8,056,251 and 4,738,048 shares, respectively, were reserved for issuance under the 2015 Plan pursuant to the automatic increase provision. Stock options granted to employees generally have a maximum term of ten-years and vest over a four-year period from the date of grant; 25% vest at the end of one year, and 75% vest monthly over the remaining three years. The options may include provisions permitting exercise of the option prior to full vesting. Any unvested shares shall be subject to repurchase by the Company at the original exercise price of the option in the event of a termination of an optionee's employment prior to vesting. RSUs granted to employees generally vest over a four-year period from the date of grant; 25% vest at the end of one year, and 75% vest quarterly over the remaining three years.

Stock Options

The following table summarizes the activity for all stock options under all of the Company's equity incentive plans for the years ended December 31, 2021 and 2020 (shares and aggregate intrinsic value in thousands):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2019	10,784	\$ 7.38	6.52	\$ 71,745
Assumed through acquisition	2,565	10.23		
Granted	1,740	17.48		
Exercised	(6,608)	7.40		
Cancelled	(462)	9.36		
Outstanding at December 31, 2020	8,019	10.35	6.87	473,371
Granted	641	47.06		
Exercised	(1,977)	8.88		
Cancelled	(426)	24.70		
Outstanding at December 31, 2021	6,257	\$ 13.60	6.19	\$ 140,326
Options vested and exercisable at December 31, 2021	4,362	\$ 8.38	5.18	\$ 114,465
Options vested and expected to vest at December 31, 2021	6,257	\$ 13.60	6.19	\$ 140,326

There were no unvested exercisable shares as of the year ended December 31, 2021 and 2020, which are subject to a repurchase option held by the Company at the original exercise price. These options became fully vested during the year ended December 31, 2020.

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

The weighted-average grant-date fair value of stock options granted during the year ended December 31, 2021, 2020 and 2019 were \$ 27.72, \$9.33 and \$8.27 per share, respectively. The total intrinsic value of the options exercised during the year ended December 31, 2021, 2020 and 2019 was \$ 106.1 million, \$251.7 million and \$37.8 million, respectively. The aggregate intrinsic value is the difference of the current fair value of the stock and the exercise price for in-the-money stock options. The total fair value of options vested during the year ended December 31, 2021, 2020 and 2019 was \$36.4 million, \$104.8 million and \$9.5 million, respectively.

The Company estimates the fair value of stock-based awards on their grant date using the Black-Scholes option-pricing model. The Company estimates the fair value using a single-option approach and amortizes the fair value on a straight-line basis for options expected to vest. All options are amortized over the requisite service periods of the awards, which are generally the vesting periods.

The Company estimated the fair value of stock options with the following assumptions:

	Year Ended December 31,		
	2021	2020	2019
Risk-free interest rate	0.90% - 1.30%	0.30 % - 1.50 %	1.70 % - 2.59 %
Volatility	63.00% - 67.80%	54.40 % - 59.70 %	52.90 % - 55.07 %
Expected term (in years)	6.00 - 6.10	5.30 - 6.10	6.10 - 6.12
Expected dividend yield	—%	—%	—%

The expected term assumptions were determined based on the average vesting terms and contractual lives of the options. The risk-free interest rate is based on the rate for a U.S. Treasury zero-coupon issue with a term that approximates the expected life of the option grant. For stock options granted in the year ended December 31, 2021, 2020 and 2019, the Company considered the volatility data of a group of publicly traded peer companies in its industry. The Company accounts for forfeitures as they occur and, as such, reverses compensation cost previously recognized in the period the award is forfeited, for an award that is forfeited before completion of the requisite service period.

Restricted Stock Units

The following table summarizes the activity for all RSUs under all of the Company's equity incentive plans for the years ended December 31, 2021 and 2020 (shares in thousands):

	Shares	Weighted Average Grant Date Fair Value
Unvested balance at December 31, 2019	3,943	\$ 11.42
Assumed through acquisition	3,033	70.54
Granted	5,295	34.71
Issued	(4,222)	30.10
Cancelled / forfeited	(946)	32.08
Unvested balance at December 31, 2020	7,103	40.17
Granted	1,992	48.12
Issued	(3,755)	42.70
Cancelled / forfeited	(855)	34.05
Unvested balance at December 31, 2021	4,485	\$ 42.73

Warrants for Strategic Partners

The Company has issued warrants for up to 846,943 shares of its common stock to certain strategic partners (calculated using the respective quarter of grant's closing stock price). The exercise price of each warrant is \$0.01 per share, and 69,309 warrants were exercised during the year ended December 31, 2021. During the year ended

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

December 31, 2021, the Company recognized stock-based compensation expense of \$ 10.7 million under time-based warrants.

Employee Stock Purchase Plan

Under the Company's 2015 Employee Stock Purchase Plan ("ESPP") (as amended in May 2017), eligible employees are offered shares bi-annually through a 24-month offering period which encompasses four six-month purchase periods. Each purchase period begins on the first trading day on or after May 15 and November 15 of each year. Employees may purchase a limited number of shares of the Company's common stock via regular payroll deductions at a discount of 15% of the lower of the fair market value of the Company's common stock on the first trading date of each offering period or on the exercise date. Employees may deduct up to 15% of payroll, with a cap of \$ 25,000 of fair market value of shares in any calendar year and 10,000 shares per employee per purchase period. Under the ESPP, 1,000,000 shares of the Company's common stock have been reserved for issuance to eligible employees. The ESPP provides for an automatic increase of the number of shares available for issuance under the ESPP on the first day of each fiscal year beginning on January 1, 2016, equal to the least of 5 million shares, 2% of the outstanding shares of the Company's common stock on the last day of the immediately preceding fiscal year, or such other amount as may be determined by the Board of Directors. In 2021 and 2020, the Board of Directors authorized an additional 4,028,125 and 2,369,024 shares, respectively, reserved for issuance under the ESPP.

Stock-Based Compensation Expense

The Company recognized stock-based compensation expense, including ESPP expenses, in the consolidated statements of operations as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Cost of customer agreements and incentives	\$ 11,469	\$ 4,315	\$ 2,434
Cost of solar energy systems and product sales	5,775	1,582	844
Sales and marketing	104,087	53,366	5,162
Research and development	3,806	2,518	1,439
General and administration	85,863	108,806	16,427
Total	<u>\$ 211,000</u>	<u>\$ 170,587</u>	<u>\$ 26,306</u>

During the years ended December 31, 2021 and 2020, stock-based compensation expense capitalized to the Company's consolidated balance sheet was \$10.9 million and \$6.5 million, respectively. As of December 31, 2021 and 2020, total unrecognized compensation cost related to outstanding stock options and RSUs was \$175.8 million and \$280.1 million, respectively, which are expected to be recognized over a weighted-average period of 2.3 years. Total unrecognized compensation cost includes the assumed unvested Vivint Solar awards to be recognized as stock-based compensation expense over the remaining requisite service period. Per ASC 805, the replacement of stock options or other share-based payment awards in conjunction with a business combination represents a modification of share-based payment awards that must be accounted for in accordance with ASC 718, Stock Compensation. As a result of the Company's issuance of replacement awards, a portion of the fair-value-based measure of the replacement awards is included in the purchase consideration. To determine the portion of the replacement awards that is part of the purchase consideration, the Company measured the fair value of both the replacement awards and the historical awards as of the Acquisition Date. The fair value of the replacement awards, whether vested or unvested, was included in the purchase consideration to the extent that pre-acquisition services were rendered. In the year ended December 31, 2021, the Company recognized compensation cost of \$35.7 million for modifications due to accelerated vesting of unvested outstanding shares for 53 grantees.

401(k) Plans

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

The Sunrun 401(k) Plan and the Vivint Solar 401(k) Plan are deferred salary arrangements under Section 401(k) of the Internal Revenue Code. Under both the Sunrun and Vivint Solar 401(k) Plans, participating U.S. employees may defer a portion of their pre-tax earnings, up to the IRS annual contribution limit (\$19,500 for calendar year 2021). Under the Sunrun 401(k) Plan, the Company matches 100% of the first 1% and 50% of the next 5% of each employee's contributions. Under the Vivint Solar 401(k) Plan, the Company matches 33% of each employee's contributions up to a maximum of 6% of the employee's eligible earnings. The Company recognized expense of \$14.7 million, \$9.6 million and \$8.5 million in the years ended December 31, 2021, 2020 and 2019, respectively.

Note 18. Income Taxes

The following table presents the loss (income) before income taxes for the periods presented (in thousands):

	For the Year Ended December 31,		
	2021	2020	2019
Loss (income) attributable to common stockholders	\$ 70,152	\$ 233,967	\$ (18,117)
Loss attributable to noncontrolling interest and redeemable noncontrolling interests	901,107	453,554	417,357
Loss before income taxes	<u>\$ 971,259</u>	<u>\$ 687,521</u>	<u>\$ 399,240</u>

The income tax provision (benefit) consists of the following (in thousands):

	For the Year Ended December 31,		
	2021	2020	2019
Current			
Federal	\$ —	\$ —	\$ (454)
State	—	—	(593)
Foreign	—	(1,422)	1,435
Total current (benefit) expense	<u>—</u>	<u>(1,422)</u>	<u>388</u>
Deferred			
Federal	13,938	(61,387)	(7,634)
State	(4,667)	2,236	(972)
Foreign	—	—	—
Total deferred (benefit) provision	<u>9,271</u>	<u>(59,151)</u>	<u>(8,606)</u>
Total	<u>\$ 9,271</u>	<u>\$ (60,573)</u>	<u>\$ (8,218)</u>

The following table represents a reconciliation of the statutory federal rate and the Company's effective tax rate for the periods presented:

	For the Year Ended December 31,		
	2021	2020	2019
Tax provision (benefit) at federal statutory rate	(21.00)%	(21.00)%	(21.00)%
State income taxes, net of federal benefit	(2.30)	(1.69)	(0.97)
Effect of noncontrolling and redeemable noncontrolling interests	19.48	13.85	21.95
Stock-based compensation	0.29	(2.98)	(1.96)
ASC 740-10 Reserve	—	—	(0.11)
Tax credits	(0.82)	(0.77)	(0.99)
Effect of valuation allowance	4.67	3.45	0.40
Other	0.63	0.33	0.62
Total	<u>0.95 %</u>	<u>(8.81)%</u>	<u>(2.06)%</u>

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following table represents the components of the Company's deferred tax assets and liabilities for the periods presented (in thousands):

	December 31,	
	2021	2020
Deferred tax assets		
Accruals and prepaids	\$ 53,506	\$ 51,704
Deferred revenue	52,017	17,736
Net operating loss carryforwards	605,416	529,394
Stock-based compensation	15,345	22,224
Investment tax and other credits	95,889	86,175
Interest expense	5,644	16,627
UNICAP costs	61,671	2,141
Interest rate derivatives	39,784	53,057
Total deferred tax assets	929,272	779,058
Less: Valuation allowance	(136,682)	(91,322)
Gross deferred tax assets	792,590	687,736
Deferred tax liabilities		
Capitalized costs to obtain a contract	171,219	93,441
Fixed asset depreciation and amortization	435,493	333,970
Deferred tax on investment in partnerships	287,631	342,230
Gross deferred tax liabilities	894,343	769,641
Net deferred tax liabilities	\$ (101,753)	\$ (81,905)

The Company accounts for investment tax credits as a reduction of income tax expense in the year in which the credits arise. As of December 31, 2021, the Company has an investment tax credit carryforward of approximately \$75.5 million which begins to expire in the year 2033, if not utilized, \$ 1.0 million of California enterprise zone credits which begin to expire in the year 2023, and \$1.9 million of other state tax credits which begin to expire in the year 2022. As of December 31, 2020, the Company has an investment tax credit carryforward of approximately \$66.0 million and California enterprise zone credits of approximately \$1.0 million.

Generally, utilization of the net operating loss carryforwards and credits may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code (IRC) of 1986, as amended and similar state provisions. The Company performed an analysis to determine whether an ownership change under Section 382 of the Code had occurred and determined that no ownership changes were identified as of December 31, 2021. Vivint Solar, Inc. underwent an ownership change as of October 8, 2020 which is not expected to impact the utilization of its net operating loss carryforwards or tax credits.

As of December 31, 2021, the Company has approximately \$ 7.2 million of federal and \$ 8.9 million of state capital loss carryforwards. The Company believes its capital loss carryforwards are not likely to be realized.

Valuation allowances are provided against deferred tax assets to the extent that it is more likely than not that the deferred tax asset will not be realized. The Company's management considers all available positive and negative evidence including its history of operating income or losses, future reversals of existing taxable temporary difference, taxable income in carryback years and tax-planning strategies. The Company has concluded that it is more likely than not that the benefit from certain federal and state tax credits and net operating loss carryforwards will not be realized. In recognition of this risk, the Company has provided a valuation allowance of \$136.7 million on the deferred tax assets relating to these federal and state tax credits and net operating loss carryforwards which is an increase of \$45.4 million in 2021.

The Company sells solar energy systems to investment Funds. As the investment Funds are consolidated by the Company, the gain on the sale of the assets has been eliminated in the consolidated financial statements.

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

However, this gain is recognized for tax reporting purposes. The Company accounts for the income tax consequences of these intra-entity transfers, both current and deferred, as a component of income tax expense and deferred tax liability, net during the period in which the transfers occur.

Uncertain Tax Positions

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal, state and local jurisdictions, where applicable. The statute of limitations for the tax returns varies by jurisdictions.

The Company determines whether a tax position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Company uses a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon tax authority examination, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. The Company has analyzed its inventory of tax positions with respect to all applicable income tax issues for all open tax years (in each respective jurisdiction).

The Company's policy is to include interest and penalties related to unrecognized tax benefits, if any, within the provision for taxes in the consolidated statements of operations.

As a result of the acquisition of Vivint Solar, the Company established an unrecognized tax benefit of \$ 1.0 million as of December 31, 2021 and 2020 that, if recognized, would impact the Company's effective tax rate.

The change in unrecognized tax benefits during 2021, 2020 and 2019, excluding penalties and interest, is as follows:

	For the Year Ended December 31,		
	2021	2020	2019
Unrecognized tax benefits at beginning of the year	\$ 961	\$ —	\$ 647
Reversal of prior year unrecognized tax benefits due to the expiration of the statute of limitations	—	—	(647)
Increases in unrecognized tax benefits as a result of tax positions taken during the prior period	—	961	—
Unrecognized tax benefits at end of the year	<u>\$ 961</u>	<u>\$ 961</u>	<u>\$ —</u>

The Internal Revenue Service ("IRS") audited one of the Company's investment funds covered by the Company's 2018 insurance policy in an audit involving a review of the fair market value determination of solar energy systems. The Company is unable to determine if this audit will result in an adverse final determination at this time.

The Company is subject to taxation and files income tax returns in the U.S., its territories, and various state and local jurisdictions. Due to the Company's net losses, substantially all of its federal, state and local income tax returns since inception are still subject to audit.

The following table summarizes the tax years that remain open and subject to examination by the tax authorities in the most significant jurisdictions in which the Company operates:

	Tax Years
U.S. Federal	2018 - 2021
State	2017 - 2021

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

Net Operating Loss Carryforwards

As a result of the Company's net operating loss carryforwards as of December 31, 2021, the Company does not expect to pay income tax, including in connection with its income tax provision for the year ended December 31, 2021. As of December 31, 2021, the Company had net operating loss carryforwards for federal and state income tax purposes of approximately \$720.7 million and \$2.3 billion, respectively, which will begin to expire in 2028 for federal purposes and in 2024 for state purposes. In addition, federal and certain state net operating loss carryforwards generated in tax years beginning after December 31, 2017 total \$1.4 billion and \$198.7 million, respectively, and have indefinite carryover periods and do not expire.

Note 19. Commitments and Contingencies

Letters of Credit

As of December 31, 2021 and 2020, the Company had \$ 23.2 million and \$37.0 million, respectively, of unused letters of credit outstanding, which each carry fees of 1.25% - 3.25% per annum and 2.13% - 3.25% per annum, respectively.

Guarantees

Certain tax equity funds and debt facilities require the Company to maintain an aggregate amount of \$ 35.0 million of unencumbered cash and cash equivalents at the end of each month.

Operating and Finance Leases

The Company leases real estate under non-cancellable operating leases and equipment under finance leases.

The components of lease expense were as follows (in thousands):

	For the Year Ended December 31,		
	2021	2020	2019
Finance lease cost:			
Amortization of right-of-use assets	\$ 13,358	\$ 10,151	\$ 13,999
Interest on lease liabilities	958	890	1,915
Operating lease cost	26,906	15,592	13,159
Short-term lease cost	4,819	689	1,349
Variable lease cost	7,261	4,135	3,565
Sublease income	(1,095)	(782)	(669)
Total lease cost	<u>\$ 52,207</u>	<u>\$ 30,675</u>	<u>\$ 33,318</u>

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

Other information related to leases was as follows (in thousands):

	For the Year Ended December 31,		
	2021	2020	2019
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	\$ 28,230	\$ 15,756	\$ 11,516
Operating cash flows from finance leases	952	854	991
Financing cash flows from finance leases	12,352	10,578	13,919
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases	41,068	2,071	19,503
Finance leases	11,055	4,265	17,914
Weighted average remaining lease term (years):			
Operating leases	6.15	7.24	5.39
Finance leases	2.47	2.59	2.91
Weighted average discount rate:			
Operating leases	3.8 %	4.2 %	5.5 %
Finance leases	3.1 %	4.3 %	4.2 %

Future minimum lease commitments under non-cancellable leases as of December 31, 2021 were as follows (in thousands):

	Operating Leases	Sublease Income	Net Operating Leases	Finance leases
2022	\$ 29,035	\$ 3,531	\$ 25,504	\$ 11,463
2023	25,905	3,700	22,205	6,809
2024	20,331	1,921	18,410	3,517
2025	17,715	601	17,114	1,228
2026	14,742	—	14,742	16
Thereafter	29,884	—	29,884	10
Total future lease payments	137,612	9,753	127,859	23,043
Less: Amount representing interest	(15,068)	—	(15,068)	(828)
Present value of future payments	122,544	9,753	112,791	22,215
Less: Amount for tenant incentives	—	—	—	—
Revised Present value of future payments	122,544	9,753	112,791	22,215
Less: Current portion	(24,780)	(3,531)	(21,249)	(10,901)
Long term portion	\$ 97,764	\$ 6,222	\$ 91,542	\$ 11,314

Purchase Commitment

The Company entered into purchase commitments, which have the ability to be canceled without significant penalties, with multiple suppliers to purchase \$558.0 million of photovoltaic modules, inverters and batteries by the end of 2022.

Warranty Accrual

The Company accrues warranty costs when revenue is recognized for solar energy systems sales, based on the estimated future costs of meeting its warranty obligations. Warranty costs primarily consist of replacement costs for supplies and labor costs for service personnel since warranties for equipment and materials are covered by the original manufacturer's warranty (other than a small deductible in certain cases). As such, the warranty reserve is immaterial in all periods presented. The Company makes and revises these estimates based on the number of solar energy systems under warranty, the Company's historical experience with warranty claims, assumptions on warranty claims to occur over a systems' warranty period and the Company's estimated replacement costs. A

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

warranty is provided for solar energy systems sold and leased. However, for the solar energy systems under Customer Agreements, the Company does not accrue a warranty liability because those systems are owned by consolidated subsidiaries of the Company. Instead, any repair costs on those solar energy systems are expensed when they are incurred as a component of customer agreements and incentives costs of revenue.

Commercial ITC Indemnification

The Company is contractually committed to compensate certain investors for any losses that they may suffer in certain limited circumstances resulting from reductions in Commercial ITCs. Generally, such obligations would arise as a result of reductions to the value of the underlying solar energy systems as assessed by the Internal Revenue Service (the "IRS"). The Company set the purchase prices and claimed values based on fair market values determined with the assistance of an independent third-party appraisal with respect to the systems that generate Commercial ITCs that are passed-through to, and claimed by, the Fund investors. In April 2018, the Company purchased an insurance policy providing for certain payments by the insurers in the event there is a final determination (including a judicial determination) that reduced the Commercial ITCs claimed in respect of solar energy systems sold or transferred to most Funds through April 2018, or later, in the case of Funds added to the policy after such date. In general, the policy indemnifies the Company and related parties for additional taxes (including penalties and interest) owed in respect of lost Commercial ITCs, gross-up costs and expenses incurred in defending such claim, subject to negotiated exclusions from, and limitations to, coverage.

At each balance sheet date, the Company assesses and recognizes, when applicable, the potential exposure from this obligation based on all the information available at that time, including any audits undertaken by the IRS. One of the Company's investors was being audited by the IRS in an audit involving a review of the fair market value determination of the Company's solar energy systems in the investment fund, which is covered by the Company's 2018 insurance policy. The Company is unable to determine if this audit will result in an adverse final determination at this time.

Litigation

The Company is subject to certain legal proceedings, claims, investigations and administrative proceedings in the ordinary course of its business. The Company records a provision for a liability when it is both probable that the liability has been incurred and the amount of the liability can be reasonably estimated. These provisions, if any, are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. Depending on the nature and timing of any such proceedings that may arise, an unfavorable resolution of a matter could materially affect the Company's future consolidated results of operations, cash flows or financial position in a particular period.

In October 2019, two shareholders filed separate putative class actions in the U.S. District Court for the Eastern District of New York (*Crumrine v. Vivint Solar, Inc.* and *Li v. Vivint Solar, Inc.*) purportedly on behalf of themselves and all others similarly situated. The lawsuits purport to allege violations of Federal Securities Laws. In March 2020, the court consolidated the two actions and appointed lead plaintiffs and lead counsel to represent the alleged putative class. Subsequently, in December 2020, the Eastern District of New York transferred the actions to the District of Utah, where they are now pending. Vivint Solar disputes the allegations in the complaint. While Vivint Solar believes that the claims against it are without merit, in view of the cost and risk of continuing to defend the action, Vivint Solar mediated the action with plaintiffs on May 19, 2021, and reached an agreement to resolve the action on a class-wide basis for \$1.25 million. A portion of the \$ 1.25 million will be covered by insurance proceeds, and the Company accrued approximately \$ 750,000 as of June 30, 2021. As of December 31, 2021, the accrual was adjusted to \$550,000, because of the portion of the \$ 1.25 million settlement that will be covered by insurance proceeds. On November 30, 2021, the court granted preliminary approval of the class action settlement. The Company deposited its portion of the settlement proceeds into an escrow account managed by the class action claims administrator on January 27, 2022. The court has scheduled the final approval hearing for May 5, 2022.

In December 2019, ten customers who signed residential power purchase agreements named Vivint Solar in a putative class action lawsuit captioned *Dekker v. Vivint Solar, Inc.* (N.D. Cal.), alleging that the agreements contain unlawful termination fee provisions. The Company disputes the allegations in the complaint. On January 17, 2020, the Company moved to compel arbitration with respect to nine of the ten plaintiffs whose contracts included arbitration provisions. The court issued an order compelling eight plaintiffs to pursue their claims in arbitration but subsequently rescinded the order as to certain plaintiffs. The Court of Appeals for the Ninth Circuit has since reversed the court's order rescinding its order compelling certain plaintiffs to arbitrate. At this time, one plaintiff's claims remain pending before the court as a putative class action, and other plaintiffs' claims are in arbitration or have otherwise been resolved on an individual basis. In the putative class action that remains pending before the

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

court, the plaintiff filed a motion for class certification, and Vivint Solar is opposing that motion and a hearing is scheduled to be held on February 25, 2022. The Company is unable to estimate a range of loss, if any, at this time.

In March 2020, a shareholder filed a derivative action captioned *Oyola-Rivera v. Allred* (DE Chancery Court) against various officers and directors of Vivint Solar, Inc., alleging that they breached their duties of loyalty, care, and good faith. Vivint Solar, Inc. is named as a nominal defendant. The defendants dispute the allegations in the complaint. During the fourth quarter of 2021, the shareholder agreed to dismiss the action without the need for any payment or other undertakings by the defendants or Vivint Solar, Inc. On December 7, 2021, the court granted the parties' stipulated request for dismissal and dismissed the action.

On December 2, 2020, the California Contractors State License Board (the "CSLB") filed an administrative proceeding against the Company and certain of its officers related to an accident that occurred during an installation by one of the Company's channel partners, Horizon Solar Power, which holds its own license with the CSLB. On November 8, 2021, the parties entered into a stipulated settlement imposing citations and withdrawing the administrative proceeding with additional conditions. The Company has consistently denied wrongdoing concerning the allegations in the administrative proceeding and made no admissions of wrongdoing incident to the settlement.

In addition to the matters discussed above, in the normal course of business, the Company has from time to time been named as a party to various legal claims, actions and complaints. While the outcome of these matters cannot currently be predicted with certainty, the Company does not currently believe that the outcome of any of these claims will have a material adverse effect, individually or in the aggregate, on its consolidated financial position, results of operations or cash flows.

The Company accrues for losses that are probable and can be reasonably estimated. The Company evaluates the adequacy of its legal reserves based on its assessment of many factors, including interpretations of the law and assumptions about the future outcome of each case based on available information.

Note 20. Net (Loss) Income Per Share

Basic net (loss) income per share is computed by dividing net (loss) income attributable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed by dividing net income attributable to common stockholders by the weighted-average number of common shares outstanding during the period adjusted to include the effect of potentially dilutive securities. Potentially dilutive securities are excluded from the computation of dilutive EPS in periods in which the effect would be antidilutive.

Sunrun Inc.
Notes to Consolidated Financial Statements — Continued

The computation of the Company's basic and diluted net (loss) income per share is as follows (in thousands, except per share amounts):

	Years Ended December 31,		
	2021	2020	2019
Numerator:			
Net (loss) income attributable to common stockholders	\$ (79,423)	\$ (173,394)	\$ 26,335
Denominator:			
Weighted average shares used to compute net (loss) income per share attributable to common stockholders, basic	205,132	139,606	116,397
Weighted average effect of potentially dilutive shares to purchase common stock	—	—	7,479
Weighted average shares used to compute net (loss) income per share attributable to common stockholders, diluted	205,132	139,606	123,876
Net (loss) income per share attributable to common stockholders			
Basic	\$ (0.39)	\$ (1.24)	\$ 0.23
Diluted	\$ (0.39)	\$ (1.24)	\$ 0.21

The following shares were excluded from the computation of diluted net income per share as the impact of including those shares would be anti-dilutive (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Outstanding stock options	799	1,286	1,486
Unvested restricted stock units	1,448	1,493	673
Capped Calls for Senior Convertible Notes	3,128	—	—
Total	5,375	2,779	2,159

Note 21. Related Party Transactions

Advances Receivable—Related Party

Net amounts due from direct-sales professionals were \$ 11.2 million and \$6.7 million as of December 31, 2021 and 2020, respectively. The Company provided a reserve of \$1.4 million and \$0.6 million as of December 31, 2021 and 2020, respectively, related to advances to direct-sales professionals who have terminated their employment agreement with the Company.

Note 22. Subsequent Events

On January 25, 2022, the Company and certain of its subsidiaries entered into a credit agreement (the "Credit Agreement"), effective as of January 24, 2022, with certain financial institutions for which KeyBank National Association is acting as administrative agent (the "Administrative Agent") and Silicon Valley Bank is acting as collateral agent, under which the Company may incur revolving loans and obtain letter of credit extensions in an aggregate amount of up to \$425.0 million, including a letter of credit sublimit of up to \$ 100.0 million (collectively, the "Facility"), which may be used for general corporate purposes. The maximum amount of advances under the Facility is capped by an available borrowing base that values certain assets of the Company on a formulaic basis. The Facility contains an uncommitted accordion feature pursuant to which the Facility may be upsized to an amount not exceeding \$600.0 million. The Facility matures on January 27, 2025. As further described below, the Facility refinances the Company's existing corporate bank line of credit.

Borrowings under the Facility may be designated as Base Rate Loans or Term SOFR Loans, subject to certain terms and conditions under the Credit Agreement. Base Rate Loans accrue interest at a rate per year equal to 2.25% plus the highest of (a) the federal funds rate plus 0.50%, (b) the interest rate determined from time to time by the Administrative Agent as its prime rate and notified to the Company, (c) the Adjusted Term SOFR Rate (defined below) for a one-month interest period in effect on such day (or if such day is not a business day, the immediately preceding business day) plus 1.00% and (d) 0.00%. Term SOFR Loans accrue interest at a rate per annum equal to (a) 3.25% plus (b) the greater of (i) 0.00% and (ii) the sum of (x) the forward-looking term rate for a period comparable to the applicable available tenor based on SOFR that is published by CME Group Benchmark Administration Ltd or a successor for the applicable interest period and (y) (1) if the applicable interest period is one month, 0.11448%, (2) if the applicable interest period is three months, 0.26161% or (c) if the applicable interest period is six months, 0.42826% (the rate pursuant to clause (b), the "Adjusted Term SOFR Rate").

The Company's obligations under the Credit Agreement are guaranteed by certain subsidiaries of the Company. The Credit Agreement includes customary events of default as defined in agreement. In addition, the Company is required to maintain a minimum modified interest coverage ratio, a minimum modified current ratio, a maximum modified leverage ratio, and a minimum unencumbered cash balance, in each case, tested quarterly.

Concurrently with the execution of the Credit Agreement, the Company's existing corporate bank line of credit was terminated. The existing corporate bank line of credit permitted the Company to incur revolving loans and obtain letter of credit extensions in an aggregate amount of up to \$250.0 million.

Loans under the existing corporate bank line of credit were permitted to be drawn from time to time, and letters of credit were permitted to be issued, in each case, for general corporate purposes. Proceeds from the Facility were used to pay off the outstanding principal, interest and fees under the existing corporate bank line of credit, in an aggregate amount of approximately \$211.1 million. As a result, the corporate bank line of credit was reclassified as a noncurrent liability as of December 31, 2021.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our “disclosure controls and procedures” as of the end of the period covered by this Annual Report on Form 10-K, pursuant to Rules 13a-15(e) and 15d-15(e) under the Exchange Act.

In connection with that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective and designed to provide reasonable assurance that the information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms as of December 31, 2021. The term “disclosure controls and procedures,” as defined in Rules 13a-15I and 15d-15I under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our management used the Committee of Sponsoring Organizations of the Treadway Commission Internal Control - Integrated Framework (2013), or the COSO framework, to evaluate the effectiveness of internal control over financial reporting. Management believes that the COSO framework is a suitable framework for its evaluation of financial reporting because it is free from bias, permits reasonably consistent qualitative and quantitative measurements of our internal control over financial reporting, is sufficiently complete so that those relevant factors that would alter a conclusion about the effectiveness of our internal control over financial reporting are not omitted and is relevant to an evaluation of internal control over financial reporting.

Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2021 and has concluded that such internal control over financial reporting is effective.

The effectiveness of our internal control over financial reporting as of December 31, 2021 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in its report which is included in Item 8 of this Annual Report on Form 10-K.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not Applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item 10 of Form 10-K will be set forth in our proxy statement to be filed with the SEC in connection with the solicitation of proxies for our 2022 Annual Meeting of Stockholders ("Proxy Statement") and is incorporated herein by reference. The Proxy Statement will be filed with the SEC within 120 days after the year-end of the fiscal year which this report relates.

Item 11. Executive Compensation.

The information required by this Item 11 will be set forth in the Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item 12 will be set forth in the Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item 13 will be set forth in the Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information required by this Item 14 will be set forth in the Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

Documents filed as part of this report are as follows:

(1) Consolidated Financial Statements

Our Consolidated Financial Statements are listed in the "Index to Consolidated Financial Statements" under Item 8 of Part II of this Annual Report.

(2) Financial Statement Schedules

The required information is included elsewhere in this Annual Report, not applicable, or not material.

(3) Exhibits

The exhibits listed in the accompanying "Exhibit Index" are filed or incorporated by reference as part of this Annual Report.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	Incorporated by Reference			Filed Herewith
			File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of the Registrant	10-Q	001-37511	3.1	9/15/2015	
3.2	Amended and Restated Bylaws of the Registrant	10-Q	001-37511	3.2	9/15/2015	
3.3	Amendment to Amended and Restated Bylaws	8-K	001-37511	3.1	7/10/2020	
4.1	Form of common stock certificate of the Registrant	S-1	333-205217	4.1	6/25/2015	
4.2	Form of Stock Issuance Agreement	S-1/A	333-205217	4.4	7/22/2015	
4.3	Indenture, dated January 28, 2021, between Sunrun Inc. and Wells Fargo Bank, National Association	8-K	001-37511	4.1	1/28/2021	
4.4	Form of 0% Convertible Senior Note due 2026	8-K	001-7511	4.2	1/28/2021	
4.5	Description of Capital Stock					X
10.1+	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers	S-1	333-205217	10.1	6/25/2015	
10.2+	Sunrun Inc. 2015 Equity Incentive Plan and related form agreements	S-1/A	333-205217	10.2	7/22/2015	
10.3+	Sunrun Inc. Amended and Restated Employee Stock Purchase Plan and related form agreements	10-Q	001-37511	10.1	8/9/2018	
10.4+	Sunrun Inc. 2014 Equity Incentive Plan	S-1	333-205217	10.4	6/25/2015	
10.5+	Sunrun Inc. 2013 Equity Incentive Plan and related form agreements	S-1	333-205217	10.5	6/25/2015	
10.6+	Sunrun Inc. 2008 Equity Incentive Plan and related form agreements	S-1	333-205217	10.6	6/25/2015	
10.7+	Mainstream Energy Corporation 2009 Stock Plan	S-1	333-205217	10.7	6/25/2015	
10.8+	Sunrun Inc. Amended and Restated Executive Incentive Compensation Plan	8-K	333-205217	10.1	2/4/2020	
10.9+	Vivint Solar, Inc. 2014 Equity Incentive Plan	S-1	333-198372	10.3	9/8/2014	
10.10+	Form of Notice of Stock Option Grant and Stock Option Agreement under the Vivint Solar, Inc. 2014 Equity Incentive Plan	10-Q	001-36642	10.15	11/12/2014	
10.11+	Form of Notice of Restricted Stock Unit Grant and Restricted Stock Unit Agreement under the Vivint Solar, Inc. 2014 Equity Incentive Plan	10-Q	001-36642	10.16	11/12/2014	
10.12+	V Solar Holdings, Inc. 2013 Omnibus Incentive Plan	S-1	333-198372	10.2	8/26/2014	
10.13+	Form of Stock Option Agreement under the V Solar Holdings, Inc. 2013 Omnibus Incentive Plan	10-Q	001-36642	10.17	11/12/2014	
10.14+	Sunrun Inc. Amended and Restated Executive Incentive Compensation Plan	8-K	001-37511	10.1	2/4/2020	
10.15+	Key Employee Change in Control and Severance Plan and Summary Plan Description	10-Q	001-37511	10.1	11/7/2018	
10.16+	Employment Letter between the Registrant and Lynn Jurich, dated as of May 8, 2015	S-1	333-205217	10.10	6/25/2015	

Exhibit Number	Exhibit Description	Form	Incorporated by Reference			Filed Herewith
			File No.	Exhibit	Filing Date	
10.17+	Employment Letter between the Registrant and Edward Fenster, dated as of May 8, 2015	S-1	333-205217	10.11	6/25/2015	
10.18+	Offer Letter between Tom vonReichbauer and Sunrun Inc., dated as of April 17, 2020	8-K	001-37511	10.2	4/23/2020	
10.19+	Employment Letter between the Registrant and Christopher Dawson, dated as of November 13, 2017	8-K	333-205217	10.1	12/6/2017	
10.20+	Executive Employment Agreement between Sunrun Inc. and Jeanna Steele, dated November 30, 2021					X
10.21+	Employment Agreement between Sunrun Inc. and Paul Dickson, dated December 3, 2021					X
10.22+	Separation Agreement by and between Christopher Dawson and Sunrun, Inc., dated December 31, 2021	8-K	001-37511	10.1	1/6/2022	
10.23+	Board Services Agreement between the Registrant and Gerald Risk, dated as of February 1, 2014	S-1	333-205217	10.15	6/25/2015	
10.24+	Amended and Restated Non-Employee Director Pay Policy, Amended December 23, 2021					X
10.25¥	Credit Agreement among Sunrun Neptune Portfolio 2016-A, LLC, as Borrower, Suntrust Bank as Administrative Agent, ING Capital LLC as LC Issuer, and The Lenders from Time to Time Party Hereto dated as of May 9, 2017 and Exhibits	10-Q/A	001-37511	10.3	12/29/2017	
10.26¥	Credit Agreement among Sunrun Scorpio Portfolio 2017-A, LLC, as Borrower, Keybank National Association, as Administrative Agent, Keybank National Association, as LC Issuer, and The Lenders from Time to Time Party Hereto dated as of October 20, 2017 and Exhibits	10-K	001-37511	10.3	3/6/2018	
10.27	First Amendment to Credit Agreement among the Company, Sunrun Neptune Portfolio 2016-A, LLC, SunTrust Bank (as administrative agent and as lender), ING Capital LLC (as issuer and as lender), and each of the additional Lenders from time to time party thereto, dated as of March 26, 2018	10-Q	001-37511	10.3	5/9/2018	
10.28¥	Indenture between Sunrun Athena Issuer 2018-1, LLC and Wells Fargo Bank, National Association, dated as of December 20, 2018	10-K	001-37511	10.36	2/28/2019	
10.29^	Indenture between Sunrun Xanadu Issuer 2019-1, LLC and Wells Fargo Bank, National Association, dated as of June 6, 2019	10-Q	001-37511	10.1	8/7/2019	
10.30^	First Amendment to Credit Agreement and First Amendment to Cash Diversion Guaranty dated as of June 28, 2019 among Sunrun Scorpio Portfolio 2017-A, LLC, as Borrower, Keybank National Association, as Administrative Agent, Keybank National Association, as LC Issuer, and each of the additional lenders identified on the signature page thereto	10-Q	001-37511	10.2	8/7/2019	

Exhibit Number	Exhibit Description	Form	Incorporated by Reference			Filed Herewith
			File No.	Exhibit	Filing Date	
10.31 ^	Indenture between Sunrun Atlas Issuer 2019-2, LLC and Wells Fargo Bank, National Association, dated as of October 28, 2019	10-K	001-37511	10.41	2/27/2020	
10.32^	Loan Agreement, dated as of May 27, 2020, by and among Vivint Solar Financing Holdings 2 Borrower, LLC, the lenders party thereto and BID Administrator, LLC	10-Q	001-36642	10.1	8/5/2020	
10.33	Subscription Agreement dated July 29, 2020, between Sunrun Inc. and SK E&S Co., Ltd.	8-K	001-37511	10.1	7/30/2020	
10.34	Purchase Agreement, dated January 25, 2021, by and among Sunrun Inc. Credit Suisse Securities (USA) LLC and Morgan Stanley & Co. LLC, as representatives of the several initial purchasers named in Schedule I thereto	8-K	001-37511	10.1	1/28/2021	
10.35	Form of Capped Call Confirmation	8-K	001-37511	10.2	1/28/2021	
10.36+	Amendment to Confirmatory Employment Letter between Sunrun Inc. and Lynn Jurich, dated August 5, 2021	8-K	001-37511	10.1	8/5/2021	
10.37+	Employment Agreement between Sunrun Inc. and Mary Powell, dated August 31, 2021	8-K	001-37511	10.2	8/5/2021	
10.38	Indenture between Sunrun Inc. and Wells Fargo Bank, National Association, as Trustee, dated January 28, 2021	8-K	001-37511	4.1	1/28/2021	
10.39¥	Credit Agreement, dated as of April 20, 2021, among Sunrun Luna Portfolio 2021, LLC, Credit Suisse AG, New York Branch (as administrative agent), Wells Fargo Bank, National Association (as collateral agent and as paying agent) and each of the lenders and funding agents identified on the signature pages thereto	10-Q	001-37511	10.2¥	8/5/2021	
10.40¥	Amendment to the Credit Agreement, dated as of May 5, 2021, among Sunrun Luna Portfolio 2021, LLC, Credit Suisse AG, New York Branch (as administrative agent) and each of the lenders and funding agents identified on the signature pages thereto	10-Q	001-37511	10.3¥	8/5/2021	
10.41¥	Second Amendment to the Credit Agreement, dated as of October 8, 2021, among Sunrun Luna Portfolio 2021, LLC, Credit Suisse AG, New York Branch (as administrative agent) and each of the lenders and funding agents identified on the signature pages thereto.	10-Q	001-37511	10.1¥	11/4/2021	
10.42¥	Second Amendment to Credit Agreement, dated as of November 30, 2021, among Sunrun Scorpio Portfolio 2017-A, LLC, as Borrower, Keybank National Association, as Administrative Agent, Keybank National Association, as LC Issuer, and each of the additional lenders identified on the signature page thereto					X
21.1	List of subsidiaries of the Registrant					X
23.1	Consent of Independent Registered Public Accounting Firm					X
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X

Exhibit Number	Exhibit Description	Form	Incorporated by Reference			
			File No.	Exhibit	Filing Date	Filed Herewith
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1†	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the In-line XBRL document					
101.SCH	XBRL Taxonomy Schema Linkbase Document					
101.CAL	XBRL Taxonomy Definition Linkbase Document					
101.DEF	XBRL Taxonomy Calculation Linkbase Document					
101.LAB	XBRL Taxonomy Labels Linkbase Document					
101.PRE	XBRL Taxonomy Presentation Linkbase Document					
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the In-line XBRL document.					

† The certifications attached as Exhibit 32.1 that accompany this Annual Report on Form 10-K, are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Sunrun Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

+ Indicates management contract or compensatory plan.

¥ Confidential treatment has been requested as to certain portions of this exhibit, which portions have been omitted and submitted separately to the Securities and Exchange Commission.

^ Portions of this exhibit have been omitted from the exhibit because they are both not material and would be competitively harmful if publicly disclosed.

DESCRIPTION OF CAPITAL STOCK**General**

The following is a summary of the rights of our common stock and preferred stock and certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws. This summary does not purport to be complete and is qualified in its entirety by the provisions of our amended and restated certificate of incorporation, amended and restated bylaws, amended and restated investors' rights agreement and shareholders agreement, which are filed as exhibits to the Annual Report on Form 10-K of which this exhibit is a part, and to the applicable provisions of Delaware law.

Our authorized capital stock consists of 2,200,000,000 shares of capital stock, \$0.0001 par value per share, of which:

- 2,000,000,000 shares are designated as common stock; and
- 200,000,000 shares are designated as preferred stock.

As of February 14, 2022, there were 208,418,561 shares of our common stock outstanding, held by 300 stockholders of record, and no shares of our preferred stock outstanding.

Common Stock**Dividend Rights**

Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of our common stock are entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and then only at the times and in the amounts that our board of directors may determine.

Voting Rights

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders. We have not provided for cumulative voting for the election of directors in our amended and restated certificate of incorporation. Our amended and restated certificate of incorporation establishes a classified board of directors that is divided into three classes with staggered three-year terms. Only the directors in one class are subject to election by a plurality of the votes cast at each annual meeting of our stockholders, with the directors in the other classes continuing for the remainder of their respective three-year terms.

No Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights and is not subject to conversion, redemption or sinking fund provisions.

Right to Receive Liquidation Distributions

If we become subject to a liquidation, dissolution or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights and payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Fully Paid and Non-Assessable

All of the outstanding shares of our common stock are fully paid and non-assessable.

Preferred Stock

Pursuant to our amended and restated certificate of incorporation, our board of directors has the authority, without further action by the stockholders, to issue from time to time shares of preferred stock in one or more series. Our board of directors may designate the rights, preferences, privileges and restrictions of the preferred stock, including dividend rights, conversion rights, voting rights, redemption rights, liquidation preference, sinking fund terms, and the number of shares constituting any series or the designation of any series. The issuance of preferred stock could have the effect of restricting dividends on our common stock, diluting the voting power of our common stock, impairing the liquidation rights of our common stock, or delaying, deterring, or preventing a change in

control. Such issuance could have the effect of decreasing the market price of our common stock. We currently have no plans to issue any shares of preferred stock.

Options

As of December 31, 2021, we had outstanding options to purchase an aggregate of 6,257,218 shares of our common stock, with a weighted-average exercise price of approximately \$13.60 per share, under our equity compensation plans and the equity compensation plan we assumed in connection with one of our acquisitions.

Restricted Stock Units

As of December 31, 2021, we had outstanding 4,485,037 shares of our common stock issuable upon the vesting of RSUs under our equity compensation plans.

Registration Rights

Certain holders of our common stock are entitled to rights with respect to the registration of their shares under the Securities Act. These registration rights are contained in our shareholders agreement (the "Shareholders Agreement"). We and certain former securityholders of CEE are parties to the Shareholders Agreement. The registration rights set forth in the Shareholders Agreement will expire seven years following our initial public offering, or, with respect to any particular stockholder, when such stockholder is able to sell all of its shares entitled to registration rights pursuant to Rule 144 of the Securities Act during any 90-day period. We will pay the registration expenses (other than underwriting discounts and commissions and stock transfer taxes) of the holders of the shares registered pursuant to the registrations described below.

Demand Registration Rights

The holders of at least a majority of the shares entitled to registration rights then outstanding can request that we file a registration statement to register the offer and sale of their shares. We are obligated to effect only two such registrations. Such request for registration must cover securities the anticipated aggregate public offering price of which, before payment of underwriting discounts and commissions, is at least \$60,000,000 for the first request, and at least \$10,000,000 for the second request. If we determine that it would be materially detrimental to us and our stockholders to effect such a demand registration, we have the right to defer such registration, not more than once in any 12-month period, for a period of up to 90 days.

Piggyback Registration Rights

If we propose to register the offer and sale of shares of our common stock under the Securities Act, all holders of shares entitled to registration rights then outstanding can request that we include their shares in such registration, subject to certain marketing and other limitations. As a result, whenever we propose to file a registration statement under the Securities Act, other than with respect to (i) a registration on Form S-8 relating solely to employee stock option, stock purchase or other benefit plans, or (ii) a registration on Form S-4 relating solely to a transaction covered by Rule 145 promulgated under the Securities Act, the holders of these shares are entitled to notice of the registration and have the right, subject to certain limitations, to include their shares in the registration.

S-3 Registration Rights

The holders of at least a majority of the shares entitled to registration rights then outstanding can request that we register the offer and sale of their shares of our common stock on a registration statement on Form S-3 if we are eligible to file a registration statement on Form S-3 so long as the request covers securities the anticipated aggregate public offering price of which, before payment of underwriting discounts and commissions, is at least \$3,000,000. These stockholders may make an unlimited number of requests for registration on a registration statement on Form S-3. However, we will not be required to effect a registration on Form S-3 if we have effected two such registrations within the 12-month period preceding the date of the request. Additionally, if we determine that it would be materially detrimental to us and our stockholders to effect such a registration, we have the right to defer such registration, not more than once in any 12-month period, for a period of up to 90 days.

Anti-Takeover Provisions

The provisions of our amended and restated certificate of incorporation and our amended and restated bylaws, which are summarized below, may have the effect of delaying or discouraging another person from acquiring control of us. These provisions are designed, in part, to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us because negotiation of these proposals could result in an improvement of their terms.

Delaware Law

We are subject to of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a public Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- the transaction was approved by the board of directors prior to the time that the stockholder became an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by directors who are also officers of the corporation and shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to the time the stockholder became an interested stockholder, the business combination was approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

In general, Section 203 defines a “business combination” to include mergers, asset sales and other transactions resulting in financial benefit to a stockholder and an “interested stockholder” as a person who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation’s outstanding voting stock. These provisions may have the effect of delaying, deferring or preventing changes in control of our company.

Amended and Restated Certificate of Incorporation and Amended and Restated Bylaw Provisions

Our amended and restated certificate of incorporation and our amended and restated bylaws include a number of provisions that could delay or discourage an unsolicited takeover or a change in control or changes in our board of directors or management team, including the following:

Board of Directors Vacancies. Our amended and restated certificate of incorporation and amended and restated bylaws authorize only our board of directors to fill vacant directorships, including newly created seats. In addition, the number of directors constituting our board of directors is permitted to be set only by a resolution adopted by a majority vote of our entire board of directors. These provisions prevent a stockholder from increasing the size of our board of directors and then gaining control of our board of directors by filling the resulting vacancies with its own nominees. This makes it more difficult to change the composition of our board of directors and promotes continuity of management.

Classified Board. Our amended and restated certificate of incorporation and amended and restated bylaws provide that our board of directors is classified into three classes of directors. A third party may be discouraged from making a tender offer or otherwise attempting to obtain control of us as it is more difficult and time consuming for stockholders to replace a majority of the directors on a classified board of directors. See the section titled “Management—Classified Board of Directors.”

Directors Removed Only for Cause. Our amended and restated certificate of incorporation provides that stockholders may remove directors only for cause.

Stockholder Action; Special Meeting of Stockholders. Our amended and restated certificate of incorporation provides that our stockholders may not take action by written consent, but may only take action at annual or special meetings of our stockholders. As a result, a holder controlling a majority of our capital stock is not able to amend our amended and restated bylaws or remove directors without holding a meeting of our stockholders called in accordance with our amended and restated bylaws. Our amended and restated bylaws further provide that special meetings of our stockholders may be called only by a majority of our board of directors, the chairman of our board of directors, our Chief Executive Officer or our President, thus preventing a stockholder from calling a special meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders controlling a majority of our capital stock to take any action, including the removal of directors.

Advance Notice Requirements for Stockholder Proposals and Director Nominations. Our amended and restated bylaws provide advance notice procedures for stockholders seeking to bring business before our annual or special meetings of stockholders or to nominate candidates for election as directors at our annual or special meetings of stockholders. Our amended and restated bylaws also specify certain requirements regarding the form and content of a stockholder’s notice. These provisions might preclude our stockholders from bringing matters before our annual or special meetings of stockholders or from making nominations for directors at our annual or special meetings of stockholders if the proper procedures are not followed. We expect that these provisions may also discourage a

potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.

No Cumulative Voting. The Delaware General Corporation Law provides that stockholders are not entitled to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation does not provide for cumulative voting.

Amendment of Charter Provisions. Any amendment of the above provisions in our amended and restated certificate of incorporation would require approval by holders of at least 66 2/3% of our then outstanding capital stock.

Issuance of Undesignated Preferred Stock Our board of directors has the authority, without further action by our stockholders, to designate and issue shares of preferred stock with rights and preferences, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of undesignated preferred stock would enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or other means.

Choice of Forum. Our bylaws provide that, unless the we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, or (iv) any action asserting a claim governed by the internal affairs doctrine, shall in each case be a state or federal court located within the state of Delaware, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. In addition, our bylaws provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America shall be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company, LLC. The transfer agent and registrar's address is 6201 15th Avenue, Brooklyn, New York 11219.

Limitations of Liability and Indemnification

See the section titled "Certain Relationships and Related Party Transactions—Limitation of Liability and Indemnification of Officers and Directors" of the Annual Report on Form 10-K of which this Exhibit 4.5 is a part.

Listing

Our common stock is currently listed on the Nasdaq Global Select Market under the symbol "RUN."

EXECUTIVE EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (the “Agreement”) is entered into as of November 30, 2021 (the “Effective Date”) by and between Sunrun Inc. (the “Company”), and Jeanna Steele (“Executive”) (collectively the “Parties”).

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, the parties agree as follows:

1. **Employment Period.** Executive’s employment with the Company pursuant to this Agreement shall be “at will,” and either the Company or Executive may terminate the employment relationship at any time. The period during which Executive is in fact employed by the Company pursuant to this Agreement shall constitute the “Employment Period” hereunder.

2. **Duties and Responsibilities.**

A. Commencing as of December 2, 2021 (the “Promotion Date”), Executive shall serve as the Company’s Chief Legal Officer and Chief People Officer (“CLO and CPO”), with a principal office in the Company’s location in San Francisco, California, and shall report to the Company’s Chief Executive Officer (“CEO”). Executive agrees to perform in good faith and to the best of her ability all services that may be required of Executive hereunder and to be available to render such services at all reasonable times and places in accordance with such directions and requests as may be made from time to time by the Company.

B. Executive is expected and agrees to devote her full working time and attention to the business of the Company and will not render services to any other business without the prior approval of the Company (except as provided herein) or, directly or indirectly, engage or participate in any business that is competitive in any manner with the business of the Company. Notwithstanding, Executive may invest in up to one percent (1%) of the outstanding securities of any publicly held corporation without approval of the Company, subject to the Company’s Insider Trading Policy and Related Party Transactions Policy.

C. Executive also understands and agrees that she must fully comply with the Company’s standard operating policies, procedures, and practices that are in effect during the term of her employment.

3. **Compensation.**

A. **Base Pay.** Effective as of the Promotion Date and during the Employment Period thereafter, the Company shall pay Executive a base salary of \$17,916.67 per semi-monthly pay period (equivalent to \$430,000.00 annually), less applicable deductions and withholding (the “Base Salary”).

B. **Target Bonus.** For the year 2021 and beyond, Executive will be eligible to participate in the Company’s Amended and Restated Executive Incentive Compensation Plan (“EICP”), with an initial target of 75% of the Base Salary (the “Target Bonus”). Incentive payments pursuant to the EICP are discretionary and depend on both Company performance and Executive’s individual performance. All EICP incentives are subject to the terms and conditions of the EICP plan, which will be provided to Executive separately. Incentive targets are prorated for any partial year in which Executive first becomes eligible to participate. Payment of any earned incentive shall be made as soon as practicable after being approved by the Compensation Committee (“Committee”) of the Company’s Board of Directors (“Board”). Unless otherwise determined by the Committee, to earn any portion of the Target Bonus for a given year, Executive must be employed by the Company on the date the associated Target Bonus is paid. In addition, amounts received pursuant to the EICP will be subject to the terms of the Company’s

Policy for Recoupment of Incentive Compensation (the “Clawback Policy”), which will be provided to Executive separately.

C. **Deductions and Withholdings.** The Company shall deduct and withhold from any compensation payable to Executive any and all applicable federal, state, and local income and employment withholding taxes and any other amounts required to be deducted or withheld by the Company under applicable statutes, regulations, ordinances, or orders governing or requiring the withholding or deduction of amounts otherwise payable as compensation or wages. Executive shall bear all expense of, and be solely responsible for, all federal, state and local taxes due with respect to any payment received under this Agreement (and all agreements referenced herein).

4. **Equity Awards.**

A. *Long-Term Incentive Equity Awards.* On or around the Effective Date, the Company will recommend to the Board that Executive be granted time-based equity awards with an aggregate value of \$2,000,000 in the form of 50% in stock options (“Options”) and 50% in RSUs. The number of Options granted will be determined using Black-Scholes valuation methods. The number of RSUs granted will be calculated by dividing the approved dollar amount by the average closing price of Sunrun common stock during the thirty (30) trading days prior to the date of grant, unless stated otherwise in the approval document.

(1) *RSU Vesting.* All RSUs referenced herein will vest over four (4) years, commencing on December 6, 2021 (the “Vesting Commencement Date”), with twenty-five percent (25%) of the RSUs vesting on the one-year anniversary of the Vesting Commencement Date, and the remaining RSUs vesting in equal quarterly installments (every three (3) months) thereafter on the same day of the month as the Vesting Commencement Date, contingent upon Executive’s continuous employment at the Company through each such date. The RSUs will be subject to the terms and conditions of the Sunrun 2015 Equity Incentive Plan (the “2015 Plan”), as described in the 2015 Plan and the applicable 2015 Plan equity award agreement. The Parties further acknowledge that Executive’s RSU grants with the Company that are in effect as of the Effective Date shall continue to vest in the normal course, subject to the terms of the applicable stock plans and award agreements.

(2) *Option Vesting.* The shares subject to the Option will vest over four (4) years, commencing on the Vesting Commencement Date, with twenty-five percent (25%) of such shares vesting on the one-year anniversary of the Vesting Commencement Date, and the remaining shares vesting in equal monthly installments thereafter contingent upon Executive’s continuous employment at the Company through each such date. The shares subject to the Option will be subject to the terms and conditions of the Company’s 2015 Plan, as described in the 2015 Plan and the applicable 2015 equity award agreement. The Parties further acknowledge that Executive’s Option grants with the Company that are in effect as of the Effective Date shall continue to vest in the normal course, subject to the terms of the applicable stock plans and agreements.

B. *Compliance and Ethics Vesting Condition.* Doing business ethically is a core Sunrun value. In furtherance of the Company’s culture of compliance, Executive acknowledges and agrees that the vesting of her equity awards is also conditioned upon her full compliance with the terms of the Company’s Code of Business Conduct and other Company compliance policies and her agreements with the Company (including, but not limited to, her confidentiality obligations and any applicable restrictive covenants) at the time of any applicable vesting event. Failure to satisfy this condition will result in ineligibility for such vesting.

5. **Severance Benefits.** Executive will continue to be permitted to participate in the Company's Key Employee Change in Control Severance Plan (the "Severance Plan") applicable to Executive based on Executive's position with the Company.

6. **General Benefits.**

A. **Health and Welfare Benefits.** During the Employment Period, Executive shall be eligible to participate in all employee benefits and benefit plans generally made available to the Company's full-time executive employees, including, but not limited to, medical, dental, vision and long-term disability insurance benefits and arrangements, subject to the terms, conditions and relevant qualification criteria for such benefits and benefit plans. The Company, in its discretion, may change from time to time the employee benefits and benefit plans it generally makes available to its employees.

B. **Vacation, Sick, and Holiday Pay.** Executive shall be entitled to vacation, sick, and holiday pay pursuant to the terms of the Company's applicable employee policies, as may exist from time to time. This includes that Executive may participate in the Sunrun Freedom Policy, which currently provides full-time exempt employees an opportunity to take paid days out of the office, limited by such employee's managerial approval (in this case, the CEO), and subject to such individual's judgment that they will timely complete all job assignments and achieve all performance goals. Details on the Company's Freedom Policy can be found in the Employee Guidebook. The Company may modify benefits, including but not limited to the Sunrun Freedom Policy, from time to time as it deems necessary.

C. **Expense Reimbursement.** Executive shall be entitled to reimbursement for all reasonable and necessary expenses incurred by Executive associated with the conduct of the Company's business in accordance with the Company's policies. Such reimbursements shall be subject to the Company's then-existing policies and procedures for reimbursement of business expenses, but in any event shall include submission of written requests for reimbursement within thirty (30) days of incurring the expense, accompanied by vouchers, receipts or other details of such expenses in the form required by the Company, sufficient to substantiate a deduction for such business expenses under all applicable rules and regulations of federal and state taxing authorities. If such expense qualifies for reimbursement, then the Company will reimburse Executive for that expense in accordance with existing expense reimbursement policies and practices.

7. **Confidential Information and Arbitration Agreements.** As a condition of Executive's continued employment and the benefits provided by this Agreement, Executive agrees to execute and be bound by the Executive Confidentiality, Inventions Assignment, and Restrictive Covenant Agreement and the Executive Mutual Arbitration Agreement, attached hereto as *Exhibits A and B*. Nothing in this Agreement shall supersede, modify or affect Executive's obligations, duties and responsibilities thereunder.

8. **Compliance with Section 409A.** It is the intent of the Company and Executive that the provisions of this Agreement (and all agreements and plans referenced herein) comply with all applicable requirements of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), or an exemption thereto, and payments may only be made under this Agreement (and all agreements and plans referenced herein) upon an event and in a manner permitted by Section 409A, to the extent applicable, including the six (6)-month delay for payments to "specified employees," if applicable. Accordingly, to the extent any provisions of this Agreement (or of any agreement or plan referenced herein) would otherwise contravene one or more requirements or limitations of Section 409A, then the Company and Executive shall, within the remedial amendment period provided under the Treasury Regulations issued under Section 409A, if available, effect through mutual agreement the appropriate amendments to those provisions which are necessary in order to bring the provisions of this Agreement into compliance with Section 409A. All payments to be made upon a termination of employment may only be made upon a "separation from service" under Section 409A, to the extent required by

Section 409A. For purposes of Section 409A, each payment hereunder (or under any agreement or plan referenced herein) shall be treated as a separate payment, and the right to a series of installment payments shall be treated as a right to a series of separate payments. In no event may Executive, directly or indirectly, designate the taxable year of a payment. Notwithstanding anything in this Agreement (or of any agreement or plan referenced herein) to the contrary, Executive shall be solely responsible for the tax consequences of any payments under this Agreement (and of any agreement referenced herein), and in no event shall the Company have any responsibility or liability if any payment, agreement or plan does not meet the applicable requirements of Section 409A. Although the Company intends to administer this Agreement (and any agreement or plan referenced herein) to prevent taxation under Section 409A, the Company does not represent or warrant that this Agreement (or any agreement or plan referenced herein) complies with any provision of federal, state, local or other tax law.

9. Successors and Assigns. This Agreement and all rights hereunder are personal to Executive and may not be transferred or assigned by Executive at any time. The Company may assign its rights, together with its obligations hereunder, to any parent, subsidiary, affiliate or successor, or in connection with any sale, transfer or other disposition of all or substantially all of its business and assets, provided, however, that any such assignee assumes the Company's obligations hereunder.

10. Notices.

A. Any and all notices, demands or other communications required or desired to be given hereunder by any party shall be in writing and shall be validly given or made to another party if delivered either personally or if deposited in the United States mail, certified or registered, postage prepaid, return receipt requested. Notice may also be provided in the form of email sent to the appropriate individual (e.g., to Executive and/or to the Company's Chief Executive Officer), but only to the extent that such individual confirms receipt of such email. If such notice, demand or other communication shall be delivered personally, then such notice shall be conclusively deemed given at the time of such personal delivery.

B. If such notice, demand or other communication is given by mail, such notice shall be conclusively deemed given forty-eight (48) hours after deposit in the United States mail addressed to the party to whom such notice, demand or other communication is to be given as hereinafter set forth:

To the Company:

Sunrun Inc.
225 Bush St., Suite 1400
San Francisco, CA 94104
Attn: Chief Executive Officer

To Executive:

To such personal address as the Company may have on file for Executive at the time of notice.

C. Any party hereto may change its address for the purpose of receiving notices, demands and other communications as herein provided by a written notice given in the manner aforesaid to the other party hereto.

11. General Creditor Status. The benefits to which Executive may become entitled under this Agreement shall be paid, when due, from the Company's general assets, and no trust fund, escrow arrangement or other segregated account shall be established as a funding vehicle for such payments. Accordingly, Executive's right (or the right of the executors or administrators

of Executive's estate) to receive such benefits shall at all times be that of a general creditor of the Company and shall have no priority over the claims of other general creditors.

12. Governing Documents. This Agreement, together with (i) any equity or long-term equity incentive agreements duly executed by Executive and the Company, (ii) the Severance Plan, (iii) the Indemnification Agreement, (iv) the Executive Confidentiality, Inventions Assignment, and Restrictive Covenant Agreement, (v) the Executive Mutual Arbitration Agreement, (vi) the Clawback Policy; and (vii) all other plans, policies, or agreements referenced herein, shall constitute the entire agreement and understanding of the Parties with respect to the terms and conditions of Executive's employment with the Company and the eligibility for any potential severance payments, and this Agreement shall supersede all prior and contemporaneous written or verbal agreements and understandings between the Parties relating to such subject matter, including but not limited to Sunrun's Promotion Letter of May 15, 2018 to Executive. This Agreement, including but not limited to the at-will nature of the employment relationship as reflected herein, may be amended only by a written instrument signed by Executive and the Company's Chief Executive Officer.

13. Governing Law. The provisions of this Agreement shall be construed and interpreted under the laws of the State of California applicable to agreements executed and wholly performed within the State of California. If any provision of this Agreement as applied to any party or to any circumstance should be adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, the invalidity of that provision shall in no way affect (to the maximum extent permissible by law) the application of such provision under circumstances different from those adjudicated by the court, the application of any other provision of this Agreement, or the enforceability or invalidity of this Agreement as a whole. Should any provision of this Agreement become or be deemed invalid, illegal or unenforceable in any jurisdiction by reason of the scope, extent or duration of its coverage, then such provision shall be deemed amended to the extent necessary to conform to applicable law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision will be stricken, and the remainder of this Agreement shall continue in full force and effect.

14. Counterparts. This Agreement may be executed in more than one counterpart, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

15. Construction. The language of this Agreement shall be construed as to its fair meaning, and not strictly for or against either party. Any rule of construction that any ambiguities in a contract shall be construed against the drafter of a contract shall not apply.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Employment Agreement as of the day and year written above.

SUNRUN INC.

/s/ Mary Powell _____

By: Mary Powell

Title: Chief Executive Officer

EXECUTIVE

/s/ Jeanna Steele _____
Jeanna Steele

EXHIBIT A
EXECUTIVE CONFIDENTIALITY, INVENTIONS ASSIGNMENT,
AND RESTRICTIVE COVENANT AGREEMENT

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (the “Agreement”) is entered into as of December 3, 2021 (the “Effective Date”) by and between Sunrun Inc. (the “Company”), and Paul Dickson (“Executive”) (collectively the “Parties”).

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, the parties agree as follows:

1. Employment Period. Executive’s employment with the Company pursuant to this Agreement shall be “at will,” and either the Company or Executive may terminate the employment relationship at any time. The period during which Executive is in fact employed by the Company pursuant to this Agreement shall constitute the “Employment Period” hereunder.

2. Duties and Responsibilities.

A. Commencing as of January 1, 2022 (the “Promotion Date”), Executive shall serve as the Company’s Chief Revenue Officer (“CRO”), with a principal office in the Company’s location in Lehi, Utah, and shall report to the Company’s Chief Executive Officer (“CEO”). Executive agrees to perform in good faith and to the best of his ability all services that may be required of Executive hereunder and to be available to render such services at all reasonable times and places in accordance with such directions and requests as may be made from time to time by the Company.

B. Executive is expected and agrees to devote his full working time and attention to the business of the Company and will not render services to any other business without the prior approval of the Company (except as provided herein) or, directly or indirectly, engage or participate in any business that is competitive in any manner with the business of the Company. Notwithstanding, Executive may invest in up to one percent (1%) of the outstanding securities of any publicly held corporation without approval of the Company, subject to the Company’s Insider Trading Policy and Related Party Transactions Policy. Moreover, Executive may continue to engage in solar lighting business in developing countries (currently in West Africa), so long as the Company in its sole discretion determines that such activities do not in any way negatively impact or conflict with the Company or Executive’s employment with the Company, and Executive otherwise remains in compliance with his legal and contractual obligations to the Company.

C. Executive also understands and agrees that he must fully comply with the Company’s standard operating policies, procedures, and practices that are in effect during the term of his employment.

3. Compensation.

A. **Base Pay.** Effective as of the Promotion Date and during the Employment Period thereafter, the Company shall pay Executive a base salary of \$18,125.00 per semi-monthly pay period (equivalent to \$435,000.00 annually), less applicable deductions and withholding (the “Base Salary”).

B. **Target Bonus.** For the year 2022 and beyond, Executive will be eligible to participate in the Company’s Amended and Restated Executive Incentive Compensation Plan (“EICP”), with an initial target of 75% of the Base Salary (the “Target Bonus”). Incentive payments pursuant to the EICP are discretionary and depend on both Company performance and Executive’s individual performance. All EICP incentives are subject to the terms and conditions of the EICP plan, which will be provided to Executive separately. Incentive targets are prorated for any partial year in which Executive first becomes eligible to participate. Payment of any earned incentive shall be made as soon as practicable after being approved by the Compensation

Committee (“Committee”) of the Company’s Board of Directors (“Board”). Unless otherwise determined by the Committee, to earn any portion of the Target Bonus for a given year, Executive must be employed by the Company on the date the associated Target Bonus is paid. In addition, amounts received pursuant to the EICP will be subject to the terms of the Company’s Policy for Recoupment of Incentive Compensation (the “Clawback Policy”), which will be provided to Executive separately.

C. **Supplemental Bonus in Lieu of Commissions.** Commencing on the Promotion Date and through the end of fiscal year 2022 only, you will be eligible to receive an additional bonus amount equal \$342,500.00. This amount will be paid in equal monthly installments throughout the remainder of fiscal year 2022 on the Company’s normal payroll schedule, less deductions and withholdings, provided you remain employed. For the avoidance of doubt, such amount will not be deemed part of your base salary for purposes of your EICP target and participation.

D. **2021 Bonus and Commission.** The Parties agree that, for purposes of Executive’s 2021 bonus and commission opportunities only, Executive shall not be required to remain employed through the applicable payout dates (which is otherwise a condition of earning and receiving incentive pay). Rather, Executive shall be eligible to receive his 2021 bonus and commissions on a pro-rata basis, based on completion of services within the 2021 calendar year prior to any such separation. Effective as of the Promotion Date, the Parties agree that Executive shall not be eligible for any Company commission plans or opportunities, including but not limited to direct to home or other sales commission plans.

E. **Deductions and Withholdings.** The Company shall deduct and withhold from any compensation payable to Executive any and all applicable federal, state, and local income and employment withholding taxes and any other amounts required to be deducted or withheld by the Company under applicable statutes, regulations, ordinances, or orders governing or requiring the withholding or deduction of amounts otherwise payable as compensation or wages. Executive shall bear all expense of, and be solely responsible for, all federal, state and local taxes due with respect to any payment received under this Agreement (and all agreements referenced herein).

4. **Equity Awards.**

A. *Long-Term Incentive Equity Awards* . On or around the Effective Date, the Company will recommend to the Board that Executive be granted time-based equity awards with an aggregate value of \$2,800,000 in the form of 50% in stock options (“Options”) and 50% in RSUs. The number of Options granted will be determined using Black-Scholes valuation methods. The number of RSUs granted will be calculated by dividing the approved dollar amount by the average closing price of Sunrun common stock during the thirty (30) trading days prior to the date of grant, unless stated otherwise in the approval document.

(1) *RSU Vesting*. All RSUs referenced herein will vest over four (4) years, commencing on December 6, 2021 (the “Vesting Commencement Date”), with twenty-five percent (25%) of the RSUs vesting on the one-year anniversary of the Vesting Commencement Date, and the remaining RSUs vesting in equal quarterly installments (every three (3) months) thereafter on the same day of the month as the Vesting Commencement Date, contingent upon Executive’s continuous employment at the Company through each such date. The RSUs will be subject to the terms and conditions of the Sunrun-VSI 2014 Equity Incentive Plan (the “2014 Plan”), as described in the 2014 Plan and the applicable 2014 Plan equity award agreement. The Parties further acknowledge that Executive’s RSU grants with the Company that are in effect as of the Effective Date shall continue to vest in the normal course, subject to the terms of the applicable stock plans and award agreements.

(2) *Option Vesting*. The shares subject to the Option will vest over four (4) years, commencing on the Vesting Commencement Date, with twenty-five percent

(25%) of such shares vesting on the one-year anniversary of the Vesting Commencement Date, and the remaining shares vesting in equal monthly installments thereafter contingent upon Executive's continuous employment at the Company through each such date. The shares subject to the Option will be subject to the terms and conditions of the Company's 2014 Plan, as described in the 2014 Plan and the applicable 2014 equity award agreement. The Parties further acknowledge that Executive's Option grants with the Company that are in effect as of the Effective Date shall continue to vest in the normal course, subject to the terms of the applicable stock plans and agreements.

B. *Performance-Based Equity.* On or around the Effective Date, the Company will recommend to the Board that Executive be granted a performance-based restricted stock unit ("PSU") award with a target value of \$700,000. The PSU award will be a multi-year award conditioned on the achievement of the Company performance targets. The PSU award will be subject to the terms and conditions of the Company's 2014 Plan, as described in the 2014 Plan and the applicable 2014 equity award agreement, as well as the terms of the Company's Clawback Policy.

C. *Compliance and Ethics Vesting Condition.* Doing business ethically is a core Sunrun value. In furtherance of the Company's culture of compliance, Executive acknowledges and agrees that the vesting of his equity awards is also conditioned upon his full compliance with the terms of the Company's Code of Business Conduct and other Company compliance policies and his agreements with the Company (including, but not limited to, his confidentiality obligations and any applicable restrictive covenants) at the time of any applicable vesting event. Failure to satisfy this condition will result in ineligibility for such vesting.

5. **Severance Benefits.** Subject to approval of the Board, Executive will be permitted to participate in the Company's Key Employee Change in Control Severance Plan (the "Severance Plan") applicable to Executive based on Executive's position with the Company. In order to participate in the Severance Plan, Executive shall be required to sign a participation agreement that will set forth the severance payments and benefits to which Executive may be entitled in connection with certain terminations of employment, which would be in lieu of any other severance or other benefits Executive might otherwise be entitled to under any plan, program, previous agreement, or policy that the Company may have in effect from time to time.

6. **General Benefits.**

A. **Health and Welfare Benefits.** During the Employment Period, Executive shall be eligible to participate in all employee benefits and benefit plans generally made available to the Company's full-time executive employees, including, but not limited to, medical, dental, vision and long-term disability insurance benefits and arrangements, subject to the terms, conditions and relevant qualification criteria for such benefits and benefit plans. The Company, in its discretion, may change from time to time the employee benefits and benefit plans it generally makes available to its employees.

B. **Vacation, Sick, and Holiday Pay.** Executive shall be entitled to vacation, sick, and holiday pay pursuant to the terms of the Company's applicable employee policies, as may exist from time to time. This includes that Executive may participate in the Sunrun Freedom Policy, which currently provides full-time exempt employees an opportunity to take paid days out of the office, limited by such employee's managerial approval (in this case, the CEO), and subject to such individual's judgment that they will timely complete all job assignments and achieve all performance goals. Details on the Company's Freedom Policy can be found in the Employee Guidebook. The Company may modify benefits, including but not limited to the Sunrun Freedom Policy, from time to time as it deems necessary.

C. **Expense Reimbursement.** Executive shall be entitled to reimbursement for all reasonable and necessary expenses incurred by Executive associated with the conduct of the Company's business in accordance with the Company's policies. Such reimbursements shall

be subject to the Company's then-existing policies and procedures for reimbursement of business expenses, but in any event shall include submission of written requests for reimbursement within thirty (30) days of incurring the expense, accompanied by vouchers, receipts or other details of such expenses in the form required by the Company, sufficient to substantiate a deduction for such business expenses under all applicable rules and regulations of federal and state taxing authorities. If such expense qualifies for reimbursement, then the Company will reimburse Executive for that expense in accordance with existing expense reimbursement policies and practices.

7. **Confidential Information and Inventions Agreement.** As a condition of Executive's continued employment and the benefits provided by this Agreement, Executive reaffirms his agreement to the terms of the Employee Confidentiality, Inventions Assignment and Arbitration Agreement he entered into with the Company on September 24, 2020, attached hereto as **Exhibit A** (the "CIAAA"). Executive shall at all times remain subject to the terms and conditions of the CIAAA, and nothing in this Agreement shall supersede, modify or affect Executive's obligations, duties and responsibilities thereunder (including, but not limited to, his obligations regarding non-disclosure of Confidential Information; assignment of Inventions and other Intellectual Property Rights; Non-Solicitation; restriction on unfair competition; and agreement to arbitrate any disputes that might arise with the Company, or in relation to his employment relationship with the Company which shall equally extend to any disputes regarding the terms of this Agreement).

8. **Compliance with Section 409A.** It is the intent of the Company and Executive that the provisions of this Agreement (and all agreements and plans referenced herein) comply with all applicable requirements of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), or an exemption thereto, and payments may only be made under this Agreement (and all agreements and plans referenced herein) upon an event and in a manner permitted by Section 409A, to the extent applicable, including the six (6)-month delay for payments to "specified employees," if applicable. Accordingly, to the extent any provisions of this Agreement (or of any agreement or plan referenced herein) would otherwise contravene one or more requirements or limitations of Section 409A, then the Company and Executive shall, within the remedial amendment period provided under the Treasury Regulations issued under Section 409A, if available, effect through mutual agreement the appropriate amendments to those provisions which are necessary in order to bring the provisions of this Agreement into compliance with Section 409A. All payments to be made upon a termination of employment may only be made upon a "separation from service" under Section 409A, to the extent required by Section 409A. For purposes of Section 409A, each payment hereunder (or under any agreement or plan referenced herein) shall be treated as a separate payment, and the right to a series of installment payments shall be treated as a right to a series of separate payments. In no event may Executive, directly or indirectly, designate the taxable year of a payment. Notwithstanding anything in this Agreement (or of any agreement or plan referenced herein) to the contrary, Executive shall be solely responsible for the tax consequences of any payments under this Agreement (and of any agreement referenced herein), and in no event shall the Company have any responsibility or liability if any payment, agreement or plan does not meet the applicable requirements of Section 409A. Although the Company intends to administer this Agreement (and any agreement or plan referenced herein) to prevent taxation under Section 409A, the Company does not represent or warrant that this Agreement (or any agreement or plan referenced herein) complies with any provision of federal, state, local or other tax law.

9. **Successors and Assigns.** This Agreement and all rights hereunder are personal to Executive and may not be transferred or assigned by Executive at any time. The Company may assign its rights, together with its obligations hereunder, to any parent, subsidiary, affiliate or successor, or in connection with any sale, transfer or other disposition of all or substantially all of its business and assets, provided, however, that any such assignee assumes the Company's obligations hereunder.

10. Notices.

A. Any and all notices, demands or other communications required or desired to be given hereunder by any party shall be in writing and shall be validly given or made to another party if delivered either personally or if deposited in the United States mail, certified or registered, postage prepaid, return receipt requested. Notice may also be provided in the form of email sent to the appropriate individual (e.g., to Executive and/or to the Company's Chief Legal Officer), but only to the extent that such individual confirms receipt of such email. If such notice, demand or other communication shall be delivered personally, then such notice shall be conclusively deemed given at the time of such personal delivery.

B. If such notice, demand or other communication is given by mail, such notice shall be conclusively deemed given forty-eight (48) hours after deposit in the United States mail addressed to the party to whom such notice, demand or other communication is to be given as hereinafter set forth:

To the Company:

Sunrun Inc.
225 Bush St., Suite 1400
San Francisco, CA 94104
Attn: Chief Legal Officer

To Executive:

To such personal address as the Company may have on file for Executive at the time of notice.

C. Any party hereto may change its address for the purpose of receiving notices, demands and other communications as herein provided by a written notice given in the manner aforesaid to the other party hereto.

11. General Creditor Status. The benefits to which Executive may become entitled under this Agreement shall be paid, when due, from the Company's general assets, and no trust fund, escrow arrangement or other segregated account shall be established as a funding vehicle for such payments. Accordingly, Executive's right (or the right of the executors or administrators of Executive's estate) to receive such benefits shall at all times be that of a general creditor of the Company and shall have no priority over the claims of other general creditors.

12. Governing Documents. This Agreement, together with (i) any equity or long-term equity incentive agreements duly executed by Executive and the Company, (ii) the Severance Plan, (iii) the Indemnification Agreement, (iv) the CIAAA, (v) the Clawback Policy; and (vi) all other plans, policies, or agreements referenced herein, shall constitute the entire agreement and understanding of the Parties with respect to the terms and conditions of Executive's employment with the Company and the eligibility for any potential severance payments, and this Agreement shall supersede all prior and contemporaneous written or verbal agreements and understandings between the Parties relating to such subject matter, including but not limited to Sunrun's Offer Letter of September 24, 2020, to Executive and the Offer Letter Amendment of July 7, 2021. This Agreement, including but not limited to the at-will nature of the employment relationship as reflected herein, may be amended only by a written instrument signed by Executive and the Company's Chief Legal Officer.

13. Governing Law. The provisions of this Agreement shall be construed and interpreted under the laws of the State of Utah applicable to agreements executed and wholly performed within the State of Utah. If any provision of this Agreement as applied to any party or to any circumstance should be adjudged by a court of competent jurisdiction to be void or

unenforceable for any reason, the invalidity of that provision shall in no way affect (to the maximum extent permissible by law) the application of such provision under circumstances different from those adjudicated by the court, the application of any other provision of this Agreement, or the enforceability or invalidity of this Agreement as a whole. Should any provision of this Agreement become or be deemed invalid, illegal or unenforceable in any jurisdiction by reason of the scope, extent or duration of its coverage, then such provision shall be deemed amended to the extent necessary to conform to applicable law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision will be stricken, and the remainder of this Agreement shall continue in full force and effect.

14. Counterparts. This Agreement may be executed in more than one counterpart, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

15. Construction. The language of this Agreement shall be construed as to its fair meaning, and not strictly for or against either party. Any rule of construction that any ambiguities in a contract shall be construed against the drafter of a contract shall not apply.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Employment Agreement as of the day and year written above.

SUNRUN INC.

_____/s/ Mary Powell_____

By: Mary Powell

Title: Chief Executive Officer

EXECUTIVE

_____/s/ Paul Dickson_____
Paul Dickson

EXHIBIT A
EMPLOYEE CONFIDENTIALITY, INVENTIONS ASSIGNMENT
AND ARBITRATION AGREEMENT

Amended and Restated Non-Employee Director Pay Policy

(Last Amended: December 23, 2021)

The purpose of these Amended and Restated Non-Employee Director Pay Policy (this “*Policy*”) is to summarize the compensation policies and programs that apply to non-employee directors of Sunrun, Inc. (“*Sunrun*” or the “*Company*”) who are not prohibited from receiving compensation from Sunrun under any applicable law or agreement with a third party.

Overview-Total Compensation

Sunrun aims to compensate its non-employee directors at competitive market levels. A non-employee director’s compensation may include up to five components, as described below:

- Annual cash retainer
- Lead independent director fee
- Committee chairperson retainer
- Committee member retainer
- Annual equity grant

The sum of these components received by a non-employee director comprises total annual compensation. The cash compensation and equity grants described in this Policy shall be paid or be made, as applicable, automatically and without further action by the Board, to each non-employee director eligible to receive such cash compensation or equity grants.

Annual Cash Retainer

Eligible non-employee directors receive a \$60,000 annual cash retainer. Cash payments will be distributed to non-employee directors via standard Sunrun payroll processing and paid out in equal amounts in the first month of each quarter processed through the Company’s accounts payable process. Non-employee directors will be responsible for all proper tax remittance and other tax obligations associated with these payments.

For the first year of service of a non-employee director, the first installment of the annual cash retainer will be prorated using the number of days starting with and including the date of election to the Board (whether by the Board or by the stockholders) through the end of the calendar year divided by 365. Payment of the prorated cash portion of a new non-employee director’s annual retainer will be made on the first regularly-scheduled date for payment of all other non-employee directors following the new non-employee director’s joining the Board. There may also be a prorated cash retainer provided when there is a separation from the Board, with the timing of payment of the prorated cash retainer to be determined by the Compensation Committee of the Board, in its sole discretion.

Lead Independent Director Fee

The lead independent director of the Board will receive an annual cash fee of \$25,000. This cash fee will be tracked and accrued by Sunrun. The cash payment will be distributed to the lead independent director via standard Sunrun payroll processing and paid out in equal amounts on the first normal payroll cycle at the beginning of each quarter. The lead independent director will be responsible for all proper tax remittance and other tax obligations associated with this payment.

For the first year of service and any subsequent mid-year separation, the lead independent director fee will be prorated in the same manner as the non-employee director annual cash retainer described above.

Committee Chairperson Retainer

Each eligible chairperson of each committee of the Board described herein will receive a cash retainer for his or her additional services to such committee. The chairperson of the Audit Committee will receive \$25,000 annually; the chairperson of the Compensation Committee will receive \$17,000 annually; and the chairperson of the Nominating, Governance, and Sustainability Committee will receive \$17,000 annually. The chairperson of any other committees created by the Board will not receive any additional retainer for service as chairperson of those committees, unless otherwise specified by the Board. These cash fees will be tracked and accrued by Sunrun. Cash payments will be distributed to directors via standard Sunrun payroll processing and paid out in equal amounts on the first normal payroll cycle at the beginning of each quarter. Non-employee directors will be responsible for all proper tax remittance and other tax obligations associated with these payments.

For the first year of service and any subsequent mid-year separation, the committee chairperson retainer will be prorated in the same manner as the non-employee director annual cash retainer described above.

Committee Membership Retainer

Each eligible member of each committee of the Board described herein who (i) qualifies as a non-employee director under this Policy and (ii) is not serving as the chairperson of such committee will receive a cash retainer for his or her additional services to such committee. Each Audit Committee member will receive \$12,500 annually; each Compensation Committee member will receive \$9,000 annually; and each Nominating, Governance, and Sustainability Committee member will receive \$9,000 annually. These cash fees will be tracked and accrued by Sunrun. Cash payments will be distributed to directors via standard Sunrun payroll processing and paid out in equal amounts on the first normal payroll cycle at the beginning of each quarter. Non-employee directors will be responsible for all proper tax remittance and other tax obligations associated with these payments.

For the first year of service and any subsequent mid-year separation, the committee membership retainer will be prorated in the same manner as the non-employee director annual cash retainer described above.

Annual Equity Grant

Each eligible non-employee director will also receive an annual grant of Restricted Stock Units (“*RSUs*”), denominated in shares of the Company’s common stock issued under Sunrun’s 2015 Equity Incentive Plan (the “*Plan*”). The RSUs shall be automatically granted on January 1st or if January 1st is not a business day on which The NASDAQ Stock Market is open, then the next business day thereafter (such date, the “*Grant Date*”) of each year. The number of RSUs will be determined by dividing \$170,000 by the average Nasdaq closing price of the Company’s common stock during the thirty trading days prior to the Grant Date. The RSUs will vest on January 1st following the date the RSUs are granted, subject to the non-employee director’s continued service as a Service Provider (as defined in the Plan). For the first year of service as a non-employee director, the RSUs shall be granted on the first day of active service as a non-employee director (or if such day is not a business day on which The NASDAQ Stock Market is open, then the next business day thereafter), shall be pro-rated in proportion to the length of active service expected to be provided during that first calendar year, and shall vest on January 1st following the date the RSUs are granted, subject to the non-employee director’s continued service as a Service Provider (as defined in the Plan).

Meeting Fees

Effective January 1, 2022, each eligible non-employee director will receive a per meeting fee of \$1,000 per meeting, in the event that the board or applicable committee holds more than six meetings in a given calendar year; however, no meeting fees shall be paid for the first six meetings of the year and the number of board and committee meeting shall not be aggregated.

Stock Ownership Guidelines

Sunrun directors are subject to the stock ownership guidelines provided under the Company’s Stock Ownership Guidelines For Non-Employee Directors, adopted on July 29, 2021.

Board and Compensation Committee Discretion

The Board or the Compensation Committee may, in its sole discretion, make changes to this Policy at any time. The changes along with the policy itself will be subject to stockholder approval each year if, and only to the extent, legally required.

SECOND AMENDMENT TO CREDIT AGREEMENT

This SECOND AMENDMENT TO CREDIT AGREEMENT, dated as of November 30, 2021 (this "Amendment"), is entered into among the undersigned in connection with that certain Credit Agreement, dated as of October 20, 2017, as amended by that certain First Amendment to Credit Agreement and First Amendment to Cash Diversion Guaranty, dated as of June 28, 2019, among Sunrun Scorpio Portfolio 2017-A, LLC, as Borrower (the "Borrower"), the financial institutions as Lenders from time to time party thereto (the "Lenders"), and KeyBank National Association, as Administrative Agent for the Lenders (in such capacity, the "Administrative Agent") and as LC Issuer (in such capacity, the "LC Issuer") (as in effect prior to the date hereof, the "Credit Agreement" and as amended by this Amendment, the "Amended Credit Agreement"). Capitalized terms which are used but not otherwise defined herein shall have the meanings ascribed to such terms in the Amended Credit Agreement and the rules of construction set forth in Section 1.02 of the Credit Agreement apply to this Amendment.

WITNESSETH

WHEREAS, the Borrower and the Sponsor wish to make, and the undersigned wish to agree to make, certain amendments to the Credit Agreement as provided herein.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

I. Amendments to the Credit Agreement. Subject to the satisfaction of the conditions set forth in Article II below, the following amendments to the Credit Agreement are hereby accepted and agreed by the parties hereto:

1. Pricing Amendments.

(a) The definition of "Advance Rate" in Section 1.01 of the Credit Agreement is hereby amended by replacing the text "0.68 (or, from and after the Upsize Borrowing Date, 0.72)" with the text "0.68 (or, (i) from the Upsize Borrowing Date until the Second Upsize Borrowing Date, 0.72 and (ii) from and after the Second Upsize Borrowing Date, 0.80)".

(b) The definition of "Applicable Margin" in Section 1.01 of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

““Applicable Margin” shall mean:

(a) from the Closing Date until, but excluding the Amendment No. 1 Effective Date, (i) 2.75% per annum for LIBO Loans and (ii) 1.75% for Base Rate Loans;

(b) from the Amendment No. 1 Effective Date until, but excluding the Amendment No. 2 Effective Date, (i) 2.125% per annum for LIBO Loans and (ii) 1.125% for Base Rate Loans; and

(c) from and after the Amendment No. 2 Effective Date, (i) 1.75% per annum for LIBO Loans and Benchmark Replacement Loans and (ii) 0.75% for Base Rate Loans.”

(c) The definition of “Availability Period” in Section 1.01 of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

““Availability Period” means, collectively, (a) the Initial Availability Period, (b) the Upsize Availability Period and (c) the Second Upsize Availability Period. Any reference to the last or final day of the Availability Period (or words of similar meaning) shall be deemed to be a reference to the last day of the Second Upsize Availability Period and any reference to the end or expiration of the Availability Period (or words of similar meaning) shall be deemed to be a reference to the end of the Second Upsize Availability Period.”

(d) The definition of “Available Borrowing Base” in Section 1.01 of the Credit Agreement is hereby amended by replacing the text “1.45” with the text “1.40” in each instance.

(e) The definition of “Delayed Draw Loan Commitment” in Section 1.01 of the Credit Agreement is hereby amended and restated by replacing the proviso at the end thereof in its entirety as follows:

“; provided, that (a) the aggregate principal amount of the Lenders’ Delayed Draw Loan Commitments during the Initial Availability Period shall not exceed \$234,500,000, (b) the aggregate principal amount of the Lenders’ Delayed Draw Loan Commitments during the Upsize Availability Period shall not exceed \$16,000,000 and (c) the aggregate principal amount of the Lenders’ Delayed Draw Loan Commitments during the Second Upsize Availability Period shall not exceed \$32,500,000.”

(f) The definition of “Delayed Draw Loan Commitment Fee” in Section 1.01 of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

““Delayed Draw Loan Commitment Fee” shall mean, based on daily calculation for each day from (x) the Closing Date through the expiration or earlier termination of the Initial Availability Period, divided by 360, an amount equal to the product of (i) the undrawn Delayed Draw Loan Commitment on such day (regardless of whether any conditions for drawing could then be met and determined as of the close of business on any date of determination) multiplied by (ii) either (a) for the period commencing on the Closing Date until the date on which 50% of the Delayed Draw Loan Commitments have been drawn, 1.0% per annum or (b) for the period commencing on the date on which 50% of the Delayed Draw Loan Commitments have been drawn until the last day of the Initial Availability Period, 0.75% per annum and (y)(i) the Amendment No. 1 Effective Date through expiration or earlier termination of the Upsize Availability Period, divided by 360, and (ii) the Amendment No. 2 Effective Date through expiration or earlier termination of the Second Upsize Availability Period, divided

by 360, an amount equal to the product of (a) the undrawn Delayed Draw Loan Commitment on such day (regardless of whether any conditions for drawing could then be met and determined as of the close of business on any date of determination) multiplied by (b) 0.75% per annum.”

(g) The following is hereby added as new defined terms to Section 1.01 of the Credit Agreement in the appropriate alphabetical order:

““Amendment No. 2 Effective Date” means November 30, 2021.”

““Second Upsize Availability Period” means the period beginning on the Amendment No. 2 Effective Date and ending on the earlier of (i) December 31, 2021 and (ii) the date a Delayed Draw Loan is made pursuant to Section 2.01(b)(ii).”

““Second Upsize Borrowing Date” means the date a Delayed Draw Loan is made pursuant to Section 2.01(b)(ii).”

““Second Upsize Delayed Draw Loan Commitment” shall mean, as to each Lender, its obligation to make a Delayed Draw Loan to the Borrower from time to time pursuant to Section 2.01(b)(ii) during the Second Upsize Availability Period in an aggregate principal amount at any one time not to exceed the amount set forth in the column titled “Second Upsize Availability Period Delayed Draw Loan Commitment as of the Amendment No. 2 Effective Date” on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as such amount may be adjusted from time to time in accordance with this Agreement.”

(h) Amendment to Section 2.01(a). The second to last sentence of Section 2.01(a) of the Credit Agreement is hereby amended and restated in its entirety as follows:

“Each Delayed Draw Lender’s Delayed Draw Loan Commitment (other than any Upsize Delayed Draw Loan Commitment provided on the Amendment No. 1 Effective Date and the Second Upsize Delayed Draw Loan Commitment provided on the Amendment No. 2 Effective Date) expired on the last day of the Initial Availability Period after giving effect to any funding of such Delayed Draw Lender’s Delayed Draw Loan Commitment on such date.”

(i) Amendment to Section 2.01(b). Section 2.01(b) of the Credit Agreement is hereby amended and restated in its entirety as follows:

“(b) Upsize Availability Period and Second Upsize Availability Period

(i) During the Upsize Availability Period, the Borrower may request a single Delayed Draw Loan in an aggregate amount not to exceed the total aggregate Upsize Delayed Draw Loan Commitments of all Delayed Draw Lenders by submitting a Borrowing Notice to the Administrative Agent in accordance with Section 2.01(c). Subject to the terms and conditions set

forth herein, each Delayed Draw Lender with an Upsize Delayed Draw Loan Commitment agrees severally, and not jointly, to make such Delayed Draw Loan to the Borrower in a principal amount not to exceed its Upsize Delayed Draw Loan Commitment. Any Delayed Draw Loan requested under this Section 2.01(b) shall be made by the Delayed Draw Lenders that have an Upsize Draw Loan Commitment ratably in proportion to their respective share of the aggregate Upsize Delayed Draw Loan Commitments; provided that the disbursement of such Delayed Draw Loan shall not result in the aggregate principal amount of the Delayed Draw Loans outstanding at any time, after giving effect to such Delayed Draw Loan, exceeding the Available Borrowing Base. The Upsize Delayed Draw Loan Commitment of each Delayed Draw Lender with an Upsize Delayed Draw Loan Commitment shall expire on the last day of the Upsize Availability Period after giving effect to any funding of such Delayed Draw Lender's Upsize Delayed Draw Loan Commitment on such date. The Delayed Draw Loans pursuant to this Section 2.01(b) may be Base Rate Loans or LIBO Rate Loans. After the making of the Borrowing pursuant to this Section 2.01(b), the Delayed Draw Lenders shall purchase and assign at par such amounts of the Delayed Draw Loans outstanding at such time as the Administrative Agent may require such that each Delayed Draw Lender holds its pro rata share of all Delayed Draw Loans outstanding after giving effect to all such assignments.

(ii) During the Second Upsize Availability Period, the Borrower may request a single Delayed Draw Loan in an aggregate amount not to exceed the total aggregate Second Upsize Delayed Draw Loan Commitments of all Delayed Draw Lenders by submitting a Borrowing Notice to the Administrative Agent in accordance with Section 2.01(c). Subject to the terms and conditions set forth herein, each Delayed Draw Lender with a Second Upsize Delayed Draw Loan Commitment agrees severally, and not jointly, to make such Delayed Draw Loan to the Borrower in a principal amount not to exceed its Second Upsize Delayed Draw Loan Commitment. Any Delayed Draw Loan requested under this Section 2.01(b) shall be made by the Delayed Draw Lenders that have a Second Upsize Draw Loan Commitment ratably in proportion to their respective share of the aggregate Second Upsize Delayed Draw Loan Commitments; provided that the disbursement of such Second Delayed Draw Loan shall not result in the aggregate principal amount of the Delayed Draw Loans outstanding at any time, after giving effect to such Delayed Draw Loan, exceeding the Available Borrowing Base. The Second Upsize Delayed Draw Loan Commitment of each Delayed Draw Lender with a Second Upsize Delayed Draw Loan Commitment shall expire on the last day of the Second Upsize Availability Period after giving effect to any funding of such Delayed Draw Lender's Second Upsize Delayed Draw Loan Commitment on such date. The Delayed Draw Loans pursuant to this Section 2.01(b) may be Base Rate Loans or LIBO Rate Loans. After the making of the Borrowing pursuant to this Section 2.01(b), the Delayed Draw Lenders shall purchase and assign at par such amounts of the

Delayed Draw Loans outstanding at such time as the Administrative Agent may require such that each Delayed Draw Lender holds its pro rata share of all Delayed Draw Loans outstanding after giving effect to all such assignments.”

follows: (j) Amendment to Section 2.01(e). Section 2.01(e) of the Credit Agreement is hereby amended and restated in its entirety as

“Provided the Administrative Agent shall have received the applicable Borrowing Notice by no later than 10:00 a.m. (Cleveland, Ohio time) on an applicable Business Day, the Administrative Agent shall advise each Delayed Draw Lender of its pro rata share of the applicable Delayed Draw Loan (determined (x) during the Initial Availability Period, as the percentage which such Delayed Draw Lender’s Delayed Draw Loan Commitment then constitutes of the aggregate Delayed Draw Loan Commitments, (y) during the Upsize Availability Period, as the percentage which such Delayed Draw Lender with an Upsize Delayed Draw Loan Commitment then constitutes of the aggregate Upsize Delayed Draw Loan Commitments and (z) during the Second Upsize Availability Period, as the percentage which such Delayed Draw Lender with a Second Upsize Delayed Draw Loan Commitment then constitutes of the aggregate Second Upsize Delayed Draw Loan Commitments) no later than 2:00 p.m. (Cleveland, Ohio time) on the Business Day immediately following the Administrative Agent’s receipt of such Borrowing Notice.”

(k) Amendment to Section 2.02(b)(i). The second to last sentence of Section 2.02(b)(i) of the Credit Agreement is hereby amended and restated in its entirety as follows:

“The Borrower shall deliver the Notice of LC Activity to the Administrative Agent (with a copy to the LC Issuer) by 11:00 a.m. at least five (5) Business Days before the date of issuance, extension, increase or decrease of the Stated Amount of the Letter of Credit (or such shorter timeframe as may be agreed to by the LC Issuer and the Administrative Agent in their sole discretion).”

(l) Amendment to Section 4.03(f). Section 4.03(f) of the Credit Agreement is hereby amended by replacing the text “0.68 (or, from and after the Upsize Borrowing Date (if any), 0.72)” with the text “0.68 (or, (i) from the Upsize Borrowing Date until the Second Upsize Borrowing Date, 0.72 and (ii) from and after the Second Upsize Borrowing Date, 0.80)”.

(m) Amendment to Section 4.05(d). Section 4.05(d) of the Credit Agreement is hereby amended by replacing the text “Upsize Availability Period” with the text “Second Upsize Availability Period”.

(n) Amendment to Section 4.06(a). Section 4.06(a) of the Credit Agreement is hereby amended by replacing the text “(or, during the Upsize Availability Period, to each Delayed Draw Loan Lender with an Upsize Delayed Draw Loan Commitment, pro rata to their Upsize Delayed Draw Loan Commitments” with the text “(or, (i) during the Upsize Availability Period, to each Delayed Draw Loan Lender with an Upsize Delayed Draw Loan Commitment, pro rata to their Upsize Delayed Draw Loan Commitments and (ii) during the Second Upsize

Availability Period, to each Delayed Draw Loan Lender with a Second Upsize Delayed Draw Loan Commitment, pro rata to their Second Upsize Delayed Draw Loan Commitments”).

(o) Amendment to Section 9.03(o). Section 9.03(o) of the Credit Agreement is hereby amended and restated as follows:

“(o) With respect to the Borrowings to occur on the Upsize Borrowing Date and the Second Upsize Borrowing Date, the Borrower has certified to the Administrative Agent that, after giving effect to such Borrowing, it will be in compliance with its obligations under Section 6.11.”

(p) Amendment to Schedule 2.01. Schedule 2.01 to the Credit Agreement is hereby replaced in its entirety with Annex A attached hereto.

2. Term SOFR Amendments.

(a) The following defined terms are deleted from Section 1.01 of the Credit Agreement: “Benchmark Replacement”, “Benchmark Replacement Adjustment”, “Benchmark Replacement Conforming Changes”, “Benchmark Replacement Date”, “Benchmark Transition Event”, “Benchmark Transition Start Date”, “Benchmark Unavailability Period”, “Early Opt-in Election”, “Federal Reserve Bank of New York’s Website”, “Relevant Governmental Body”, “SOFR”, “Term SOFR” and “Unadjusted Benchmark Replacement”.

(b) Each of the following defined terms is hereby added as a new defined term to Section 1.01 of the Credit Agreement in the appropriate alphabetical order:

“Available Tenor” means, as of any date of determination and with respect to the then-current Benchmark, as applicable, (x) if the then-current Benchmark is a term rate, any tenor for such Benchmark that is or may be used for determining the length of an Interest Period or (y) otherwise, any payment period for interest calculated with reference to such Benchmark, as applicable, pursuant to this Agreement as of such date.”

“Benchmark” means, initially, LIBOR; provided that if a replacement for the Benchmark has occurred pursuant to Section 4.11(g), then “Benchmark” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate. Any reference to “Benchmark” shall include, as applicable, the published component used in the calculation thereof.”

“Benchmark Replacement” means, for any Available Tenor:

(a) for purposes of Section 4.11(g)(i), the first alternative set forth below that can be determined by the Administrative Agent:

(i) the sum of: (i) Term SOFR and (ii) 0.11448% (11.448 basis points) for an Available Tenor of one-month’s duration, 0.26161% (26.161 basis points) for an Available Tenor of three-months’ duration, and 0.42826%

(42.826 basis points) for an Available Tenor of six-months' duration; provided, that, if the Borrower has provided a notification to the Administrative Agent in writing on or prior to the date on which the Benchmark Replacement will become effective that the Borrower has an Interest Rate Hedging Agreement in place with respect to any of the Loans as of the date of such notice (which such notification the Administrative Agent shall be entitled to rely upon and shall have no duty or obligation to ascertain the correctness or completeness of), then the Administrative Agent, in its sole discretion, may decide not to determine the Benchmark Replacement pursuant to this clause (a)(i) for such Benchmark Transition Event or Early Opt-in Election, as applicable; or

- (ii) the sum of: (i) Daily Simple SOFR and (ii) the spread adjustment for an Available Tenor of three-months' duration equal to 0.26161% (26.161 basis points);

provided, however, that if an Early Opt-in Election has been made, the Benchmark Replacement will be the benchmark selected in connection with such Early Opt-in Election; and

(b) for purposes of Section 4.11(g)(ii), the sum of: (i) the alternate benchmark rate and (ii) an adjustment (which may be a positive or negative value, or zero), in each case, that has been selected pursuant to this clause (b) by the Administrative Agent and the Borrower as the replacement for such Available Tenor of such Benchmark giving due consideration to any evolving or then-prevailing market convention, including any applicable recommendations made by the Relevant Governmental Body, for U.S. dollar-denominated syndicated credit facilities at such time;

provided that, if the Benchmark Replacement as determined pursuant to clause (a) or (b) above would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for all purposes of this Agreement and the other Loan Documents.”

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Base Rate,” the definition of “Business Day,” the definition of “Interest Period,” timing and frequency of determining rates and making payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, the applicability and length of lookback periods, the applicability of breakage provisions, and other technical, administrative or operational matters) that the Administrative Agent decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of such Benchmark Replacement exists, in

such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement and the other Loan Documents).”

“Benchmark Transition Event” means, with respect to any then-current Benchmark (other than LIBOR), the occurrence of a public statement or publication of information by or on behalf of the administrator of the then-current Benchmark, the regulatory supervisor for the administrator of such Benchmark, the Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York, an insolvency official with jurisdiction over the administrator for such Benchmark, a resolution authority with jurisdiction over the administrator for such Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark, announcing or stating that (a) such administrator has ceased or will cease on a specified date to provide all Available Tenors of such Benchmark, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark or (b) all Available Tenors of such Benchmark are or will no longer be representative of the underlying market and economic reality that such Benchmark is intended to measure and that representativeness will not be restored.”

“Daily Simple SOFR” means, for any day, SOFR, with the conventions for this rate (which will include a lookback) being established by the Administrative Agent in accordance with the conventions for this rate recommended by the Relevant Governmental Body for determining “Daily Simple SOFR” for syndicated business loans; provided, that if the Administrative Agent decides that any such convention is not administratively feasible for the Administrative Agent, then the Administrative Agent may establish another convention in its reasonable discretion.”

“Early Opt-in Effective Date” means, with respect to any Early Opt-in Election, the sixth (6th) Business Day after the date notice of such Early Opt-in Election is provided to the Lenders, so long as the Administrative Agent has not received, by 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Early Opt-in Election is provided to the Lenders, written notice of objection to such Early Opt-in Election from Lenders comprising the Required Lenders.”

“Early Opt-in Election” means the occurrence of:

(a) a notification by the Administrative Agent to (or the request by the Borrower to the Administrative Agent to notify) each of the other parties hereto that at least five currently outstanding U.S. dollar-denominated syndicated credit facilities at such time incorporate or adopt (as a result of amendment or as originally executed) either a SOFR-based rate (including SOFR or Term SOFR or any other rate based upon SOFR) as a benchmark rate or an alternate benchmark interest rate to replace LIBOR (and such syndicated credit facilities are identified in such notice and are publicly available for review), and

(b) the joint election by the Administrative Agent and the Borrower to trigger a fallback from LIBOR and the provision by the Administrative Agent of written notice of such election to the Lenders.”

“Floor” means the benchmark rate floor, if any, provided in this Agreement initially (as of the execution of this Agreement, the modification, amendment or renewal of this Agreement or otherwise) with respect to LIBOR.”

“Relevant Governmental Body” means the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York, or any successor thereto.”

“SOFR” means, for any Business Day, a rate per annum equal to the secured overnight financing rate for such Business Day published by the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate) on the website of the Federal Reserve Bank of New York, currently at <http://www.newyorkfed.org> (or any successor source for the secured overnight financing rate identified as such by the administrator of the secured overnight financing rate from time to time), on the immediately succeeding Business Day.”

“Term SOFR” means, for the applicable corresponding tenor, the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.”

(c) Article I of the Credit Agreement is hereby amended by inserting the following as a new Section 1.05 at the end thereof:

“Benchmark Notification. The Administrative Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to LIBOR or with respect to any alternative or successor benchmark thereto, or replacement rate therefor or thereof, including, without limitation, whether the composition or characteristics of any such alternative, successor or replacement reference rate, as it may or may not be adjusted pursuant to Section 4.11(g), will be similar to, or produce the same value or economic equivalence of, LIBOR or any other benchmark or have the same volume or liquidity as did LIBOR or any other benchmark rate prior to its discontinuance or unavailability.”

(d) Section 4.11(g) of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

“(g) Benchmark Replacement Setting. Notwithstanding anything to the contrary herein or in any other Loan Document (and any Swap Agreement shall be deemed not to be a “Loan Document” for purposes of this Section 4.11(g)):

(i) Replacing LIBOR. On March 5, 2021, the Financial Conduct Authority (“FCA”), the regulatory supervisor of LIBOR’s administrator (“IBA”), announced in a public statement the future cessation or loss of representativeness of overnight/Spot Next, 1-month, 3-month, 6-month and 12-month LIBOR tenor settings. On the earliest of (i) July 1, 2023, (ii) the date that all Available Tenors of LIBOR have either permanently or indefinitely ceased to be provided by IBA or have been announced by the FCA pursuant to public statement or publication of information to be no longer representative and (iii) the Early Opt-in Effective Date, if the then-current Benchmark is LIBOR, the Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Loan Document in respect of any setting of such Benchmark on such day and all subsequent settings without any amendment to, or further action by or consent of any other party to, this Agreement or any other Loan Document. If the Benchmark Replacement is Daily Simple SOFR, all interest payments will be payable on a quarterly basis.

(ii) Replacing Future Benchmarks. If any Benchmark Transition Event occurs after the date hereof (other than as described in Section 4.11(g)(i) above with respect to LIBOR), the then-current Benchmark will be replaced with the Benchmark Replacement for all purposes hereunder and under any Loan Document in respect of any Benchmark setting on the later of (A) as of 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Benchmark Replacement is provided to the Lenders and the Borrower by the Administrative Agent or (B) such other date as may be determined by the Administrative Agent and notified to the Lenders and the Borrower, in each case, without any further action or consent of any other party to this Agreement or any other Loan Document, so long as the Administrative Agent has not received, by such time (or, in the case of clause (B) above, such time as may be specified by the Administrative Agent as a deadline to receive objections, but in any case, no less than five (5) Business Days after the date such notice is provided to the Lenders and the Borrower), written notice of objection to such Benchmark Replacement from Lenders comprising the Required Lenders of each Class; provided, however, that in the event that the then-current Benchmark is not a SOFR-based rate, then the Benchmark Replacement shall be determined in accordance with clause (a) of the definition of “Benchmark Replacement” unless the Administrative Agent has determined that neither of such alternative rates is available. At any time that the administrator of the then-current Benchmark has permanently or indefinitely ceased to provide such Benchmark or such Benchmark has been announced by the regulatory supervisor for the administrator of such Benchmark pursuant to public statement or publication of information to be no longer representative of the underlying market and economic reality that such Benchmark is intended to measure and that representativeness will not be restored, the Borrower may revoke any request for a borrowing of, conversion to or continuation of Loans to be made, converted or continued that would bear interest by reference to such Benchmark until the Borrower’s receipt of notice from the Administrative Agent that a Benchmark Replacement has replaced such Benchmark, and, failing that, the Borrower will be deemed to have converted any such request into a request for a borrowing of or conversion to Base Rate Loans.

During the period referenced in the foregoing sentence, the component of Base Rate based upon the Benchmark will not be used in any determination of the Base Rate.

(iii) Benchmark Replacement Conforming Changes. In connection with the implementation and administration of a Benchmark Replacement (whether in connection with the replacement of LIBOR or any future Benchmark), the Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan Document.

(iv) Notices; Standards for Decisions and Determinations. The Administrative Agent will promptly notify the Borrower and the Lenders of (i) the implementation of any Benchmark Replacement and (ii) the effectiveness of any Benchmark Replacement Conforming Changes. Any determination, decision or election that may be made by the Administrative Agent pursuant to this Section including, without limitation, any determination with respect to a tenor, rate or adjustment, or implementation of any Benchmark Replacement Conforming Changes, the timing of implementation of any Benchmark Replacement or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding on all parties hereto absent manifest error and may be made in its sole discretion and without consent from any other party to this Agreement or any other Loan Document, except, in each case, as expressly required pursuant to this Section 4.11(g), and shall not be a basis of any claim of liability of any kind or nature by any party hereto, all such claims being hereby waived individually by each party hereto.

(v) Unavailability of Tenor of Benchmark. At any time (including in connection with the implementation of a Benchmark Replacement), (i) if the then-current Benchmark is a term rate (including Term SOFR or LIBOR or any alternate rate selected in an Early Opt-in Election), then the Administrative Agent may remove any tenor of such Benchmark that is unavailable or non-representative for such Benchmark (including any Benchmark Replacement) settings and (ii) if such tenor becomes available or representative, the Administrative Agent may reinstate any previously removed tenor for such Benchmark (including any Benchmark Replacement) settings.”

3. Revlon Clawback Amendments.

(a) Each of the following defined terms is hereby added as a new defined term to Section 1.01 of the Credit Agreement in the appropriate alphabetical order:

“Erroneous Payment” has the meaning assigned to it in Section 11.11(a).

“Erroneous Payment Deficiency Assignment” has the meaning assigned to it in Section 11.11(d).

“Erroneous Payment Impacted Class” has the meaning assigned to it in Section 11.11(d).

“Erroneous Payment Return Deficiency” has the meaning assigned to it in Section 11.11(d).

“Erroneous Payment Subrogation Rights” has the meaning assigned to it in Section 11.11(d).

“Payment Recipient” has the meaning assigned to it in Section 11.11(a).

thereof:

(b) Article XI of the Credit Agreement is hereby amended by adding the following as a new Section 11.11 at the end

“Section 11.11. Erroneous Payments.

(a) If the Administrative Agent notifies a Lender, LC Issuer or Secured Party, or any Person who has received funds on behalf of a Lender, LC Issuer or Secured Party (any such Lender, LC Issuer, Secured Party or other recipient, a “Payment Recipient”) that the Administrative Agent has determined in its sole discretion (whether or not after receipt of any notice under immediately succeeding clause (b)) that any funds received by such Payment Recipient from the Administrative Agent or any of its Affiliates were erroneously transmitted to, or otherwise erroneously or mistakenly received by, such Payment Recipient (whether or not known to such Lender, LC Issuer, Secured Party or other Payment Recipient on its behalf) (any such funds, whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise, individually and collectively, an “Erroneous Payment”) and demands the return of such Erroneous Payment (or a portion thereof), such Erroneous Payment shall at all times remain the property of the Administrative Agent and shall be segregated by the Payment Recipient on its books and records and held in trust for the benefit of the Administrative Agent, and such Lender, LC Issuer or Secured Party shall (or, with respect to any Payment Recipient who received such funds on its behalf, shall cause such Payment Recipient to) promptly, but in no event later than two Business Days thereafter, return to the Administrative Agent the amount of any such Erroneous Payment (or portion thereof) as to which such a demand was made, in same day funds (in the currency so received), together with interest thereon in respect of each day from and including the date such Erroneous Payment (or portion thereof) was received by such Payment Recipient to the date such amount is repaid to the Administrative Agent in same day funds at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation from time to time in effect. A notice of the Administrative Agent to any Payment Recipient under this clause (a) shall be conclusive, absent manifest error.

(b) Without limiting immediately preceding clause (a), each Lender, LC Issuer or Secured Party, or any Person who has received funds on behalf of a Lender, LC Issuer or Secured Party, hereby further agrees that if it receives a payment, prepayment or repayment (whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise) from the Administrative Agent (or any of its Affiliates) (x) that is in a different amount than, or on a different date from, that specified in a notice of payment, prepayment or repayment sent by the Administrative Agent (or any of its Affiliates) with respect to such payment, prepayment or repayment, (y) that was not preceded or accompanied by a notice of payment, prepayment or repayment sent by the Administrative Agent (or any of its Affiliates), or (z) that such Lender, LC Issuer or Secured Party, or other such recipient, otherwise becomes aware was transmitted, or received, in error or by mistake (in whole or in part) in each case:

(i) (A) in the case of immediately preceding clauses (x) or (y), an error shall be presumed to have been made (absent written confirmation from the Administrative Agent to the contrary) or (B) an error has been made (in the case of immediately preceding clause (z)), in each case, with respect to such payment, prepayment or repayment; and

(ii) such Lender, LC Issuer or Secured Party shall (and shall cause any other recipient that receives funds on its respective behalf to) promptly (and, in all events, within one Business Day of its knowledge of such error) notify the Administrative Agent of its receipt of such payment, prepayment or repayment, the details thereof (in reasonable detail) and that it is so notifying the Administrative Agent pursuant to this Section 11.11(b).

(c) Each Lender, LC Issuer or Secured Party hereby authorizes the Administrative Agent to set off, net and apply any and all amounts at any time owing to such Lender, LC Issuer or Secured Party under any Loan Document, or otherwise payable or distributable by the Administrative Agent to such Lender, LC Issuer or Secured Party from any source, against any amount due to the Administrative Agent under clause (a) hereof or under the indemnification provisions of this Agreement.

(d) In the event that an Erroneous Payment (or portion thereof) is not recovered by the Administrative Agent for any reason, after demand therefor by the Administrative Agent in accordance with clause (a) hereof, from any Lender or LC Issuer that has received such Erroneous Payment (or portion thereof) (and/or from any Payment Recipient who received such Erroneous Payment (or portion thereof) on its respective behalf) (such unrecovered amount, an "Erroneous Payment Return Deficiency"), upon the Administrative Agent's notice to such Lender or LC Issuer at any time, (i) such Lender or LC Issuer shall be deemed to have assigned its Loans (but not its Commitments) of the relevant Class with respect to which such Erroneous Payment was made (the "Erroneous Payment Impacted Class") in an amount equal to the Erroneous Payment Return Deficiency (or such lesser amount as the Administrative Agent may specify) (such assignment of the Loans (but not Commitments) of the Erroneous Payment

Impacted Class, the “Erroneous Payment Deficiency Assignment”) at par plus any accrued and unpaid interest (with the assignment fee to be waived by the Administrative Agent in such instance), and is hereby (together with the Borrower) deemed to execute and deliver an Assignment and Assumption with respect to such Erroneous Payment Deficiency Assignment, and such Lender or LC Issuer shall deliver any Notes evidencing such Loans to the Borrower or the Administrative Agent, (ii) the Administrative Agent as the assignee Lender shall be deemed to acquire the Erroneous Payment Deficiency Assignment, (iii) upon such deemed acquisition, the Administrative Agent as the assignee Lender shall become a Lender or LC Issuer, as applicable, hereunder with respect to such Erroneous Payment Deficiency Assignment and the assigning Lender or assigning LC Issuer shall cease to be a Lender or LC Issuer, as applicable, hereunder with respect to such Erroneous Payment Deficiency Assignment, excluding, for the avoidance of doubt, its obligations under the indemnification provisions of this Agreement and its applicable Commitments which shall survive as to such assigning Lender or assigning LC Issuer and (iv) the Administrative Agent may reflect in the Register its ownership interest in the Loans subject to the Erroneous Payment Deficiency Assignment. The Administrative Agent may, in its discretion, sell any Loans acquired pursuant to an Erroneous Payment Deficiency Assignment and upon receipt of the proceeds of such sale, the Erroneous Payment Return Deficiency owing by the applicable Lender or LC Issuer shall be reduced by the net proceeds of the sale of such Loan (or portion thereof), and the Administrative Agent shall retain all other rights, remedies and claims against such Lender or LC Issuer (and/or against any recipient that receives funds on its respective behalf). For the avoidance of doubt, no Erroneous Payment Deficiency Assignment will reduce the Commitments of any Lender or LC Issuer and such Commitments shall remain available in accordance with the terms of this Agreement. In addition, each party hereto agrees that, except to the extent that the Administrative Agent has sold a Loan (or portion thereof) acquired pursuant to an Erroneous Payment Deficiency Assignment, and irrespective of whether the Administrative Agent may be equitably subrogated, the Administrative Agent shall be contractually subrogated to all the rights and interests of the applicable Lender, LC Issuer or Secured Party under the Loan Documents with respect to each Erroneous Payment Return Deficiency (the “Erroneous Payment Subrogation Rights”); provided that the Loan Parties’ Obligations under the Loan Documents in respect of the Erroneous Payment Subrogation Rights shall not be duplicative of such Obligations in respect of Loans that have been assigned to the Administrative Agent under an Erroneous Payment Deficiency Assignment.

(e) The parties hereto agree that an Erroneous Payment shall not pay, prepay, repay, discharge or otherwise satisfy any Obligations owed by the Borrower or any other Loan Party, except, in each case, to the extent such Erroneous Payment is, and solely with respect to the amount of such Erroneous Payment that is, comprised of funds received by the Administrative Agent from the Borrower or any other Loan Party for the purpose of making such Erroneous Payment; provided that this Section 11.11 shall not be interpreted to increase (or accelerate the due date for), or have the effect of increasing (or accelerating the due date for), the Obligations of the Borrower relative to the amount (and/or timing for

payment) of the Obligations that would have been payable had such Erroneous Payment not been made by the Administrative Agent.

(f) To the extent permitted by applicable law, no Payment Recipient shall assert any right or claim to an Erroneous Payment, and hereby waives, and is deemed to waive, any claim, counterclaim, defense or right of set-off or recoupment with respect to any demand, claim or counterclaim by the Administrative Agent for the return of any Erroneous Payment received, including without limitation any defense based on “discharge for value” or any similar doctrine.

(g) Each party’s obligations, agreements and waivers under this Section 11.11 shall survive the resignation or replacement of the Administrative Agent, any transfer of rights or obligations by, or the replacement of, a Lender or LC Issuer, the termination of the Commitments and/or the repayment, satisfaction or discharge of all Obligations (or any portion thereof) under any Loan Document.

4. Bail-In Provision Amendments.

(a) The following defined terms are deleted from Section 1.01 of the Credit Agreement: “Bail-In Action”, “Bail-In Legislation” and “Write-Down and Conversion Powers”.

(b) Each of the following defined terms is hereby added as a new defined term to Section 1.01 of the Credit Agreement in the appropriate alphabetical order:

“Affected Financial Institution” means (a) any EEA Financial Institution or (b) any UK Financial Institution.”

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.”

“Bail-In Legislation” means, (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation rule or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).”

“Resolution Authority” means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.”

“UK Financial Institution” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by

the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.”

“UK Resolution Authority” means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.”

“Write-Down and Conversion Powers” means, (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.”

(c) Section 12.22 of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

“Section 12.22 Acknowledgement and Consent to Bail-In of Affected Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it

in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of the applicable Resolution Authority.”

II. Conditions Precedent to Effectiveness. The amendments contained in Article I shall not be effective until the date (such date, the “Amendment Effective Date”) that:

1. the Administrative Agent shall have received copies of this Amendment executed by the Borrower, the LC Issuer and each Lender, and acknowledged by the Administrative Agent;
2. the Administrative Agent shall have received executed a Note executed by the Borrower in favor of each Lender requesting a Note;
3. the Administrative Agent shall have received favorable opinions of counsel to the Borrower in relation to this Amendment, addressed to the Administrative Agent and each Secured Party;
4. the Borrower shall have paid (or caused to be paid) to the Administrative Agent, for the account of the Delayed Draw Lenders, a nonrefundable fee equal to the amounts set forth in the column titled “Amendment No. 2 Fee” on Annex B hereto to be allocated by each such Delayed Draw Lender in its sole discretion; and
5. the Borrower shall have paid all other fees, costs and expenses of the Administrative Agent and the Lenders incurred in connection with the execution and delivery of this Amendment (including third-party fees and out-of-pocket expenses of the Lenders’ counsel and other advisors or consultants retained by the Administrative Agent).

III. Representations and Warranties. Each of the Borrower and, as applicable, the Sponsor represents and warrants to each Agent and each Lender Party that the following statements are true, correct and complete in all respects as of the Amendment Effective Date:

1. Power and Authority; Authorization. The Borrower has all requisite power and authority to execute, deliver and perform its obligations under this Amendment and the Amended Credit Agreement. The Borrower has duly authorized, executed and delivered this Amendment.
 2. Enforceability. Each of this Amendment and the Amended Credit Agreement is a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except to the extent that enforceability may be limited by (i) applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting the enforcement of creditors’ rights, (ii) the effect of general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law) or (iii) implied covenants of good faith and fair dealing.
-

3. Credit Agreement Representations and Warranties. Each of the representations and warranties set forth in the Credit Agreement is true and correct in all respects both before and after giving effect to this Amendment, except to the extent that any such representation and warranty relates solely to any earlier date, in which case such representation and warranty is true and correct in all respects as of such earlier date.

4. Defaults. No event has occurred or is continuing as of the date hereof, or will result from the transactions contemplated hereby as of the date hereof, that would constitute an Event of Default or a Default.

IV. Limited Amendment. Except as expressly set forth herein, this Amendment shall not, by implication or otherwise, limit, impair, constitute a waiver of or otherwise affect the rights and remedies of the Lenders or the other Secured Parties under the Credit Agreement or any other Loan Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other provision of the Credit Agreement or any other Loan Document, and the Borrower acknowledges and agrees that each of the Loan Documents to which it is a party or otherwise bound shall continue in full force and effect and that all of its obligations thereunder shall be valid and enforceable and shall not be impaired or limited by the execution or effectiveness of this Amendment. From and after the Amendment Effective Date, all references to the Credit Agreement in any Loan Document shall, unless expressly provided otherwise, refer to the Amended Credit Agreement.

V. Miscellaneous.

1. Counterparts; Electronic Signatures. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same contract and any party to this Amendment may execute this Amendment by signing any such counterpart; signature pages may be detached from multiple, separate counterparts and attached to a single counterpart so that all signatures are physically attached to the same counterpart. The delivery of an executed counterpart of a signature page of this Amendment by electronic means, including by facsimile or by “.pdf” attachment to email, shall be effective as valid delivery of a manually executed counterpart of this Amendment. The words “execution,” “signed,” “signature,” and words of like import in this Amendment shall be deemed to include electronic signatures or electronic records, each of which shall be of the same legal effect, validity, or enforceability as a manually executed signature or the use of a paper-based, record-keeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

2. Severability. In case any one or more of the provisions contained in this Amendment should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, and the parties hereto shall enter into good faith negotiations to replace the invalid, illegal or unenforceable provision.

3. Governing Law, etc. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED UNDER, THE LAWS OF THE STATE OF NEW YORK. The provisions in Sections 12.08(b) through (d) and Section 12.09 of the Amended Credit Agreement shall apply, *mutatis mutandis*, to this Amendment and the parties hereto.

4. Loan Document. This Amendment shall be deemed to be a Loan Document for all purposes of the Amended Credit Agreement and each other Loan Document.

5. Headings. Paragraph headings have been inserted in this Amendment as a matter of convenience for reference only and it is agreed that such paragraph headings are not a part of this Amendment and shall not be used in the interpretation of any provision of this Amendment.

6. Execution of Documents. The undersigned Lenders hereby authorize and instruct the Administrative Agent to execute and deliver this Amendment.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their duly authorized officers as of the day and year first above written.

SUNRUN SCORPIO PORTFOLIO 2017-A, LLC,
as Borrower

By: Sunrun Scorpio Portfolio 2017-B, LLC
Its: Sole Member

By: Sunrun Scorpio Holdco 2017, LLC
Its: Sole Member

By: Sunrun Inc.
Its: Sole Member

By: /s/ Tom vonReichbauer
Name: Tom vonReichbauer
Title: Chief Financial Officer

[Signature Page to Second Amendment (Scorpio TLA Credit Agreement)]

KEYBANK NATIONAL ASSOCIATION,
as Administrative Agent

By: /s/ Lisa A. Ryder
Name: Lisa A. Ryder
Title: Senior Vice President

[Signature Page to Second Amendment (Scorpio TLA Credit Agreement)]

KEYBANK NATIONAL ASSOCIATION,
as Lender

By: /s/ Lisa A. Ryder
Name: Lisa A. Ryder
Title: Senior Vice President

[Signature Page to Second Amendment (Scorpio TLA Credit Agreement)]

ING CAPITAL LLC,
as Lender

By: /s/ Thomas Cantello
Name: Thomas Cantello
Title: Managing Director

By: /s/ Sven Wellock
Name: Sven Wellock
Title: Managing Director

[Signature Page to Second Amendment (Scorpio TLA Credit Agreement)]

BANKUNITED, N.A.,
as Lender

By: /s/ Michael van Teeffelen
Name: Michael van Teeffelen
Title: SVP

[Signature Page to Second Amendment (Scorpio TLA Credit Agreement)]

CDPQ AMERICAN FIXED INCOME V INC.,
as Lender

By: /s/ Jonathan Duguay-Arbesfeld
Name: Jonathan Duguay-Arbesfeld
Title: Senior Director

By: /s/ Marie-Noël Ouellet
Name: Marie-Noël Ouellet
Title: Managing Director

[Signature Page to Second Amendment (Scorpio TLA Credit Agreement)]

**DEUTSCHE BANK AG, NEW YORK
BRANCH,**
as Lender

By: /s/ Jeremy Eisman
Name: Jeremy Eisman
Title: Managing Director

By: /s/ Kyle Hatzes
Name: Kyle Hatzes
Title: Director

[Signature Page to Second Amendment (Scorpio TLA Credit Agreement)]

SILICON VALLEY BANK,
as Lender

By: /s/ Chaitali ("Tai") Pimputkar
Name: Chaitali ("Tai") Pimputkar
Title: Director

[Signature Page to Second Amendment (Scorpio TLA Credit Agreement)]

**ZIONS BANCORPORATION, N.A DBA
NATIONAL BANK OF ARIZONA,
as Lender**

By: /s/ Kate Smith
Name: Kate Smith
Title: Vice President

[Signature Page to Second Amendment (Scorpio TLA Credit Agreement)]

KEYBANK NATIONAL ASSOCIATION,
as LC Issuer

By: /s/ Lisa A. Ryder
Name: Lisa A. Ryder
Title: Senior Vice President

[Signature Page to Second Amendment (Scorpio TLA Credit Agreement)]

ANNEX A

Schedule 2.01
Lenders' Commitments

DELAYED DRAW LENDERS	Initial Availability Period Delayed Draw Loan Commitment as of the Closing Date	Upsize Availability Period Delayed Draw Loan Commitment as of the Amendment No. 1 Effective Date	Second Upsize Availability Period Delayed Draw Loan Commitment as of the Amendment No. 2 Effective Date
KeyBank National Association	\$[***]	\$[***]	\$[***]
ING Capital LLC	\$[***]	\$[***]	\$[***]
BankUnited, N.A.	\$[***]	\$[***]	\$[***]
CDPQ American Fixed Income V Inc.	\$[***]	\$[***]	\$[***]
Deutsche Bank AG, New York Branch	\$[***]	\$[***]	\$[***]
Silicon Valley Bank	\$[***]	\$[***]	\$[***]
ZB, National Association dba National Bank of Arizona	\$[***]	\$[***]	\$[***]
Total	\$234,500,000.00	\$16,000,000.00	\$32,500,000.00

LC LENDERS	LC Commitment*
KeyBank National Association	\$12,500,000.00
Total	\$12,500,000.00

*On the Amendment No. 1 Effective Date, the LC Commitment increased from \$10,000,000 to \$12,500,000.

[Signature Page to Second Amendment (Scorpio TLA Credit Agreement)]

ANNEX B

Amendment No. 2 Fee

DELAYED DRAW LENDERS	Amendment No. 2 Fee
KeyBank National Association	\$[***]
ING Capital LLC	\$[***]
BankUnited, N.A.	\$[***]
CDPQ American Fixed Income V Inc.	\$[***]
Deutsche Bank AG, New York Branch	\$[***]
Silicon Valley Bank	\$[***]
ZB, National Association dba National Bank of Arizona	\$[***]
Total	\$[***]

[Signature Page to Second Amendment (Scorpio TLA Credit Agreement)]

Name of Subsidiary	Jurisdiction of Organization
AEE Solar, Inc.	California
Clean Energy Experts LLC	California
Corinthian Energy III, LLC	Delaware
Kina'ole HK Solar Partners, LLC	Hawaii
Kina'ole Hawaii Kai Solar, LLC	Delaware
Residential Solar Holding, LLC	Delaware
Residential Solar II, LLC	Delaware
SR Lease Co II, LLC	Delaware
Sunrun Athena Depositor 2018-1, LLC	Delaware
Sunrun Athena Holdco 2018-1, LLC	Delaware
Sunrun Athena Investor 2018-1, LLC	Delaware
Sunrun Athena Issuer 2018-1, LLC	Delaware
Sunrun Athena Manager 2018, LLC	Delaware
Sunrun Athena Owner 2018, LLC	Delaware
Sunrun Athena Portfolio Holdings 2018-1, LLC	Delaware
Sunrun Atlas Depositor 2019-2, LLC	Delaware
Sunrun Atlas Holdco 2019-2, LLC	Delaware
Sunrun Atlas Holdings 2019-2, LLC	Delaware
Sunrun Atlas Investor 2019-2, LLC	Delaware
Sunrun Atlas Issuer 2019-2, LLC	Delaware
Sunrun Atlas Pledgor 2019-2, LLC	Delaware
Sunrun Aurora Manager 2014, LLC	Delaware
Sunrun Balerion Manager 2015, LLC	Delaware
Sunrun Balerion Owner 2015, LLC	Delaware
Sunrun Balerion II Manager 2021, LLC	Delaware
Sunrun Balerion II Owner 2021, LLC	Delaware
Sunrun Bravo Manager 2017, LLC	Delaware
Sunrun Bravo Owner 2017, LLC	Delaware
Sunrun Callisto Issuer 2015-1, LLC	Delaware
Sunrun Calypso Accounts 2015, LLC	Delaware
Sunrun Calypso Investor 2015, LLC	Delaware
Sunrun Calypso Manager 2015, LLC	Delaware
Sunrun Calypso Manager 2018, LLC	Delaware
Sunrun Calypso Manager 2019, LLC	Delaware
Sunrun Calypso Manager 2021, LLC	Delaware
Sunrun Calypso Owner 2015, LLC	Delaware
Sunrun Calypso Owner 2018, LLC	Delaware
Sunrun Calypso Owner 2019, LLC	Cayman Islands
Sunrun Calypso Owner 2021, LLC	Delaware
Sunrun Caspar Manager 2019, LLC	Delaware
Sunrun Caspar Owner 2019, LLC	Delaware

Subsidiaries of Sunrun Inc.*

Name of Subsidiary	Jurisdiction of Organization
Sunrun Cygnus Manager 2018, LLC	Delaware
Sunrun Cygnus Manager 2019, LLC	Delaware
Sunrun Cygnus Owner 2018, LLC	Delaware
Sunrun Cygnus Owner 2019, LLC	Delaware
Sunrun Delaware RECS, LLC	Delaware
Sunrun Delphi Manager 2016, LLC	Delaware
Sunrun Delphi Owner 2016, LLC	Delaware
Sunrun Demeter Depositor 2021-2, LLC	Delaware
Sunrun Demeter Holdings 2021-2, LLC	Delaware
Sunrun Demeter Holdco 2021-2, LLC	Delaware
Sunrun Demeter Investor 2021-2, LLC	Delaware
Sunrun Demeter Issuer 2021-2, LLC	Delaware
Sunrun Demeter Manager 2021-2, LLC	Delaware
Sunrun Demeter Owner 2021-2, LLC	Delaware
Sunrun Demeter Pledgor 2021-2, LLC	Delaware
Sunrun EH 2014-A, LLC	Delaware
Sunrun EH Manager 2015-A, LLC	Delaware
Sunrun Electra Manager 2018, LLC	Delaware
Sunrun Electra Owner 2018, LLC	Delaware
Sunrun Environmental Holdings LLC	Delaware
Sunrun Grid Services 2018, LLC	Delaware
Sunrun Installation Services, Inc.	Delaware
Sunrun Juno Manager 2016, LLC	Delaware
Sunrun Juno Manager 2017, LLC	Delaware
Sunrun Juno Manager 2019, LLC	Delaware
Sunrun Juno Manager 2021, LLC	Delaware
Sunrun Juno Manager 2022, LLC	Delaware
Sunrun Juno Owner 2016, LLC	Delaware
Sunrun Juno Owner 2017, LLC	Delaware
Sunrun Juno Owner 2019, LLC	Delaware
Sunrun Juno Owner 2021, LLC	Delaware
Sunrun Juno Owner 2022, LLC	Delaware
Sunrun Jupiter Depositor 2022-1, LLC	Delaware
Sunrun Jupiter Holdco 2022-1, LLC	Delaware
Sunrun Jupiter Holdings 2022-1, LLC	Delaware
Sunrun Jupiter Investor 2022-1, LLC	Delaware
Sunrun Jupiter Issuer 2022-1, LLC	Delaware
Sunrun Jupiter Manager 2022-1, LLC	Delaware
Sunrun Jupiter Owner 2022-1, LLC	Delaware
Sunrun Jupiter Pledgor 2022-1, LLC	Delaware
Sunrun JV Owner LLC	Delaware

Subsidiaries of Sunrun Inc.*

Name of Subsidiary	Jurisdiction of Organization
Sunrun Kronos Manager 2020, LLC	Delaware
Sunrun Kronos Manager 2022, LLC	Delaware
Sunrun Kronos Owner 2020, LLC	Delaware
Sunrun Kronos Owner 2022, LLC	Delaware
Sunrun Luna Depositor 2021, LLC	Delaware
Sunrun Luna Holdco 2021, LLC	Delaware
Sunrun Luna Portfolio 2021, LLC	Delaware
Sunrun Luna Pledgor 2021, LLC	Delaware
Sunrun Mars Gaia Holdco 2020, LLC	Delaware
Sunrun Mars Gaia Portfolio 2020, LLC	Delaware
Sunrun Mars Holdco 2020, LLC	Delaware
Sunrun Mars Holdings 2020, LLC	Delaware
Sunrun Mars Portfolio 2020-A, LLC	Delaware
Sunrun Mars Portfolio 2020-B, LLC	Delaware
Sunrun Mercury Manager 2021, LLC	Delaware
Sunrun Mercury Owner 2021, LLC	Delaware
Sunrun Neptune Gaia Holdco 2016, LLC	Delaware
Sunrun Neptune Gaia Portfolio 2016, LLC	Delaware
Sunrun Neptune Holdco 2016, LLC	Delaware
Sunrun Neptune Investor 2016, LLC	Delaware
Sunrun Neptune Portfolio 2016-A, LLC	Delaware
Sunrun Pegasus Manager 2021, LLC	Delaware
Sunrun PR Operations LLC	Puerto Rico
Sunrun Pegasus Owner 2021, LLC	Delaware
Sunrun Ragnar Manager 2015, LLC	Delaware
Sunrun Ragnar Manager 2017, LLC	Delaware
Sunrun Ragnar Manager 2021, LLC	Delaware
Sunrun Ragnar Owner 2015, LLC	Delaware
Sunrun Ragnar Owner 2017, LLC	Delaware
Sunrun Ragnar Owner 2021, LLC	Delaware
Sunrun Safe Harbor HoldCo, LLC	Delaware
Sunrun Safe Harbor Manager, LLC	Delaware
Sunrun Safe Harbor OpCo, LLC	Delaware
Sunrun Scorpio Holdco 2017, LLC	Delaware
Sunrun Scorpio Portfolio 2017-A, LLC	Delaware
Sunrun Scorpio Portfolio 2017-B, LLC	Delaware
Sunrun Sirius Manager 2018, LLC	Delaware
Sunrun Sirius Owner 2018, LLC	Delaware
Sunrun Solar Electrical Corporation	New York
Sunrun Solar Owner Holdco XI, LLC	California
Sunrun Solar Owner Holdco XII, LLC	Delaware
Sunrun Solar Owner Holdco XV, LLC	Delaware

Subsidiaries of Sunrun Inc.*

Name of Subsidiary	Jurisdiction of Organization
Sunrun Solar Owner Holdco XVI, LLC	Delaware
Sunrun Solar Owner Holdco XIX, LLC	Delaware
SunRun Solar Owner V, LLC	California
SunRun Solar Owner VII, LLC	California
SunRun Solar Owner XV, LLC	Delaware
Sunrun Solar Owner XVI, LLC	Delaware
Sunrun Solar Owner XIX, LLC	Delaware
Sunrun Solar Tenant XVI, LLC	Delaware
Sunrun South LLC	Delaware
Sunrun Triton Manager 2021, LLC	Delaware
Sunrun Triton Owner 2021, LLC	Delaware
Sunrun Ukiah Manager 2015, LLC	Delaware
Sunrun Ukiah Owner 2015, LLC	Delaware
Sunrun Ukiah Tenant 2015, LLC	Delaware
Sunrun Uluwatu Holdco 2017, LLC	Delaware
Sunrun Ulysses Manager 2015, LLC	Delaware
Sunrun Ulysses Manager 2016, LLC	Delaware
Sunrun Ulysses Manager 2017, LLC	Delaware
Sunrun Ulysses Manager 2018, LLC	Delaware
Sunrun Ulysses Manager 2019, LLC	Delaware
Sunrun Ulysses Manager 2021, LLC	Delaware
Sunrun Ulysses Owner 2015, LLC	Delaware
Sunrun Ulysses Owner 2016, LLC	Delaware
Sunrun Ulysses Owner 2017, LLC	Delaware
Sunrun Ulysses Owner 2018, LLC	Delaware
Sunrun Ulysses Owner 2019, LLC	Delaware
Sunrun Ulysses Owner 2021, LLC	Delaware
Sunrun Upolu Holdco Manager 2017, LLC	Delaware
Sunrun Ursa Manager 2017, LLC	Delaware
Sunrun Ursa Manager 2020, LLC	Delaware
Sunrun Ursa Owner 2017, LLC	Delaware
Sunrun Ursa Owner 2020, LLC	Delaware
Sunrun Utu Manager 2015, LLC	Delaware
Sunrun Utu Owner 2015, LLC	Delaware
Sunrun Vulcan Depositor 2021-1, LLC	Delaware
Sunrun Vulcan Issuer 2021-1, LLC	Delaware
Sunrun Xanadu Depositor 2019-1, LLC	Delaware
Sunrun Xanadu Holdco 2019-1, LLC	Delaware

Subsidiaries of Sunrun Inc.*

Name of Subsidiary	Jurisdiction of Organization
Sunrun Xanadu Holdings 2019-1, LLC	Delaware
Sunrun Xanadu Investor 2019-1, LLC	Delaware
Sunrun Xanadu Issuer 2019-1, LLC	Delaware
Sunrun Xanadu Pledgor 2019-1, LLC	Delaware
Sunrun Zeus Owner 2017, LLC	Delaware
The Alliance for Solar Choice, LLC	Delaware
Ukiah Solar Intermediate I, LLC	Delaware
Vivint Solar Aaliyah Manager, LLC	Delaware
Vivint Solar Aaliyah Project Company, LLC	Delaware
Vivint Solar ABL Parent, LLC	Delaware
Vivint Solar ABL, LLC	Delaware
Vivint Solar Asset 1 Class B, LLC	Delaware
Vivint Solar Asset 1 Manager, LLC	Delaware
Vivint Solar Asset 1 Owner, LLC	Delaware
Vivint Solar Asset 1 Project Company, LLC	Delaware
Vivint Solar Asset 2 Class B, LLC	Delaware
Vivint Solar Asset 2 Manager, LLC	Delaware
Vivint Solar Asset 2 Owner, LLC	Delaware
Vivint Solar Asset 2 Project Company, LLC	Delaware
Vivint Solar Asset 3 Holdco Borrower, LLC	Delaware
Vivint Solar Asset 3 Holdco Parent, LLC	Delaware
Vivint Solar Asset 3 Manager, LLC	Delaware
Vivint Solar Asset 3 Senior Borrower, LLC	Delaware
Vivint Solar Asset 3 Senior Parent, LLC	Delaware
Vivint Solar Asset Holdings, LLC	Delaware
Vivint Solar Consumer Finance 1 Holdings Parent, LLC	Delaware
Vivint Solar Consumer Finance 1 Holdings, LLC	Delaware
Vivint Solar Consumer Finance 1 Parent, LLC	Delaware
Vivint Solar Consumer Finance 1, LLC	Delaware
Vivint Solar Consumer Finance, LLC	Delaware
Vivint Solar Developer, LLC	Delaware
Vivint Solar Elyse Manager, LLC	Delaware
Vivint Solar Elyse Project Company, LLC	Delaware
Vivint Solar Financing Holdings 2 Borrower Parent Topco, LLC	Delaware
Vivint Solar Financing Holdings 2 Borrower Parent, LLC	Delaware
Vivint Solar Financing Holdings 2 Borrower Holdco, LLC	Delaware
Vivint Solar Financing Holdings 2 Borrower, LLC	Delaware
Vivint Solar Financing Holdings 2 Parent, LLC	Delaware

Subsidiaries of Sunrun Inc.*

Name of Subsidiary	Jurisdiction of Organization
Vivint Solar Financing Holdings 2, LLC	Delaware
Vivint Solar Financing III Holdings, LLC	Delaware
Vivint Solar Financing III Parent, LLC	Delaware
Vivint Solar Financing III, LLC	Delaware
Vivint Solar Financing IV Holdings, LLC	Delaware
Vivint Solar Financing IV Parent, LLC	Delaware
Vivint Solar Financing IV, LLC	Delaware
Vivint Solar Financing V Holdings, LLC	Delaware
Vivint Solar Financing V Parent, LLC	Delaware
Vivint Solar Financing V, LLC	Delaware
Vivint Solar Financing VI Holdings, LLC	Delaware
Vivint Solar Financing VI Parent, LLC	Delaware
Vivint Solar Financing VI, LLC	Delaware
Vivint Solar Financing VII Holdings, LLC	Delaware
Vivint Solar Financing VII Parent, LLC	Delaware
Vivint Solar Financing VII, LLC	Delaware
Vivint Solar Financing VIII Holdings, LLC	Delaware
Vivint Solar Financing VIII Parent, LLC	Delaware
Vivint Solar Financing VIII, LLC	Delaware
Vivint Solar Fund 20 Manager, LLC	Delaware
Vivint Solar Fund 20 Project Company, LLC	Delaware
Vivint Solar Fund 21 Manager, LLC	Delaware
Vivint Solar Fund 21 Project Company, LLC	Delaware
Vivint Solar Fund 22 Manager, LLC	Delaware
Vivint Solar Fund 22 Project Company, LLC	Delaware
Vivint Solar Fund 23 Manager, LLC	Delaware
Vivint Solar Fund 23 Project Company, LLC	Delaware
Vivint Solar Fund 24 Manager, LLC	Delaware
Vivint Solar Fund 24 Project Company, LLC	Delaware
Vivint Solar Fund 25 Manager, LLC	Delaware
Vivint Solar Fund 25 Project Company, LLC	Delaware
Vivint Solar Fund 26 Manager, LLC	Delaware
Vivint Solar Fund 26 Project Company, LLC	Delaware
Vivint Solar Fund 27 Manager, LLC	Delaware
Vivint Solar Fund 27 Project Company, LLC	Delaware
Vivint Solar Fund 28 Manager, LLC	Delaware
Vivint Solar Fund 28 Project Company, LLC	Delaware
Vivint Solar Fund 29 Manager, LLC	Delaware
Vivint Solar Fund 29 Project Company, LLC	Delaware

Subsidiaries of Sunrun Inc.*

Name of Subsidiary	Jurisdiction of Organization
Vivint Solar Fund III Manager, LLC	Delaware
Vivint Solar Fund III Master Tenant, LLC	Delaware
Vivint Solar Fund III Owner, LLC	Delaware
Vivint Solar Fund X Manager, LLC	Delaware
Vivint Solar Fund X Project Company, LLC	Delaware
Vivint Solar Fund XI Manager, LLC	Delaware
Vivint Solar Fund XI Project Company, LLC	Delaware
Vivint Solar Fund XII Manager, LLC	Delaware
Vivint Solar Fund XII Project Company, LLC	Delaware
Vivint Solar Fund XIII Manager, LLC	Delaware
Vivint Solar Fund XIII Project Company, LLC	Delaware
Vivint Solar Fund XIV Manager, LLC	Delaware
Vivint Solar Fund XIV Project Company, LLC	Delaware
Vivint Solar Fund XV Manager, LLC	Delaware
Vivint Solar Fund XV Project Company, LLC	Delaware
Vivint Solar Fund XVI Lessor, LLC	Delaware
Vivint Solar Fund XVI Manager, LLC	Delaware
Vivint Solar Fund XVIII Manager, LLC	Delaware
Vivint Solar Fund XVIII Project Company, LLC	Delaware
Vivint Solar Fund XIX Manager, LLC	Delaware
Vivint Solar Fund XIX Project Company, LLC	Delaware
Vivint Solar Hannah Manager, LLC	Delaware
Vivint Solar Hannah Project Company, LLC	Delaware
Vivint Solar Holdings, Inc.	Delaware
Vivint Solar, Inc.	Delaware
Vivint Solar Inventory Holdings Parent, LLC	Delaware
Vivint Solar Inventory Holdings, LLC	Delaware
Vivint Solar Licensing, LLC	Delaware
Vivint Solar Margaux Manager, LLC	Delaware
Vivint Solar Margaux Master Tenant, LLC	Delaware
Vivint Solar Margaux Owner, LLC	Delaware
Vivint Solar Mia Manager, LLC	Delaware
Vivint Solar Mia Project Company, LLC	Delaware
Vivint Solar Nicole Manager, LLC	Delaware
Vivint Solar Nicole Master Tenant, LLC	Delaware
Vivint Solar Nicole Owner, LLC	Delaware
Vivint Solar NYC Electrical, LLC	Delaware
Vivint Solar Operations, LLC	Delaware
Vivint Solar OTM 2, LLC	Delaware
Vivint Solar OTM Holdings, LLC	Delaware
Vivint Solar OTM I Lessor, LLC	Delaware

Subsidiaries of Sunrun Inc.*

<u>Name of Subsidiary</u>	<u>Jurisdiction of Organization</u>
Vivint Solar OTM I Manager, LLC	Delaware
Vivint Solar Owner I, LLC	Delaware
Vivint Solar Owner V Manager, LLC	Delaware
Vivint Solar Owner V, LLC	Delaware
Vivint Solar Owner VIII, LLC	Delaware
Vivint Solar Owner VIII Manager, LLC	Delaware
Vivint Solar Provider, LLC	Delaware
Vivint Solar Rebecca Manager, LLC	Delaware
Vivint Solar Rebecca Project Company, LLC	Delaware
Vivint Solar Servicer, LLC	Delaware
Vivint Solar SREC Aggregator, LLC	Delaware
Vivint Solar SREC Financing, LLC	Delaware
Vivint Solar SREC Guarantor III, LLC	Delaware
Vivint Solar SREC Marketing, LLC	Delaware

*As of December 31, 2021.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- Form S-8 (No. 333-231293) pertaining to the Sunrun Inc. 2015 Equity Incentive Plan and Sunrun Inc. 2015 Employee Stock Purchase Plan
- Form S-8 (No. 333-224806) pertaining to the Sunrun Inc. 2015 Equity Incentive Plan and Sunrun Inc. 2015 Employee Stock Purchase Plan
- Form S-8 (No. 333-217869) pertaining to the Sunrun Inc. 2015 Equity Incentive Plan and Sunrun Inc. 2015 Employee Stock Purchase Plan
- Form S-8 (No. 333-211356) pertaining to the Sunrun Inc. 2015 Equity Incentive Plan and Sunrun Inc. 2015 Employee Stock Purchase Plan
- Form S-8 (No. 333-206120) pertaining to the Sunrun Inc. 2015 Equity Incentive Plan, Sunrun Inc. 2015 Employee Stock Purchase Plan, Sunrun Inc. 2014 Equity Incentive Plan, Sunrun Inc. 2013 Equity Incentive Plan, Sunrun Inc. 2008 Equity Incentive Plan, and Mainstream Energy Corporation 2009 Stock Plan
- Form S-8 (No. 333-246371) pertaining to the V Solar Holdings, Inc. 2013 Omnibus Incentive Plan and Vivint Solar, Inc. 2014 Equity Incentive Plan
- Form S-8 (No. 333-245684) pertaining to the Sunrun Inc. 2015 Equity Incentive Plan and Sunrun Inc. 2015 Employee Stock Purchase Plan
- Form S-8 (No. 333-258493) pertaining to the Sunrun Inc. 2015 Equity Incentive Plan, the Sunrun Inc. 2015 Employee Stock Purchase Plan, and the Sunrun-VSI 2014 Equity Incentive Plan

of our reports dated February 17, 2022, with respect to the consolidated financial statements of Sunrun Inc. and the effectiveness of internal control over financial reporting of Sunrun Inc. included in this Annual Report (Form 10-K) of Sunrun Inc. for the year ended December 31, 2021.

/s/ Ernst & Young LLP

San Francisco, California
February 17, 2022

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mary Powell, certify that:

1. I have reviewed this Annual Report on Form 10-K of Sunrun 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 officer(s) 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; and
5. The registrant's other certifying officer(s) 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 functions):
 - (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: February 17, 2022

By: _____ /s/ Mary Powell

Mary Powell
Chief Executive Officer and Director
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Tom vonReichbauer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Sunrun 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 officer(s) 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; and
5. The registrant's other certifying officer(s) 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 functions):
 - (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: February 17, 2022

By: _____
/s/ Tom vonReichbauer
Tom vonReichbauer
Chief Financial Officer
(Principal Financial Officer)

**Certifications Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C. Section 1350)**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Sunrun Inc. (the "Company") hereby certifies that the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 17, 2022

By: /s/ Mary Powell
Mary Powell
Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ Tom vonReichbauer
Tom vonReichbauer
Chief Financial Officer
(Principal Financial Officer)