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

FORM 10-Q

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

For the quarterly period ended June 30, 2016

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.)**

595 Market Street, 29th Floor
San Francisco, California 94105
(Address of principal executive offices and Zip Code)

(415) 580-6900
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	☐		Accelerated filer	☐
Non-accelerated filer	☒	(Do not check if a smaller reporting company)	Smaller reporting company	☐

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

As of August 8, 2016, the number of shares of the registrant's common stock outstanding was 103,072,725.

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

	June 30, 2016 (Unaudited)	December 31, 2015
Assets		
Current assets:		
Cash	$ 207,220	$ 203,864
Restricted cash	10,037	9,203
Accounts receivable (net of allowances for doubtful accounts of $977 and $1,641 as of June 30, 2016 and December 31, 2015, respectively)	56,572	60,275
State tax credits receivable	—	9,198
Inventories	88,207	71,258
Prepaid expenses and other current assets	12,380	5,917
Total current assets	374,416	359,715
Restricted cash	6,117	8,094
Solar energy systems, net	2,282,729	1,992,021
Property and equipment, net	53,348	44,866
Intangible assets, net	20,602	22,705
Goodwill	87,543	87,543
Prepaid tax asset	278,602	190,146
Other assets	33,487	29,502
Total assets(1)	$ 3,136,844	$ 2,734,592
Liabilities and total equity		
Current liabilities:		
Accounts payable	$ 93,681	$ 104,133
Distributions payable to noncontrolling interests and redeemable noncontrolling interests	8,515	8,144
Accrued expenses and other liabilities	52,015	49,146
Deferred revenue, current portion	65,745	59,726
Deferred grants, current portion	14,383	13,949
Capital lease obligations, current portion	11,371	8,951
Long-term non-recourse debt, current portion	6,368	4,722
Lease pass-through financing obligation, current portion	4,301	3,710
Total current liabilities	256,379	252,481
Deferred revenue, net of current portion	579,590	559,066
Deferred grants, net of current portion	212,768	220,784
Capital lease obligations, net of current portion	16,916	15,042
Recourse debt	242,400	197,000
Long-term non-recourse debt, net of current portion	505,918	333,042
Lease pass-through financing obligation, net of current portion	139,873	153,188
Other liabilities	12,165	7,144
Deferred tax liabilities	278,661	190,146
Total liabilities(1)	2,244,670	1,927,893
Commitments and contingencies (Note 13)		
Redeemable noncontrolling interests	163,520	147,139
Stockholders' equity:		
Preferred stock, $0.0001 par value—authorized, 200,000 shares as of June 30, 2016 and December 31, 2015; no shares issued and outstanding as of June 30, 2016 and December 31, 2015	—	—
Common stock, $0.0001 par value—authorized, 2,000,000 shares as of June 30, 2016 and December 31, 2015; issued and outstanding, 102,826 and 101,282 shares as of June 30, 2016 and December 31, 2015, respectively	10	10
Additional paid-in capital	654,229	642,229
Accumulated other comprehensive loss	(5,909)	(921)
Accumulated deficit	(41,472)	(87,249)
Total stockholders' equity	606,858	554,069
Noncontrolling interests	121,796	105,491
Total equity	728,654	659,560
Total liabilities, redeemable noncontrolling interests and total equity	$ 3,136,844	$ 2,734,592

(1) The Company's consolidated assets as of June 30, 2016 and December 31, 2015 include $1,651,594 and $1,363,615, 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 June 30, 2016 and December 31, 2015 were $1,579,222 and $1,305,420, respectively; cash as of June 30, 2016 and December 31, 2015 were $53,415 and $44,407, respectively; restricted cash as of June 30, 2016 and December 31, 2015 were $283 and $757, respectively; accounts receivable, net as of June 30, 2016 and December 31, 2015 were $18,627 and $12,965, respectively; and prepaid expenses and other current assets as of June 30, 2016 and December 31, 2015 were $47 and $66, respectively. The Company's consolidated liabilities as of June 30, 2016 and December 31, 2015 include $559,311 and $540,464, respectively, in liabilities of VIEs whose creditors have no recourse to the Company. These liabilities include accounts payable as of June 30, 2016 and December 31, 2015 of $11,045 and $11,025, respectively; distributions payable to noncontrolling interests and redeemable noncontrolling interests as of June 30, 2016 and December 31, 2015 of $8,465 and $8,063, respectively; accrued expenses and other liabilities as of June 30, 2016 and December 31, 2015 of $86 and $175, respectively; deferred revenue as of June 30, 2016 and December 31, 2015 of $398,083 and $374,736, respectively; deferred grants as of June 30, 2016 and December 31, 2015 of $112,035 and $115,726, respectively; and long-term non-recourse debt as of June 30, 2016 and December 31, 2015 of $29,597 and $30,739, 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)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenue:				
Operating leases and incentives	$ 45,394	$ 34,458	$ 79,934	$ 56,766
Solar energy systems and product sales	77,144	38,232	141,347	65,601
Total revenue	122,538	72,690	221,281	122,367
Operating expenses:				
Cost of operating leases and incentives	38,608	27,067	76,708	48,444
Cost of solar energy systems and product sales	61,600	34,624	119,112	59,954
Sales and marketing	43,716	33,976	86,904	58,902
Research and development	2,373	2,492	4,836	4,779
General and administrative	23,614	19,677	46,862	39,983
Amortization of intangible assets	1,051	1,051	2,103	1,593
Total operating expenses	170,962	118,887	336,525	213,655
Loss from operations	(48,424)	(46,197)	(115,244)	(91,288)
Interest expense, net	13,063	8,433	24,578	15,563
Loss on early extinguishment of debt	—	431	—	431
Other expenses (income), net	30	1,019	(502)	1,318
Loss before income taxes	(61,517)	(56,080)	(139,320)	(108,600)
Income tax expense (benefit)	3,210	(6,215)	3,210	(6,215)
Net loss	(64,727)	(49,865)	(142,530)	(102,385)
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	(97,370)	(57,405)	(188,307)	(91,930)
Net income (loss) attributable to common stockholders	$ 32,643	$ 7,540	$ 45,777	$ (10,455)
Less: Net income allocated to participating securities	—	(7,540)	—	—
Net income (loss) available to common stockholders	$ 32,643	$ —	$ 45,777	$ (10,455)
Net income (loss) per share available to common stockholders				
Basic	$ 0.32	$ —	$ 0.45	$ (0.41)
Diluted	$ 0.31	$ —	$ 0.44	$ (0.41)
Weighted average shares used to compute net income (loss) per share available to common stockholders				
Basic	101,969	26,215	101,621	25,322
Diluted	104,768	26,215	104,494	25,322

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Net income (loss) attributable to common stockholders	$ 32,643	$ 7,540	$ 45,777	$ (10,455)
Other comprehensive income (loss):				
Unrealized gain (loss) on derivatives, net of income taxes	165	2,861	(5,633)	1,069
Less interest expense on derivatives recognized into earnings, net of income taxes	(120)	(356)	(645)	(356)
Comprehensive income (loss)	$ 32,928	$ 10,757	$ 40,789	$ (9,030)

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

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Operating activities:		
Net loss	$ (142,530)	$ (102,385)
Adjustments to reconcile net loss to net cash used in operating activities:		
Noncash losses	2,510	431
Depreciation and amortization, net of amortization of deferred grants	46,564	32,673
Bad debt expense	414	739
Interest on lease pass-through financing	6,019	7,177
Noncash tax expense (benefit)	3,210	(6,215)
Noncash interest expense	5,335	4,443
Stock-based compensation expense	8,647	6,421
Reduction in lease pass-through financing obligations	(9,491)	(10,379)
Changes in operating assets and liabilities:		
Accounts receivable	3,884	(4,216)
Inventories	(16,839)	(13,890)
Prepaid and other assets	(2,760)	(8,615)
Accounts payable	(9,889)	22,751
Accrued expenses and other liabilities	3,218	6,209
Deferred revenue	3,295	20,254
Net cash used in operating activities	(98,413)	(44,602)
Investing activities:		
Payments for the costs of solar energy systems, leased and to be leased	(332,472)	(257,806)
Purchases of property and equipment	(8,208)	(4,688)
Business acquisition, net of cash acquired	(5,000)	(14,575)
Net cash used in investing activities	(345,680)	(277,069)
Financing activities:		
Proceeds from state tax credits, net of recapture	9,123	5,120
Proceeds from recourse debt	257,400	143,000
Repayment of recourse debt	(212,000)	(49,224)
Proceeds from non-recourse debt	189,746	10,200
Repayment of non-recourse debt	(16,543)	(5,732)
Payment of debt fees	(12,277)	(2,801)
Proceeds from lease pass-through financing obligations	12,805	52,034
Contributions received from noncontrolling interests and redeemable noncontrolling interests	239,621	155,662
Distributions paid to noncontrolling interests and redeemable noncontrolling interests	(18,257)	(13,717)
Proceeds from exercises of stock options, net of withholding taxes on restricted stock units and issuance of shares in connection with the Employee Stock Purchase Plan	3,616	2,387
Offering costs paid related to initial public offering	(437)	(4,722)
Payment of capital lease obligations	(6,416)	(1,472)
Change in restricted cash	1,068	(4,608)
Net cash provided by financing activities	447,449	286,127
Net increase (decrease) in cash	3,356	(35,544)
Cash, beginning of period	203,864	152,154
Cash, end of period	$ 207,220	$ 116,610
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 10,676	$ 3,118
Supplemental disclosures of noncash investing and financing activities		
Costs of solar energy systems and property and equipment included in accounts payable and accrued expenses	$ 15,586	$ 4,777
Distributions payable to noncontrolling interests and redeemable noncontrolling interests	$ 8,515	$ 6,463
Vehicles acquired under capital leases	$ 10,914	$ 5,255
Noncash purchase consideration on acquisition of business	$ —	$ 18,718

The accompanying notes are an integral part of these 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 a power purchase agreement (“PPA”) or a lease (each, a “Customer Agreement”) which typically has a term of 20 years. Sunrun monitors, maintains and insures the Projects. The Company also sells solar energy systems and products (such as panels and racking) 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) lease pass-throughs, (ii) partnership-flips and (iii) joint venture (“JV”) inverted leases.

Sunrun acquired Clean Energy Experts, LLC (“CEE”), a consumer demand and solar lead generation company, in April 2015, to support the growth of the business, including reducing costs of obtaining customer leads externally. As a result of the acquisition, the Company also sells a portion of solar leads generated to customers.

The Company completed its initial public offering in August 2015 and its common stock is listed on the NASDAQ Global Select Market under the symbol “RUN”.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. As such, these unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company’s annual report on Form 10-K for the year ended December 31, 2015. The unaudited consolidated financial statements are prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments (all of which are considered of normal recurring nature) considered necessary to present fairly the Company’s financial results. The results of the six months ended June 30, 2016 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2016 or for any other interim period or other future year.

The consolidated financial statements reflect the accounts and operations of the Company and those of its subsidiaries, including Funds, in which the Company has a controlling financial interest. 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 financial 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. In addition, the Company adopted Accounting Standards Update ("ASU") 2015-03, *Interest—Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs* and ASU 2015-15, *Interest—Imputation of Interest (Subtopic 835-30) Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangement*. The impact of the Company's adoption of the ASUs on the prior period consolidated balance sheet was as follows (in thousands):

	December 31, 2015		
	As Previously Reported	Adoption of ASU	As Reclassified
Prepaid expenses and other current assets	$ 6,696	$ (779)	$ 5,917
Other assets	32,277	(2,775)	29,502
Long-term non-recourse debt, current portion	5,408	(686)	4,722
Recourse debt	194,975	2,025	197,000
Long-term non-recourse debt, net of current portion	337,935	(4,893)	333,042

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 significant estimates and assumptions, including, but not limited to, the estimates that affect the collectability of accounts receivable, the valuation of inventories, the useful lives and estimated residual values of solar energy systems, the useful lives of property and equipment, the valuation and useful lives of intangible assets, the fair value of assets acquired and liabilities assumed in business combinations, the effective interest rate used to amortize lease pass-through financing obligations, 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 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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Operating leases	$ 32,980	$ 22,915	$ 58,307	$ 40,047
Incentives	12,414	11,543	21,627	16,719
Operating leases and incentives	45,394	34,458	79,934	56,766
Solar energy systems	35,878	7,028	66,070	12,834
Products	41,266	31,204	75,277	52,767
Solar energy systems and product sales	77,144	38,232	141,347	65,601
Total revenue	$ 122,538	$ 72,690	$ 221,281	$ 122,367

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 techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. 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, and recourse and non-recourse debt.

Recently Issued Accounting Standards

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09 *Revenue from Contracts with Customers* (Topic 606), to replace the existing revenue recognition criteria for contracts with customers and to establish the disclosure requirements for revenue from contracts with customers. The core principle of this standard is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. This ASU is effective for the Company for annual reporting periods beginning after December 15, 2017 including the interim reporting periods within that fiscal year, and early adoption is permitted. Adoption of this ASU is either retrospective to each prior period presented or retrospective with a cumulative adjustment to retained earnings or accumulated deficit as of the adoption date. The Company is currently evaluating this guidance and the impact it may have on the Company's consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*, to specify that inventory should be subsequently measured at the lower of cost or net realizable value, which is the ordinary selling price less any completion, transportation and disposal costs. This ASU is effective for interim and annual periods beginning after December 15, 2016. Adoption of this ASU is prospective. The Company is currently evaluating this guidance and the impact it may have on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases.* Under the new guidance, lessees will be required to recognize for all leases (with the exception of short-term leases) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The accounting for lessors is largely unchanged. However, the new guidance now defines what qualifies as sales-type and direct financing leases, as well as the related accounting. This ASU is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. The Company is currently evaluating this guidance and the impact it may have on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation – Stock Compensation*. The new guidance will require all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. It will also allow an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. This ASU is effective for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. The Company is currently evaluating this guidance and the impact it may have on the Company's consolidated financial statements.

Note 3. Fair Value Measurement

At June 30, 2016 and December 31, 2015, the carrying value of receivables, accounts payable, accrued expenses, and distributions payable to noncontrolling interests approximates fair value due to their short-term nature. The carrying values and fair values of debt instruments are as follows (in thousands):

	June 30, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Lines of credit	$ 374,300	$ 374,300	$ 197,000	$ 197,000
Syndicated term loans	189,730	189,730	169,344	169,344
Bank term loan	51,932	52,079	30,739	32,692
Note payable	34,819	34,682	32,781	32,568
Solar asset-backed notes	103,905	113,730	104,900	110,103
Total	$ 754,686	$ 764,521	$ 534,764	$ 541,707

At June 30, 2016, the fair value of the Company's lines of credit, syndicated term loans, and bank term loan due in September 2022 approximates their carrying values because their interest rates are variable rates that approximate rates currently available to the Company. At December 31, 2015, the fair value of the Company's line of credit and syndicated term loans approximates their carrying values because their interest rates are variable rates that approximate rates currently available to the Company. At June 30, 2016 and December 31, 2015, the fair value of the Company's bank term loan due in April 2022, note payable and asset-backed notes 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 3 hierarchy. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market.

The Company determines the fair value of its interest rate swaps using a discounted cash flow model which 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 determines the fair value of its warrants issued using the Black-Scholes option-pricing model. The significant unobservable input used in the fair value measurement of the warrant liability was the expected volatility of the Company. Generally, increases (decreases) in the expected volatility of the Company would result in a directionally similar impact to the measurement of the Company's warrants.

At June 30, 2016 and December 31, 2015, financial instruments measured at fair value on a recurring basis, based upon the fair value hierarchy are as follows (in thousands):

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Derivative liabilities:				
Interest rate swaps	$ —	$ 9,070	$ —	$ 9,070
Warrants	—	—	15	15
Total	$ —	$ 9,070	$ 15	$ 9,085

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Derivative liabilities:				
Interest rate swaps	$ —	$ 921	$ —	$ 921
Warrants	—	—	557	557
Total	$ —	$ 921	$ 557	$ 1,478

Note 4. Inventories

Inventories consist of the following (in thousands):

	June 30, 2016	December 31, 2015
Raw materials	$ 83,741	$ 62,967
Work-in-process	4,466	8,291
Total	$ 88,207	$ 71,258

Note 5. Solar Energy Systems, net

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

	June 30, 2016	December 31, 2015
Solar energy system equipment costs	$ 2,148,251	$ 1,846,103
Inverters	217,931	177,202
Initial direct costs	93,185	68,280
Total solar energy systems	2,459,367	2,091,585
Less: accumulated depreciation and amortization	(254,470)	(212,671)
Add: construction-in-progress	77,832	113,107
Total solar energy systems, net	$ 2,282,729	$ 1,992,021

All solar energy systems, construction-in-progress, and inverters have been leased to or are subject to signed Customer Agreements with customers. The Company recorded depreciation expense related to solar energy systems of $22.5 million and $16.5 million for the three months ended June 30, 2016 and 2015, respectively, and $42.9 million and $32.0 million for the six months ended June 30, 2016 and 2015, respectively. The depreciation expense was reduced by the amortization of deferred grants of $3.4 million and $3.5 million for the three months ended June 30, 2016 and 2015, respectively, and $7.4 million and $7.1 million for the six months ended June 30, 2016 and 2015, respectively.

Note 6. Indebtedness

As of June 30, 2016, debt consisted of the following (in thousands):

	Carrying Values, net of debt discount			Unused Borrowing Capacity	Annual Contractual Interest Rate	Interest Rate	Maturity Date
	Current	Long Term	Total				
Recourse debt:							
Bank line of credit	$ —	$ 242,400	$ 242,400	$ 6	Varies **(1)**	3.70% - 5.75%	April 2018
Total recourse debt	$ —	$ 242,400	$ 242,400	$ 6			
Non-recourse debt:							
Line of credit (Aggregation Facility)	—	131,900	131,900	8,600	Varies **(2)**	2.93% - 3.06%	December 2020
Term Loan A	666	147,872	148,538	5,000	LIBOR + 2.75%	3.04% - 3.21%	December 2021
Bank term loan due in September 2022	728	21,607	22,335	1,116	LIBOR +2.25%	2.71 %	September 2022
Bank term loan due in April 2022	1,247	28,350	29,597	—	4.50%	4.50 %	April 2022
Solar asset-backed notes	3,610	100,295	103,905	—	4.40% - Class A	4.40 %	July 2024
					5.38% - Class B	5.38 %	July 2024
Term Loan and Term Loan B	117	41,075	41,192	1,300	LIBOR + 5.00%	6.00 %	December 2020 and 2021
Note payable	—	34,819	34,819	—	12.00%	12.00 %	December 2018
Total non-recourse debt	6,368	505,918	512,286	16,016			
Total debt	$ 6,368	$ 748,318	$ 754,686	$ 16,022			

As of December 31, 2015, debt consisted of the following (in thousands):

	Carrying Values, net of debt discount			Unused Borrowing Capacity	Annual Contractual Interest Rate	Interest Rate	Maturity Date
	Current	Long Term	Total				
Recourse debt:							
Bank line of credit	$ —	$ 197,000	$ 197,000	$ 6,571	Varies **(1)**	3.67 %	April 2018
Total recourse debt	$ —	$ 197,000	$ 197,000	$ 6,571			
Non-recourse debt:							
Term Loan A	589	146,625	147,214	5,600	LIBOR + 2.75%	3.07 %	December 2021
Bank term loan due in April 2022	1,159	29,580	30,739	—	6.25%	6.25 %	April 2022
Solar asset-backed notes	2,858	102,042	104,900	—	4.40% - Class A	4.40 %	July 2024
					5.38% - Class B	5.38 %	July 2024
Term Loan B	116	22,014	22,130	—	LIBOR + 5.00%	6.00 %	December 2021
Note payable	—	32,781	32,781	—	12.00%	12.00 %	December 2018
Total non-recourse debt	4,722	333,042	337,764	5,600			
Total debt	$ 4,722	$ 530,042	$ 534,764	$ 12,171			

(1) Loans under the facility bear interest at LIBOR + 3.25% or the Base Rate + 2.25%. The Base Rate is the highest of the Federal Funds Rate + 0.50%, the Prime Rate, or LIBOR + 1.00%.

(2) Loans under the facility bear interest at LIBOR + 2.50% for the initial three-year revolving availability period, stepping up to LIBOR + 2.75% in the following two-year period.

Bank Line of Credit

In April 2015, the Company entered into a syndicated working capital facility with banks for a total commitment of up to $205.0 million. In June 2016, the Company entered into amendments to increase the syndicated working capital facility commitment by an incremental $40.0 million, for a total commitment of up to $245.0 million. The working capital facility is secured by substantially all of the unencumbered assets of the Company as well as ownership interests in certain subsidiaries of the Company.

Under the terms of the working capital facility, the Company is required to meet various restrictive covenants, including meeting certain reporting requirements, such as the completion and presentation of audited consolidated financial statements. The Company is also required to maintain minimum unencumbered liquidity of at least $25.0 million in the aggregate as of the last day of each calendar month. The Company is further required to maintain a modified interest coverage ratio of 2.00 or greater, measured quarterly as of the last day of each quarter. The Company was in compliance with all debt covenants as of June 30, 2016.

Syndicated Credit Facilities

In January 2016, certain subsidiaries of the Company entered into secured credit facilities agreements with a syndicate of banks for up to $250.0 million in committed facilities. The facilities include a $220.0 million aggregation facility ("Aggregation Facility"), a $23.0 million term loan ("Term Loan") and a $7.0 million letter of credit facility. The Aggregation Facility bears an interest rate of LIBOR + 2.50% in the initial three-year revolving availability period, stepping up to LIBOR + 2.75% in the following two-year period. The Term Loan bears an interest rate of LIBOR + 5.00%, in the first three years, stepping up to LIBOR + 6.50% in the following two-year period, with a LIBOR floor of 1.00% in all cases. The principal and accrued interest on any outstanding loans mature on December 31, 2020. In May 2016, certain subsidiaries of the Company entered into amendments which increased the committed Aggregation Facility by $90.0 million to $310.0 million. No other material amendments were entered into in respect of these facilities.

The facilities are non-recourse to the Company and are secured by net cash flows of certain subsidiaries from power purchase agreements and leases, less certain operating, maintenance and other expenses which are available to the borrowers after distributions to tax equity investors. The facilities contain customary covenants including the requirement to maintain certain financial measurements and provide lender reporting. The credit facilities also contain certain provisions in the event of default which entitle lenders to take certain actions including acceleration of amounts due under the facilities. The Company was in compliance with all debt covenants as of June 30, 2016.

In December 2014, subsidiaries of the Company entered into secured credit facilities agreements with a syndicate of banks for up to $195.4 million in committed facilities. These facilities include a $158.5 million senior term loan ("Term Loan A") and a $24.0 million subordinated term loan ("Term Loan B"). In addition, the credit facilities also include a $5.0 million working capital revolver commitment and a $7.9 million senior secured revolving letter of credit facility which draws are solely for the purpose of satisfying the required debt service reserve amount if necessary. Term Loan A, the working capital revolver and the letter of credit bear interest at a rate of LIBOR + 2.75% with a 25 basis point step up triggered on the fourth anniversary. Term Loan B bears interest at a rate of LIBOR + 5.00% with a LIBOR floor of not less than 1.00%. Prepayments are permitted under Term Loan A at par without premium or penalty, and under Term Loan B prepayment penalties range from 0%-2%, depending on the timing of the prepayment.

One of the Company's subsidiaries is the borrower under the Term Loan A agreement and another of the Company's subsidiaries is the borrower under the Term Loan B agreement. All obligations under Term Loan A, working capital revolver and letter of credit are collateralized by the subsidiary borrower's membership interests and assets in the Company's investment Funds. All obligations under the Term Loan B are collateralized by the membership interest in the subsidiary borrower. The credit facilities also contain certain provisions in the event of default, which entitle lenders to take actions, including acceleration of amounts due under the credit facilities and acquisition of membership interests and assets that are pledged to the lenders under the terms of the credit facilities.

The Company is required to maintain certain financial measurements and reporting covenants under the terms of the credit facilities. The Company was in compliance with the credit facility covenants as of June 30, 2016.

Bank Term Loans

In March 2016, a subsidiary of the Company entered into a $24.5 million secured, non-recourse loan agreement with a bank. The loan will be repaid through cashflows from a lease pass-through arrangement previously entered into by the Company. The loan matures in September 2022 and has an interest rate of LIBOR + 2.25%. The loan agreement contains customary covenants including the requirement to maintain certain financial measurements and provide lender reporting. The loan also contains certain provisions in the event of default which entitles the lender to take certain actions including acceleration of amounts due under the loan.

In December 2013, a subsidiary of the Company entered into an agreement with a financial institution for a term loan of $38.0 milli on. The loan matures in April 2022 and has a fixed interest rate of 4.50%. The proceeds of this term loan were distributed to the members of this subsidiary, including the Company. The loan is secured by the assets and related cash flow of this subsidiary and is nonrecourse to the Company's other assets. The Company was in compliance with all debt covenants as of June 30, 2016.

Notes Payable

In December 2013, a subsidiary of the Company entered into a note purchase agreement with an investor for the issuance of senior notes in exchange for proceeds of $27.2 million. The loan proceeds were distributed to the Company for general corporate purposes. On the last business day of each quarter, commencing with March 31, 2014, to the extent the Company's subsidiary has insufficient funds to pay the full amount of the stated interest of the outstanding loan balance, a PIK interest rate of 12% is accrued and added to the outstanding balance. As of June 30, 2016 and December 31, 2015, the portion of the outstanding loan balance that related to PIK interest was $8.2 million and $6.3 million, respectively. The senior notes are secured by the assets and related cash flows of certain of the Company's subsidiaries and are nonrecourse to the Company's other assets. The entire outstanding principal balance is payable in full on the December 2018 maturity date. The Company was in compliance with all debt covenants as of June 30, 2016.

Solar Asset-Backed Notes

In July 2015, the Company entered into a securitization transaction pursuant to which the Company pooled and transferred qualifying solar energy systems and related lease agreements secured by associated customer contracts ("Solar Assets") into a special purpose entity ("Issuer"), and issued $100.0 million in aggregate principal of Solar Asset-Backed Notes, Series 2015-1, Class A, and $11.0 million in aggregate principal of Solar Asset-Backed Notes, Class B, backed by these Solar Assets to certain investors ("Notes"). The Issuer is wholly owned by the Company and is consolidated in the Company's financial statements. Accordingly, the Company did not recognize a gain or loss on the transfer of these assets. As of June 30, 2016 and December 31, 2015, these Solar Assets had a carrying value of $186.1 million and $190.2 million, respectively, and are included under Solar energy systems, net, in the consolidated balance sheets. The Notes were issued at a discount of 0.08%.

The Company retained $7.3 million net of fees from proceeds from the Notes. In connection with the transaction, the Company modified two lease pass-through arrangements with an investor. The lease pass-through arrangements had been accounted for as a borrowing and any amounts outstanding from the arrangements were reported as lease pass-through financing obligation as further explained in Note 8, *Lease Pass-Through Financing Obligations*. The balance that was then outstanding under these arrangements was $119.7 million. The Company partially repaid this obligation by paying the lease pass-through Fund investor an aggregate amount of $88.9 million. The Company accounted for the modification of the lease pass-through obligation as a modification of debt and did not record any gain or loss on the transaction.

The modified lease-pass through arrangements require the majority of the cash flows generated by the Solar Assets to be passed on to the Issuer through monthly lease payments from the Fund investor. Those cash flows are used to service the monthly principal of the Notes and interest payments and satisfy the Issuer's expenses, and any residual cash flows are retained by the Fund investor and recorded as a reduction in the remaining financing obligation. The Company recognizes revenue earned from the associated Customer Agreements in accordance with the Company's revenue recognition policy. The assets and cash flows generated by the Solar Assets are not available to the other creditors of the Company, and the creditors of the Issuer, including the Note holders, have no recourse to the Company's other assets. The Company was in compliance with all debt covenants as of June 30, 2016.

Note 7. Derivatives

Interest Rate Swaps

The Company uses interest rate swaps to hedge variable interest payments due on its syndicated term loans. 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 three month LIBOR on the notional amounts over the life of the swaps.

In January 2015, the Company purchased interest rate swaps with a notional amount aggregating $109.1 million. The interest rate swap contracts were executed with four counterparties who were part of the lender group on the Company's syndicated term loans. In April 2016, the Company purchased an interest rate swap with a notional amount of $13.1 million. The interest rate swap contract was executed with the lender on the Company's bank term loan which matures in September 2022. As of June 30, 2016, the unrealized fair market value loss on the interest rate swaps was $9.1 million as included in other liabilities in the consolidated balance sheet.

The interest rate swaps have been designated as cash flow hedges. In the six months ended June 30, 2016, the hedge relationships on the Company's interest rate swaps have been assessed as highly effective as 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 loss, 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 statement of operations, in the period that the hedged forecasted transactions affects earnings.

The Company recorded an unrealized gain of $0.2 million and an unrealized loss of $5.6 million for the three and six months ended June 30, 2016, respectively, net of applicable tax benefit of $3.6 million. The Company recorded an unrealized gain of $2.9 million and $1.1 million for the three and six months ended June 30, 2015, respectively, net of applicable tax expense of $0.9 million. The Company recognized interest expense on derivatives into earnings of $0.1 million and $0.6 million for the three and six months ended June 30, 2016, respectively, net of tax benefit of $0.4 million. The Company recognized interest expense on derivatives into earnings of $0.4 million for three and six months ended June 30, 2015, net of tax expense of $0.0 million. During the next twelve months, the Company estimates that an additional $2.0 million will be reclassified as an increase to interest expense. There were no undesignated derivative instruments recorded by the Company as of June 30, 2016.

At June 30, 2016, the Company had the following designated derivative instruments classified as derivative liabilities as reported in other liabilities in the Company's balance sheet (in thousands, other than quantity and interest rates):

Type	Quantity	Maturity Dates	Hedge Interest Rates	Notional Amount	Fair Market Value	Credit Risk Adjustment	Adjusted Fair Market Value
Interest rate swaps	4	10/31/2028	2.17%-2.18%	$ 109,143	$ 9,480	$ (709)	$ 8,771
	1	08/31/2022	1.27%	$ 13,094	$ 309	$ (10)	$ 299

Warrants

In July 2015, the Company entered into a letter of intent to issue 1,250,764 warrants to purchase the Company's common stock to the former Series D and E preferred stockholders as an inducement to convert their shares of convertible preferred stock into shares of common stock immediately prior to the closing of the Company's initial public offering and waive any potential anti-dilution adjustments resulting from the issuance of shares of the Company's common stock in the Company's initial public offering. The warrants were issued on September 30, 2015. The warrants are exercisable for three years from the date of grant and have an exercise price of $22.50 per share. The warrant derivatives are recorded at fair value as derivative liabilities as reported in other liabilities in the Company's consolidated balance sheet. The fair market value of the warrants on the commitment date was $1.5 million. The warrants are remeasured at each reporting period with the changes in the fair value presented in other expenses (income), net in the Company's statement of operations.

At June 30, 2016, the fair market value of the warrants was $0.1 million. At December 31, 2015, the fair market value of the warrants was $0.6 million, resulting in a gain of $0.0 million and $0.5 million for the three and six months ended June 30, 2016, respectively.

Note 8. Lease Pass-Through Financing Obligations

The Company has five ongoing transactions referred to as "lease pass-through arrangements." Under lease pass-through arrangements, the Company leases solar energy systems to Fund investors under a master lease agreement, and these investors in turn are assigned the leases 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. The Company assigns to the Fund investors the value attributable to the investment tax credits ("ITC"), and, for the duration of the master lease term, the long-term recurring customer payments. Given the assignment of the operating cash flows, these arrangements are accounted for as financing obligations. In addition, in one of the lease pass-through structures, the Company sold, as well as leased, solar energy systems to a Fund investor under a master purchase agreement. As the substantial risks and rewards in the underlying solar energy systems were retained by the Company, this arrangement was also accounted for as a financing obligation.

Under these lease pass-through arrangements, wholly owned subsidiaries of the Company finance the cost of solar energy systems with investors for an initial term of 20 – 25 years. The solar energy systems are subject to Customer Agreements with an initial term not exceeding 20 years. These solar energy systems are reported under the line item Solar energy systems, net in the consolidated balance sheets. As of June 30, 2016 and December 31, 2015, the cost of the solar energy systems placed in service under the lease pass-through arrangements was $493.8 million and $447.4 million, respectively. The accumulated depreciation related to these assets as of June 30, 2016 and December 31, 2015 was $41.7 million and $33.5 million, respectively.

As discussed in Note 6, *Indebtedness*, in connection with the pooling of assets related to the securitization transaction entered into in July 2015, an aggregate amount of $88.9 million of the lease pass-through financing obligation was repaid.

In September 2015, the Company entered into a new lease pass-through arrangement and in connection with this arrangement, the Company agreed to defer a portion (up to 25%) of the amounts required to be paid upfront under the arrangement through a loan between an indirectly wholly owned subsidiary of the Company and a subsidiary of the investor. The term loan agreement as amended is for an aggregate amount up to $25.0 million. The loan is collateralized by the related cash flows assigned to the investor. There is a legal right to offset the loan if an event of default has occurred. Therefore, the lease pass-through financing obligation related to this arrangement is recorded net of the loan. As June 30, 2016 and December 31, 2015, the loan amount was $24.4 million and $21.8 million, respectively.

Note 9. VIE Arrangements

The Company consolidated various VIEs at June 30, 2016 and December 31, 2015. The carrying amounts and classification of the VIEs' assets and liabilities included in the consolidated balance sheets are as follows (in thousands):

	June 30, 2016	December 31, 2015
Assets		
Current assets		
Cash	$ 53,415	$ 44,407
Restricted cash	283	757
Accounts receivable, net	18,627	12,965
Prepaid expenses and other current assets	47	66
Total current assets	72,372	58,195
Solar energy systems, net	1,579,222	1,305,420
Total Assets	$ 1,651,594	$ 1,363,615
Liabilities		
Current liabilities		
Accounts payable	$ 11,045	$ 11,025
Distribution payable to noncontrolling interests and redeemable noncontrolling interests	8,465	8,063
Accrued expenses and other liabilities	86	175
Deferred revenue, current portion	22,706	21,344
Deferred grants, current portion	7,192	7,198
Long-term non-recourse debt, current portion	1,247	1,159
Total current liabilities	50,741	48,964
Deferred revenue, net of current portion	375,377	353,392
Deferred grants, net of current portion	104,843	108,528
Long-term non-recourse debt, net of current portion	28,350	29,580
Total liabilities	$ 559,311	$ 540,464

The Company holds a variable interest in an entity that provides the noncontrolling interest with a right to terminate the leasehold interests in all of the leased projects on the tenth anniversary of the effective date of the master lease. In this circumstance, the Company would be required to pay the noncontrolling interest an amount equal to the fair market value, as defined in the governing agreement of all leased projects as of that date.

The Company holds certain variable interests in nonconsolidated VIEs established as a result of five lease pass-through Fund arrangements as further explained in Note 8, *Lease 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 financing liability recorded in the Company's consolidated financial statements. The Company is not considered the primary beneficiary of the VIEs.

Note 10. Redeemable Noncontrolling Interests and Equity

The changes in total stockholders' equity, redeemable noncontrolling interests and noncontrolling interests were as follows (in thousands):

	Redeemable Noncontrolling Interests	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance - January 1, 2016	$ 147,139	$ 554,069	$ 105,491	$ 659,560
Exercise of stock options	—	2,556	—	2,556
Issuance of restricted stock units, net of tax withholdings	—	(93)	—	(93)
Shares issued in connection with the Employee Stock Purchase Plan	—	1,256	—	1,256
Stock based compensation	—	8,718	—	8,718
Contributions from noncontrolling interests and redeemable noncontrolling interests	82,123	—	157,498	157,498
Distributions to noncontrolling interests and redeemable noncontrolling interests	(6,906)	—	(11,722)	(11,722)
Offering costs in connection with initial public offering	—	(437)	—	(437)
Net income (loss)	(58,836)	45,777	(129,471)	(83,694)
Other comprehensive loss, net of taxes	—	(4,988)	—	(4,988)
Balance - June 30, 2016	$ 163,520	$ 606,858	$ 121,796	$ 728,654

The carrying value of redeemable noncontrolling interests was greater than the redemption value except for three and two Funds at June 30, 2016 and December 31, 2015, respectively, where the carrying value has been adjusted to the redemption value.

Note 11. Stock-Based Compensation

Stock Options

The following table summarizes the activity for all stock options under all of the Company’s equity incentive plans for the six months ended June 30, 2016 (shares in thousands):

	Options Outstanding	Weighted Average Exercise Price Outstanding	Weighted Average Remaining Contractual Life
Outstanding at January 1, 2016	12,795	$ 5.89	7.82
Granted	2,974	5.70	
Exercised	(912)	2.81	
Cancelled / forfeited	(866)	8.38	
Outstanding at June 30, 2016	13,991	$ 5.90	7.87
Options vested and exercisable at June 30, 2016	6,957	$ 4.71	6.77

Restricted Stock Units

The following table summarizes the activity for all restricted stock units (“RSUs”) under all of the Company’s equity incentive plans for the six months ended June 30, 2016 (shares in thousands):

	Shares	Weighted Average Grant Date Fair Value
Unvested balance at January 1, 2016	1,506	$ 10.44
Granted	2,156	6.07
Issued	(149)	9.38
Cancelled / forfeited	(128)	6.74
Unvested balance at June 30, 2016	3,385	$ 7.70

Employee Stock Purchase Plan

In July 2015, the board of directors approved the 2015 Employee Stock Purchase Plan (“ESPP”). Eligible employees are offered shares bi-annually through two six month offering periods, which begin on the first trading day on or after May 15 and November 15 of each year. The first offering period began on November 16, 2015. 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 2,000 shares per employee per offering period.

Stock-Based Compensation Expense

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Cost of operating leases and incentives	$ 632	$ 248	$ 839	$ 297
Cost of solar energy systems and product sales	117	35	198	112
Sales and marketing	1,890	1,209	3,508	1,636
Research and development	149	64	246	126
General and administration	2,050	1,645	3,856	4,250
Total	$ 4,838	$ 3,201	$ 8,647	$ 6,421

Note 12. Income Taxes

The income tax expense rate for the three and six months ended June 30, 2016 was 5.2% and 2.3%, respectively. The income tax benefit rate for the three and six months ended June 30, 2015 was 11.1% and 5.7%, respectively. The differences between the actual consolidated effective income tax rate and the U.S. federal statutory rate were primarily attributable to the allocation of losses on noncontrolling interest and redeemable noncontrolling interests, the prepaid income taxes due to intercompany transactions and other miscellaneous items.

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. These transactions are treated as intercompany sales and any tax expense incurred related to these sales is being deferred and amortized over the estimated useful life of the underlying systems which has been estimated to be 30 years. The deferral of the tax expense results in recording of a prepaid tax asset. As of June 30, 2016 and December 31, 2015, the Company recorded long–term prepaid tax assets of $278.6 million and $190.1 million, respectively, net of amortization.

Uncertain Tax Positions

As of June 30, 2016 and December 31, 2015, the Company had $1.5 million of unrecognized tax benefits related to the acquisition of CEE. In addition, there was $0.3 million of interest and penalties for uncertain tax positions as of June 30, 2016 and December 31, 2015. The Company does not have any tax positions for which it is reasonably possible that the total amount of gross unrecognized benefits will increase or decrease within the next 12 months. The Company is subject to taxation and files income tax returns in the United States, 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.

Note 13. Commitments and Contingencies

Letters of Credit

As of June 30, 2016 and December 31, 2015, the Company had $8.5 million and $3.5 million, respectively, of unused letters of credit outstanding, which carry fees ranging from 2.50% - 2.75% and 2.00% - 3.25%, respectively, per annum.

Non-cancellable Operating Leases

The Company leases facilities and equipment under non-cancellable operating leases. Total operating lease expenses were $2.9 million and $1.5 million for the three months ended June 30, 2016 and 2015, respectively, and $5.6 million and $2.6 million for the six months ended June 30, 2016 and 2015, respectively.

Certain operating leases contain rent escalation clauses, which are recorded on a straight-line basis over the initial term of the lease with the difference between the rent paid and the straight-line rent recorded as a deferred rent liability. Lease incentives received from landlords are recorded as deferred rent liabilities and are amortized on a straight-line basis over the lease term as a reduction to rent expense. Deferred rent liabilities were $2.4 million and $1.9 million as of June 30, 2016 and December 31, 2015, respectively.

Capital Lease Obligations

As of June 30, 2016 and December 31, 2015, capital lease obligations were $28.3 million and $24.0 million, respectively. The capital lease obligations bear interest at rates up to 10% per annum.

Purchase Commitments

In January 2015, the Company entered into a purchase commitment with one of its suppliers to purchase $70.0 million of photovoltaic modules over the next 12 months with the first modules delivered in January 2015. In October 2015, the Company amended its commitment to purchase additional photovoltaic modules to be delivered until December 2016, for a total commitment of $146.0 million. In February 2016, the Company amended its commitment to reduce the price for products delivered after April 1, 2016. In July 2016, the Company amended its commitment to reduce the price of products delivered after July 11, 2016. As of June 30, 2016, the Company had $33.0 million of purchase commitments remaining.

Guarantees

The Company guarantees one of its investors in one of its Funds an internal rate of return, calculated on an after-tax basis, in the event that it purchases the investor's interest or the investor sells its interest to the Company. The Company does not expect the internal rate of return to fall below the guaranteed amount; however, due to uncertainties associated with estimating the timing and amount of distributions to the investor and the possibility for and timing of the liquidation of the Fund, the Company is unable to determine the potential maximum future payments that it would have to make under this guarantee.

ITC and Cash Grant 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 ITCs or U.S. Treasury grants. 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") or U.S. Department of the Treasury. 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. The Company believes that any payments to the investors in excess of the amount already recognized by the Company for this obligation are not probable based on the facts known as of the filing date of this Quarterly Report on Form 10-Q. The maximum potential future payments that the Company could have to make under this obligation would depend on the difference between the fair values of the solar energy systems sold or transferred to the Funds as determined by the Company and the values the IRS would determine as the fair value for the systems for purposes of claiming ITCs. ITCs are claimed based on the statutory regulations from the IRS. The Company uses fair values determined with the assistance of an independent third-party appraisal as the basis for determining the ITCs that are passed-through to and claimed by the Fund investors. Since the Company cannot determine how the IRS will evaluate system values used in claiming ITCs, the Company is unable to reliably estimate the maximum potential future payments that it could have to make under this obligation as of each balance sheet date.

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 July 2012, the U.S. Department of the Treasury and the Department of Justice (together, the "Government") opened a civil investigation into the participation by residential solar developers in the Section 1603 grant program. The Government served subpoenas on several developers, including Sunrun, along with their investors and valuation firms. The focus of the investigation is the claimed fair market value of the solar systems the developers submitted to the Government in their grant applications. The Company has cooperated fully with the Government and plans to continue to do so. No claims have been brought against the Company. The Company is not able to estimate the ultimate outcome or a range of possible loss at this point in time.

On April 13, 2016, a purported shareholder class action captioned *Pytel v. Sunrun Inc., et al.* , Case No. CIV 538215, was filed in the Superior Court of California, County of San Mateo, against the Company, certain of the Company's directors and officers, the underwriters of the Company's initial public offering and certain other defendants. The complaint generally alleges that the defendants violated Sections 11, 12, and 15 of the Securities Act of 1933 by making false or misleading statements in connection with the Company's August 5, 2015 initial public offering regarding the continuation of net metering programs. The plaintiffs seek to represent a class of persons who acquired the Company's common stock pursuant or traceable to the initial public offering. Plaintiffs seek compensatory damages, including interest, rescission or rescissory damages, an award of reasonable costs and attorneys' fees, and any equitable or injunctive relief deemed appropriate by the court. On April 21, 2016, a purported shareholder class action captioned *Mancy v. Sunrun Inc., et al.* , Case No. CIV 538303, was filed in the Superior Court of California, County of San Mateo. On April 22, 2016, a purported shareholder class action captioned *Brown et al. v. Sunrun Inc., et al.*, Case No. CIV 538311, was filed in the Superior Court of California, County of San Mateo. On April 29, 2016, a purported shareholder class action captioned *Baker et al. v. Sunrun Inc., et al.* , Case No. CIV 538419, was filed in the Superior Court of California, County of San Mateo. On May 6, 2016, a purported shareholder class action captioned *Greenberg v. Sunrun Inc., et al.* , Case 3:16-cv-02480, was filed in the United States District Court for the Northern District of California. On May 10, 2016, a purported shareholder class action captioned *Nunez v. Sunrun Inc., et al.* , Case No. CIV 538593, was filed in the Superior Court of California, County of San Mateo. On June 10, 2016, a purported shareholder class action captioned *Steinberg v. Sunrun Inc., et al.* , Case No. 539064, was filed in the Superior Court of California, County of San Mateo. The *Mancy*, *Brown*, *Baker, Greenberg, Nunez* and *Steinberg* complaints are substantially similar to the *Pytel* complaint, and seek similar relief against similar defendants on behalf of the same purported class.

On April 21, 2016, a purported shareholder class action captioned *Cohen, et al. v. Sunrun Inc., et al.* , Case No. CIV 538304, was filed in the Superior Court of California, County of San Mateo, against the Company, certain of the Company's directors and officers, and the underwriters of the Company's initial public offering. The complaint generally alleges that the defendants violated Sections 11, 12, and 15 of the Securities Act of 1933 by making false or misleading statements in connection with an August 5, 2015 initial public offering regarding the Company's business practices and its dependence on complex financial instruments. The *Cohen* plaintiffs seek to represent the same class and seek similar relief as the plaintiffs in the *Pytel*, *Mancy*, *Brown*, *Greenberg, Nunez, Steinberg* and *Baker* actions.

The Company intends to defend itself vigorously against these complaints. The Company is not able to estimate the ultimate outcome or a range of possible loss at this time.

On May 19, 2016, a shareholder derivative complaint captioned *Smith v. Sunrun Inc., et al.* , Case No. CIV 538739, was filed in the Superior Court of California, County of San Mateo, against certain of the Company's directors and officers, certain other defendants, and the Company as nominal defendant. The complaint generally alleges that the defendants caused the Company to make false or misleading statements in connection with the Company's August 5, 2015 initial public offering, in violation of Sections 11, 12, and 15 of the Securities Act of 1933, and as a result breached their fiduciary duties, were unjustly enriched, engaged in misconduct that constituted an abuse of their ability to control and influence the Company, engaged in gross mismanagement, and caused waste of corporate assets. Plaintiffs seek declaratory and compensatory relief, including pre- and post-judgment interest, as well as an order directing the Company to reform and improve its corporate governance and internal procedures.

The Company believes that the plaintiffs in the derivative actions lacks standing to pursue litigation on behalf of the Company. The derivative action is still in the initial stages. Accordingly, the Company is not able to estimate the ultimate outcome or a range of possible loss at this time.

Note 14. Net Income (Loss) Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Numerator:				
Net income (loss) attributable to common stockholders	$ 32,643	$ 7,540	$ 45,777	$ (10,455)
Less: Net income allocated to participating securities	—	(7,540)	—	—
Net Income (loss) available to common stockholders	$ 32,643	$ —	$ 45,777	$ (10,455)
Denominator:				
Weighted average shares used to compute net income (loss) per share attributable to common stockholders, basic	101,969	26,215	101,621	25,322
Weighted average effect of potentially dilutive shares to purchase common stock	2,799	—	2,873	—
Weighted average shares used to compute net income (loss) per share attributable to common stockholders, diluted	104,768	26,215	104,494	25,322
Net income (loss) per share attributable to common stockholders				
Basic	$ 0.32	$ —	$ 0.45	$ (0.41)
Diluted	$ 0.31	$ —	$ 0.44	$ (0.41)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Preferred stock	—	54,841	—	54,841
Warrants	1,251	—	1,251	—
Outstanding stock options	8,060	12,454	8,060	12,454
Unvested restricted stock units	1,328	35	1,328	35
Total	10,639	67,330	10,639	67,330

Note 15. Related Party Transactions

An individual who serves as one of the Company's directors has direct and indirect ownership interests in Enphase Energy, Inc. ("Enphase"). For the three months ended June 30, 2016 and 2015, the Company recorded $1.4 million and $2.4 million, respectively, and $14.4 million and $4.8 million for the six months ended June 30, 2016 and 2015, respectively, in purchases from Enphase and had outstanding payables to Enphase of $3.1 million and $0.7 million as of June 30, 2016 and December 31, 2015, respectively.

An individual who serves as one of the Company's directors is also a director of Aquion, Inc. For the three and six months ended June 30, 2016, the Company recorded $0.2 million in purchases from Aquion, Inc. and had outstanding payables of $0.2 million as of June 30, 2016. Prior to January 1, 2016, the Company did not make purchases from Aquion, Inc.

Note 16. Subsequent Events

In July 2016, a subsidiary of the Company entered into a secured credit agreement with a lender for up to $33.0 million in committed facilities. The interest rate on the initial draw was 6.79%. The facility is non-recourse to the Company and is secured by the net cash flows from the generation of contracted and uncontracted solar renewable energy credits (“SRECs”) by certain subsidiaries. The facility contains customary covenants including the requirement to provide lender reporting. The credit facility also contains certain provisions in the event of default which entitles the lender to take certain actions including acceleration of amounts due under the facilities.

In July 2016, the Company entered into an amendment to increase the syndicated working capital facility by an incremental $5.0 million, for a total commitment of $250.0 million.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion in this Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), 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 Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our ability to finance solar energy systems through financing arrangements with fund or other investors;
- our ability and intent to establish new investment funds;
- our dependence on the availability of rebates, tax credits and other financial incentives;
- determinations by the Internal Revenue Service or the U.S. Department of the Treasury 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 maintain an adequate rate of revenue growth;
- our industry's continued ability to cut costs associated with solar service offerings;
- the sufficiency of our cash, investment fund commitments and available borrowings to meet our anticipated cash needs;
- our need to raise capital and finance our operations 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;
- 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 and retention of qualified channel partners;
- the impact of seasonality on our business;
- our investment in research and development;
- our expectations regarding certain performance objectives; and
- the calculation of certain of our key financial and operating metrics and accounting policies.

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 Quarterly Report on Form 10-Q. 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. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q to conform these statements to actual results or to changes in our expectations, except as required by law.

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed with the Securities and Exchange Commission (the "SEC") as exhibits to this Quarterly Report on Form 10-Q with the understanding that our actual future results, levels of activity, performance, and events and circumstances may be materially different from what we expect.

Overview

We provide clean, solar energy to homeowners 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 homeowner or, as is more often the case, sell the energy generated by the system to the homeowner 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. Unless the solar energy system is connected to a battery, through the use of a bi-directional utility meter, any excess solar energy that is not immediately used by the homeowner is exported to the utility grid, and the homeowner generally receives a credit for the excess energy from their utility to offset future usage of utility-generated energy.

We offer our solar service offerings both directly to the homeowner 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 June 30, 2016, we provided our solar services to customers in 15 states, plus the District of Columbia, and sold solar energy panels and other products to resellers throughout the United States. The majority 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 to buy energy from us through our solar service offerings varies depending on the state where the customer lives and 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 homeowner.

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 investment tax credits ("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. From inception to August 8, 2016, we have established 25 investment funds, which represent financing for an estimated $4.2 billion in value of solar energy systems on a cumulative basis. We intend to establish additional investment funds and may also use debt, equity and other financing strategies to fund our growth.

Recent Developments

In January 2016, certain of our subsidiaries entered into secured credit facilities agreements with a syndicate of banks for up to $250.0 million in committed facilities. The facilities include a $220.0 million aggregation facility ("Aggregation Facility"), a $23.0 million term loan ("Term Loan") and a $7.0 million letter of credit facility. The Aggregation Facility bears an interest rate of LIBOR + 2.50% in the initial three-year revolving availability period, stepping up to LIBOR + 2.75% in the following two-year period. The Term Loan bears an interest rate of LIBOR + 5.00% in the first three years, stepping up to LIBOR + 6.5% in the following two-year period, with a LIBOR floor of 1.00% in all cases. The principal and accrued interest on any outstanding loans mature on December 31, 2020. In May 2016, certain subsidiaries of the Company entered into amendments which increased the committed Aggregation Facility by $90.0 million to $310.0 million. No other material amendments were entered into in respect of these facilities.

The facilities are non-recourse to Sunrun and are secured by net cash flows of certain subsidiaries from Customer Agreements, less certain operating, maintenance and other expenses which are available to the borrowers after distributions to tax equity investors. The facilities contain customary covenants including the requirement to maintain certain financial measurements and provide lender reporting. The credit facilities also contain certain provisions in the event of default which entitle lenders to take certain actions including acceleration of amounts due under the facilities.

In March 2016, one of our subsidiaries entered into a $24.5 million secured, non-recourse loan agreement. The loan will be repaid through cash flows from a lease pass-through arrangement we previously entered into. The loan matures in September 2022 and has an interest rate of LIBOR + 2.25%. The loan agreement contains customary covenants including the requirement to maintain certain financial measurements and provide lender reporting. The loan also contains certain provisions in the event of default which entitles the lender to take certain actions including acceleration of amounts due under the loan.

In June 2016 and July 2016, certain of our subsidiaries entered into amendments with respect to the syndicated working capital facility previously entered into in April 2015. These amendments increased the aggregate commitments under this facility to $250.0 million. No other material amendments were entered into with respect to this facility.

In July 2016, one of our subsidiaries entered into a secured credit agreement with a lender for up to $33.0 million in committed facilities. The interest rate on the initial draw was 6.79%. The facility is non-recourse to the Company and is secured by the net cash flows from the generation of contracted and uncontracted SRECs by certain subsidiaries. The facility contains customary covenants including the requirement to provide lender reporting. The credit facility also contains certain provisions in the event of default which entitles the lender to take certain actions including acceleration of amounts due under the facility.

At the end of 2015, we began to slow our operations in Nevada as the result of proposed regulatory changes, including elimination of net metering. In early 2016, we ceased our operations in Nevada in response to the issuance of the final rules by the Nevada Public Utilities Commission.

Investment Funds

Our Customer Agreements provide for recurring customer payments, typically over 20 years, and the related solar energy systems are generally eligible for 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 ITCs, accelerated depreciation and certain government or utility incentives associated with the funds' ownership of solar energy systems.

From inception to August 8, 2016, we have formed 25 investment funds. Of these 25 funds, 20 are currently active and 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 then 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) lease pass-throughs, (ii) partnership flips and (iii) joint venture ("JV") inverted leases. We reflect lease pass-through arrangements on our consolidated balance sheet as a lease 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 redeemable noncontrolling interest at the greater of the HLBV and the redemption value.

For further information regarding our investment funds, including the associated risks, see "Risk Factors—Our ability to provide our solar service offerings to homeowners 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" and Note 9 to our consolidated financial statements appearing elsewhere in this Quarterly Report on Form 10-Q.

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. Such inaccuracies could be material to our actual results when compared to our calculations. Please see the section titled "Risk Factors" in this Quarterly Report on Form 10-Q 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.

- *Megawatts Booked* represents the aggregate megawatt production capacity of our solar energy systems sold directly to customers or subject to an executed Customer Agreement, net of cancellations.
- *Megawatts Deployed* represents the aggregate megawatt production capacity of our solar energy systems, whether sold directly to customers or subject to executed Customer Agreements, for which we have (i) confirmation that the systems are installed on the roof, subject to final inspection or (ii) in the case of certain system installations by our partners, accrued at least 80% of the expected project cost.
- *Estimated Nominal Contracted Payments Remaining* equals the sum of the remaining cash payments that customers are expected to pay over the initial terms of their Customer Agreements (not including the value of any renewal or system purchase at the end of the initial contract term, but including estimated uncollected prepayments), for systems contracted as of the measurement date.

- *Estimated Retained Value* represents the estimated nominal contracted payments remaining (discounted at 6%), less substantially all value from solar renewable energy credits ("SRECs") prior to July 1, 2015. It also includes a discounted (at 6%) estimate of the value of the solar system purchase or contract renewal at the end of the initial term. Estimated retained value is calculated as the discounted cash flows less estimated distributions to investors in consolidated joint ventures and less estimated operating, maintenance and administrative expenses for systems contracted as of the measurement date. We do not deduct amounts we are obligated to pass through to investors in lease pass-throughs as we consider those obligations as debt obligations.
  - *Estimated Retained Value Under Energy Contract* represents the net cash flows during the initial (typically 20 year) term of our Customer Agreements (less substantially all value from SRECs prior to July 1, 2015.
  - *Estimated Retained Value of Purchase or Renewal* is the forecasted net present value we would receive upon or following the expiration of the initial contract term (either in the form of cash payments during any applicable renewal period or a system purchase at the end of the initial term).
  - *Estimated Retained Value Per Watt* is calculated by dividing the estimated retained value as of the measurement date by the aggregate nameplate capacity of solar energy systems deployed with executed Customer Agreements as of such date.

	For the Three Months Ended June 30,	
	2016	**2015**
MW booked (during the period)	74	61
MW deployed (during the period)	65	42

	As of June 30,	
	2016	**2015**
Cumulative megawatts deployed (end of period)	721	473

	As of June 30,	
	2016	**2015**
	(in thousands, except per watt values)	
Estimated nominal contracted payments remaining	$ 2,728,857	$ 1,917,267
Estimated retained value under energy contract	1,162,804	807,843
Estimated retained value of purchase or renewal	562,692	415,142
Estimated retained value	$ 1,725,496	$ 1,222,985
Estimated retained value per watt	$ 2.30	$ 2.39

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates during the six months ended June 30, 2016 from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the SEC pursuant to the Exchange Act.

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 Quarterly Report on Form 10-Q.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenue:	(in thousands, except per share data)			
Operating leases and incentives	$ 45,394	$ 34,458	$ 79,934	$ 56,766
Solar energy systems and product sales	77,144	38,232	141,347	65,601
Total revenue	122,538	72,690	221,281	122,367
Operating expenses:				
Cost of operating leases and incentives	38,608	27,067	76,708	48,444
Cost of solar energy systems and product sales	61,600	34,624	119,112	59,954
Sales and marketing	43,716	33,976	86,904	58,902
Research and development	2,373	2,492	4,836	4,779
General and administrative	23,614	19,677	46,862	39,983
Amortization of intangible assets	1,051	1,051	2,103	1,593
Total operating expenses	170,962	118,887	336,525	213,655
Loss from operations	(48,424)	(46,197)	(115,244)	(91,288)
Interest expense, net	13,063	8,433	24,578	15,563
Loss on early extinguishment of debt	—	431	—	431
Other expenses (income), net	30	1,019	(502)	1,318
Loss before income taxes	(61,517)	(56,080)	(139,320)	(108,600)
Income tax benefit	3,210	(6,215)	3,210	(6,215)
Net loss	(64,727)	(49,865)	(142,530)	(102,385)
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	(97,370)	(57,405)	(188,307)	(91,930)
Net income (loss) attributable to common stockholders	$ 32,643	$ 7,540	$ 45,777	$ (10,455)
Less: Net income allocated to participating securities	—	(7,540)	—	—
Net income (loss) available to common stockholders	$ 32,643	$ —	$ 45,777	$ (10,455)
Net income (loss) per share attributable to common stockholders				
Basic	$ 0.32	$ —	$ 0.45	$ (0.41)
Diluted	$ 0.31	$ —	$ 0.44	$ (0.41)
Weighted average shares used to compute net income (loss) per share attributable to common stockholders				
Basic	101,969	26,215	101,621	25,322
Diluted	104,768	26,215	104,494	25,322

Comparison of the Three Months Ended June 30, 2016 and 2015

Revenue

	Three Months Ended June 30,		Change	
	2016	2015	$	%
	(in thousands)			
Operating leases	$ 32,980	$ 22,915	$ 10,065	44 %
Incentives	12,414	11,543	871	8 %
Operating leases and incentives	45,394	34,458	10,936	32 %
Solar energy systems	35,878	7,028	28,850	411 %
Products	41,266	31,204	10,062	32 %
Solar energy systems and product sales	77,144	38,232	38,912	102 %
Total revenue	$ 122,538	$ 72,690	$ 49,848	69 %

Operating Leases and Incentives. Operating lease revenue increased by $10.1 million, due to both an increase in solar energy systems under Customer Agreements being placed in service in the period from July 1, 2015 through June 30, 2016 and due to a full quarter of revenue recognized in the second quarter of 2016 for systems placed in service in the second quarter of 2015 versus only a portion recognized in the second quarter of 2015. Revenue from incentives increased by $0.9 million primarily due to an increase in ITC revenue, which relates to solar systems in lease pass-through funds being placed in service in the prior year as we recognize revenue from the monetization of these ITCs annually over five years on each anniversary of a solar energy system's permission-to-operate date.

Solar Energy Systems and Product Sales. Revenue from solar energy systems sales increased by $28.9 million compared to the prior year period due to increased sales and marketing efforts. Product sales increased by $10.1 million compared to the prior period due to increases in the volume of all products sold.

Operating Expenses

	Three Months Ended June 30,		Change	
	2016	2015	$	%
	(in thousands)			
Cost of operating lease and incentives	$ 38,608	$ 27,067	$ 11,541	43 %
Cost of solar energy systems and product sales	61,600	34,624	26,976	78 %
Sales and marketing	43,716	33,976	9,740	29 %
Research and development	2,373	2,492	(119)	-5 %
General and administrative	23,614	19,677	3,937	20 %
Amortization of intangible assets	1,051	1,051	—	0 %
Total operating expenses	$ 170,962	$ 118,887	$ 52,075	44 %

Cost of Operating Leases and Incentives. These costs are comprised of depreciation and amortization of solar energy system equipment costs and initial direct costs, as well as non-capitalizable costs associated with building and maintaining solar energy systems subject to Customer Agreements. The $11.5 million increase in cost of operating leases and incentives was primarily due to the increase in solar energy systems placed in service in the period from July 1, 2015 through June 30, 2016, plus a full quarter of costs recognized for systems placed in service in the second quarter of 2015 versus only a portion recognized in the second quarter of 2015.

Cost of Solar Energy Systems and Product Sales. These costs are comprised of material and personnel costs associated with solar energy systems sold directly to customers as well as solar panels, inverters and other solar-related products sold to resellers, as well as the costs associated with the customer lead sales for CEE. The $27.0 million increase in cost of solar energy systems and product sales represents an increase in volume of all products sold.

Sales and Marketing Expense. The $9.7 million increase in sales and marketing expense was attributable to the expansion of our direct-to-consumer channel as well as costs associated with the growth of our business including entering new markets, which resulted in increasing hiring of sales and marketing personnel and internal lead generation costs.

General and Administrative Expense. The $3.9 million increase in general and administrative expenses primarily relates to an increase in professional services and hiring of personnel to support the growth of our business and ability to operate as a public company.

Non-Operating Expenses

	Three Months Ended June 30,		Change	
	2016	2015	$	%
	(in thousands)			
Interest expense, net	$ 13,063	$ 8,433	$ 4,630	55 %
Loss on early extinguishment of debt	—	431	(431)	(100)%
Other expenses (income), net	30	1,019	(989)	(97)%
Total interest and other expenses, net	$ 13,093	$ 9,883	$ 3,210	32 %

Interest Expense, net. The increase in interest expense, net of $4.6 million was related to additional borrowings entered into in late 2015 and in the six months ended June 30, 2016.

Other Expenses (income), net. The decrease in other expenses (income), net of $1.0 million primarily relates to expenses incurred related to an entity which was recorded on an equity method basis of accounting in 2015.

Income Tax Expense (Benefit)

	Three Months Ended June 30,		Change	
	2016	2015	$	%
	(in thousands)			
Income tax expense (benefit)	$ 3,210	$ (6,215)	$ 9,425	(152)%

The tax expense at the statutory rate of 34.0% for the three months ended June 30, 2016 was reduced by the allocation of the losses to noncontrolling interests and redeemable noncontrolling interests of 54.2%, by other miscellaneous items of 0.7% and increased by the tax impact of intercompany transactions of 15.7%. The tax benefit at the statutory rate of 34.0% for the three months ended June 30, 2015 was reduced by the allocation of the losses to noncontrolling interests and redeemable noncontrolling interests of 34.8%, and increased by the tax impact of intercompany transactions of 11.1% and other miscellaneous items of 0.8%.

Net Loss Attributable to Noncontrolling Interests and Redeemable Noncontrolling Interests

	Three Months Ended June 30,		Change	
	2016	2015	$	%
	(in thousands)			
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	$ (97,370)	$ (57,405)	$ (39,965)	70 %

The increase in net loss attributable to noncontrolling interests and redeemable noncontrolling interests was primarily a result of the addition of five investment funds since June 30, 2015, as well as the HLBV method used in determining the amount of net loss attributable to noncontrolling interests and redeemable noncontrolling interests, which generally allocates more loss to the noncontrolling interest in the first several years after fund formation.

Comparison of the Six Months Ended June 30, 2016 and 2015

Revenue

	Six Months Ended June 30,		Change	
	2016	2015	$	%
	(in thousands)			
Operating leases	$ 58,307	$ 40,047	$ 18,260	46 %
Incentives	21,627	16,719	4,908	29 %
Operating leases and incentives	79,934	56,766	23,168	41 %
Solar energy systems	66,070	12,834	53,236	415 %
Products	75,277	52,767	22,510	43 %
Solar energy systems and product sales	141,347	65,601	75,746	115 %
Total revenue	$ 221,281	$ 122,367	$ 98,914	81 %

Operating Leases and Incentives. Operating lease revenue increased by $18.3 million related to an increase in solar assets under Customer Agreements being placed in service in the period from July 1, 2015 through June 30, 2016 and due to a full half year of revenue recognized in 2016 for systems placed in service in the first half of 2015 versus only a portion recognized in 2015. Revenue from incentives increased by $4.9 million primarily due to an increase in ITC revenue, which relates to solar systems in lease pass-through funds being placed in service in the prior year as we recognize revenue from the monetization of these ITCs annually over five years on each anniversary of a solar energy system's permission-to-operate date.

Solar Energy Systems and Product Sales. Revenue from solar energy systems sales increased by $53.2 million compared to the prior year period due to increased sales and marketing efforts. Product sales increased by $22.5 million compared to the prior period due to increases in volume of all products sold and our acquisition of CEE in April 2015.

Operating Expenses

	Six Months Ended June 30,		Change	
	2016	2015	$	%
	(in thousands)			
Cost of operating lease and incentives	$ 76,708	$ 48,444	$ 28,264	58 %
Cost of solar energy systems and product sales	119,112	59,954	59,158	99 %
Sales and marketing	86,904	58,902	28,002	48 %
Research and development	4,836	4,779	57	1 %
General and administrative	46,862	39,983	6,879	17 %
Amortization of intangible assets	2,103	1,593	510	32 %
Total operating expenses	$ 336,525	$ 213,655	$ 122,870	58 %

Cost of Operating Leases and Incentives. These costs are comprised of depreciation and amortization of solar energy system equipment costs and initial direct costs, as well as non-capitalizable costs associated with building and maintaining solar energy systems subject to Customer Agreements. The $28.3 million increase in cost of operating leases and incentives was primarily due to the increase in solar energy systems placed in service in the period from July 1, 2015 through June 30, 2016, plus a full half year of costs recognized for systems placed in service in the first half of 2015 versus only a portion recognized in 2015. In addition, we incurred $1.7 million in severance-related expenses and cancellation expenses related to the exit of our Nevada operations during the first quarter of 2016.

Cost of Solar Energy Systems and Product Sales . These costs are comprised of material and personnel costs associated wi th solar energy systems sold directly to customers as well as solar panels, inverters and other solar-related products sold to resellers, as well as the costs associated with the customer lead sales for CEE. The $59.2 million increase in cost of solar energy systems and product sales represents an increase in volume of all products sold. In addition, we incurred $0.3 million in severance-related expenses and cancellation expenses related to the exit of our Nevada operations during the first quarter of 2016.

Sales and Marketing Expense. The $28.0 million increase in sales and marketing expense was attributable to the expansion of our direct-to-consumer channel as well as costs associated with the growth of our business including entering new markets, which resulted in increasing hiring of sales and marketing personnel and internal lead generation costs. In addition, we incurred $1.6 million related to a write-off of initial direct costs related to canceled deals and severance-related expenses in connection with the exit of our Nevada operations.

General and Administrative Expense . The $6.9 million increase in general and administrative expenses primarily relates to an increase in professional services and hiring of personnel to support the growth of our business and ability to operate as a public company.

Amortization of Intangible Assets. The $0.5 million increase in amortization expense resulted from the amortization of intangible assets acquired from the CEE acquisition in April 2015.

Non-Operating Expenses

	Six Months Ended June 30,		Change	
	2016	2015	$	%
	(in thousands)			
Interest expense, net	$ 24,578	$ 15,563	$ 9,015	58 %
Loss on early extinguishment of debt	—	431	(431)	(100)%
Other expenses (income), net	(502)	1,318	(1,820)	(138)%
Total interest and other expenses, net	$ 24,076	$ 17,312	$ 6,764	39 %

Interest Expense, net. The increase in interest expense, net of $9.0 million was related to additional borrowings entered into in late 2015 and in the six months ended June 30, 2016.

Other Expenses (income), net. The decrease in other expenses (income), net of $1.8 million primarily relates to expenses incurred related to an entity which was recorded on an equity method basis of accounting in 2015 and the change in fair value of warrant derivatives that were issued to former Series D and E preferred stockholders as an inducement to convert their shares of convertible preferred stock into shares of common stock immediately prior to the closing of our initial public offering.

Income Tax Expense (Benefit)

	Six Months Ended June 30,		Change	
	2016	2015	$	%
	(in thousands)			
Income tax expense (benefit)	$ 3,210	$ (6,215)	$ 9,425	(152)%

The tax expense at the statutory rate of 34.0% for the six months ended June 30, 2016 was reduced by the allocation of the losses to noncontrolling interests and redeemable noncontrolling interests of 45.9%, by other miscellaneous items of 1.1% and increased by the tax impact of intercompany transactions of 10.7%. The tax benefit at the statutory rate of 34.0% for the six months ended June 30, 2015 was reduced by the allocation of the losses to noncontrolling interests and redeemable noncontrolling interests of 28.8% and other miscellaneous items of 1.3%, and increased by the tax impact of intercompany transactions of 1.8%.

Net Loss Attributable to Noncontrolling Interests and Redeemable Noncontrolling Interests

	Six Months Ended June 30,		Change	
	2016	2015	$	%
	(in thousands)			
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	$ (188,307)	$ (91,930)	$ (96,377)	105%

The increase in net loss attributable to noncontrolling interests and redeemable noncontrolling interests was primarily a result of the addition of five investment funds since June 30, 2015, as well as the HLBV method used in determining the amount of net loss attributable to noncontrolling interests and redeemable noncontrolling interests, which generally allocates more loss to the noncontrolling interest in the first several years after fund formation.

Liquidity and Capital Resources

As of June 30, 2016, we had cash of $207.2 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, borrowings, cash generated from our sources of revenue and more recently, proceeds from secured credit facilities agreements with a syndicate of banks for up to $340.0 million in committed facilities and a $24.5 million secured, non-recourse loan arrangement. 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. 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 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:

	Six Months Ended June 30,	
	2016	2015
	(in thousands)	
Consolidated cash flow data:		
Net cash used in operating activities	$ (98,413)	$ (44,602)
Net cash used in investing activities	(345,680)	(277,069)
Net cash provided by financing activities	447,449	286,127
	$ 3,356	$ (35,544)

Operating Activities

During the six months ended June 30, 2016, we used $98.4 million in net cash in operating activities. The driver of our operating cash inflow consists of payments received from customers. During the six months ended June 30, 2016, we had an increase in deferred revenue of approximately $3.3 million relating to upfront lease payments received from customers and solar energy system incentive rebate payments received from various state and local utilities. This increase was offset by our operating cash outflows of $79.3 million from our net loss excluding non-cash and non-operating items. Changes in inventory resulted in a cash outflow of $16.8 million. Changes in working capital, other than deferred revenue and inventory, resulted in an outflow of cash of $5.6 million.

During the six months ended June 30, 2015, we used $44.6 million in net cash from operations. We had an increase in deferred revenue of approximately $20.3 million, which was offset by our operating cash outflows of $67.1 million from our net loss excluding non-cash and non-operating items. Net changes in working capital resulted in an inflow of cash of $2.2 million.

Investing Activities

During the six months ended June 30, 2016, we used $345.7 million in cash in investing activities. Of this amount, we used $332.5 million to acquire and install solar energy systems and components under our long-term Customer Agreements, $8.2 million for the acquisition of office equipment, leasehold improvements and furniture, and $5.0 million for additional purchase consideration for the acquisition of CEE.

During the six months ended June 30, 2015, we used $277.1 million in cash in investing activities. Of this amount, we used $257.8 million to acquire and install solar energy systems and components under our long-term Customer Agreements. We used $14.6 million for the CEE acquisition in April 2015. We also used $4.6 million for the acquisition of office equipment, leasehold improvements and furniture.

Financing Activities

During the six months ended June 30, 2016, we generated $447.4 million from financing activities. This was primarily driven by $234.2 million in net proceeds from fund investors, $206.3 million in proceeds from debt, net of debt issuance costs and repayments, including repayment of asset-backed notes, and $9.1 million from state grants, net of recapture.

During the six months ended June 30, 2015, we generated $286.1 million from financing activities. This was primarily driven by $194.0 million in net proceeds from fund investors, $95.4 million in proceeds from debt, net of debt issuance costs and repayments and $5.1 million from state grants, net of recapture.

Debt 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 6, *Indebtedness,* to our consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Investment Fund Commitments

As of June 30, 2016, we had undrawn committed capital of approximately $341.6 million which 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.

Contractual Obligations and Other Commitments

The following table summarizes our contractual obligations as of June 30, 2016 (in thousands):

	Payments Due by Period				
	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years	Total
	(in thousands)				
Contractual Obligations:					
Debt obligations (including future interest)	$ 30,180	$ 359,713	$ 198,717	$ 301,339	$ 889,949
Distributions payable to noncontrolling interests and redeemable noncontrolling interests	8,515	—	—	—	8,515
Purchase of photovoltaic modules	32,956	—	—	—	32,956
Capital lease obligations (including accrued interest)	12,130	15,102	2,424	77	29,733
Operating lease obligations	$ 9,454	$ 16,516	$ 5,920	3,608	35,498
Total contractual obligations	$ 93,235	$ 391,331	$ 207,061	$ 305,024	$ 996,651

Off-Balance Sheet Arrangements

We include in our consolidated financial statements all assets and liabilities and results of operations of investment fund arrangements that we have entered into. We do not have any off-balance sheet arrangements.

Recent Accounting Pronouncements

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

Item 3. 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 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 $0.6 million and $0.3 million for the three months ended June 30, 2016 and 2015, respectively.

Item 4. 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 Quarterly Report on Form 10-Q, 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, as of June 30, 2016, 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 SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under 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. We recognize 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 Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 13, *Commitments and Contingencies*, to our consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

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 Quarterly Report on Form 10-Q, 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 Our Business and Our Industry

We need to raise capital to finance the continued growth of our residential 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.

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 were 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 were 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 were to 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 were 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, stemming from the level of U.S. national debt, currency fluctuations, unemployment rates, the availability and cost of credit, the U.S. housing market, inflation levels, negative interest rates, energy costs and concerns over the slow economic recovery 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.

The solar energy industry is an emerging market that 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 will take several years to fully develop and mature, and we cannot be certain that the market will grow at the rate we expect. For example, in the first half of 2016, we experienced increases in cancellations of our Customer Agreements in certain markets. 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 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, 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 homeowner 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 homeowners 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.

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 or changes in homeowner preferences would adversely impact our business.

Our ability to provide our solar service offerings to homeowners 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 (“ITCs”), 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 were unable to continue to monetize those benefits through these arrangements, we may be unable to provide and maintain our solar service offerings for homeowners 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
- non-renewal of these incentives or decreases in the associated benefits.

The federal government currently offers a 30% ITC (the “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 prior to December 31, 2016, for taxpayers using solar property in a trade or business. The Commercial ITC was set to step down to 10% at the end of 2016, however in December 2015, Congress passed legislation extending the Commercial ITC for an additional five years with a ramp down from 30% to 26% in 2020 and then further to 22% in 2021. Current law states that the Commercial ITC will remain at 10% permanently after 2021. Potential investors must remain satisfied that the funding structures that we offer will make the tax benefits associated with solar energy systems available to these investors, which depends both on the investors’ assessment of the tax law and the absence of any unfavorable interpretations of that law. Adverse changes in existing law or interpretations of existing law by the Internal Revenue Service (the “IRS”) and the courts could reduce the willingness of investors to invest in funds associated with these solar energy systems. 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 also become available, and 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 were unable to finance our solar service offerings through tax-advantaged structures or if we were unable to realize or monetize Commercial ITCs or other tax benefits, we would no longer be able to provide our solar service offerings to new homeowners on an economically viable basis, which would have a material adverse effect on our business, financial condition and results of operations.

If the Internal Revenue Service or the U.S. Department of the Treasury 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. The IRS and the U.S. Treasury Department review these fair market values. 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 and the U.S. Treasury Department may also subsequently audit the fair market value and determine that amounts previously awarded must be repaid to the U.S. Treasury Department or that excess awards 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 reported, we may owe our fund investors an amount equal to this difference, 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 or the U.S. Treasury Department further disagrees now or in the future with the amounts we reported regarding the fair market value of our solar energy systems, or if we receive an adverse outcome with respect to the Department of the Treasury Inspector General investigation discussed elsewhere in the Risk Factors and in Item 1. Legal Proceedings in this Quarterly Report on Form 10-Q, it could have a material adverse effect on our business, financial condition and prospects. For example, a hypothetical five percent downward adjustment in the fair market value of the solar energy systems related to approximately $269.0 million in U.S. Treasury grants that we have received since the beginning of the U.S. Treasury grant program through December 31, 2014, would obligate us to repay approximately $14.0 million to our fund investors. Four of our investment funds are currently being audited by the IRS. Since the Company cannot determine how the IRS will evaluate system values used in claiming ITCs, the Company is unable to reliably estimate the maximum potential future payments that it could have to make under this obligation as of each balance sheet date.

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 become profitable may be impaired.

Declining costs related to raw materials, manufacturing and the sale and installation of our solar service offerings has been a key driver in the pricing of our solar service offerings and, more broadly, homeowner 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 trade barriers, export regulations, regulatory or contractual limitations, industry market requirements and changes in technology and industry standards. Any such cost increases or decreases in availability could slow our growth and cause our financial results and operational metrics to suffer. For example, in the past, we and our solar partners purchased a significant portion of the solar panels used in our solar service offerings from manufacturers based in China or such panels have contained components from China. The U.S. government has recently imposed antidumping and countervailing duties on solar cells manufactured in China. In addition, we may face other increases in our operating expenses, including increases in wages or other labor costs, as well as marketing, sales or branding related costs. In addition, we are investing heavily in building our direct-to-consumer capabilities after our 2014 acquisition of the residential sales and installation business of Mainstream Energy Corporation, as well as its fulfillment business, AEE Solar, and its racking business, SnapNrack, which we refer to collectively as MEC. These investments included significantly increasing our installation capacity through the opening of new branches, increasing our hiring in construction and in associated management personnel, and increasing brand and sales and marketing expenses.

We may continue to make significant investments to drive growth in the future. Increases in any of these costs could adversely affect our results of operations and financial condition and harm our business and prospects. If we are unable to reduce our cost structure in the future, we may not be able to achieve profitability, which could have a material adverse effect on our business and prospects.

We rely on net metering and related policies to offer competitive pricing to homeowners in all of our current markets, and changes to net metering policies may significantly reduce demand for electricity from our solar service offerings.

As of June 30, 2016, a substantial majority of states have adopted net metering policies. Net metering policies are designed to allow homeowners to serve their own load using on-site energy generation. 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 either eliminate it, cap it, or impose charges on homeowners that have adopted net metering. For example, in October 2015 the Hawaii Public Utilities Commission issued an Order that eliminates net metering for all new customers. In its place, the Commission created an interim tariff that sets a reduced rate for the credit customers receive when they export power, and generally sets a path where all future solar systems will no longer be able to export power to the broader electrical grid. All existing net metering customers and customers who submitted net metering applications before October 12, 2015 are grandfathered indefinitely under the old rules. We will continue to build and service these systems. In addition, in early 2016 we ceased our operations in Nevada in response to the elimination of net metering by the Nevada Public Utilities Commission.

Some states set limits on the total percentage of a utility's customers that can adopt net metering. For example, New Hampshire, South Carolina and New Jersey have net metering caps. New York currently has no cap but that policy 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 the future will not have access to the economic value proposition net metering allows. For example, New Hampshire has commenced a regulatory proceeding to study net metering and determine whether the policy should continue as is once the state's newly-extended 100 MW cap is hit. If changes to net metering policies occur without grandfathering to existing homeowners, as occurred recently in Nevada, those existing homeowners could be negatively impacted, which could create a default risk from those homeowners. 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 utilize net metering, or the introduction of rate designs such as the "unbundled" rates mentioned above, would adversely impact our business.

Electric utility statutes and regulations and changes to 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. These statutes and regulations relate to electricity pricing, net metering, 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 to homeowners.

Utilities, their trade associations, and fossil fuel interests in the country, each of which has significantly greater economic 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. For example, we recently ceased operations in Nevada as a result of the elimination of net metering and are engaged in a lawsuit challenging that decision.

We face competition from traditional energy companies as well as solar 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 homeowners based on these factors, then our business and revenues will not grow. Utilities generally have substantially greater financial, technical, operational and other resources than we do. As a result of their greater size, these competitors 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 us. Moreover, regulated utilities are increasingly seeking approval to 'rate-base' their own residential solar businesses. Rate-basing means that utilities would receive guaranteed rates of return for their solar 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, 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 homeowners, or competes 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 homeowners. We may also face competitive pressure from companies who offer lower priced consumer offerings than us.

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. These energy service companies are able to offer homeowners 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 homeowners, particularly those who wish to avoid long-term contracts or have an aesthetic or other objection to putting solar panels on their roofs.

We also 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.

Regulations and policies related to rate design could deter potential homeowners from purchasing our solar service offerings, reduce the value of the electricity we produce, and reduce the savings that our homeowners 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 homeowners from purchasing our solar service offerings. For example, utilities in states including Colorado, Arizona and New Hampshire are seeking rate design changes to "unbundle" rates, and utilities in additional states such as New York may potentially follow suit. This form of "unbundling" can include changing rates to charge lower volume-based rates – the rates charged for kilowatt hours of electricity purchased by a residential customer – 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"). These forms of rate design would adversely impact our business by reducing the value of th e electricity our solar energy systems produce and reducing the savings homeowners receive by purchasing our solar service offerings. These proposals could continue in other market 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 changes). Any of these changes could materially reduce the demand for our products and could limit the number of markets in which our products are competitive with electricity provided by the utilities. As an example, in early 2016 we ceased our operations in Nevada in response to the elimination of net metering by the Nevada Public Utilities Commission.

Our business currently depends on the availability of utility rebates, tax credits and other financial incentives in addition to other tax benefits. The expiration, elimination or reduction of these rebates and incentives could adversely impact our business.

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 the ITC, as discussed above, as well as other tax credits, rebates and other financial incentives, such as system performance payments and payments for solar renewable energy credits ("SRECs") associated with solar energy generation. Some markets, such as New Jersey and Massachusetts, 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. We rely on the incentives listed above to lower our cost of capital and to incent investors to invest in our funds, all of which enables us to lower the price we charge homeowners for our solar service offerings. However, these incentives may expire on a particular date (as discussed above with respect to the ITC), 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.

Our business model also relies on multiple tax exemptions offered at the state and local levels. For example, solar energy systems are generally not considered in determining values for calculation of local and state real and personal property taxes as a result of applicable property tax exemptions. If solar energy systems were not excluded, the property taxes payable by homeowners would be higher, which could offset any potential savings our solar service offerings could offer. For example, in the state of Arizona, the Arizona Department of Revenue has determined that a personal property tax exemption on solar panels does not apply to solar panels that are leased (as opposed to owned), such that leased panels in Arizona may ultimately subject the homeowner to an increase in personal property taxes and this increased personal property tax could reduce or eliminate entirely the savings that these solar panels would otherwise provide to the homeowner. Although we are involved in ongoing litigation challenging the Arizona personal property tax determination, there can be no assurances that this litigation will be resolved in a manner that is favorable to us or other solar companies. If this litigation is not resolved in a manner that is favorable to us and other solar companies, and we pass the tax cost on to our customers, it will adversely impact our ability to attract new customers in Arizona, and the savings that our current Arizona customers realize will be reduced by the additional tax imposed, which will make our solar service offerings less attractive to those customers and could increase the risk of default from those customers. In addition, South Carolina counties do not currently assess property tax on residential solar systems, although state law does not provide for an explicit exemption. 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 sales tax exemptions can be changed by the state legislature and other regulators, and such a change, for example if South Carolina were to begin assessing property tax on residential solar systems, could adversely impact our business.

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.

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 otherwise 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. If we were subject to the same regulatory authorities as utilities in the United States or if new regulatory bodies were established to oversee our business, then our operating costs could materially increase.

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

Many of 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 levels of rebates 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. Reductions in, or eliminations of, the current treatment of third-party arrangements could reduce demand for our solar service offerings, adversely impact our access to capital and cause us to increase the price we charge homeowners 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 homeowners until they are interconnected to the grid. The vast majority of our current homeowners are connected to the grid, and we expect homeowners to continue to be connected to the grid in the future.

Interconnection regulations are based on claims from utilities regarding the amount of solar electricity that can be connected to the grid without causing grid reliability issues or requiring significant grid upgrades. Although recent rulings from the Hawaii Public Utilities Commission have helped resolve some problems, interconnection limits or circuit-level caps have slowed the pace of our installations in Hawaii. Similar interconnection limits could slow our installations in other markets, harming our growth rate and customer satisfaction scores.

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 investors.

Our fund investors typically advance capital to us based on energy estimates. The models we use to calculate prepayments in connection with certain of our investment funds will be updated for each investment fund 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 leased, how much it cost, and when it went into service. As a result of this true up, applicable payments are resized, and we may be obligated to refund a portion of the investor's prepayments or to contribute additional assets to the investment fund. Further, our estimated retained value may be reduced. In addition, certain of our fund investors have the right to require us to purchase their interests in the 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.

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.

We believe that a homeowner's decision to buy solar energy from us is primarily driven by 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 as a result of new drilling techniques or other technological developments, a relaxation of associated regulatory standards, or broader economic or policy developments;
- energy conservation technologies and public initiatives to reduce electricity consumption; and
- development of new energy technologies that provide less expensive energy.

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 homeowners and our growth would be limited.

It is difficult to evaluate our business and prospects due to our limited operating history.

Until 2014, we focused our efforts primarily on the sales, financing, and monitoring of solar energy systems for residential customers, with installation provided by our solar partners. In February 2014, we acquired MEC. We have limited experience managing the fulfillment and racking lines of the MEC business, and we may not be successful in maintaining or growing the revenue from these businesses. Further, we have limited experience, in comparison to our solar partner model, in our direct-to-consumer business, and as a result, we may fail to grow as quickly or achieve the revenue scale targeted in connection with such model. We may also be unsuccessful in expanding our customer base through installation of our solar service offerings within our current markets or in new markets we may enter. Additionally, we cannot assure you that we will be successful in generating substantial revenue from our current solar service offerings or from any additional solar service offerings we may introduce in the future. Our limited operating history, combined with the rapidly evolving and competitive nature of our industry, may not provide an adequate basis for you to evaluate our results of operations and business prospects. In addition, we only have limited insight into emerging trends, such as alternative energy sources, commodity prices in the overall energy market, and legal and regulatory changes that impact the solar industry, any of which could adversely impact our business, prospects and results of operations.

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

We have incurred net losses in the past, and we had an accumulated deficit of $41.5 million as of June 30, 2016. We will 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, 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 achieve profitability depends on a number of factors, including but not limited to:

- 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;
- 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 achieve profitability, we may be unable to sustain or increase our profitability 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 an early-stage company 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 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section, the following factors could cause our results of operations and key performance indicators to fluctuate:

- the expiration or initiation of any governmental tax rebates or incentives;
- significant fluctuations in homeowner 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 financing sources;
- seasonal 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;
- 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; 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. In addition, energy production is greater in the second and third quarters of the year, causing variability in operating lease revenues throughout the year. Our incentives revenue is also highly variable due to associated revenue recognition rules, as discussed in greater detail in our Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the SEC pursuant to the Exchange Act. “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 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). 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 sold versus leased, 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.

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, 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 place, a significant strain on our management, operational and financial infrastructure. In particular, we will 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 homeowners, suppliers and other third parties and attract new homeowners 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. For example, our headcount has grown to approximately 3,600 as of June 30, 2016. 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 homeowner 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.

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 the working capital 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 financial statements. 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 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.

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. 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. 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.

The production and installation of solar energy systems depends heavily on suitable meteorological conditions. If meteorological 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 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 also could unexpectedly delay the installation of our solar energy systems, leading to increased expenses and decreased revenue and cash flows i n the relevant periods. Weather patterns could change, making it harder to predict the average annual amount of sunlight striking each location where our 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.

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

As of June 30, 2016, the majority of our customers were in California. Accordingly, our business and results of operations are particularly susceptible to adverse economic, regulatory, political, weather and other conditions in this market and in other markets that may become similarly concentrated, in particular the east coast, where we have seen significant growth in 2016. In addition, our corporate and sales headquarters are located in San Francisco, California, an area that is at a heightened risk of earthquakes. We may not have adequate insurance, including business interruption insurance, to compensate us for losses that may occur from any such significant events, including damage to our solar energy systems. A significant natural disaster, such as an earthquake, 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.

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 to outright purchases of the solar energy system by the homeowner (i.e., a homeowner purchases the solar energy system outright instead of leasing the system from us and paying us for the solar power produced by those systems for a 20-year initial term). 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. In 2014, 2015 and 2016, the majority of our customers chose our solar service offerings as opposed to buying a solar energy system outright. Our financial model is impacted by the volume of homeowners 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.

The federal government currently offers a 30% investment tax credit under Section 25D of the Internal Revenue Code ("Residential ITC"), for the installation of certain solar power facilities owned by residential taxpayers. The Residential ITC was set to expire at the end of 2016. In December 2015, Congress passed legislation extending the Residential ITC for an additional five years with a ramp down from 30% to 26% in 2020 and to 22% in 2021. The Residential ITC is set to expire after 2021.

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 o f suppliers of solar panels and other system components to adequately meet anticipated demand for our solar service offerings. Any shortage, delay 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 and other system components and batteries from a limited number of suppliers, making us susceptible to quality issues, shortages 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 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 are 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 additional delay and expense to redesign the system. Further, the inverters on our solar energy systems generally carry only 10-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.

There have also been periods of industry-wide shortage of key components, including solar panels, in times of rapid industry growth. For example, 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. Further, 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.

As the primary entity that contracts with homeowners, 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 homeowners 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 homeowners' 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.

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. Homeowners 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 markets during recent quarters. 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 will potentially be materially and adversely affected.

In addition, the installation of solar energy systems, energy-storage 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 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 homeowners and, as a result, could cause a significant reduction in demand for our solar service offerings.

While we have a variety of stringent quality standards that we apply in the selection of our solar partners, we do not control our suppliers and solar partners or their business practices. Accordingly, we cannot guarantee that they follow our standards or ethical business practices, such as fair wage practices and compliance with environmental, safety and other local laws. 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 partners' 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, a majority of which are located in California, 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.

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

Our ability to invoice homeowners for the energy produced by our solar energy systems and 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 of the cellular technology that we use to communicate with those meters. Many of our meters operate on either the 2G or 3G cellular data networks, which are expected to sunset before the term of our contract with homeowners. Upgrading our metering solution may cause us to incur a 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.

Homeowners who buy energy from us under leases or power purchase agreements are covered by production guaranties 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. For example, we recently had to replace a significant number of defective inverters, the cost of which was borne by the manufacturer. However, our customers were without solar service for a period of time while the work was done, which impacted customer satisfaction. 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 homeowners. Further, we provide a performance guarantee with certain solar service offerings pursuant to which we compensate homeowners on an annual basis if their system does not meet the electricity production guarantees set forth in their agreement with us. Homeowners who buy energy from us under leases or power purchase agreements are covered by production guarantees equal to the length of the term of these agreements, typically 20 years.

Because of our limited operating history, 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 homeowners 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.

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

If our solar service offerings, including our racking systems 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 consumers 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. 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 homeowners, thus affecting our growth and financial performance.

The residual 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 20 years to a residual value. At the end of the initial 20-year term, customers may choose to purchase their solar energy systems, ask to remove the system at our cost or renew their customer agreements. Homeowners may choose to not renew or purchase for any reason, such as 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, after giving effect to any associated removal and redeployment costs, we may be required to recognize all or some of the remaining unamortized costs. This could materially impair our future results of operations.

We have guaranteed a minimum return to be received by an investor in one of our investment funds, which could adversely affect our business and financial condition if we were required to make any payments as a result of this guarantee.

We have guaranteed payments to the investor in one of our investment funds in the case that the investor does not achieve a specified minimum internal rate of return in this fund, which rate is assessed annually. The amounts of potential future payments under this guarantee depend on the amounts and timing of future distributions to the investor from funds and the tax benefits that accrue to the investor from the fund's activities. Because of uncertainties associated with estimating the timing and amounts of distributions to the investor, we cannot determine the potential maximum future payments that we could have to make under this guarantee. To date, we have not been required to make any payments under this guarantee. We may agree to similar terms with other third-party fund investors in the future. Any significant payments that we may be required to make under such guarantees, now or in the future, could adversely affect our financial condition.

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

We depend significantly on our brand and reputation for high-quality solar service offerings, engineering and customer service to attract homeowners 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 homeowners' properties or cancel projects, our brand and reputation could be significantly impaired. We also depend greatly on referrals from homeowners for our growth. Therefore, our inability to meet or exceed homeowners' expectations would harm our reputation and growth through referrals. Further, we have 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. If we cannot manage our hiring and training processes to avoid potential issues related to expanding our sales team or solar partners and maintain appropriate customer service levels, our business and reputation may be harmed and our ability to attract homeowners would suffer. In addition, if we were unable to achieve a similar level of brand recognition as our competitors, some of which currently have a broader brand footprint as a result of a larger direct sales force, 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 revenues. We cannot assure you that such marketing and branding expenses will result in the successful expansion of our brand recognition or increase our revenues.

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 homeowners' projects and successfully manage homeowner 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 may 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 homeowners 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 person is fully trained and productive at the standards that we have established. If we are unable to hire, develop and retain talented 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 homeowners' projects on time or manage homeowner 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.

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. In particular, we are dependent on the services of our chief executive officer and co-founder, Lynn Jurich, and our Chairman and co-founder, Edward Fenster. We also depend on our ability to retain and motivate key employees and attract qualified new employees. Neither our founders nor 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 may not realize the anticipated benefits of past or future acquisitions, and integration of these acquisitions may disrupt our business and management.

We acquired MEC in February 2014 and Clean Energy Experts, LLC ("CEE") in April 2015. We may in the future acquire additional companies, project pipelines, products, or technologies or enter into joint ventures or other strategic initiatives. We may not realize the anticipated benefits of past or future acquisitions, and any acquisition has numerous risks that are not within our control. These risks include the following, among others:

- difficulty in assimilating the operations 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;
- 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 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.

Mergers and acquisitions of companies 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 homeowner'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 our confidential information 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 were 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.

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.

The Office of the Inspector General of the U.S. Department of the Treasury has issued subpoenas to a number of significant participants in the rooftop solar energy installation industry, including us. The subpoena we received requires us to deliver certain documents in our possession relating to our participation in the U.S. Treasury grant program. These documents have been delivered to the Office of the Inspector General of the U.S. Department of the Treasury, which is investigating the administration and implementation of the U.S. Treasury grant program.

In July 2012, we and other companies that are significant participants in both the solar industry and the cash grant program (under Section 1603 of the American Recovery and Reinvestment Act of 2009) received subpoenas from the U.S. Department of the Treasury's Office of the Inspector General. Our subpoena requested, among other things, documents that relate to our applications for U.S. Treasury grants and communications with certain other solar service companies or certain firms that appraise solar energy property for U.S. Treasury grant application purposes. The Inspector General is working with the Civil Division of the U.S. Department of Justice to investigate the administration and implementation of the U.S. Treasury grant program, including possible misrepresentations concerning the fair market value of the solar power systems submitted for grant under that program made in grant applications by companies in the solar industry, including us. We produced documents and testimony as requested by the Inspector General, and we intend to continue to cooperate fully with the Inspector General and the Department of Justice. We are not able to predict how long this review will be on-going. If, at the conclusion of the investigation, the Inspector General concludes that misrepresentations were made, the Department of Justice could decide to bring a civil action to recover amounts it believes were improperly paid to us. If it were successful in asserting this action, we could be required to pay damages and penalties for any funds received based on such misrepresentations (which, in turn, could require us to make indemnity payments to certain of our fund investors). Such consequences could have a material adverse effect on our business, liquidity, financial con dition and prospects. Additionally, the period of time necessary to resolve the investigation is uncertain, and this matter could require significant management and financial resources that could otherwise be devoted to the operation of our business.

We are subject to legal proceedings, regulatory inquiries and litigation, and we may 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, including the pending U.S. Department of the Treasury investigation discussed above. 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 expensive 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 homeowners. We must comply with numerous federal, state and local laws and regulations that govern matters relating to our interactions with homeowners, including those pertaining to privacy and data security, consumer financial and credit transactions, home improvement contracts, warranties and direct-to-home solicitation. 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. Our noncompliance with any such laws or regulations 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.

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 systems. The evaluation and installation of our energy-related products 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 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 injury or death occurs, we may be subject to civil or criminal enforcement and be required to pay substan tial penalties, incur significant capital expenditures, or suspend or limit operations. Any accidents, citations, violations, 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.

Rising interest rates will adversely impact our business.

Rising interest rates will 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 future reductions in government incentives and maintain the price competitiveness of our solar service offerings. Rising interest rates may have an adverse impact on our ability to offer attractive pricing on our solar service offerings to homeowners.

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 homeowners 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 homeowner 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 homeowners.

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

Our customer agreements are typically for 20 years and require the homeowner to make monthly payments to us. Accordingly, we are subject to the credit risk of homeowners. As of June 30, 2016, the average FICO score of our customers under a lease or power purchase agreement with a monthly payment schedule was approximately 757, but this may decline to the extent FICO score requirements under future investment funds are relaxed. While to date homeowner defaults have been immaterial, we expect that the risk of homeowner defaults may increase as we grow our business. Due to the immaterial amount of homeowner 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 homeowner credit defaults, our revenues and our ability to raise new investment funds could be adversely affected. If economic conditions worsen, certain of our homeowners 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.

Obtaining a sales contract with a potential customer does not guarantee that a potential customer will not decide to cancel or that we will need to cancel due to a failed inspection, which could cause us to generate no revenue from a product 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, can support the solar energy system. If the inspection finds repairs to the rooftop are required in order to support 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 significant expense and generated no revenue.

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 control over financial reporting. To maintain and improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. 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.

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. Although we monitor our use of open source software to avoid subjecting our offerings to unintended conditions, 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 unauthorized disclosure or theft of personal information we gather, store and use could harm our reputation and subject us to claims or litigation.

We receive, store and use personal information of homeowners, including names, addresses, e-mail addresses, credit information and other housing and energy use information. Unauthorized disclosure of such personal information, whether through breach of our systems by an unauthorized party, employee theft or misuse, or otherwise, could harm our business. If we were subject to an inadvertent disclosure of such personal information, or if a third party were to gain unauthorized access to homeowners’ personal information we possess, we could be subject to claims or litigation arising from damages suffered by homeowners. In addition, we could incur significant costs in complying with the multitude of federal, state and local laws regarding the unauthorized disclosure of personal information. Finally, any perceived or actual unauthorized disclosure of such information could harm our reputation, substantially impair our ability to attract and retain homeowners and have an adverse impact on 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 which 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. For example, we recently introduced our BrightBox energy storage system and completed the first installation in Hawaii in May 2016. If BrightBox does not work as intended or if BrightBox is not adopted in the future at the rate we expect, our business, financial conditions and results of operations could be adversely affected. 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.

Our management will not be required to evaluate the effectiveness of our internal control over financial reporting until the end of the fiscal year for which our second Annual Report is due. If we are unable to establish and maintain effective internal control over financial reporting, investors may lose confidence in the accuracy of our financial reports.

In connection with the audits of our consolidated financial statements for the years ended December 31, 2013 and 2012, we identified material weaknesses in our internal control over financial reporting relating to certain aspects of our financial statement close process and our accounting for income taxes. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. These material weaknesses resulted from an aggregation of deficiencies.

In the 2013 consolidated financial statements, we incorrectly accounted for our deferred tax liabilities, prepaid tax asset and the related amortization as it related to income taxes incurred on intercompany transactions. The foregoing resulted in the restatement of our 2012 consolidated financial statements. Subsequent to the quarter ended March 31, 2015, we also identified and corrected an immaterial error related to the accounting for taxes on intercompany transactions.

We are required to establish and maintain internal control over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act requires that we evaluate and determine the effectiveness of our internal control over financial reporting. Beginning with our second Annual Report following our initial public offering, we will be required to provide a management report on internal control over financial reporting. When we are no longer an emerging growth company, our management report on internal control over financial reporting will need to be attested to by our independent registered public accounting firm. 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 may fail to establish and maintain effective internal control over financial reporting, in which case we may not detect errors on a timely basis and our financial statements may be materially misstated. In addition, we cannot guarantee that our internal control 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 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 fail to establish and maintain effective internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports, which could cause the price of our common stock to decline. In addition, we could become subject to investigations by the NASDAQ Stock Market, the SEC or other regulatory authorities, which could require additional management attention and which could adversely affect our business.

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

As of December 31, 2015, we had U.S. federal net operating loss carryforwards of approximately $595.0 million and state net operating loss carryforwards of approximately $546.6 million, which begin expiring in varying amounts in 2028 and 2020, respectively, if unused. Under Sections 382 and 383 of the Code if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research 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. Any such limitations on our ability to use our net operating loss carryforwards and other tax assets could adversely impact our business, financial condition and results of operations.

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 56.5% of the outstanding shares of our common stock, based on the number of shares outstanding as of June 30, 2016. 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.

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;
- changes in tax and other incentives that we rely upon in order to raise tax equity investment funds;
- changes in the regulatory environment and utility policies and pricing, including those that could reduce the 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;
- any significant change in our management; and
- general economic conditions and slow or negative growth of our markets.

Further, in recent years the stock markets have experienced extreme 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 wide 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 market price of 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 which could result in substantial costs and a diversion of our management's attention and resources.

The large number of shares of our capital stock eligible for public sale or subject to rights requiring us to register them for public sale could depress the market price of our common stock.

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market after our initial public offering, and the perception that these sales could occur may also depress the market price of our common stock.

As of June 30, 2016, stockholders owning an aggregate of up to 65,396,429 shares of our common stock can require us to register shares of our capital stock owned by them for public sale in the United States. In addition, we filed a registration statement to register shares of our capital stock reserved for future issuance under our equity compensation plans. Subject to the satisfaction of applicable exercise periods and applicable volume and restrictions that apply to affiliates, the shares of our capital stock issued upon exercise of outstanding options to purchase shares of our common stock became available for immediate resale in the United States in the open market.

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 which 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 willi ng 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 names 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. Alternatively, if a court were to find the choice of forum provision 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 fo reseeable future.

We do not anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. Consequently, investors may need to rely on sales of our common stock after price appreciation, which may never occur, 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 stock issuances could result in significant dilution to our stockholders.

We may issue additional equity securities to raise capital, make acquisitions or for a variety of other purposes. Additional issuances of our stock may be made pursuant to the exercise or conversion of new or existing convertible debt securities, 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 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 could be substantial.

As an emerging growth company within the meaning of the Securities Act, we will utilize certain modified disclosure requirements, and we cannot be certain if these reduced requirements will make our common stock less attractive to investors.

We are an emerging growth company, and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to “emerging growth companies.” These exemptions include not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We are utilizing, and we plan in future filings with the SEC to continue to utilize, the modified disclosure requirements available to emerging growth companies. As a result, our stockholders may not have access to certain information they may deem important. We could remain an “emerging growth company” for up to five years following the anniversary of our initial public offering, or until the earliest of (1) the last day of the first fiscal year in which our annual gross revenue reaches or exceeds $1.0 billion, (2) the date that we become a “large accelerated filer” as defined in the Exchange Act, which could occur as early as the end of the fiscal year or (3) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the preceding three-year period.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

None

Issuer Purchases of Equity Securities

None

Item 5. OTHER INFORMATION

None

Item 6. EXHIBITS

The documents listed in the Exhibit Index of this Quarterly Report on Form 10-Q are incorporated by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

SIGNATURES

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

SUNRUN INC.

Date: August 11, 2016

By: /s/ Lynn Jurich
Lynn Jurich
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Bob Komin
Bob Komin
Chief Financial Officer
(Principal Accounting and Financial Officer)

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date
10.1¥	Amendment No. 2 to Credit Agreement among the Company, AEE Solar, Inc., Sunrun South LLC, Sunrun Installation Services Inc., Clean Energy Experts, LLC, each of the lenders identified on the signature pages thereto, Credit Suisse AG and Silicon Valley Bank, dated as of June 15, 2016.				
10.2¥	Incremental Facility Agreement among the Company, AEE Solar, Inc., Sunrun South LLC, Sunrun Installation Services Inc., Clean Energy Experts, LLC, Credit Suisse AG and Comerica Bank, dated as of July 21, 2016.				
10.3¥	First Amendment to Credit Agreement and Collateral Agency Agreement among Sunrun Hera Portfolio 2015-A, LLC, Investec Bank PLC (as administrative agent, issuing bank and as lender), each of the additional lenders identified on the signature pages thereto and Deutsche Bank Trust Company Americas, dated as of May 12, 2016.				
10.4¥	Consent and Second Amendment to Credit Agreement among Sunrun Hera Portfolio 2015-A, LLC, Investec Bank PLC (as administrative agent, issuing bank and as lender) and each of the additional lenders identified on the signature pages thereto, dated of as June 29, 2016.				
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.				
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.				
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.				
101.INS	XBRL Instance 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.				

† The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q, 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 Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

¥ 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.

Exhibit 10.1
EXECUTION VERSION

AMENDMENT NO. 2 TO THE CREDIT AGREEMENT

THIS AMENDMENT NO. 2 TO THE CREDIT AGREEMENT, dated June 15, 2016 (this "Amendment"), is entered into by and among SUNRUN INC., a Delaware corporation ("Sunrun"), AEE SOLAR, INC., a California corporation ("AEE Solar"), SUNRUN SOUTH LLC, a Delaware limited liability company ("Sunrun South"), and SUNRUN INSTALLATION SERVICES INC., a Delaware corporation ("Sunrun Installation Services" and, together with Sunrun, AEE Solar and Sunrun South, each, a "Borrower" and, collectively, the "Borrowers"), CLEAN ENERGY EXPERTS, LLC, a California limited liability company ("CEE" and, together with the Borrowers, each, a "Loan Party" and, collectively, the "Loan Parties"), and each of the Persons identified as a "Lender" on the signature pages hereto (each, a "Lender") and acknowledged by CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as the Administrative Agent (the " Administrative Agent"), and SILICON VALLEY BANK, as the Collateral Agent (the "Collateral Agent") and as the L/C Issuer.

RECITALS

WHEREAS, the Borrowers entered into the Credit Agreement, dated as of April 1, 2015 (as amended from time to time, the "Credit Agreement"), by and among the Borrowers, CEE, as a Guarantor, the Administrative Agent, the Lenders party thereto, Silicon Valley Bank, as the Collateral Agent, and Credit Suisse Securities (USA) LLC, as the Lead Arranger and Book Runner;

WHEREAS, pursuant to Section 11.01 of the Credit Agreement, no amendment to the Credit Agreement is effective unless executed by the Borrowers or the applicable Loan Party, as the case may be, and at least two (2) Lenders having Total Credit Exposures representing more than 50% of the Total Credit Exposures of all Lenders and acknowledged by the Administrative Agent;

WHEREAS, certain of the amendments in this Amendment will change or otherwise modify the eligibility criteria, eligible asset classes, reserves or sublimits in respect of the Borrowing Base and are intended to increase availability under the Borrowing Base, and the written consent of the Supermajority Lenders is required for such amendments pursuant to Section 11.01(m) of the Credit Agreement;

WHEREAS, this Amendment is not otherwise prohibited by Section 11.01 of the Credit Agreement;

WHEREAS, the Lenders party to this Amendment (the "Supermajority Lenders") have Total Credit Exposures representing more than 66 2/3% of the Total Credit Exposures of all Lenders under the Credit Agreement;

WHEREAS, the Borrowers and the Supermajority Lenders desire to amend the Credit Agreement on the terms set forth herein;

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

WHEREAS, each of the Administrative Agent and the Collateral Agent by execution of this Amendment is providing its acknowledgement required under Section 11.01 of the Credit Agreement;

WHEREAS, pursuant to Section 2.15 of the Credit Agreement, the Borrowers have requested Incremental Facilities which will, in the aggregate, increase the Facility by $40,000,000;

WHEREAS, NY Green Bank, a division of the New York State Energy Research & Development Authority (" NY Green Bank"), has agreed to become a Lender under the Credit Agreement with a Commitment of $[***] (the "NYGB Increase");

WHEREAS, Silicon Valley Bank has agreed to increase its Commitment by $[***] (the "SVB Increase"); and

WHEREAS, the Revolving Increase Effective Date in connection with the NYGB Increase and the SVB Increase will occur simultaneously with the Amendment Effective Date (as defined below).

NOW, THEREFORE, in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE 1
DEFINITIONS

1.01 Definitions. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Credit Agreement.

1.02 Rules of Interpretation . The rules of interpretation set forth in Section 1.02 of the Credit Agreement shall apply to this Amendment. Solely for purposes of convenience, an amendment to an existing provision of the Credit Agreement is shown in this Amendment with the text that is deleted from the provision (indicated textually in the same manner as the following example: ~~deleted text~~) and the text that is added to the provision (indicated textually in the same manner as the following example: **double-underlined text**).

ARTICLE 2
AMENDMENTS

2.01 Additional Definitions. The following new definitions are added to Section 1.01 of the Credit Agreement (in proper alphanumeric order):

"Adjusted Applicable Percentage" means, with respect to any Lender at any time with respect to any Revolving Borrowing or any risk participation in any L/C Credit Extension (including the obligation to make any L/C Advance in connection with such L/C Credit Extension), such Lender's Adjusted Applicable Percentage determined in accordance with the provisions of Section 2.01(c) and subject to adjustment as provided in Sections 2.14 and 2.15.

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

"Convertible Debt" means any unsecured Indebtedness of any Borrower or any of its Subsidiaries which by its terms may be converted into or exchanged for Equity Interests of such Borrower or any such Subsidiary at the option of such Borrower, any such Subsidiary or the holder of such Indebtedness.

"Letter of Credit Notice" means a notice of a request for an L/C Credit Extension, pursuant to Section 2.03(a), which shall be substantially in the form of Exhibit T and shall include the Letter of Credit Application for such L/C Credit Extension.

"NYGB" means NY Green Bank, a division of the New York State Energy Research & Development Authority.

"NYGB Borrowing Base" means, as of any date of determination, the appraised fair market value of the Eligible Project Back-Log attributable to [***].

"NYGB Borrowing Base Availability" means, as of any date of determination, the difference of the NYGB Borrowing Base minus NYGB's Revolving Exposure at such time.

"NYGB Borrowing Base Deficiency" means, at the time a Revolving Loan is to be made by NYGB or a participation in an L/C Credit Extension is to be purchased by NYGB, the failure of the amount of the NYGB Borrowing Base Availability at such time to equal or exceed the amount of such Revolving Loan or such participation in the L/C Credit Extension. Such determination shall be made based on the most recently delivered Borrowing Base Certificate and NYGB's Revolving Exposure as reflected in the Register.

"NY Project" means a Project located in the State of New York with respect to which the PV System has an aggregate installed footprint for solar arrays of [***].

"SREC Transaction" means any contract or agreement for the sale of SRECs, or for the financing of any SREC agreements.

"Unadjusted Applicable Percentage" means with respect to any Lender at any time, the percentage (carried out to the ninth decimal place) represented by such Lender's Commitment at such time, subject to adjustment as provided in Sections 2.14 and 2.15. If the Commitment of all of the Lenders to make Revolving Loans and the obligation of the L/C Issuer to make L/C Credit Extensions have been terminated pursuant to Section 8.02, or if the Commitments have expired, then the Unadjusted Applicable Percentage of each Lender shall be determined based on the Unadjusted Applicable Percentage of such Lender most recently in effect, giving effect to any subsequent assignments. The Unadjusted Applicable Percentage of each Lender is set forth opposite the name of such Lender on Schedule 1.01(b) or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, or in any documentation executed by such Lender pursuant to Section 2.15, as applicable.

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

2.02 Amendments to Definitions.

(a) The "Applicable Percentage" definition set forth in Section 1.01 of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

> "Applicable Percentage " means with respect to any Lender at any time ~~, the percentage (carried out to the ninth decimal place) of the Facility represented by such Lender's Commitment at such time,~~ with respect to any Revolving Borrowing or any risk participation in any L/C Credit Extension (including the obligation to make any L/C Advance in connection with such L/C Credit Extension), such Lender's Unadjusted Applicable Percentage or such Lender's Adjusted Applicable Percentage, as the case may be, determined in accordance with the provisions of Section 2.01(c) and subject to adjustment as provided in ~~Section 2.14. If the Commitment of all of the Lenders to make Revolving Loans and the obligation of the L/C Issuer to make L/C Credit Extensions have been terminated pursuant to Section 8.02, or if the Commitments have expired, then the Applicable Percentage of each Lender in respect of the Facility shall be determined based on the Applicable Percentage of such Lender in respect of the Facility most recently in effect, giving effect to any subsequent assignments. The Applicable Percentage of each Lender in respect of the Facility is set forth opposite the name of such Lender on Schedule 1.01(b) or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, or in any documentation executed by such Lender pursuant to Section 2.15, as applicable.~~Sections 2.14 and 2.15.

(b) The "Applicable Revolving Percentage" definition set forth in Section 1.01 of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

> "Applicable Revolving Percentage " means , with respect to any Lender at any time with respect to any Revolving Borrowing or any risk participation in any L/C Credit Extension (including the obligation to make any L/C Advance in connection with such L/C Credit Extension) , such Lender's Applicable Percentage ~~in respect of the Facility at such time~~.

(c) The "Base Rate" definition set forth in Section 1.01 of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

> "Base Rate " means for any day a fluctuating rate per annum equal to the highest of (a) the Federal Funds Rate plus 0.50%, (b) the rate of interest in effect for such day as ~~publicly announced~~ determined from time to time by Administrative Agent as its prime rate (the "Prime Rate ") and notified to the Borrowers and (c) the Eurodollar Rate plus 1.00%. The Prime Rate is a rate set by the Administrative Agent based upon various factors including the Administrative Agent's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such ~~announced~~ rate. Any change in the Prime Rate ~~announced by the Administrative Agent~~ shall take effect at the opening of business on the day ~~specified in the announcement~~ of such change. Any change in the Base Rate due to a change in the Prime Rate, the Federal Funds Rate or the Eurodollar Rate shall be effective

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

on the effective date of such change in the Prime Rate, the Federal Funds Rate or the Eurodollar Rate, as the case may be.

(d) The "Business Day" definition set forth in Section 1.01 of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

"Business Day" means ~~any day other than a Saturday, Sunday or~~ the hours between 9:00 a.m. and 4:00 p.m., Eastern time, Monday through Friday, other than the following days: (a) New Year's Day, Dr. Martin Luther King, Jr. Day, Washington's Birthday (celebrated on President's Day), Memorial Day, the day before Independence Day, Independence Day, Labor Day, Columbus Day, Veterans' Day, the day before and after Thanksgiving Day, Thanksgiving Day, Christmas Eve, Christmas Day and New Year's Eve, (b) any other day on which ~~commercial~~ banks are required or authorized by Law to close ~~under the Laws of, or are in fact closed in, the state where the Administrative Agent's Office is located and, if such day relates to~~ in New York State, (c) a legal holiday in the State of New York or California, (d) solely for purposes of any Eurodollar Rate Loan, ~~means any such day that is also~~ a London Banking Day ~~.~~ and (e) any day on which commercial banks and the U.S. Federal Reserve Bank are authorized or required to be closed in any of the foregoing states. For purposes hereof, if any day listed above as a day on which a bank is closed falls on a Saturday or Sunday, such day is celebrated on either the prior Friday or the following Monday.

(e) The "Excluded Subsidiaries" definition set forth in Section 1.01 of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

"Excluded Subsidiaries" means (i) those direct or indirect subsidiaries of Sunrun (a) in which Sunrun owns Equity Interests of less than fifty-one percent (51%), (b) that own, lease or finance (or any Subsidiary that is formed for such purpose) no assets other than specific Projects and related assets that are financed as a pool in a manner that is non-recourse to any of the Loan Parties (other than with respect to Guarantees of certain limited obligations of the Excluded Subsidiaries to which such Excluded Subsidiaries are party and which are not in respect of Indebtedness for borrowed money), (c) whose sole assets consist of Equity Interests in Excluded Subsidiaries of the type described in the foregoing clause (b), or (d) created for or encumbered by ~~transactions involving the sale of SREC's~~ SREC Transactions , and in ~~each case~~ the case of those subsidiaries described in clause (b), where either (A) committed financing or equity contribution proceeds are included in the calculation of Available Take-Out or (B) Tax Equity Commitments have been fully deployed and which Tax Equity Commitments are no longer included in the calculation of Available Take-Out, or (ii) any existing or future acquired or formed Immaterial Subsidiary.

(f) The "Fronting Exposure" definition set forth in Section 1.01 of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

"Fronting Exposure" means, with respect to the L/C Issuer, at any time there is a Lender that is a Defaulting Lender ~~that is a Lender, with respect to the L/C Issuer,~~ , the

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aggregate amount of such Defaulting Lender's respective Applicable Percentage of ~~the~~ each outstanding L/C ~~Obligations~~ Obligation other than L/C Obligations as to which such Defaulting Lender's participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof.

(g) The "Net Retained Value" definition set forth in Section 1.01 of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

"Net Retained Value" means, as of a given date of determination, the present value, discounted at six percent (6%), of all remaining customer cash flows under a Host Customer Agreement, reduced by:

(a) For Tax Equity Partnerships subject to HLBV accounting (i.e., Partnership Flip Structures and complex Inverted Lease Structures), estimated future cash distributions to the Tax Equity Investor;

(b) Estimated operating expenses;

(c) Estimated major maintenance expenses;

(d) For simple Inverted Lease Structures, the GAAP financing liability recorded on the most recent (i) Audited Financial Statements or (ii) quarterly unaudited financial statements of Sunrun (reduced by investor cash on deposit in the Tax Equity Partnership, if any, and ITCs from assets funded but not in service); and

(e) The GAAP carrying value of all non-recourse or unsecured Indebtedness, other than Indebtedness associated with SREC Transactions, recorded on the most recent (i) Audited Financial Statements or (ii) quarterly unaudited financial statements of Sunrun; provided, that any additional Indebtedness shall be calculated on a Pro Forma Basis.

Net Retained Value will only be comprised of Projects that are deployed to Tax Equity Partnerships. No value will be ascribed to either customer renewal value or Projects in the Project Back-Log.

Customer cash flows under Host Customer Agreements shall include the sum of the remaining contracted cash payments that customers are expected to pay over the initially contracted term of such Host Customer Agreements for systems installed or placed into a Project Fund as of the measurement date. This amount shall include Customer Prepayments contractually owing to the Borrowers, an Excluded Subsidiary or a Project Fund but uncollected. Operating expenses and major maintenance expenses shall be estimated consistent with the most recent engineering report issued and relied upon in connection with a non-recourse debt financing of Sunrun.

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(h) The "Request for Credit Extension" definition set forth in Section 1.01 of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

"Request for Credit Extension" means (a) with respect to a Borrowing, conversion or continuation of Revolving Loans, a Loan Notice and, (b) with respect to an L/C Credit Extension, a Letter of Credit ~~Application~~ Notice.

2.03 Amendment to Section 2.01. Section 2.01 of the Credit Agreement is hereby amended by inserting at the end thereof the following text as a new subsection (c):

(c) Adjustments to Applicable Percentages.

(i) Except as set forth in Section 2.01(c)(ii) and Section 2.01(c)(iii), the Applicable Percentage of each Lender with respect to a Revolving Borrowing shall be such Lender's Unadjusted Applicable Percentage.

(ii) Except as set forth in Section 2.01(c)(iii) with respect to an Unreimbursed Amount, the obligation of NYGB to make any Revolving Loan shall not exceed the amount of NYGB Borrowing Base Availability at the time such Revolving Loan is to be made. In the event that as a result of the preceding sentence the amount of such Revolving Loan to be made by NYGB is less than NYGB's Unadjusted Applicable Percentage of the applicable Revolving Borrowing requested in the applicable Loan Notice:

(A) NYGB's Applicable Percentage of such Revolving Borrowing shall be the percentage (carried out to the ninth decimal place) determined by dividing the amount of the Revolving Loan that can then be made by NYGB by the total amount of the Revolving Borrowing to be made in accordance with the provisions of this Section 2.01(c)(ii) (such percentage to be NYGB's Adjusted Applicable Percentage with respect to such Revolving Borrowing); and

(B) the Applicable Percentage of each Lender other than NYGB with respect to such Revolving Borrowing shall be the percentage (carried out to the ninth decimal place) determined by dividing (1) an amount equal to such Lender's pro rata share (determined based on the Unadjusted Applicable Percentage of such Lender divided by the sum of the Unadjusted Applicable Percentages of all Lenders other than NYGB) of (x) the amount of such Revolving Borrowing requested in the applicable Loan Notice minus (y) the amount of the Revolving Loan to be made by NYGB in accordance with the provisions of Section 2.01(c)(ii)(A) by (2) the amount of such Revolving Borrowing requested in the applicable Loan Notice; provided, however, that in no event shall the amount in clause (1) cause such Lender's Revolving Exposure (after giving effect to such Revolving Borrowing) to exceed such Lender's Commitment (such percentage to be such Lender's Adjusted Applicable Percentage with respect to such Revolving Borrowing).

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(iii) For purposes of Section 2.03(c), a Lender's Applicable Percentage with respect to (x) such Lender's risk participation in a Letter of Credit shall be a percentage equal to the Applicable Percentage of such Lender determined in accordance with Section 2.01(c)(i) or Section 2.01(c)(ii) as if a Revolving Borrowing in an amount equal to the amount available to be drawn under such Letter of Credit, determined in accordance with Section 1.06, had been requested to be made at the time of the issuance of such Letter of Credit or of the most recent L/C Credit Extension increasing the amount of such Letter of Credit, and (y) any Unreimbursed Amount with respect to a Letter of Credit shall be equal to such Lender's Applicable Percentage determined in accordance with clause (x) of this sentence. For the avoidance of doubt, the Lenders' Applicable Percentages under clause (x) of the preceding sentence shall be recalculated at the time of any L/C Credit Extension that increases the amount of such Letter of Credit based on the amount of the Letter of Credit as so increased.

2.04 Amendment to Section 2.02(a). Section 2.02(a) of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

(a) Notice of Borrowing . Each Borrowing, each conversion of Loans from one Type to the other, and each continuation of Eurodollar Rate Loans shall be made upon the Borrowers' irrevocable notice to the Administrative Agent, which may be given by telephone ; provided that, in the case of any Borrowing, telephonic notice may be given only if the Applicable Percentage of each Lender with respect to such Borrowing will be its Unadjusted Applicable Percentage . Each such notice must be received by the Administrative Agent not later than 11:00 a.m. (i) ~~three~~ four (~~3~~ 4) Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Eurodollar Rate Loans or of any conversion of Eurodollar Rate Loans to Base Rate Loans, and (ii) on the requested date of any Borrowing of Base Rate Loans; provided, however , that if the Borrower wishes to request Eurodollar Rate Loans having an Interest Period other than one (1), two (2), three (3) or six (6) months in duration as provided in the definition of "Interest Period", the applicable notice must be received by the Administrative Agent not later than 11:00 a.m. ~~four~~ five (~~4~~ 5) Business Days prior to the requested date of such Borrowing, conversion or continuation, whereupon the Administrative Agent shall give prompt notice to the Appropriate Lenders of such request and determine whether the requested Interest Period is acceptable to all of them. Not later than 11:00 a.m., ~~three~~ four (~~3~~ 4) Business Days before the requested date of such Borrowing, conversion or continuation, the Administrative Agent shall notify the Borrowers (which notice may be by telephone) whether or not the requested Interest Period has been consented to by all the Lenders. Each telephonic notice by the Borrowers pursuant to this Section 2.02(a) must be confirmed promptly by delivery to the Administrative Agent of a written Loan Notice, appropriately completed and signed by a Responsible Officer of the Borrowers. Each Borrowing of, conversion to or continuation of Eurodollar Rate Loans shall be in a principal amount of $5,000,000 or a whole multiple of $1,000,000 in excess thereof. Except as provided in Sections 2.03(c), each Borrowing of or conversion to Base Rate Loans shall be in a principal amount of $500,000 or a whole multiple of $100,000 in excess thereof. Each Loan Notice (whether telephonic or written) shall specify (A) the Facility and whether the

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Borrowers are requesting a Borrowing, a conversion of Loans from one Type to the other, or a continuation of Loans, as the case may be, under such Facility, (B) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (C) the principal amount of Loans to be borrowed, converted or continued, (D) the Type of Loans to be borrowed or to which existing Loans are to be converted, (E) if applicable, the duration of the Interest Period with respect thereto ~~and~~ , (F) which of the Borrowers is or are making the request in the Loan Notice , (G) the Borrowing Base applicable to the requested Borrowing, (H) the NYGB Borrowing Base applicable to the requested Borrowing, (I) the amount of the NYGB Borrowing Base Availability, (J) whether the Lenders will be required to fund the requested Borrowing based on the respective Unadjusted Applicable Percentage or Adjusted Applicable Percentage, (K) each Lender's Applicable Percentage of the requested Borrowing and (L) each Lender's Revolving Exposure after giving effect to the requested Borrowing . If the Borrowers fail to specify a Type of Loan in a Loan Notice or if the Borrowers fail to give a timely notice requesting a conversion or continuation, then the applicable Loans shall be made as, or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans. If the Borrowers request a Borrowing of, conversion to, or continuation of Eurodollar Rate Loans in any such Loan Notice, but fail to specify an Interest Period, it will be deemed to have specified an Interest Period of one (1) month ~~.~~.

2.05 Amendment to Section 2.03(a)(i). Section 2.03(a)(i) of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

(i) Subject to the terms and conditions set forth herein, (A) the L/C Issuer agrees, in reliance upon the agreements of the Lenders set forth in this Section, (1) from time to time on any Business Day during the period from the Closing Date until thirty (30) days prior to the Maturity Date, to issue Letters of Credit in Dollars for the account of any Borrower, and to amend Letters of Credit previously issued by it, in accordance with Section 2.03(b), and (2) to honor drawings under the Letters of Credit; and (B) the Lenders severally agree to participate in Letters of Credit issued for the account of any Borrower and any drawings thereunder in an amount up to their respective Applicable Percentage of such Letter of Credit; provided that, after giving effect to any L/C Credit Extension with respect to any Letter of Credit, (x) the Total Outstandings shall not exceed the lesser of the Facility and the Borrowing Base, (y) the Revolving Exposure of any Lender shall not exceed such Lender's Commitment, and (z) the Outstanding Amount of the L/C Obligations shall not exceed the Letter of Credit Sublimit. Each request by any Borrower for the issuance or amendment of a Letter of Credit shall be deemed to be a representation by such Borrower that the L/C Credit Extension so requested complies with the conditions set forth in the proviso to the preceding sentence. Within the foregoing limits, and subject to the terms and conditions hereof, any Borrower's ability to obtain Letters of Credit shall be fully revolving, and accordingly such Borrower may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed. Each Existing Letter of Credit is deemed to be a Letter of Credit issued hereunder for all purposes of this Agreement and the other Loan Documents.

2.06 Amendments to Sections 2.03(b)(i), (ii) and (iv). Sections 2.03(b)(i), (ii) and (iv) of the Credit Agreement are hereby deleted in their entirety and replaced with the following text, respectively:

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of any Borrower delivered to the L/C Issuer (with a copy to the Administrative Agent) in the form of a Letter of Credit ~~Application~~ Notice , appropriately completed and signed by a Responsible Officer of such Borrower. Such Letter of Credit ~~Application~~ Notice may be sent by fax transmission, by United States mail, by overnight courier, by electronic transmission using the system provided by the L/C Issuer, by personal delivery or by any other means acceptable to the L/C Issuer. Such Letter of Credit ~~Application~~ Notice must be received by the L/C Issuer and the Administrative Agent not later than 11:00 a.m. at least ~~two~~ three (~~2~~ 3) Business Days (or such later date and time as the Administrative Agent and the L/C Issuer may agree in a particular instance in their sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, the Letter of Credit Application included in such Letter of Credit ~~Application~~ Notice shall specify in form and detail satisfactory to the L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; (G) the purpose and nature of the requested Letter of Credit; and (H) such other matters as the L/C Issuer may require. In the case of a request for an amendment of any outstanding Letter of Credit, the Letter of Credit Application included in such Letter of Credit ~~Application~~ Notice shall specify in form and detail satisfactory to the L/C Issuer (1) the Letter of Credit to be amended; (2) the proposed date of amendment thereof (which shall be a Business Day); (3) the nature of the proposed amendment; and (4) such other matters as the L/C Issuer may require. Additionally, such Borrower shall furnish to the L/C Issuer and the Administrative Agent a Letter of Credit Notice and such other documents and information pertaining to such requested Letter of Credit issuance or amendment, including any Issuer Documents, as the L/C Issuer or the Administrative Agent may require . Each Letter of Credit Notice shall specify (A) the Borrowing Base applicable to the requested Letter of Credit, (B) the NYGB Borrowing Base applicable to the requested Letter of Credit, (C) each Lender's Revolving Exposure that will result after giving effect to the issuance of the requested Letter of Credit, (D) whether Lenders will be required to purchase their respective participation in the requested Letter of Credit based on their respective Unadjusted Applicable Percentage or Adjusted Applicable Percentage, (E) the amount of the participation to be purchased by each Lender in the requested Letter of Credit and (F) each Lender's Applicable Percentage of the requested Letter of Credit.

(ii) Promptly after receipt of any Letter of Credit ~~Application~~ Notice , the L/C Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit ~~Application~~ Notice from such Borrower and, if not, the L/C Issuer will provide the Administrative Agent with a

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copy thereof. Unless the L/C Issuer has received written notice from any Lender, the Administrative Agent or any Loan Party, at least ~~one~~ two (~~1~~ 2) Business ~~Day~~ Days prior to the requested date of issuance or amendment of the applicable Letter of Credit, that one or more applicable conditions contained in Article IV shall not then be satisfied, then, subject to the terms and conditions hereof, the L/C Issuer shall, on the requested date, issue a Letter of Credit for the account of such Borrower or enter into the applicable amendment, as the case may be, in each case in accordance with the L/C Issuer's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the L/C Issuer a risk participation in such Letter of Credit in an amount equal to the product of such Lender's Applicable Revolving Percentage times the amount of such Letter of Credit.

(iv) If such Borrower so requests in the Letter of Credit Application included in any applicable Letter of Credit ~~Application~~ Notice, the L/C Issuer may, in its sole discretion, agree to issue a standby Letter of Credit that has automatic extension provisions (each, an "Auto-Extension Letter of Credit"); provided that, any such Auto-Extension Letter of Credit must permit the L/C Issuer to prevent any such extension at least once in each twelve (12) month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Non-Extension Notice Date") in each such twelve (12) month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the L/C Issuer, such Borrower shall not be required to make a specific request to the L/C Issuer for any such extension. Once an Auto-Extension Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the L/C Issuer to permit the extension of such Letter of Credit at any time to an expiry date not later than the Letter of Credit Expiration Date; provided, however, that the L/C Issuer shall not permit any such extension if (A) the L/C Issuer has determined that it would not be permitted, or would have no obligation at such time to issue such Letter of Credit in its revised form (as extended) under the terms hereof (by reason of the provisions of clause (ii) or (iii) of Section 2.03(a) or otherwise), or (B) it has received notice (which may be by telephone or in writing) on or before the day that is seven (7) Business Days before the Non-Extension Notice Date (1) from the Administrative Agent that the Required Lenders have elected not to permit such extension or (2) from the Administrative Agent, any Lender or such Borrower that one or more of the applicable conditions specified in Section 4.02 is not then satisfied, and in each such case directing the L/C Issuer not to permit such extension.

2.07 Amendments to Sections 2.03(c)(i), (iii) and (v). Sections 2.03(c)(i), (iii) and (v) of the Credit Agreement are hereby deleted in their entirety and replaced with the following text, respectively:

(i) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the L/C Issuer shall notify the Borrower and the Administrative Agent thereof. Not later than 11:00 a.m. on the date of any payment by the L/C Issuer under a Letter of Credit (each such date, an "Honor Date"), such Borrower shall reimburse the L/C Issuer through the Administrative Agent in an amount equal to the amount of such drawing. If such Borrower fails to so reimburse the L/C Issuer by such time, the Administrative Agent shall promptly notify each Lender of the Honor Date, the amount of the unreimbursed drawing (the "Unreimbursed Amount "), and the amount of such Lender's Applicable Revolving Percentage thereof. In such event, such Borrower shall be deemed to have requested a Revolving Borrowing of Base Rate Loans to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.02 for the principal amount of Base Rate Loans, but subject to the ~~amount of the unutilized portion of the Commitments and the~~ conditions set forth in Section 4.02 (other than the delivery of a Loan Notice and the existence of a Borrowing Base Deficiency or a NYGB Borrowing Base Deficiency). Any notice given by the L/C Issuer or the Administrative Agent pursuant to this Section 2.03(c)(i) may be given by telephone if immediately confirmed in writing; provided that, the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(iii) With respect to any Unreimbursed Amount that is not fully refinanced by a Revolving Borrowing of Base Rate Loans because the conditions set forth in Section 4.02 (other than the delivery of a Loan Notice and the existence of a Borrowing Base Deficiency or a NYGB Borrowing Base Deficiency) cannot be satisfied or for any other reason, such Borrower shall be deemed to have incurred from the L/C Issuer an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate. In such event, each Lender's payment to the Administrative Agent for the account of the L/C Issuer pursuant to Section 2.03(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section.

(v) Each Lender's obligation to make Revolving Loans or L/C Advances to reimburse the L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this Section 2.03(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the L/C Issuer, any Borrower or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default; or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however , that each Lender's obligation to make Revolving Loans pursuant to this Section 2.03(c) is subject to the conditions set forth in Section 4.02 (other than delivery by any Borrower of a Loan Notice and the existence of a Borrowing Base Deficiency or a NYGB Borrowing Base Deficiency). If, on any date of determination, a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, each Lender shall remain obligated to reimburse the L/C Issuer for any drawings made during the period after the expiry date of such Letter of Credit even if such Letter of Credit is extended beyond the Maturity Date of the Facility. No such making of an L/C Advance shall relieve or otherwise impair the obligation of any

Borrower to reimburse the L/C Issuer for the amount of any payment made by the L/C Issuer under any Letter of Credit, together with interest as provided herein.

2.08 Amendment to Section 2.03(d)(ii). Section 2.03(d)(ii) of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

(ii) If any payment received by the Administrative Agent for the account of the L/C Issuer pursuant to Section 2.03(c)(i) is required to be returned under any of the circumstances described in Section 11.05 (including pursuant to any settlement entered into by the L/C Issuer in its discretion), each Lender shall pay to the Administrative Agent for the account of the L/C Issuer ~~its Applicable Revolving Percentage thereof~~ , on demand of the Administrative Agent, such Lender's pro rata share thereof (determined based upon such Lender's Applicable Revolving Percentage used to determine the applicable payment made by such Lender pursuant to Section 2.03(c)(i)), plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

2.09 Amendment to Section 2.03(h). Section 2.03(h) of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

(h) Letter of Credit Fees . Each Borrower shall pay to the Administrative Agent for the account of each Lender, subject to Section 2.14, in proportion to its Applicable Revolving Percentage with respect to each Letter of Credit, a Letter of Credit fee (the "Letter of Credit Fee") for each Letter of Credit issued pursuant to this Section 2.03 equal to the Applicable Rate times the aggregate face amount available to be drawn under such Letter of Credit. For purposes of computing the aggregate face amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.06. Letter of Credit Fees shall be due and payable quarterly in arrears on the first Business Day after the end of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand.

2.10 Amendment to Section 2.04(a)(i). Section 2.04(a)(i) of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

(i) The Borrowers may, upon notice to the Administrative Agent, at any time or from time to time voluntarily prepay any Revolving ~~Loans~~ Borrowing in whole or in part without premium or penalty; provided that, (A) such notice must be received by the Administrative Agent not later than 11:00 a.m. (1) ~~three~~ four (~~3~~ 4) Business Days prior to any date of prepayment of Eurodollar Rate Loans and (2) ~~on the~~ one (1) Business Day prior to any date of prepayment of Base Rate Loans; (B) any prepayment of Eurodollar Rate Loans shall be in a principal amount of $5,000,000 or a whole multiple of $1,000,000 in excess thereof; and (C) any prepayment of Base Rate Loans shall be in a principal amount of $500,000 or a whole multiple of $100,000 in excess thereof or, in each case, if less, the

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entire principal amount thereof then outstanding. Each such notice shall specify the Revolving Borrowing(s) being prepaid, the date and amount of such prepayment and the Type(s) of Loans to be prepaid and, if Eurodollar Rate Loans are to be prepaid, the Interest Period(s) of such Loans. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's ratable portion of such prepayment (determined based on such Lender's Applicable Percentage in respect of ~~the relevant Facility~~ each Revolving Borrowing (or portion thereof) being prepaid). If such notice is given by the Borrowers, the Borrowers shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of principal shall be accompanied by all accrued interest on the amount of the Revolving Borrowing(s) being prepaid, together with any additional amounts required pursuant to Section 3.05. Subject to Section 2.14, such prepayments shall be paid to the Lenders in accordance with their respective ~~Applicable Percentages in respect of the Facility~~ Revolving Loans being prepaid.

2.11 Amendment to Section 2.04(b)(iii). Section 2.04(b)(iii) of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

(iii) Application of Other Payments. Except as otherwise provided in Section 2.14, prepayments of the Facility made pursuant to this Section 2.04(b), first, shall be applied ratably to the L/C Borrowings, second , shall be applied ratably to the outstanding Revolving ~~Loans~~ Borrowings, and, third, shall be used to Cash Collateralize the remaining L/C Obligations. Upon the drawing of any Letter of Credit that has been Cash Collateralized, the funds held as Cash Collateral shall be applied (without any further action by or notice to or from the Borrowers or any other Loan Party or any Defaulting Lender that has provided Cash Collateral) to reimburse the L/C Issuer or the Lenders, as applicable.

Within the parameters of the applications set forth above, prepayments pursuant to this Section 2.04(b) shall be applied first to Revolving Borrowings that consist of Base Rate Loans and then to Revolving Borrowings that consist of Eurodollar Rate Loans in direct order of Interest Period maturities. All prepayments under this Section 2.04(b) shall be subject to Section 3.05, but otherwise without premium or penalty, and shall be accompanied by interest on the principal amount prepaid to the date of prepayment. Each Lender's pro rata share of a prepayment of a Revolving Borrowing shall equal such Lender's Applicable Revolving Percentage of such Revolving Borrowing.

2.12 Amendments to Sections 2.05(a) and (b). Sections 2.05(a) and (b) of the Credit Agreement are hereby deleted in their entirety and replaced with the following text, respectively:

(a) Optional. The Borrowers may, upon notice to the Administrative Agent, terminate the Facility or the Letter of Credit Sublimit, or from time to time permanently reduce the Facility or the Letter of Credit Sublimit; provided that (i) any such notice shall be received by the Administrative Agent not later than 11:00 a.m. five (5) Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of $10,000,000 or any whole multiple of $1,000,000 in excess thereof

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

and (iii) the Borrowers shall not terminate or reduce (A) the Facility if, after giving effect thereto and to any concurrent prepayments hereunder, the Total Outstandings would exceed the Facility or the Revolving Exposure of any Lender would exceed such Lender's Commitment or (B) the Letter of Credit Sublimit if, after giving effect thereto, the Outstanding Amount of L/C Obligations not fully Cash Collateralized hereunder would exceed the Letter of Credit Sublimit. If after giving effect to any reduction or termination of Commitments under this Section 2.05, the Letter of Credit Sublimit exceeds the Facility at such time, the Letter of Credit Sublimit shall be automatically reduced by the amount of such excess.

(b) Application of Commitment Reductions; Payment of Fees. The Administrative Agent will promptly notify the Lenders of any termination or reduction of the Letter of Credit Sublimit or the Commitments under this Section 2.05. Upon any reduction of the Commitments, the Commitment of each Lender shall be reduced by such Lender's Unadjusted Applicable ~~Revolving~~ Percentage of such reduction amount, the Facility shall be reduced as to such amount and any Commitment Fees accruing with respect thereto shall be calculated based on the reduced Facility. All fees in respect of the Facility accrued until the effective date of any termination of the Facility shall be paid on the effective date of such termination.

2.13 Amendment to Section 2.06. Section 2.06 of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

Section 2.06 Repayment of Loans.

The Borrowers shall repay to the Lenders on the Maturity Date for the Facility the aggregate principal amount of all Revolving Loans and all L/C Borrowings outstanding on such date.

2.14 Amendment to Section 2.08(a). Section 2.08(a) of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

(a) Commitment Fee. The Borrowers shall pay to the Administrative Agent for the account of each Lender ~~in accordance with its Applicable Revolving Percentage,~~ a commitment fee (the "Commitment Fee") equal to the Applicable Rate times the actual daily amount by which ~~the Facility~~ such Lender's Commitment exceeds the sum of (i) the Outstanding Amount of such Lender's Revolving Loans and (ii) the Outstanding Amount of such Lender's L/C Obligations, subject to adjustment as provided in Section 2.14. The Commitment Fee shall accrue at all times during the Availability Period, including at any time during which one or more of the conditions in Article IV is not met, and shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the Closing Date, and on the last day of the Availability Period for the Facility.

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

2.15 Amendment to Section 2.11(a). Section 2.11(a) of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

(a) General . All payments to be made by the Borrowers shall be made free and clear of and without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrowers hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 2:00 p.m. on the date specified herein. The Administrative Agent will promptly distribute to each Lender its ~~Applicable Percentage in respect of the relevant Facility (or other applicable share as provided herein)~~ ratable share of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after 2:00 p.m. shall be deemed received on the next succeeding Business Day (in the Administrative Agent's sole discretion) and any applicable interest or fee shall continue to accrue. Subject to Section 2.06 and as otherwise specifically provided for in this Agreement, if any payment to be made by the Borrowers shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

2.16 Amendment to Section 2.12. Section 2.12 of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

Section 2.12 Sharing of Payments by Lenders.

If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of (a) Obligations in respect of any of the Facility due and payable to such Lender hereunder and under the other Loan Documents at such time in excess of its ratable share (according to the proportion of (i) the amount of such Obligations due and payable to such Lender at such time to (ii) the aggregate amount of ~~the~~ such Obligations ~~in respect of the Facility~~ due and payable to all Lenders hereunder and under the other Loan Documents at such time) of payments on account of the Obligations in respect of the Facility due and payable to all Lenders hereunder and under the other Loan Documents at such time obtained by all the Lenders at such time or (b) Obligations in respect of any of the Facility owing (but not due and payable) to such Lender hereunder and under the other Loan Documents at such time in excess of its ratable share (according to the proportion of (i) the amount of such Obligations owing (but not due and payable) to such Lender at such time to (ii) the aggregate amount of ~~the~~ such Obligations ~~in respect of the Facility~~ owing (but not due and payable) to all Lenders hereunder and under the other Loan Documents at such time) of payments on account of the Obligations in respect of the Facility owing (but not due and payable) to all Lenders hereunder and under the other Loan Documents at such time obtained by all of the Lenders at such time, then, in each case under clauses (a) and (b) above, the Lender receiving such greater proportion shall (A) notify the Administrative Agent of such fact, and (B) purchase (for cash at face value) participations in the Loans and subparticipations in L/C Obligations of the other Lenders,

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of Obligations in respect of the Facility then due and payable to the Lenders or owing (but not due and payable) to the Lenders, as the case may be, provided that:

(1) if any such participations or subparticipations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations or subparticipations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(2) the provisions of this Section shall not be construed to apply to (x) any payment made by or on behalf of the Borrowers pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender), (y) the application of Cash Collateral provided for in Section 2.13, or (z) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or subparticipations in L/C Obligations to any assignee or participant, other than an assignment to any Loan Party or any Affiliate thereof (as to which the provisions of this Section shall apply).

Each Loan Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable Law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Loan Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Loan Party in the amount of such participation.

2.17 Amendments to Sections 2.14(a)(ii) and (iv). Sections 2.14(a)(ii) and (iv) of the Credit Agreement are hereby deleted in their entirety and replaced with the following text, respectively:

(ii) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VIII or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 11.08 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second , to the payment on a ~~pro rata~~ ratable basis of any amounts owing by such Defaulting Lender to the L/C Issuer hereunder; third, to Cash Collateralize the L/C Issuer's Fronting Exposure with respect to such Defaulting Lender in accordance with Section 2.13; fourth, as the Borrowers may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fifth , if so determined by the Administrative Agent and the Borrowers, to be held in a deposit account and released

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

~~pro rata~~ necessary in order to (A) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement and (B) Cash Collateralize the L/C Issuer's future Fronting Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.13; sixth, to the payment of any amounts owing to the Lenders or the L/C Issuer as a result of any judgment of a court of competent jurisdiction obtained by any Lender or the L/C Issuer against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; seventh, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrowers as a result of any judgment of a court of competent jurisdiction obtained by the Borrowers against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and eighth, to such Defaulting Lender or as otherwise as may be required under the Loan Documents in connection with any Lien conferred thereunder or directed by a court of competent jurisdiction; provided that, if (1) such payment is a payment of the principal amount of any Loans or L/C Borrowings in respect of which such Defaulting Lender has not fully funded its appropriate share, and (2) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 4.02 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and L/C Obligations owed to, all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or L/C Obligations owed to, such Defaulting Lender until such time as all Loans and funded and unfunded participations in L/C Obligations are held by the Lenders pro rata in accordance with ~~the Commitments hereunder~~ their respective Applicable Percentages of such Loans and funded and unfunded participations in L/C Obligations without giving effect to Section 2.14(a)(v). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this Section 2.14(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iv) Reallocation of Applicable Revolving Percentages to Reduce Fronting Exposure. All or any part of such Defaulting Lender's participation in L/C Obligations shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Applicable Revolving Percentages (calculated without regard to such Defaulting Lender's ~~Commitment~~ Applicable Revolving Percentage) but only to the extent that (A) the conditions set forth in Section 4.02 are satisfied at the time of such reallocation (and, unless the Borrowers shall have otherwise notified the Administrative Agent at such time, the Borrowers shall be deemed to have represented and warranted that such conditions are satisfied at such time), and (B) such reallocation does not cause the aggregate Revolving Exposure of any Non-Defaulting Lender to exceed such Non-Defaulting Lender's Commitment. No reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased ~~exposure~~ Revolving Exposure following such reallocation.

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

2.18 Amendment to Section 2.14(b). Section 2.14(b) of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

(b) Defaulting Lender Cure . If the Borrowers, the Administrative Agent and the L/C Issuer agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any Cash Collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit to be held on a pro rata basis by the Lenders in accordance with their Applicable ~~Percentages~~ Percentage of each such Loan and each such funded and unfunded participation in a Letter of Credit (without giving effect to Section 2.14(a)(iv)), whereupon such Lender will cease to be a Defaulting Lender; provided that, no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrowers while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

2.19 Amendments to Sections 2.15(a), (d) and (e). Sections 2.15(a), (d) and (e) of the Credit Agreement are hereby deleted in their entirety and replaced with the following text, respectively:

(a) Request for Increase. Provided there exists no Default, upon notice to the Administrative Agent (which shall promptly notify the Lenders), the Borrowers may from time to time, request an increase in the Facility ("Incremental Facility ") so long as the Facility, after taking into account all such requests, does not exceed an aggregate principal amount of $ ~~250,000,000~~300,000,000; provided that (i) any such request for an Incremental Facility shall be in a minimum aggregate principal amount of $10,000,000 and in increments of $5,000,000 in excess thereof, and (ii) the Borrowers may make a maximum of ~~three (3) such requests~~ two (2) such requests; provided, however, that any such request that occurs within ninety (90) days after the most recent request shall not be deemed an additional request. At the time of sending such notice, the Borrower (in consultation with the Administrative Agent) shall specify the time period within which each Lender is requested to respond.

(d) Effective Date and Allocations. If the Facility is increased in accordance with this Section, the Administrative Agent and the Borrowers shall determine the effective date (the "Revolving Increase Effective Date ") and the final allocation of such increase. The Administrative Agent shall promptly notify the Borrowers, the Lenders and the New Lenders of the final allocation of such increase and the Revolving Increase Effective Date. The Unadjusted Applicable Percentages shall be recalculated in

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accordance with the final allocation of such increase to the extent that the final allocation of such increase is nonratable among the Lenders.

(e) Conditions to Effectiveness of Increase. As a condition precedent to such increase, the Borrowers shall deliver to the Administrative Agent a certificate of each Loan Party dated as of the Revolving Increase Effective Date (in sufficient copies for each Lender) signed by a Responsible Officer of such Loan Party (i) certifying and attaching the resolutions adopted by such Loan Party approving or consenting to such increase, and (ii) in the case of each Borrower, certifying that, immediately before and after giving effect to the Incremental Facility, (A) the representations and warranties contained in Article V and the other Loan Documents are, (x) with respect to representations and warranties that contain a materiality qualification, true and correct in all respects, and (y) with respect to representations and warranties that do not contain a materiality qualification, true and correct in all material respects, in each case, on and as of the Revolving Increase Effective Date (or if such representations and warranties expressly relate to an earlier date, as of such earlier date), and except that, for purposes of this Section 2.15, the representations and warranties contained in subsections (a) and (b) of Section 5.05 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01, (B) no Default exists, (C) all financial covenants in Section 7.11 would be satisfied on a Pro Forma Basis on the Revolving Increase Effective Date and for the most recent determination period, after giving effect to any such Incremental Facility (and assuming such Incremental Facility were fully drawn), (D) the maturity date of the Loans in respect of any portion of such Incremental Facility shall be no earlier than the Maturity Date of the Facility, (E) the average life to maturity of the Loans in respect of such Incremental Facility shall be no shorter than the remaining average life to maturity of the Facility, and (F) all fees and expenses owing in respect of such increase to the Administrative Agent and the Lenders shall have been paid. The Borrowers shall deliver or cause to be delivered any other customary documents (including, without limitation, legal opinions) as reasonably requested by the Administrative Agent in connection with any Incremental Facility. The Borrowers shall borrow from each New Lender and from each Lender increasing its Commitment on the Revolving Increase Effective Date, and such Lenders shall make, Revolving Loans to the Borrowers (in the case of Eurodollar Rate Loans, with Eurodollar Rate(s) applying to the Interest Period(s) ending on the date(s) of any then outstanding Interest Period(s)), and the Borrowers shall prepay any Revolving Loans outstanding on the Revolving Increase Effective Date (and pay any additional amounts required pursuant to Section 3.05) to the extent necessary to keep the outstanding Revolving Loans ratable with any revised Applicable Revolving Percentages arising from any nonratable increase in the Commitments under this Section. Each Lender's Applicable Percentage with respect to a Letter of Credit outstanding on the Revolving Increase Effective Date shall be recalculated in accordance with any revised Applicable Revolving Percentages arising from any nonratable increase in the Commitments under this Section.

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

2.20 Amendment to Section 4.02(b). Section 4.02(b) of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

(b) Default; Borrowing Base Deficiency ; NYGB Borrowing Base Deficiency . No Default or Borrowing Base Deficiency shall exist as of the date of such Credit Extension, or would result from such proposed Credit Extension or from the application of the proceeds thereof. Solely with respect to NYGB's obligation to honor the applicable Request for Credit Extension, no NYGB Borrowing Base Deficiency shall exist as of the date of such Credit Extension, or would result from such proposed Credit Extension.

2.21 Amendment to Section 5.07. Section 5.07 of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

Section 5.07 No Default ~~or~~ , Borrowing Base Deficiency or NYGB Borrowing Base Deficiency.

Neither any Borrower nor any Subsidiary thereof is in default under or with respect to, or a party to, any Contractual Obligation that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No Default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document. No Borrowing Base Deficiency exists or would result from the consummation of the transactions contemplated by this Agreement. Solely with respect to NYGB's obligation to honor any Request for Credit Extension, no NYGB Borrowing Base Deficiency exists as of the date of any such proposed Credit Extension, or would result from any such proposed Credit Extension.

2.22 Amendment to Section 6.02(m)(i). Section 6.02(m)(i) of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

(i) As soon as available, but in any event within twenty (20) days after the end of each month, a Borrowing Base Certificate, together with a Back-Log Spreadsheet and a Take-Out Spreadsheet, providing, as of the end of the prior month, (A) megawatts installed, (B) megawatts added, (C) net megawatts backlog, (D) megawatts terminated, (E) the Borrowing Base, (F) the NYGB Borrowing Base, (G) the Revolving Exposure of NYGB and of each other Lender, (H) the NYGB Borrowing Base Availability, (I) the Total Outstandings, (~~G~~ J) the Unencumbered Liquidity, (~~H~~ K) any contracts that are ineligible for Tranching under any open Tax Equity Partnership (including the number, face value and reasons for rejection) and (~~I~~ L) such other supporting information as reasonably requested by the Administrative Agent, the Collateral Agent or the Lenders, each prepared as at the end of such month, duly certified by a Responsible Officer that is the chief executive officer, chief financial officer, treasurer or controller of the Borrowers. Notwithstanding the foregoing, in the event of a Borrowing Base Deficiency, for the period during which the Borrowing Base Deficiency exists, the Loan Parties shall deliver to the Administrative Agent, the Collateral Agent and the Lenders such Borrowing Base Certificate on a bi-weekly basis.

2.23 Amendment to Section 7.01(s). Section 7.01(s) of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

(s) Liens on SRECs or Liens in connection with any ~~contract or agreement for the sale of SRECs~~ SREC Transaction ; and

2.24 Amendments to Section 7.02.

(a) Section 7.02(c) of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

(c) Indebtedness in respect of Capitalized Leases, Synthetic Lease Obligations and purchase money obligations for fixed or capital assets within the limitations set forth in Section 7.01(i); provided, however , that the aggregate principal amount of all Indebtedness of the Loan Parties incurred in reliance on this clause (c) and clause (~~o~~ p) below at any time outstanding shall not exceed $ ~~25,000,000~~40,000,000 ;

(b) Section 7.02(i) of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

(i) any Borrower's limited guarantees, indemnification obligations and obligations to make capital contributions to or repurchase assets of the Excluded Subsidiaries (including Equity Interests of Excluded Subsidiaries) as required under the documents evidencing the Tax Equity Commitments, Backlever Financing , SREC Transactions, or System Refinancing, as the case may be, so long as (i) such indemnification and capital contribution obligations are not made in respect of obligations to repay debt for borrowed money and, (ii) if any Borrower is required to make a payment or contribution in connection with such obligations, after giving effect to such payment or contribution on a Pro Forma Basis, (x) the Loan Parties shall be in compliance with each of the financial covenants set forth in Section 7.11 and (y) no Borrowing Base Deficiency shall exist.

(c) Section 7.02(o) of the Credit Agreement is hereby deleted in its entirety, renumbered as subsection (p) and replaced with the following text:

(p) other unsecured Indebtedness not contemplated by the above provisions, together with the aggregate principal amount of all Indebtedness incurred in reliance on clause (c) above at any time outstanding, in an aggregate principal amount not to exceed $ ~~25,000,000~~ 40,000,000 at any time outstanding.

(d) Section 7.02 of the Credit Agreement is hereby amended by inserting the following text as new subsection (o):

(o) Convertible Debt having a maximum conversion price equal to [***] of the trading price; provided, however, that (i) the maturity date for any such Convertible Debt shall occur after the Maturity Date of the Facility, (ii) all financial covenants in Section 7.11 would be satisfied on a Pro Forma Basis on the date of issuance of any such

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Convertible Debt, after giving effect to such Convertible Debt (and assuming such Convertible Debt were fully drawn), and (iii) the aggregate principal amount of all Indebtedness of the Loan Parties incurred in reliance on this clause (o) at any time outstanding shall not exceed $150,000,000; and

2.25 Amendment to Section 11.04(c). Section 11.04(c) of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

(c) Reimbursement by Lenders. To the extent that the Loan Parties for any reason fail to indefeasibly pay any amount required under subsection (a) or (b) of this Section to be paid by it to the Administrative Agent or the Collateral Agent (or any sub-agent thereof), the L/C Issuer or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent or the Collateral Agent (or any such sub-agent), the L/C Issuer or such Related Party, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based on each Lender's share of the Total Credit Exposure at such time) of such unpaid amount (including any such unpaid amount in respect of a claim asserted by such Lender ~~), such payment to be made severally among them based on such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought~~), provided, further that, the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or the Collateral Agent (or any such sub-agent) or the L/C Issuer in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent or the Collateral Agent (or any such sub-agent) or the L/C Issuer in connection with such capacity. The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.11(d).

2.26 Amendment to Section 11.06(b)(vi). Section 11.06(b)(vi) of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

(vi) Certain Additional Payments. In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrowers and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (A) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent, the L/C Issuer or any Lender hereunder (and interest accrued thereon) and (B) acquire (and fund as appropriate) ~~its~~ such Defaulting Lender's full pro rata share of all ~~Loans~~ Revolving Borrowings and participations in Letters of Credit in accordance with its Applicable Percentage of each Revolving Borrowing and of each participation in a Letter of Credit. Notwithstanding the

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable Law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05 and 11.04 with respect to facts and circumstances occurring prior to the effective date of such assignment); provided that, except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender. Upon request, each Borrower (at its expense) shall execute and deliver a Revolving Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

2.27 Amendment to Section 11.07. Section 11.07 of the Credit Agreement is hereby amended by inserting at the end thereof the following text as a new subsection (e):

(e) FOIL. NOTWITHSTANDING ANY PROVISION OF THIS SECTION 11.07 TO THE CONTRARY, THE LOAN PARTIES ACKNOWLEDGE AND AGREE THAT ALL INFORMATION, IN ANY FORMAT, SUBMITTED TO NYGB SHALL BE SUBJECT TO AND TREATED IN ACCORDANCE WITH THE NYS FREEDOM OF INFORMATION LAW ("FOIL," PUBLIC OFFICERS LAW, ARTICLE 6). PURSUANT TO FOIL, NYGB IS REQUIRED TO MAKE AVAILABLE TO THE PUBLIC, UPON REQUEST, RECORDS OR PORTIONS THEREOF WHICH IT POSSESSES, UNLESS THAT INFORMATION IS STATUTORILY EXEMPT FROM DISCLOSURE. THEREFORE, UNLESS THIS AGREEMENT SPECIFICALLY REQUIRES OTHERWISE, THE LOAN PARTIES SHOULD SUBMIT INFORMATION TO NYGB IN A NON-CONFIDENTIAL, NON-PROPRIETARY FORMAT. FOIL DOES PROVIDE THAT NYGB MAY DENY ACCESS TO RECORDS OR PORTIONS THEREOF THAT "ARE TRADE SECRETS OR ARE SUBMITTED TO AN AGENCY BY A COMMERCIAL ENTERPRISE OR DERIVED FROM INFORMATION OBTAINED FROM A COMMERCIAL ENTERPRISE AND WHICH IF DISCLOSED WOULD CAUSE SUBSTANTIAL INJURY TO THE COMPETITIVE POSITION OF THE SUBJECT ENTERPRISE." [SEE PUBLIC OFFICERS LAW, § 87(2)(D)].

ACCORDINGLY, IF THIS AGREEMENT SPECIFICALLY REQUIRES SUBMISSION OF INFORMATION IN A FORMAT THE LOAN PARTIES CONSIDER A PROPRIETARY AND/OR CONFIDENTIAL TRADE SECRET, THE LOAN PARTIES SHALL FULLY IDENTIFY AND PLAINLY LABEL THE INFORMATION "CONFIDENTIAL" OR "PROPRIETARY" AT THE TIME OF DISCLOSURE. BY SO MARKING SUCH INFORMATION, THE LOAN PARTIES REPRESENT THAT THE INFORMATION HAS ACTUAL OR POTENTIAL SPECIFIC COMMERCIAL OR COMPETITIVE VALUE TO THE COMPETITORS OF THE LOAN PARTIES. WITHOUT LIMITATION, INFORMATION WILL NOT BE CONSIDERED CONFIDENTIAL OR PROPRIETARY IF IT IS OR HAS BEEN (I) GENERALLY KNOWN OR AVAILABLE FROM OTHER SOURCES WITHOUT OBLIGATION CONCERNING ITS CONFIDENTIALITY; (II) MADE AVAILABLE BY THE OWNER TO OTHERS WITHOUT OBLIGATION CONCERNING ITS CONFIDENTIALITY; OR (III) ALREADY AVAILABLE TO NYGB WITHOUT OBLIGATION CONCERNING ITS CONFIDENTIALITY. IN THE EVENT OF A FOIL REQUEST, IT IS NYGB'S POLICY TO CONSIDER RECORDS AS MARKED ABOVE PURSUANT TO THE TRADE SECRET EXEMPTION PROCEDURE SET FORTH IN 21 NEW YORK CODES RULES & REGULATIONS § 501.6 AND ANY OTHER APPLICABLE LAW OR REGULATION. HOWEVER, NYGB CANNOT GUARANTEE THE CONFIDENTIALITY OF ANY INFORMATION SUBMITTED. MORE INFORMATION ON FOIL, AND THE RELEVANT STATUTORY LAW AND REGULATIONS, CAN BE FOUND AT THE WEBSITE FOR THE COMMITTEE ON OPEN GOVERNMENT (HTTP://WWW.DOS.STATE.NY.US/COOG/FOIL2.HTML) AND NYGB'S REGULATIONS, PART 501.

2.28 Amendments to Sections 11.14(b) and (c). Sections 11.14(b) and (c) of the Credit Agreement are hereby deleted in their entirety and replaced with the following text, respectively:

(b) SUBMISSION TO JURISDICTION. THE BORROWERS AND EACH OTHER LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY AGREE THAT IT WILL NOT COMMENCE ANY ACTION, LITIGATION OR PROCEEDING OF ANY KIND OR DESCRIPTION, WHETHER IN LAW OR EQUITY, WHETHER IN CONTRACT OR IN TORT OR OTHERWISE, AGAINST THE ADMINISTRATIVE AGENT, ANY LENDER, THE L/C ISSUER, OR ANY RELATED PARTY OF THE FOREGOING IN ANY WAY RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS RELATING HERETO OR THERETO OR FOR THE RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF , IN ANY FORUM OTHER THAN THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY ~~AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK~~ , AND ANY APPELLATE COURT ~~FROM ANY~~ THEREOF, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY , IN ACCORDANCE WITH THE PROVISIONS OF NY CLS CPLR § 505, SUBMITS TO THE EXCLUSIVE GENERAL JURISDICTION OF SUCH COURTS AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION, LITIGATION OR PROCEEDING MAY BE

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HEARD AND DETERMINED IN SUCH NEW YORK STATE ~~COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL~~ COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION, LITIGATION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, THE COLLATERAL AGENT, ANY LENDER OR THE L/C ISSUER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE BORROWERS OR ANY OTHER LOAN PARTY OR THEIR PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE . ~~THE BORROWERS AND EACH OTHER LOAN PARTY~~ EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION 11.14. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

2.29 Amendment to Article XI. Article XI of the Credit Agreement is hereby amended by inserting at the end thereof the following text as a new Section 11.22:

Section 11.22 Iran Divestment Act.

In accordance with Section 2879-c of the Public Authorities Law, by signing this Agreement, each of the Borrowers certifies, for itself, each other Loan Party and their respective Affiliates, under penalty of perjury, to the best of its knowledge and belief, that none of the Borrowers, the other Loan Parties or any of their respective Affiliates is on the list created pursuant to paragraph (b) of subdivision 3 of section 165-a of the New York State Finance Law (See www.ogs.ny.gov/about/regs/ida.asp).

2.30 Amendments to Exhibits.

(a) Exhibit E of the Credit Agreement is hereby deleted in its entirety and replaced with the new Exhibit E attached hereto as Annex I.

(b) Exhibit P of the Credit Agreement is hereby deleted in its entirety and replaced with the new Exhibit P attached hereto as Annex II.

(c) The new Exhibit T attached hereto as Annex III is hereby inserted at the end of the Exhibits of the Credit Agreement.

2.31 Amendments to Schedules.

(a) Schedule 1.01(b) of the Credit Agreement is hereby deleted in its entirety and replaced with the new Schedule 1,01(b) attached hereto as Annex IV.

(b) Schedule 5.21(d)(i) of the Credit Agreement is hereby deleted in its entirety and replaced with the new Schedule 5.21(d)(i) attached hereto as Annex V.

(c) Schedule 5.21(g)(ii) of the Credit Agreement is hereby deleted in its entirety and replaced with the new Schedule 5.21(g)(ii) attached hereto as Annex VI.

(d) Schedule 6.14(d)(i)(D) of the Credit Agreement is hereby deleted in its entirety and replaced with the new Schedule 6.14(d)(i)(D) attached hereto as Annex VII.

ARTICLE 3
INCREASED FACILITIES

3.01 NYGB Increase. Upon execution and delivery of the joinder agreement described in Section 5.01(g) below, on the Revolving Increase Effective Date, NY Green Bank shall become a Lender under the Credit Agreement with a Commitment of [***].

3.02 SVB Increase. SVB hereby increases its Commitment by an additional [***], effective as of the Revolving Increase Effective Date.

3.03 Reallocations and Partial Prepayments. Schedule A sets forth the reallocation of the Commitments and the Applicable Percentages of the Lenders, the partial prepayments of Revolving Loans outstanding, and the reallocation of the Lenders' risk participation in Letters of Credit outstanding, in each case as required by Section 2.15(e) of the Credit Agreement in connection with the NYGB Increase and the SVB Increase on the Revolving Increase Effective Date and as of the Revolving Increase Effective Date.

3.04 Accrued Interest. Notwithstanding anything to the contrary in Section 2.04(b) of the Credit Agreement or otherwise, the parties hereto agree that any accrued interest in connection with the partial prepayments of Revolving Borrowings to be made to the Lenders as set forth on the Schedule A shall be paid to such Lenders on the first Interest Payment Date after the Revolving Increase Effective Date applicable to each such Revolving Borrowing.

3.05 Collateral Access Agreements. The Loan Parties shall be permitted to include as Eligible Inventory in the Borrowing Base Certificate to be delivered pursuant to Section 5.01(f) below any Inventory that does not satisfy clause (c)(i) of the "Eligible Inventory" definition as of the Amendment Effective Date; provided that the Loan Parties deliver to the Collateral Agent within ninety (90) days of the Amendment Effective Date a fully executed Collateral Access Agreement in connection with any property where such Inventory is located; provided, further, that the failure of the Loan Parties to do so shall constitute a Default and such Eligible Inventory

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shall be excluded from the Borrowing Base until such time as the conditions such clause (c)(i) have been satisfied.

3.06 Revolving Increase Effective Date. The Revolving Increase Effective Date in connection with the NYGB Increase and the SVB Increase shall be the Amendment Effective Date.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

Each Loan Party represents and warrants to each of the Lenders and the Administrative Agent, on the date hereof, that the following statements are true and correct:

4.01 Existence. Such Loan Party is duly organized or formed, validly existing and, as applicable, in good standing under the Laws of the jurisdiction of its incorporation or organization.

4.02 Power and Authority. Such Loan Party has the requisite power and authority to execute and deliver this Amendment.

4.03 Due Authorization . The execution, delivery and performance of this Amendment have been duly authorized by all necessary corporate or limited liability company action on the part of such Loan Party. The applicable resolutions of such Loan Party authorize the execution, delivery and performance of this Amendment by such Loan Party and are in full force and effect without modification or amendment.

4.04 Binding Obligation. This Amendment has been duly executed and delivered by such Loan Party, and this Amendment and the Credit Agreement, as amended by this Amendment, constitute the legally valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with the terms of this Amendment and the Credit Agreement, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

4.05 No Default or Event of Default. As of the date hereof, no event has occurred and is continuing or would result from the consummation of the amendments contemplated by this Amendment that would constitute a Default or an Event of Default.

4.06 Reallocations and Partial Prepayments. The amounts set forth on Schedule A hereto are true and correct as of the date hereof and the amount of New York Borrowing Base Availability (as defined in Section 2.01 above) as of the date hereof is in excess of the sum of (i) the amount to be funded by NY Green Bank pursuant to Section 5.01(h) below and (ii) the amount of risk participation in existing Letters of Credit allocated to NY Green Bank as set forth on Schedule A.

ARTICLE 5
CONDITIONS PRECEDENT

5.01 Conditions Precedent to Effectiveness. The amendments contained in Article 2 of this Amendment shall not be effective until the date (such date, the "Amendment Effective Date") that the following conditions precedent have been satisfied or waived by the Supermajority Lenders:

(a) The Administrative Agent shall have received copies of this Amendment executed by the Borrower and the Supermajority Lenders, and acknowledged by the Administrative Agent and the Collateral Agent.

(b) The Borrowers shall have paid all fees, costs and expenses of the Administrative Agent, the Collateral 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 fees of Collateral Agent's counsel and other advisors or consultants retained by the Administrative Agent).

(c) The Administrative Agent shall have received a certificate of a Responsible Officer of each Loan Party, dated the Amendment Effective Date, certifying the matters set forth in Section 2.15(e) of the Credit Agreement, in form and substance acceptable to the Administrative Agent.

(d) The Administrative Agent shall have received a certificate of a Responsible Officer of each Loan Party dated the Amendment Effective Date, in form and substance acceptable to the Administrative Agent, attaching and certifying as true, correct and complete: (i) the Organization Documents of each Loan Party (which, to the extent filed with a Governmental Authority, shall be certified as of a recent date by such Governmental Authority), (ii) the resolutions or other authorizations of the governing body of each Loan Party certified as being in full force and effect on the Amendment Effective Date, authorizing the execution, delivery and performance of this Amendment and any instruments or agreements required hereunder, (iii) a certificate of good standing, existence or its equivalent of each Loan Party certified as of a recent date by the appropriate Governmental Authority and (iv) the incumbency (including specimen signatures) of the Responsible Officers of each Loan Party.

(e) The Administrative Agent shall have received an opinion or opinions of counsel for the Loan Parties, dated the Amendment Effective Date and addressed to the Administrative Agent and the Lenders, in form and substance acceptable to the Administrative Agent.

(f) The Administrative Agent and the Collateral Agent shall have received a Borrowing Base Certificate dated as of the Amendment Effective Date substantially in the form attached hereto as Annex II, calculated as of the close of business for fiscal month ending April 30, 2016, appropriately completed, duly certified by a Responsible Officer that is the chief executive officer, chief financial officer, treasurer or controller of the Borrowers.

(g) NY Green Bank shall have delivered to the Borrowers and the Administrative Agent a duly executed joinder agreement, pursuant to which it shall become a Lender under the Credit

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Agreement with a Commitment of [***] , in form and substance satisfactory to the Administrative Agent and its counsel.

(h) The Administrative Agent shall have received from NY Green Bank immediately available funds in the amount of [***] and from Silicon Valley Bank immediately available funds in the amount of [***], to be applied by the Administrative Agent to make the partial prepayments set forth on Schedule A.

(i) The Borrowers shall have delivered or caused to be delivered any other customary documents as reasonably requested by the Administrative Agent in connection with this Amendment, the NYGB Increase and the SVB Increase.

ARTICLE 6
GENERAL PROVISIONS

6.01 Notices. All notices and other communications given or made pursuant hereto shall be made as provided in the Credit Agreement.

6.02 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.

6.03 Headings. Section 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.

6.04 Governing Law. This Amendment shall be governed by and construed in accordance with the law of the State of New York.

6.05 Counterparts. This Amendment may be signed in any number of counterparts and each counterpart shall represent a fully executed original as if signed by all of the parties listed below.

6.06 Ratification. Except as amended hereby, the Credit Agreement and the other Loan Documents remain in full force and effect.

6.07 Amended Terms. On and after the date hereof, all references to the Credit Agreement in each of the Loan Documents shall hereafter mean the Credit Agreement as amended by this Amendment. The execution, delivery and performance of this Amendment shall not constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of the Lenders, the Administrative Agent, the Collateral Agent or the Arranger under, the Credit Agreement or any other Loan Document. Nothing contained in this Amendment shall be construed as a substitution or novation of the obligations of the Loan Parties outstanding under the Credit Agreement or instruments securing the same, which obligations shall remain in full force and effect, except to the extent that the terms thereof are modified by this Amendment. Nothing

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

expressed or implied in this Amendment shall be construed as a release or other discharge of the Loan Parties from any of their obligations or liabilities under the Credit Agreement or any other Loan Document.

6.08 Loan Document. This Amendment shall constitute a Loan Document under the terms of the Credit Agreement.

6.09 Costs and Expenses; Indemnification; Reimbursement. The parties hereto agree that this Amendment is subject to the costs and expenses, indemnification, reimbursement and related provisions set forth in Section 11.04 of the Credit Agreement.

6.10 Submission to Jurisdiction; Waiver of Venue; Service of Process; Waiver of Jury Trial. The submission to jurisdiction, waiver of venue, service of process and waiver of jury trial provisions set forth in Sections 11.14(b), (c) and (d) and 11.15 of the Credit Agreement, respectively, are hereby incorporated by reference, *mutatis mutandis*.

[SIGNATURE PAGES FOLLOW]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first set forth above.

BORROWERS:

SUNRUN INC.,
a Delaware corporation

By: /s/ Bob Komin
Name: Bob Komin
Title: Chief Financial Officer

AEE SOLAR, INC.,
a California corporation

By: /s/ Bob Komin
Name: Bob Komin
Title: Chief Financial Officer

SUNRUN SOUTH LLC,
a Delaware limited liability company

By: /s/ Bob Komin
Name: Bob Komin
Title: Chief Financial Officer

SUNRUN INSTALLATION SERVICES INC.,
a Delaware corporation

By: /s/ Bob Komin
Name: Bob Komin
Title: Chief Financial Officer

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

<u>GUARANTOR</u>:

CLEAN ENERGY EXPERTS, LLC,
a California limited liability company

By: /s/ Mina Kim
Name: Mina Kim
Title: General Counsel

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,
as Administrative Agent and Lender

By:	/s/ Mikhail Faybusovich
Name:	Mikhail Faybusovich
Title:	Authorized Signatory

By:	/s/ D. Andrew Maletta
Name:	D. Andrew Maletta
Title:	Authorized Signatory

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

MORGAN STANLEY SENIOR FUNDING, INC.,
as Lender

By: /s/ Patrick Layton
Name: Patrick Layton
Title: Vice President

[Signature Page to Amendment No. 2 – Credit Agreement]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

GOLDMAN SACHS BANK USA,
as Lender

By: /s/ Jerry Li
Name: Jerry Li
Title: Authorized Signatory

[Signature Page to Amendment No. 2 – Credit Agreement]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

ROYAL BANK OF CANADA,
as Lender

By:	/s/ Frank Lambrinos
Name:	Frank Lambrinos
Title:	Authorized Signatory

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

KEYBANK NATIONAL ASSOCIATION,
as Lender

By: /s/ Richard Gerling
Name: Richard Gerling
Title: Senior Vice President

[Signature Page to Amendment No. 2 – Credit Agreement]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

SILICON VALLEY BANK,
as Collateral Agent, L/C Issuer and Lender

By: /s/ Vince Otto
Name: Vince Otto
Title: VP

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

NY GREEN BANK,
a division of the New York State Energy Research & Development Authority,
as Lender

By: /s/ Alfred Griffin
Name: Alfred Griffin
Title: President

[Signature Page to Amendment No. 2 – Credit Agreement]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

ANNEX I

EXHIBIT E

TO CREDIT AGREEMENT

Form of
Loan Notice

TO: Credit Suisse AG, Cayman Islands Branch, as Administrative Agent

RE: Credit Agreement, dated as of April 1, 2015, by and among Sunrun Inc., a Delaware corporation, AEE Solar, Inc., a California corporation, Sunrun South LLC, a Delaware limited liability company, and Sunrun Installation Services Inc., a Delaware corporation (collectively, the "Borrowers"), the Guarantors, the Lenders, Credit Suisse AG, Cayman Islands Branch, as Administrative Agent, and Silicon Valley Bank, as Collateral Agent (as amended, modified, extended, restated, replaced, or supplemented from time to time, the "Credit Agreement"; capitalized terms used and not otherwise defined herein shall have the meaning set forth in the Credit Agreement)

DATE: [Date]

The undersigned hereby requests (select one):

☐ A Borrowing of the Revolving Loan

☐ A [conversion] or [continuation] of Revolving Loans

---

1. On __________________ (the "Credit Extension Date")

2. In the amount of $__________________

3. Comprised of: ☐ Base Rate Loans

   ☐ Eurodollar Rate Loans

4. For Eurodollar Rate Loans: with an Interest Period of _____ months

5. The Revolving Borrowing requested herein is subject to the most recently delivered Borrowing Base Certificate, dated as of ________, 20__ (the "Current Borrowing Base Certificate").

6. The Borrowing Base set forth in the Current Borrowing Base Certificate is $________________.

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

7. The NYGB Borrowing Base set forth in the Current Borrowing Base Certificate is $_______________.

8. The amount of the NYGB Borrowing Base Availability as of the Credit Extension Date is $______________.

9. The Lenders will be required to fund the Revolving Borrowing requested herein based on:

    ☐ Unadjusted Applicable Percentage

    ☐ Adjusted Applicable Percentage

10. Below sets forth each Lender's Applicable Percentage of the Revolving Borrowing requested herein, the amount of such Revolving Borrowing corresponding to such Applicable Percentage and the amount of such Lender's Revolving Exposure after giving effect to such Revolving Borrowing.

Lender	[Unadjusted] [Adjusted] Applicable Percentage	Amount of Revolving Borrowing	Revolving Exposure
Credit Suisse AG, Cayman Islands Branch			
Morgan Stanley Senior Funding, Inc.			
Goldman Sachs Bank USA			
KeyBank National Association			
Silicon Valley Bank			
Royal Bank of Canada			
Comerica Bank			
NY Green Bank			

The Revolving Borrowing requested herein complies with the proviso to the first sentence of Section 2.01(a) and the requirements of Section 2.01(c) of the Credit Agreement.

Each of the Borrowers hereby represents and warrants that the conditions specified in Section 4.02 of the Credit Agreement shall be satisfied on and as of the Credit Extension Date.

Delivery of an executed counterpart of a signature page of this notice by fax transmission or other electronic mail transmission (e.g., "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this notice.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

SUNRUN INC.,
a Delaware corporation, as Borrower

By: ______________________________
Name: ______________________________
Title: ______________________________

AEE SOLAR, INC.,
a California corporation, as Borrower

By: ______________________________
Name: ______________________________
Title: ______________________________

SUNRUN SOUTH LLC,
a Delaware limited liability company, as Borrower

By: ______________________________
Name: ______________________________
Title: ______________________________

SUNRUN INSTALLATION SERVICES INC.,
a Delaware corporation, as Borrower

By: ______________________________
Name: ______________________________
Title: ______________________________

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

EXHIBIT P

TO CREDIT AGREEMENT

Form of
Borrowing Base Certificate

TO:	Credit Suisse AG, Cayman Islands Branch, as Administrative Agent Silicon Valley Bank, as Collateral Agent
RE:	Credit Agreement, dated as of April 1, 2015, by and among Sunrun Inc., a Delaware corporation, AEE Solar, Inc., a California corporation, Sunrun South LLC, a Delaware limited liability company, and Sunrun Installation Services Inc., a Delaware corporation (collectively, the "Borrowers"), the Guarantors, the Lenders, Credit Suisse AG, Cayman Islands Branch, as Administrative Agent, and Silicon Valley Bank, as Collateral Agent (as amended, modified, extended, restated, replaced, or supplemented from time to time, the "Credit Agreement"; capitalized terms used and not otherwise defined herein shall have the meaning set forth in the Credit Agreement)
DATE:	[Date]

This Borrowing Base Certificate (this "Certificate") is submitted pursuant to Section 6.02(m) of the Credit Agreement. Pursuant to the Collateral Documents, the Collateral Agent has been granted a security interest in all of the Collateral referred to in this Certificate and has a valid perfected first priority security interest in the Collateral, subject to Permitted Liens. The undersigned certifies as follows:

1. Exhibit A-1 attached hereto sets forth a true and accurate calculation of the Borrowing Base as of the close of business for the fiscal month ended [_____], 20[__].

2. Exhibit A-2 attached hereto sets forth a true and accurate calculation of the NYGB Borrowing Base as of the close of business for the fiscal month ended [_____], 20[__].

3. Attached hereto as Exhibit B-1 is a Back-Log Spreadsheet for the Project Back-Log relating to all Projects as of the close of business for the fiscal month ended [_____], 20[__].

4. Attached hereto as Exhibit B-2 is a Back-Log Spreadsheet for the Project Back-Log relating to [***] as of the close of business for the fiscal month ended [_____], 20[__].

5. Attached hereto as Exhibit C is a Take-Out Spreadsheet as of the close of business for the fiscal month ended [_____], 20[__].

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

6. The following is true and accurate as of the close of business for the fiscal month ended [_____], 20[__].

(a) Borrowing Base	$__________
(b) Facility	$__________
(c) Aggregate Outstanding Amount of Revolving Loans	$__________
(d) Aggregate Outstanding Amount of L/C Obligations	$__________
(e) Sum of Item (c) <u>plus</u> Item (d)	$__________
(f) Difference of Item (b) <u>minus</u> Item (e)	$__________
(g) Borrowing Availability (lesser of Item (a) and Item (f))	$__________

7. The following is true and accurate as of the close of business for the fiscal month ended [_____], 20[__].

(a) NYGB Borrowing Base	$__________
(b) NYGB's Revolving Exposure	$__________
(c) NYGB Borrowing Base Availability (difference of Item (a) <u>minus</u> Item (b))	$__________

8. The following Revolving Exposure of each Lender is true and accurate as of the close of business for the fiscal month ended [_____], 20[__].

(a) Credit Suisse AG, Cayman Islands Branch	$__________
(b) Morgan Stanley Senior Funding, Inc.	$__________
(c) Goldman Sachs Bank USA	$__________
(d) KeyBank National Association	$__________
(e) Silicon Valley Bank	$__________
(f) Royal Bank of Canada	$__________
(g) Comerica Bank	$__________
(h) NY Green Bank	$__________

9. [A Borrowing Base Deficiency exists in an amount [in excess of] [equal to] [less than] twenty percent (20%) of the Borrowing Base, as set forth below.

(a) Difference of Item (e) <u>minus</u> Item (a)	$__________
(b) Product of 20% and Item (a)	$__________] [1]

[1] Only applicable if Item (e) is greater than Item (a).

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

10. [As of the close of business for the fiscal month ended [_____], 20[__], the Borrowers have $[_________] in unrestricted cash and deposit account balances with respect to which the Collateral Agent has obtained a perfected first priority Lien subject to no other Liens.][2]

11. As of the close of business for the fiscal month ended [______], 20[__], (i) megawatts installed were [__________], (ii) megawatts added were [____________], (iii) net megawatts backlog was [__________], and (iv) megawatts terminated were [_________].

12. As of the close of business for the fiscal month ended [______], 20[__], the Unencumbered Liquidity was $[________].

13. Attached hereto as Exhibit D is a listing, as of the close of business for the fiscal month ended [_____], 20[__], of any contracts that have become ineligible for Tranching under any open Tax Equity Partnership (including the number, face value and reasons for rejection).

14. As of the closing of business for the fiscal month ended [_____], 20[__], no Default or Event of Default has occurred or is continuing.

Delivery of an executed counterpart of a signature page of this Certificate by fax transmission or other electronic mail transmission (e.g., "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Certificate.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

2 Only applicable if a Borrowing Base Deficiency exists in an amount equal to or less than twenty percent (20%) of the Borrowing Base.

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SUNRUN INC.,
a Delaware corporation, as Borrower

By: ______________________
Name: ______________________
Title: ______________________

AEE SOLAR, INC.,
a California corporation, as Borrower

By: ______________________
Name: ______________________
Title: ______________________

SUNRUN SOUTH LLC,
a Delaware limited liability company, as Borrower

By: ______________________
Name: ______________________
Title: ______________________

SUNRUN INSTALLATION SERVICES INC.,
a Delaware corporation, as Borrower

By: ______________________
Name: ______________________
Title: ______________________

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

Exhibit A-1

CALCULATION OF THE BORROWING BASE

1.	Eligible Project Back-Log (appraised fair market value) (see Attachment 1 hereto)	$_____________
2.	Product of [***] and Item 1	$_____________
3.	Eligible Take-Out (see Attachment 2 hereto)	$_____________
4.	Backlever Financing required to collateralize Item 10	$_____________
5.	Difference of Item 3 minus Item 4	$_____________
6.	Product of [***] and Item 5	$_____________
7.	Net Retained Value	$_____________
8.	Product of [***] and Item 7	$_____________
9.	Least of Item 2, Item 6 and Item 8	$_____________
10.	Committed but undrawn Backlever Financing proceeds for Projects that have been sold or contributed to a Project Fund or a Tax Equity Investor (and removed from Eligible Project Back-Log in Item 1)	$_____________
11.	Product of [***] and Item 10	$_____________
12.	Eligible Hawaii Tax Credit Receivables expected to be received on Projects that have achieved Milestone One	$_____________
13.	Product of [***] and Item 12[3]	$_____________
14.	Eligible Customer Upfront Payment Receivables expected to be received on Projects that have achieved Milestone One	$_____________
15.	Product of [***] and Item 14	$_____________
16.	Estimated final sale value of direct cash sale Projects in the Project Back-Log	$_____________
17.	Product of [***] and Item 16	$_____________
18.	Eligible Trade Accounts of AEE and SIS	$_____________
19.	Product of [***] and Item 18	$_____________
20.	Eligible Inventory for sale to third parties held by AEE	$_____________
21.	Product of [***] and Item 20[4]	$_____________
22.	**Borrowing Base (sum of Item 9 plus Item 11 plus Item 13 plus Item 15 plus Item 17 plus Item 19 plus Item 21)**	**$_____________**

[3] Up to a maximum of $40,000,000.

[4] Up to a maximum of $40,000,000.

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

ATTACHMENT 1

CALCULATION OF ELIGIBLE PROJECT BACK-LOG

1.	Project Back-Log for all Projects (see Back-Log Spreadsheet attached as Exhibit B-1)	$_____________
	1(a). Terminated contracts for Projects $_____________	
	1(b). Cash sale Projects $_____________	
2.	An incremental % of Projects for which the period of time during which the applicable customer can terminate the Host Customer Agreement has not yet expired, which incremental % shall be equal to the % which, when combined with the cancelled Projects previously excluded from the Project Backlog, would result in an overall cancellation rate of [***]% of the total value of Projects that have achieved Sunrun Sign-Off over the prior twelve (12) months	$_____________
3.	Projects which are purchased in cash by a customer (to the extent included in Project Back-Log)	$_____________
4.	Projects which are subject to any Lien other than (i) Liens in favor of the Collateral Agent and (ii) Liens thereon permitted under Section 7.01 of the Credit Agreement	$_____________
5.	Projects in which any Person other than a Loan Party shall have any ownership interest or any other interest or title, other than (i) any such interest or title of any customer pursuant to the Host Customer Agreement related thereto and (ii) Liens thereon permitted under Section 7.01 of the Credit Agreement	$_____________
6.	Projects that are not Tax Credit Eligible Projects	$_____________
7.	Projects the PV Systems related to which use solar photovoltaic panels or inverters that were obtained from, or are a product of, a manufacturer that has not been approved by any Tax Equity Investor or provider of Backlever Financing	$_____________
8.	Projects located in a state or locality that has not been approved by any Tax Equity Investor or provider of Backlever Financing	$_____________
9.	Projects for which any manufacturer's warranty related to the photovoltaic panels and inverters related thereto is not in full force or effect or cannot be enforced by a Loan Party	$_____________

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

10.	Inactive Projects	$_____________
11.	To the extent applicable, Projects specifically identified to be Tranched in order to cure the True-Up Liability	$_____________
12.	Projects which have been identified for Tranching using Available Take-Out which is not Eligible Take-Out	$_____________
13.	Sum of Item 2 through Item 12	$_____________
14.	**Eligible Project Back-Log (difference of Item 1 <u>minus</u> Item 13)**	**$_____________**

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

ATTACHMENT 2

CALCULATION OF ELIGIBLE TAKE-OUT

1.	The aggregate amount of each Tax Equity Investor's undrawn Tax Equity Commitment plus all drawn but unused amounts under such Tax Equity Commitment (see Take-Out Spreadsheet)	$____________
2.	The aggregate amount of committed and undrawn Backlever Financing (see Take-Out Spreadsheet)	$____________
3.	The aggregate amount of committed and undrawn financings acceptable to the Collateral Agent and the Required Lenders (and not otherwise covered by Items 1 and 2) (see Take-Out Spreadsheet)	$____________
4.	Sum of Item 1 through Item 3	$____________
5.	The aggregate amount of Available Take-Out provided by any Person (i) that has provided written notice that it disputes its obligation to fund such Available Take-Out, (ii) that generally made statements that it is unable to satisfy its funding obligations, or (iii) for which any Person may have any valid and asserted claim, demand, or liability whether by action, suit, counterclaim or otherwise against such Available Take-Out	$____________
6.	The aggregate amount of Available Take-Out provided by a Person who is the subject of any action or proceeding of a type described in Section 8.01(f) of the Credit Agreement	$____________
7.	The aggregate amount of set-off with respect to any Available Take-Out provided by a Person who has the right of offset with respect to any amounts owed to such Person by any Borrower or its Subsidiaries	$____________
8.	The aggregate amount of any Available Take-Out with respect to which a Loan Party or any Subsidiary has given or received formal written notice that a default or event of default has occurred and is continuing under the documents governing the applicable Tax Equity Commitments or Backlever Financing, or has knowledge of the occurrence and continuation of such default or event of default but has not given such formal written notice; provided that this amount shall not include such Available Take-Out to the extent that (x) any default that has not become an event of default thereunder has been cured within the applicable cure period thereunder and (y) no Material Adverse Effect has resulted from such default; and provided, further, that this amount shall include such Available Take-Out solely to the extent that the Tax Equity Investor or the provider of Backlever Financing would, as a result of the continuation of such default or event of default, have the right to cease funding (unless such right to cease funding has been waived)	$____________
9.	Sum of Item 5 through Item 8	$____________
10.	**Eligible Take-Out (difference of Item 4 minus Item 9)**	**$____________**

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

Exhibit A-2

CALCULATION OF THE NYGB BORROWING BASE

1.	Project Back-Log for [***] (see Back-Log Spreadsheet attached as Exhibit B-2)	$__________
	1(a). Terminated contracts for [***] $__________	
	1(b). Cash sale [***] $__________	
2.	An incremental % of [***] for which the period of time during which the applicable customer can terminate the Host Customer Agreement has not yet expired, which incremental % shall be equal to the % which, when combined with the cancelled [***] previously excluded from the Project Backlog, would result in an overall cancellation rate of [***] of the total value of [***] that have achieved Sunrun Sign-Off over the prior twelve (12) months	$__________
3.	[***] which are purchased in cash by a customer (to the extent included in Project Back-Log)	$__________
4.	[***] which are subject to any Lien other than (i) Liens in favor of the Collateral Agent and (ii) Liens thereon permitted under Section 7.01 of the Credit Agreement	$__________
5.	[***] in which any Person other than a Loan Party shall have any ownership interest or any other interest or title, other than (i) any such interest or title of any customer pursuant to the Host Customer Agreement related thereto and (ii) Liens thereon permitted under Section 7.01 of the Credit Agreement	$__________
6.	[***] that are not Tax Credit Eligible Projects	$__________
7.	[***] the PV Systems related to which use solar photovoltaic panels or inverters that were obtained from, or are a product of, a manufacturer that has not been approved by any Tax Equity Investor or provider of Backlever Financing	$__________
8.	[***] located in a state or locality that has not been approved by any Tax Equity Investor or provider of Backlever Financing	$__________
9.	[***] for which any manufacturer’s warranty related to the photovoltaic panels and inverters related thereto is not in full force or effect or cannot be enforced by a Loan Party	$__________
10.	[***] that are Inactive Projects	$__________

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

11. To the extent applicable, [***] specifically identified to be Tranched in order to cure the True-Up Liability $______________

12. [***] which have been identified for Tranching using Available Take-Out which is not Eligible Take-Out $______________

13. Sum of Item 2 through Item 12 $______________

14. **NYGB Borrowing Base (difference of Item 1 <u>minus</u> Item 13)** **$______________**

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

Exhibit B-1

Form of
Back-Log Spreadsheet

Project Back-Log for all Projects

Total PV System Size (in kW)	Average PV System FMV (in $/W)[1]	Total PV System Value (in $)

1 - Insert amount as determined by the definition of PV System Value in the Credit Agreement

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

Exhibit B-2

Form of
Back-Log Spreadsheet

Project Back-Log for [***]

Total PV System Size of [***] (in kW)	Average PV System FMV of [***] (in $/W)[1]	Total PV System Value for [***] (in $)

1 - Insert amount as determined by the definition of PV System Value in the Credit Agreement

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

Exhibit C

Form of
Take-Out Spreadsheet

Available Take-Out

Fund	**Investor / Backlever Financing Provider**	**Close Date**	**Commitment Amount**	**Total Investor Contributions**	**Total Unused Contributions**	**Remaining Undrawn Commitment**
Total						

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

Exhibit D

[Listing of any contracts that have become ineligible for Tranching under any open Tax Equity Partnership (including the number, face value and reasons for rejection)]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

ANNEX III

EXHIBIT T

TO CREDIT AGREEMENT

Form of
Letter of Credit Notice

TO: Credit Suisse AG, Cayman Islands Branch, as Administrative Agent

RE: Credit Agreement, dated as of April 1, 2015, by and among Sunrun Inc., a Delaware corporation, AEE Solar, Inc., a California corporation, Sunrun South LLC, a Delaware limited liability company, and Sunrun Installation Services Inc., a Delaware corporation (collectively, the "Borrowers"), the Guarantors, the Lenders, Credit Suisse AG, Cayman Islands Branch, as Administrative Agent, and Silicon Valley Bank, as Collateral Agent (as amended, modified, extended, restated, replaced, or supplemented from time to time, the "Credit Agreement"; capitalized terms used and not otherwise defined herein shall have the meaning set forth in the Credit Agreement)

DATE: [Date]

The undersigned hereby requests (select one):

☐ An issuance of a Letter of Credit for the benefit of _______________, located at __________________.

☐ An increase to the stated amount of the Letter of Credit issued on _________, 20__ , for the benefit of _________________, located at ___________________ (the "Letter of Credit Increase").[5]

---

1. On __________________ (the "Credit Extension Date")

2. [In the amount of $________________]

[In the amount of $________________, increasing the stated amount of the Letter of Credit described herein to $________________]

3. With an expiry date of _________, 20__

[5] The Lenders' Applicable Percentages with respect to the Lenders' risk participation in a Letter of Credit shall be recalculated at the time of any L/C Credit Extension that increases the amount of such Letter of Credit based on the amount of the Letter of Credit as so increased.

(a) If the Letter of Credit described herein is to be an Auto-Extension Letter of Credit, the latest expiry date will be __________, 20__

4. For the purpose of ____

5. The [Letter of Credit] [Letter of Credit Increase] requested herein is subject to the most recently delivered Borrowing Base Certificate, dated as of ________, 20__ (the "Current Borrowing Base Certificate").

6. The Borrowing Base set forth in the Current Borrowing Base Certificate is $________________.

7. The NYGB Borrowing Base set forth in the Current Borrowing Base Certificate is $_______________.

8. The amount of the NYGB Borrowing Base Availability as of the Credit Extension Date is $______________.

9. The Lenders will be required to purchase their respective participation in the Letter of Credit described herein based on:

☐ Unadjusted Applicable Percentage

☐ Adjusted Applicable Percentage

10. Below sets forth each Lender's Applicable Percentage of the Letter of Credit described herein, the amount of the participation in such Letter of Credit corresponding to such Applicable Percentage and the amount of such Lender's Revolving Exposure, in each case, after giving effect to the [issuance of such Letter of Credit] [Letter of Credit Increase].

Lender	[Unadjusted] [Adjusted] Applicable Percentage	Amount of Participation in Letter of Credit	Revolving Exposure
Credit Suisse AG, Cayman Islands Branch			
Morgan Stanley Senior Funding, Inc.			
Goldman Sachs Bank USA			
KeyBank National Association			
Silicon Valley Bank			

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

Royal Bank of Canada			
Comerica Bank			
NY Green Bank			

The Letter of Credit Application related to the [Letter of Credit] [Letter of Credit Increase] requested herein is attached hereto as Exhibit A.

The [Letter of Credit] [Letter of Credit Increase] requested herein complies with the proviso to the first sentence of Section 2.03(a)(i) and the requirements of Section 2.01(c) of the Credit Agreement.

Each of the Borrowers hereby represents and warrants that the conditions specified in Section 4.02 of the Credit Agreement shall be satisfied on and as of the Credit Extension Date.

Delivery of an executed counterpart of a signature page of this notice by fax transmission or other electronic mail transmission (e.g., "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this notice.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

SUNRUN INC.,
a Delaware corporation, as Borrower

By: ______________________________
Name: ______________________________
Title: ______________________________

AEE SOLAR, INC.,
a California corporation, as Borrower

By: ______________________________
Name: ______________________________
Title: ______________________________

SUNRUN SOUTH LLC,
a Delaware limited liability company, as Borrower

By: ______________________________
Name: ______________________________
Title: ______________________________

SUNRUN INSTALLATION SERVICES INC.,
a Delaware corporation, as Borrower

By: ______________________________
Name: ______________________________
Title: ______________________________

Exhibit A

[Letter of Credit Application]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

ANNEX IV

SCHEDULE 1.01(b)

Commitments and Unadjusted Applicable Percentages

Lender	Commitment	Unadjusted Applicable Percentage
Credit Suisse AG, Cayman Islands Branch	$[***]	[***]%
Morgan Stanley Senior Funding, Inc.	$[***]	[***]%
Goldman Sachs Bank USA	$[***]	[***]%
KeyBank National Association	$[***]	[***]%
Silicon Valley Bank	$[***]	[***]%
NY Green Bank	$[***]	[***]%
Royal Bank of Canada	$[***]	[***]%
Comerica Bank	$[***]	[***]%
Total	$[***]	100.000000000%

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

ANNEX V

SCHEDULE 5.21(d)(i)

Deposit Accounts & Securities Accounts

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

SCHEDULE 5.21(g)(ii)

Other Properties

No Mortgaged Properties exist.

Locations of Loan Parties are as follows:

Loan Party	Registered Address	Principal Place of Business
Sunrun Inc.	595 Market Street, 29th Floor, San Francisco, CA 94105	595 Market Street, 29th Floor, San Francisco, CA 94105
AEE Solar, Inc.	595 Market Street, 29th Floor, San Francisco, CA 94105	775 Fiero Lane, Suite 200, San Luis Obispo, CA 93401
Sunrun Installation Services Inc.	595 Market Street, 29th Floor, San Francisco, CA 94105	775 Fiero Lane, Suite 200, San Luis Obispo, CA 93401
Sunrun South LLC	595 Market Street, 29th Floor, San Francisco, CA 94105	775 Fiero Lane, Suite 200, San Luis Obispo, CA 93401
Clean Energy Experts LLC	595 Market Street, 29th Floor, San Francisco, CA 94105	595 Market Street, 29th Floor, San Francisco, CA 94105

Location of personal property Collateral with value in excess of $1,000,000:

Address	Leased or Owned	Lessor Name
1227 Striker Avenue, Suite 200, Sacramento, CA 98534	Leased	AEE Solar, Inc.
1215 Striker Avenue, Suite 120, Sacramento, CA 95834	Leased	AEE Solar, Inc.
8760 Younger Creek Drive, Sacramento, CA 95828	Leased	AEE Solar, Inc.
704 Legionaire Drive, Fredericksburg, PA 17026	Leased	AEE Solar, Inc.
1307 Striker Avenue, Suite 105, Sacramento, CA 98534	Leased	AEE Solar, Inc.
2626 E. Vista Industria, Rancho Dominguez, CA 90221	Leased	AEE Solar, Inc.

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

Address	**Leased or Owned**	**Lessor Name**
95 Sunbelt Blvd, Columbia, SC 29203	Leased	Sunrun Installation Services Inc.
734 Forest Street, Suite 400, Marlborough, MA, 01752,	Leased	Sunrun Installation Services Inc.
74-577 Honokohau Street, Kailua-Kona, HI 96740	Leased	Sunrun Installation Services Inc.
200 Research Drive, Wilmington, MA	Leased	Sunrun Installation Services Inc.

ANNEX VII

Schedule 6.14(d)(i)(D)

Excluded Deposit Accounts

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

SCHEDULE A

[Attached]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

[***]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

Exhibit 10.2
EXECUTION VERSION

INCREMENTAL FACILITY AGREEMENT

THIS INCREMENTAL FACILITY AGREEMENT, dated as of July 21, 2016 (this "Agreement"), is entered into by and among SUNRUN INC., a Delaware corporation ("Sunrun"), AEE SOLAR, INC., a California corporation ("AEE Solar"), SUNRUN SOUTH LLC, a Delaware limited liability company ("Sunrun South"), and SUNRUN INSTALLATION SERVICES INC., a Delaware corporation (" Sunrun Installation Services" and, together with Sunrun, AEE Solar and Sunrun South, each, a "Borrower" and, collectively, the "Borrowers"), CLEAN ENERGY EXPERTS, LLC, a California limited liability company ("CEE" and, together with the Borrowers, each, a "Loan Party" and, collectively, the "Loan Parties"), CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as the Administrative Agent (the "Administrative Agent"), and COMERICA BANK, as Lender ("Comerica").

RECITALS

WHEREAS, the Borrowers entered into the Credit Agreement, dated as of April 1, 2015 (as amended from time to time, the "Credit Agreement"), by and among the Borrowers, CEE, as a Guarantor, the Administrative Agent, the Lenders party thereto, Silicon Valley Bank, as the Collateral Agent, and Credit Suisse Securities (USA) LLC, as the Lead Arranger and Book Runner;

WHEREAS, pursuant to Section 2.15 of the Credit Agreement, the Borrowers (i) requested NY Green Bank, a division of the New York State Energy Research & Development Authority, to become a Lender with a Commitment of $[***] and Silicon Valley Bank to increase its Commitment by $[***], which increases were effected pursuant to Amendment No. 2 to the Credit Agreement, dated June 15, 2016, by and among the Loan Parties and the Lenders party thereto and acknowledged by the Administrative Agent, the Collateral Agent and the L/C Issuer (the "Amendment No. 2"), and, (ii) within ninety (90) days of the requests described in clause (i), have requested Comerica to increase its Commitment by $[***] (the "Comerica Increase"); and

WHEREAS, the parties hereto desire to enter into this Agreement to consummate the Comerica Increase on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE 1
DEFINITIONS

1.01 Definitions. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Credit Agreement.

1.02 Rules of Interpretation . The rules of interpretation set forth in Section 1.02 of the Credit Agreement shall apply to this Agreement.

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

ARTICLE 2
INCREMENTAL FACILITY

2.01 Comerica Increase. Comerica hereby increases its Commitment by an additional $[***] , effective as of the Comerica Increase Effective Date (as defined below).

2.02 Reallocations and Partial Prepayments. Schedule A sets forth the reallocation of the Commitments and the Applicable Percentages of the Lenders, the partial prepayments of Revolving Loans outstanding, and the reallocation of the Lenders' risk participation in Letters of Credit outstanding, in each case as required by Section 2.15(e) of the Credit Agreement in connection with the Comerica Increase on the Comerica Increase Effective Date and as of the Comerica Increase Effective Date.

2.03 Revolving Increase Effective Date. The Revolving Increase Effective Date in connection with the Comerica Increase shall be the Comerica Increase Effective Date.

2.04 Amendment No. 2. Comerica hereby ratifies and approves in all respects the Amendment No. 2.

2.05 Schedule 1.01(b). Schedule 1.01(b) of the Credit Agreement is hereby replaced with the new Schedule 1.01(b) attached hereto as Annex I to reflect the Comerica Increase.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

Each Loan Party represents and warrants to the Administrative Agent and Comerica, on the date hereof, that the following statements are true and correct:

3.01 Existence. Such Loan Party is duly organized or formed, validly existing and, as applicable, in good standing under the Laws of the jurisdiction of its incorporation or organization.

3.02 Power and Authority. Such Loan Party has the requisite power and authority to execute and deliver this Agreement.

3.03 Due Authorization . The execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate or limited liability company action on the part of such Loan Party. The applicable resolutions of such Loan Party authorize the execution, delivery and performance of this Agreement by such Loan Party and are in full force and effect without modification or amendment.

3.04 Binding Obligation. This Agreement has been duly executed and delivered by such Loan Party, and this Agreement and the Credit Agreement, as modified by this Agreement, constitute the legally valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with the terms of this Agreement and the Credit Agreement, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

3.05 No Default or Event of Default. As of the date hereof, no event has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement that would constitute a Default or an Event of Default.

3.06 Reallocations and Partial Prepayments. The amounts set forth on Schedule A hereto are true and correct as of the date hereof.

ARTICLE 4
CONDITIONS PRECEDENT

4.01 Conditions Precedent to Effectiveness. The Comerica Increase shall not be effective until the date (such date, the "Comerica Increase Effective Date") that the following conditions precedent have been satisfied or waived by the Administrative Agent and Comerica:

(a) The Administrative Agent shall have received copies of this Agreement executed by the Loan Parties, Comerica and the Administrative Agent.

(b) The Borrowers shall have paid all fees, costs and expenses of the Administrative Agent and Comerica incurred in connection with the execution and delivery of this Agreement (including third-party fees and out-of-pocket expenses of counsel and other advisors or consultants retained by the Administrative Agent and Comerica).

(c) The Administrative Agent shall have received a certificate of a Responsible Officer of each Loan Party, dated the Comerica Increase Effective Date, certifying the matters set forth in Section 2.15(e) of the Credit Agreement, in form and substance acceptable to the Administrative Agent.

(d) The Administrative Agent shall have received a certificate of a Responsible Officer of each Loan Party dated the Comerica Increase Effective Date, in form and substance acceptable to the Administrative Agent, attaching and certifying as true, correct and complete: (i) the Organization Documents of each Loan Party (which, to the extent filed with a Governmental Authority, shall be certified as of a recent date by such Governmental Authority), (ii) the resolutions or other authorizations of the governing body of each Loan Party certified as being in full force and effect on the Comerica Increase Effective Date, authorizing the execution, delivery and performance of this Agreement and any instruments or agreements required hereunder, (iii) a certificate of good standing, existence or its equivalent of each Loan Party certified as of a recent date by the appropriate Governmental Authority and (iv) the incumbency (including specimen signatures) of the Responsible Officers of each Loan Party.

(e) The Administrative Agent shall have received an opinion or opinions of counsel for the Loan Parties, dated the Comerica Increase Effective Date and addressed to the Administrative Agent and Comerica, in form and substance acceptable to the Administrative Agent.

(f) The Administrative Agent shall have received from Comerica immediately available funds in the amount of $[***], to be applied by the Administrative Agent to make the partial prepayments set forth on Schedule A.

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

(g) The Borrowers shall have delivered or caused to be delivered any other customary documents as reasonably requested by the Administrative Agent in connection with this Agreement and the Comerica Increase.

ARTICLE 5
GENERAL PROVISIONS

5.01 Notices. All notices and other communications given or made pursuant hereto shall be made as provided in the Credit Agreement.

5.02 Severability. In case any one or more of the provisions contained in this Agreement 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.

5.03 Headings. Section headings have been inserted in this Agreement as a matter of convenience for reference only and it is agreed that such paragraph headings are not a part of this Agreement and shall not be used in the interpretation of any provision of this Agreement.

5.04 Governing Law. This Agreement shall be governed by and construed in accordance with the law of the State of New York.

5.05 Counterparts. This Agreement may be signed in any number of counterparts and each counterpart shall represent a fully executed original as if signed by all of the parties listed below.

5.06 Ratification . Except as modified hereby, the Credit Agreement and the other Loan Documents remain in full force and effect. On and after the date hereof, all references to the Credit Agreement in each of the Loan Documents shall hereafter mean the Credit Agreement as modified by this Agreement. The execution, delivery and performance of this Agreement shall not constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of the Lenders, the Administrative Agent, the Collateral Agent or the Arranger under, the Credit Agreement or any other Loan Document. Nothing contained in this Agreement shall be construed as a substitution or novation of the obligations of the Loan Parties outstanding under the Credit Agreement or instruments securing the same, which obligations shall remain in full force and effect, except to the extent that the terms thereof are modified by this Agreement. Nothing expressed or implied in this Agreement shall be construed as a release or other discharge of the Loan Parties from any of their obligations or liabilities under the Credit Agreement or any other Loan Document.

5.07 Loan Document. This Agreement shall constitute a Loan Document under the terms of the Credit Agreement.

5.08 Costs and Expenses; Indemnification; Reimbursement. The parties hereto agree that this Agreement is subject to the costs and expenses, indemnification, reimbursement and related provisions set forth in Section 11.04 of the Credit Agreement.

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

5.09 Submission to Jurisdiction; Waiver of Venue; Service of Process; Waiver of Jury Trial. The submission to jurisdiction, waiver of venue, service of process and waiver of jury trial provisions set forth in Sections 11.14(b), (c) and (d) and 11.15 of the Credit Agreement, respectively, are hereby incorporated by reference, *mutatis mutandis*.

[SIGNATURE PAGES FOLLOW]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

BORROWERS:

SUNRUN INC.,
a Delaware corporation

By: /s/ Bob Komin
Name: Bob Komin
Title: Chief Financial Officer

AEE SOLAR, INC.,
a California corporation

By: /s/ Bob Komin
Name: Bob Komin
Title: Chief Financial Officer

SUNRUN SOUTH LLC,
a Delaware limited liability company

By: /s/ Bob Komin
Name: Bob Komin
Title: Chief Financial Officer

SUNRUN INSTALLATION SERVICES INC.,
a Delaware corporation

By: /s/ Bob Komin
Name: Bob Komin
Title: Chief Financial Officer

GUARANTOR:

CLEAN ENERGY EXPERTS, LLC,
a California limited liability company

By: /s/ Mina Kim
Name: Mina Kim
Title: General Counsel

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,
as Administrative Agent

By: /s/ Mikhail Faybusovich
Name: Mikhail Faybusovich
Title: Authorized Signatory

By: /s/ Karim Rahimtoola
Name: Karim Rahimtoola
Title: Authorized Signatory

COMERICA BANK,
as Lender

By: /s/ Sunita Pater
Name: Sunita Pater
Title: SVP

[Signature Page to Incremental Facility Agreement]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

ANNEX I

SCHEDULE 1.01(b)

Commitments and Unadjusted Applicable Percentages

Lender	**Commitment**	**Unadjusted Applicable Percentage**
Credit Suisse AG, Cayman Islands Branch	$[***]	[***]%
Morgan Stanley Senior Funding, Inc.	$[***]	[***]%
Goldman Sachs Bank USA	$[***]	[***]%
KeyBank National Association	$[***]	[***]%
Silicon Valley Bank	$[***]	[***]%
NY Green Bank	$[***]	[***]%
Royal Bank of Canada	$[***]	[***]%
Comerica Bank	$[***]	[***]%
Total	$[***]	100.000000000%

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

SCHEDULE A

[Attached]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

[***]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

Exhibit 10.3
EXECUTION VERSION

FIRST AMENDMENT TO CREDIT AGREEMENT AND COLLATERAL AGENCY AGREEMENT

This FIRST AMENDMENT TO CREDIT AGREEMENT AND COLLATERAL AGENCY AGREEMENT, dated as of May 12, 2016 (this "Amendment"), is entered into among the undersigned in connection with (a) that certain Credit Agreement, dated as of January 15, 2016 (as amended from time to time, the "Credit Agreement"), among Sunrun Hera Portfolio 2015-A, LLC, a Delaware limited liability company, as Borrower (the "Borrower"), the financial institutions as Lenders from time to time party thereto, Investec Bank PLC, as Administrative Agent for the Lenders (the "Administrative Agent") and as Issuing Bank, and (b) that certain Collateral Agency and Intercreditor Agreement, dated as of January 15, 2016 (as amended from time to time, the "Collateral Agency Agreement"), among the Borrower, the Administrative Agent, Deutsche Bank Trust Company Americas, as Collateral Agent (the " Collateral Agent"), and each other Secured Party party thereto from time to time. Capitalized terms which are used but not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement.

W I T N E S S E T H

WHEREAS, the Borrower wishes to make certain amendments to the Credit Agreement and the Collateral Agency Agreement, and the undersigned wish to agree to make such amendments.

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 III below, the following amendments to the Credit Agreement are hereby accepted and agreed by the parties hereto:

1. Additional Definitions. The following new definitions are added to Section 1.01 of the Credit Agreement (in proper alphanumeric order):

> "Gaia Portfolio 2016-A" means Sunrun Gaia Portfolio 2016-A, LLC, a Delaware limited liability company.
>
> "NY Green Bank" means NY Green Bank, a division of the New York State Energy Research & Development Authority, or any Affiliate thereof that succeeds to NY Green Bank's rights and obligations under the NY Green Bank Loan Agreement.
>
> "NY Green Bank Loan Agreement" means that certain Loan Agreement, dated as of May 12, 2016, between Gaia Portfolio 2016-A, as borrower, and NY Green Bank, as lender.

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

"NY Green Bank Termination Notice" means a notice from NY Green Bank to the Administrative Agent confirming that the "Debt Termination Date" under the NY Green Bank Loan Agreement has occurred.

2. Amendment of Definitions.

(a) The "Business Day" definition set forth in Section 1.01 of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

"Business Day" shall mean the hours between 9:00 a.m. – 4:00 p.m., Eastern time, Monday through Friday, other than the following days: (a) New Year's Day, Dr. Martin Luther King, Jr. Day, Washington's Birthday (celebrated on President's Day), Memorial Day, the day before Independence Day, Independence Day, Labor Day, Columbus Day, Veterans' Day, the day before and after Thanksgiving Day, Thanksgiving Day, Christmas Eve, Christmas Day and New Year's Eve, (b) any other day on which banks are required or authorized by Law to close in New York State, (c) a legal holiday in London, England, the State of New York or California or the jurisdiction where the Administrative Agent's Office is located and (d) any day on which commercial banks and the U.S. Federal Reserve Bank are authorized or required to be closed in any of the foregoing states. For purposes hereof, if any day listed above as a day on which a bank is closed falls on a Saturday or Sunday, such day is celebrated on either the prior Friday or the following Monday.

(b) The "Defaulting Lender" definition set forth in Section 1.01 of the Credit Agreement is hereby amended by inserting the following text at the end thereof:

Notwithstanding anything to the contrary in this definition of "Defaulting Lender", if NY Green Bank has satisfied its obligations to make loans to Gaia Portfolio 2016-A in accordance with the NY Green Bank Loan Agreement, Gaia Portfolio 2016-A shall not be a Defaulting Lender to the extent of NY Green Bank's outstanding loans and commitments to make loans under the NY Green Bank Loan Agreement, as such amounts may be certified to the Administrative Agent from time to time by NY Green Bank or Gaia Portfolio 2016-A.

(c) The "Governmental Authority" definition set forth in Section 1.01 of the Credit Agreement is hereby amended by replacing the text "any federal" with the text "any nation or government, including any international or multinational organization or agency comprising nations or governments".

3. Amendment to Section 2.06(a). Section 2.06(a) of the Credit Agreement is hereby amended by (a) replacing the text "March 31, 2016" in each place it appears with the text "June 30, 2016" and (b) replacing the text "$140,000,000" with the text "$200,000,000".

4. Amendment to Section 4.01(b). Section 4.01(b) of the Credit Agreement is hereby amended by inserting at the end thereof the following text:

Unless and until each of the Administrative Agent and the Borrower receives written notice to the contrary from NY Green Bank, each of the Administrative Agent and the Borrower shall pay all amounts that are due and payable by it to Gaia Portfolio 2016-A as a Lender under this Agreement directly to [***] or to such other account or Person designated by NY Green Bank, as may be notified to each of the Administrative Agent and the Borrower in writing from time to time by NY Green Bank until the date of receipt by the Administrative Agent of the NY Green Bank Termination Notice. All amounts so paid shall be deemed paid to Gaia Portfolio 2016-A as a Lender under this Agreement.

5. Amendment to Section 4.07. Section 4.07 of the Credit Agreement is hereby amended by inserting at the end thereof the following text as a new clause (g):

(g) The Borrower's obligations to Gaia Portfolio 2016-A in its capacity as a Lender pursuant to Sections 4.07(a), 4.08(a), 4.09(c), 4.11(d), 4.11(e) and 4.11(f) shall also include amounts owed to NY Green Bank from Gaia Portfolio 2016-A under the corresponding provisions of the NY Green Bank Loan Agreement, and NY Green Bank may proceed directly against the Borrower to enforce the Borrower's obligations under this Section 4.07(g) (it being agreed that NY Green Bank shall be an express third party beneficiary of this Section 4.07(g)).

6. Amendment to Section 4.11(c). Section 4.11(c) of the Credit Agreement is hereby amended by inserting at the end thereof the following text as a new clause (iv):

(iv) If NY Green Bank exercises its rights under the NY Green Bank Loan Agreement corresponding to the rights of Gaia Portfolio 2016-A pursuant to this Section 4.11(c), the provisions of Sections 4.11(c)(ii) and (iii) shall be deemed to apply to the Revolving Loans held by Gaia Portfolio 2016-A to the same extent as if NY Green Bank had exercised such rights pursuant to such Sections hereunder.

7. Amendment to Section 6.01(a)(iii). Section 6.01(a)(iii) of the Credit Agreement is hereby amended by inserting the following text as the second sentence thereof:

The Borrower shall cause the Manager to include in each such Manager's report (A) the zip code for each Eligible Project and (B) the estimated first-year energy generation data for each Eligible Project for the year commencing on the date such Eligible Project was granted permission to operate.

8. Amendment to Section 8.01. Sections 8.01(c), (d) and (o) of the Credit Agreement are hereby deleted in their entirety and replaced with the following text, respectively:

(c) fail to maintain books, records and agreements as official records and separate from those of the members, principals and Affiliates or any other Person;

(d) fail to maintain its bank accounts separate from the members, principals and Affiliates of any other Person;

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

(o) fail to act solely in its own limited liability company name and not of any other Person, any of its officers or any of their respective Affiliates, and fail to at all times use its own stationery, invoices and checks separate from those of any other Person, any of its officers or any of their respective Affiliates;

9. Amendment to Section 12.02. Section 12.02 of the Credit Agreement is hereby amended by inserting at the end thereof the following text as new clauses (e) and (f):

(e) Disclosures to NY Green Bank. Notwithstanding anything to the contrary contained in this Agreement and for so long as Gaia Portfolio 2016-A has any obligations to NY Green Bank under the NY Green Bank Loan Agreement, the Administrative Agent shall be permitted (i) to send to NY Green Bank copies of all requests, demands, authorizations, directions, notices, consents, waivers or other documents and communications sent by the Administrative Agent to the Lenders and (ii) grant to NY Green Bank access to any electronic datasite maintained by, or on behalf of, the Administrative Agent. Each of the Administrative Agent and the Borrower agrees to deliver to NY Green Bank a copy of any notice delivered to the Borrower under this Agreement and the other Loan Documents simultaneously with the delivery of such notice to Gaia Portfolio 2016-A as a Lender under this Agreement; provided, that, so long as the Administrative Agent has granted NY Green Bank access to a datasite referred to in this Section 12.02(e), any such notice obligation may be satisfied by posting any applicable notice to such datasite.

(f) Notices by NY Green Bank. NY Green Bank is exclusively authorized to exercise all discretion in giving notices, directions, requests, instructions and other communications relating to this Agreement and the other Loan Documents to which Gaia Portfolio 2016-A is entitled to give as a Lender under this Agreement and in taking all such other actions reserved to Gaia Portfolio 2016-A as a Lender under this Agreement (including the exercise of all voting rights of Gaia Portfolio 2016-A as a Lender under this Agreement), and the Administrative Agent, the Borrower and the Lenders shall (i) deal exclusively with NY Green Bank in connection with exercise of Gaia Portfolio 2016-A's rights as a Lender under this Agreement and the other Loan Documents, (ii) treat any and all written notices, directions, requests, instructions and other communications received from NY Green Bank as coming directly from Gaia Portfolio 2016-A as a Lender under this Agreement, (iii) disregard any notices, directions, requests, instructions and other communications that are received from Gaia Portfolio 2016-A but not initiated or acknowledged by NY Green Bank and (iv) direct to NY Green Bank (with a copy to Gaia Portfolio 2016-A) all notices, directions, requests, instructions and other communications arising out of or in connection with this Agreement and the other Loan Documents; provided, that this clause (f) shall not be applicable from and after the date of receipt by the Administrative Agent of the NY Green Bank Termination Notice.

10. Amendment to Section 12.05(b)(vii). Section 12.05(b)(vii) of the Credit Agreement is hereby amended by inserting the following text at the end thereof:

> Notwithstanding anything to the contrary in this Agreement, for all purposes of this Agreement and the other Loan Documents, including, without limitation, for purposes of the Collateral Agency Agreement, Gaia Portfolio 2016-A shall not be an Affiliated Lender prior to receipt by the Administrative Agent of the NY Green Bank Termination Notice; provided, that for purposes of determining the voting percentage of Gaia Portfolio 2016-A hereunder, Gaia Portfolio 2016-A shall be deemed to hold an aggregate amount of outstanding Revolving Loans and Revolving Loan Commitments equal to the aggregate amount of outstanding loans and commitments to make loans under the NY Green Bank Loan Agreement, as such amounts may be certified to the Administrative Agent from time to time by NY Green Bank.

11. Amendment to Section 12.11(a)(vi)(C). Clause (vi)(C) of Section 12.11(a) of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

> (C) any pledgee of a Lender referred to in Section 12.05; provided, however, that Confidential Information may be disclosed to any such pledgee of a Lender that is a Governmental Authority without being subject to an agreement containing confidentiality undertakings substantially similar to those of this Section,

II. Amendments to the Collateral Agency Agreement. Subject to the satisfaction of the conditions set forth in Article III below, the following amendments to the Collateral Agency Agreement are hereby accepted and agreed by the parties hereto:

1. Additional Definitions. The following new definitions are added to Section 1.01 of the Collateral Agency Agreement (in proper alphanumeric order):

> "CEA Swap Obligation" means, with respect to the Borrower, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of section 1 a(47) of the Commodity Exchange Act.
>
> "Commodity Exchange Act" means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.
>
> "Excluded Swap Obligation" means, with respect to any Loan Party, (a) any CEA Swap Obligation if, and to the extent that, all or a portion of the guarantee by such Loan Party of such CEA Swap Obligation (or any guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Loan Party's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act and the regulations thereunder at the time the guarantee of such Loan Party becomes effective with respect to such CEA Swap

Obligation or (b) any CEA Swap Obligation if, and to the extent that, all or a portion of the grant by such Loan Party of a security interest to secure such CEA Swap Obligation (or such security interest in respect thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Loan Party's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act and the regulations thereunder at the time the security interest of such Loan Party becomes effective with respect to such CEA Swap Obligation. If a CEA Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such CEA Swap Obligation that is attributable to swaps for which such guarantee or security interest is or becomes illegal.

"Financing Obligations" means all Obligations other than Obligations in respect of the Secured Interest Rate Hedging Agreements.

"Swap Obligations" the obligations of any Loan Party under or in respect of any Secured Interest Rate Hedging Agreement, including Ordinary Course Settlement Payments and Swap Termination Payments.

2. Amendment of Definitions. The "Secured Obligations" definition set forth in Section 1.01 of the Collateral Agency Agreement is hereby amended by inserting the following text at the end thereof:

; provided that at no time shall Secured Obligations include any Excluded Swap Obligations; provided, further, that Excluded Swap Obligations shall not be paid with amounts received from such Loan Party or its assets, but appropriate adjustments shall be made with respect to payments from other Loan Parties to ensure that (A) such Excluded Swap Obligations shall continue to be paid from total proceeds ratably and timely with the Financing Obligations and (B) the overall application of all proceeds under Section 2.02 shall result in the preservation of the ratable allocation to the Financing Obligation and the Swap Obligations, (including the Excluded Swap Obligations) otherwise set forth in Section 2.02 of this Agreement.

III. Conditions Precedent to Effectiveness. The amendments contained in Articles I and II 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 and the Lenders, and acknowledged by the Administrative Agent; and

2. the Borrower shall have paid all fees, costs and expenses of the Administrative Agent, the Collateral 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

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

Lenders' counsel and fees of Collateral Agent's counsel and other advisors or consultants retained by the Administrative Agent).

IV. Representations and Warranties. The Borrower 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 Borrower has all requisite power and authority to perform its obligations under the Credit Agreement, as amended by this Amendment (as so amended, 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.

V. 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 Credit Agreement as amended by this Amendment.

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

VI. Miscellaneous.

1. Counterparts. This Amendment may be executed in one or more duplicate counterparts and by facsimile or other electronic delivery and by different parties on different counterparts, each of which shall constitute an original, but all of which shall constitute a single document and when signed by all of the parties listed below shall constitute a single binding document.

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 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 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. The undersigned Lenders comprising the Required Secured Parties (as defined in the Collateral Agency Agreement) also hereby authorize and instruct the Collateral Agent to execute and deliver this Amendment.

[*Signature Pages Follow*]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

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 HERA PORTFOLIO 2015-A, LLC,
as Borrower

By: Sunrun Hera Portfolio 2015-B, LLC
Its: Sole Member

By: Sunrun Hera Holdco 2015, LLC
Its: Sole Member

By: Sunrun Inc.
Its: Sole Member

By: /s/ Robert Komin, Jr.
Name: Robert Komin, Jr.
Title: Chief Financial Officer

[Signature Page to First Amendment to AF Credit Agreement]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

INVESTEC BANK PLC,
as Administrative Agent

By: /s/ Andrew Nosworthy
Name: Andrew Nosworthy
Title: Authorised Signatory

By: /s/ Adam Gordon
Name: Adam Gordon
Title: Authorised Signatory

[Signature Page to First Amendment]

INVESTEC BANK PLC,
as Lender

By: /s/ Andrew Nosworthy
Name: Andrew Nosworthy
Title: Authorised Signatory

By: /s/ Adam Gordon
Name: Adam Gordon
Title: Authorised Signatory

[Signature Page to First Amendment]

KEYBANK NATIONAL ASSOCIATION,
as Lender

By:	/s/ Richard Gerling
Name:	Richard Gerling
Title:	Senior Vice President

[Signature Page to First Amendment]

SUNTRUST BANK,
as Lender

By: /s/ Nina Johnson
Name: Nina Johnson
Title: Director

[Signature Page to First Amendment]

SILICON VALLEY BANK,
as Lender

By: /s/ Sayoji Goli
Name: Sayoji Goli
Title: Vice President

[Signature Page to First Amendment]

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Collateral Agent

By: Deutsche Bank National Trust Company

By: /s/ Jennifer Van Dyne
Name: Jennifer Van Dyne
Title: Assistant Vice President

By: /s/ Doris Yang
Name: Doris Yang
Title: Associate

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

Exhibit 10.4
EXECUTION VERSION

CONSENT AND SECOND AMENDMENT TO CREDIT AGREEMENT

This CONSENT AND SECOND AMENDMENT TO CREDIT AGREEMENT, dated as of June 29, 2016 (this " Amendment"), is entered into among the undersigned in connection with that certain Credit Agreement, dated as of January 15, 2016, among Sunrun Hera Portfolio 2015-A, LLC, a Delaware limited liability company, as Borrower (the "Borrower"), the financial institutions as Lenders from time to time party thereto (the "Lenders") and Investec Bank PLC, as Administrative Agent for the Lenders (in such capacity, the " Administrative Agent") and as Issuing Bank (in such capacity, the "Issuing Bank"), as amended by that certain First Amendment to Credit Agreement and Collateral Agency Agreement, dated as of May 12, 2016, by and among the Borrower, the Administrative Agent, the Lenders party thereto, the Issuing Bank and Deutsche Bank Trust Company Americas, as Collateral Agent (the " Collateral Agent") (as amended 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.

W I T N E S S E T H

WHEREAS, the Borrower wishes to make certain amendments to the Credit Agreement and the undersigned wish to agree to make such amendments; and

WHEREAS, the Borrower also wishes to obtain consent from the Administrative Agent and the Required Lenders to acquire (i) the [***] Fund (the "[***] Fund") as such fund is identified by the Borrower in that certain Tax Equity Fund Certificate, dated as of June 29, 2016, and delivered by the Borrower to the Administrative Agent in accordance with Section 2.05(b)(i) of the Credit Agreement and (ii) the [***] Fund (the "[***] Fund"), as such fund is identified by the Borrower in that certain Tax Equity Fund Certificate, dated as of June 29, 2016, and delivered by the Borrower to the Administrative Agent in accordance with Section 2.05(b)(i) of the Credit Agreement (such acquisitions, collectively, the "Acquisition").

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 III below, the following amendments to the Credit Agreement are hereby accepted and agreed by the parties hereto:

1. Additional Definitions. The following new definitions are added to Section 1.01 of the Credit Agreement (in proper alphanumeric order):

"Battery Storage Approval" shall have the meaning given to it in Section 7.19."

"Second Amendment Effective Date" means June 29, 2016."

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

"[***] Opco" means Sunrun [***] Owner [***], LLC, a Delaware limited liability company."

"[***] Opco" means Sunrun [***] Owner 2015, LLC, a Delaware limited liability company."

2. Amendment to Section 2.05(e). Section 2.05(e) of the Credit Agreement is hereby amended and restated in its entirety with the following text:

> "Simultaneously with any acquisition or formation by the Borrower of a Partnership Flip Fund, an Inverted Lease Fund, any other tax equity investment fund, a Wholly Owned Holdco or a Wholly Owned Opco pursuant to Section 2.05, each of the following shall be updated automatically without any further action by the Parties hereto, in each case as set forth in the applicable Tax Equity Certificate delivered pursuant to Section 2.05(a), Section 2.05(b) or Section 2.05(c) or the applicable Wholly Owned Opco Certificate delivered pursuant to Section 2.05(d): (i) Schedule 5.03(e) and Schedule 5.03(f) to include the new Relevant Parties, (ii) Schedule 1.01(a) to include any Tax Equity Documents and/or Wholly Owned Opco Documents of the new Relevant Parties, as applicable, (iii) Schedule A to include any Project Information in respect of the new Relevant Parties and (iv) Schedule 1.01(b) to include any new manufacturer in respect of Projects purchased or leased by the new Opcos that was not an Approved Manufacturer prior to such acquisition or formation pursuant to this Section 2.05 that has been approved by the Administrative Agent in consultation with the Independent Engineer."

3. Amendments to Article VII. Article VII to the Credit Agreement is hereby amended by inserting at the end thereof the following sections (in proper alphanumeric order):

> "Section 7.18. [***] Fund. From and after the Second Amendment Effective Date, the Borrower shall not permit [***] Opco to purchase any additional Project for which the applicable Customer has a FICO® Score of less than [***]; provided, that, for the avoidance of doubt, the Borrower acknowledges and agrees that none of the [***] Projects currently owned by [***] Opco for which the applicable Customer has a FICO® Score of less than [***] shall constitute an Eligible Project hereunder."

> "Section 7.19. [***] Fund. The Borrower shall not permit [***] Opco to purchase more than [***] Projects that include battery storage until such time as, following the delivery by the Borrower to the Administrative Agent of a report by the Independent Engineer regarding battery storage, the Administrative Agent and the Required Lenders agree that such Projects, which include battery storage, shall constitute Eligible Projects hereunder (the "Battery Storage Approval"); provided, that, the Borrower agrees that any Project owned or purchased by [***] Opco that includes battery storage shall not constitute an Eligible Project until the Battery Storage Approval is obtained."

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

4. Amendment to Annex B. Section 9 of Part I of Annex B to the Credit Agreement is hereby amended and restated in its entirety with the following text:

> "With respect to a Date Certain Partnership Flip Fund, after certain criteria have been satisfied, the Tax Equity Class A Member will have the option to sell all of the Partnership Flip Investor Units to the Sponsor or its designee pursuant to an agreed methodology (which is not based upon the achievement of a target internal rate of return) during an agreed period."

5. Amendment to Annex C. Section 9 of Part I of Annex C to the Credit Agreement is hereby amended and restated in its entirety with the following text:

> "(i) With respect to an IRR Partnership Flip Fund, after certain criteria have been satisfied, the Partnership Flip Holdco will have the option to purchase all of the Partnership Flip Investor Units from the Tax Equity Class A Member for a stated amount or pursuant to an agreed methodology (which may include a purchase price equal to the greater of (x) the fair market value of the Partnership Flip Investor Units or (y) an amount necessary to cause the Tax Equity Class A Member to reach its target internal rate of return pursuant to the Partnership Flip LLCA) or (ii) with respect to a Date Certain Partnership Flip Fund, after certain criteria have been satisfied, the Tax Equity Class A Member will have the option to sell all of the Partnership Flip Investor Units to the Sponsor or its designee pursuant to an agreed methodology (which is not based upon the achievement of a target internal rate of return) during an agreed period."

II. Limited Consent. At the request of the Borrower and subject to the satisfaction of the conditions set forth in Article III below, the Administrative Agent and each of the Lenders party hereto, which constitute the Required Lenders, hereby consents and agrees to the Acquisition, for which consent of the Administrative Agent and the Required Lenders is required pursuant to Section 2.05(b)(iii) of the Amended Credit Agreement (the "Consent"). For the avoidance of doubt, at all times following the Amendment Effective Date (as defined below), the Borrower shall comply with all provisions of the Amended Credit Agreement. The Consent granted pursuant to this Article II is limited precisely as written and shall not extend to any other provision of the Credit Agreement or the Amended Credit Agreement.

III. Conditions Precedent to Effectiveness. The amendments contained in Article I and the Consent contained in Article II 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 and the Lenders, and acknowledged by the Administrative Agent; and

2. the Borrower shall have paid all 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).

IV. Representations and Warranties. The Borrower 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 Borrower has all requisite power and authority to perform its obligations under 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.

V. 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.

VI. Miscellaneous.

1. Counterparts. This Amendment may be executed in one or more duplicate counterparts and by facsimile or other electronic delivery and by different parties on different counterparts, each of which shall constitute an original, but all of which shall constitute a single document and when signed by all of the parties listed below shall constitute a single binding document.

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

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*]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

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 HERA PORTFOLIO 2015-A, LLC,
as Borrower

By: Sunrun Hera Portfolio 2015-B, LLC
Its: Sole Member

By: Sunrun Hera Holdco 2015, LLC
Its: Sole Member

By: Sunrun Inc.
Its: Sole Member

By: /s/ Robert Komin, Jr.
Name: Robert Komin, Jr.
Title: Chief Financial Officer

[Signature Page to Second Amendment (AF Credit Agreement)]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

INVESTEC BANK PLC,
as Administrative Agent

By: /s/ Andrew Nosworthy
Name: Andrew Nosworthy
Title: Authorised Signatory

By: /s/ Andrew Meil
Name: Andrew Meil
Title: Authorised Signatory

[Signature Page to Second Amendment (AF Credit Agreement)]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

INVESTEC BANK PLC,
as Issuing Bank

By:	/s/ Andrew Nosworthy
Name:	Andrew Nosworthy
Title:	Authorised Signatory

By:	/s/ Adam Gordon
Name:	Adam Gordon
Title:	Authorised Signatory

[Signature Page to Second Amendment (AF Credit Agreement)]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

INVESTEC BANK PLC,
as Lender

By:	/s/ Andrew Nosworthy
Name:	Andrew Nosworthy
Title:	Authorised Signatory

By:	/s/ Adam Gordon
Name:	Adam Gordon
Title:	Authorised Signatory

[Signature Page to Second Amendment (AF Credit Agreement)]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

KEYBANK NATIONAL ASSOCIATION,
as Lender

By: /s/ Lisa A. Ryder
Name: Lisa A. Ryder
Title: Senior Vice President

[Signature Page to Second Amendment (AF Credit Agreement)]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

SUNTRUST BANK,
as Lender

By:	/s/ Nina Johnson
Name:	Nina Johnson
Title:	Director

[Signature Page to Second Amendment (AF Credit Agreement)]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

SILICON VALLEY BANK,
as Lender

By:	/s/ Sayoji Goli
Name:	Sayoji Goli
Title:	Vice President

[Signature Page to Second Amendment (AF Credit Agreement)]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

HSBC BANK USA, NATIONAL ASSOCIATION,
as Lender

By:	/s/ James Kaiser
Name:	James Kaiser
Title:	Managing Director

[Signature Page to Second Amendment (AF Credit Agreement)]

ING CAPITAL LLC,
as Lender

By:	/s/ Erwin Thomet
Name:	Erwin Thomet
Title:	Managing Director

By:	/s/ Thomas Cantello
Name:	Thomas Cantello
Title:	Director

[Signature Page to Second Amendment (AF Credit Agreement)]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

SUNRUN GAIA PORTFOLIO 2016-A, LLC,
as Lender

By: Sunrun Gaia Holdco 2016, LLC
Its: Sole Member

By: Sunrun Inc.
Its: Sole Member

By: /s/ Robert Komin, Jr.
Name: Robert Komin, Jr.
Title: Chief Financial Officer

[Signature Page to Second Amendment (AF Credit Agreement)]

[***] Confidential treatment has been requested for the bracketed portions. The confidential redacted portion has been omitted and filed separately with the Securities and Exchange Commission.

Exhibit 31.1

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, Lynn Jurich, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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)) 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) 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
   (c) 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: August 11, 2016

By: /s/ Lynn Jurich

Lynn Jurich
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

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, Bob Komin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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)) 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) 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

    (c) 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: August 11, 2016

By: /s/ Bob Komin

Bob Komin
Chief Financial Officer
(Principal Accounting and Financial Officer)

Exhibit 32.1

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 Quarterly Report on Form 10-Q for the period ended June 30, 2016 (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: August 11, 2016

By: /s/ Lynn Jurich
Lynn Jurich
Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ Bob Komin
Bob Komin
Chief Financial Officer
(Principle Accounting and Financial Officer)