

Sunrun Inc.
Form S-1
June 25, 2015
Table of Contents

As filed with the Securities and Exchange Commission on June 25, 2015

Registration No. 333-

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

FORM S-1
REGISTRATION STATEMENT

Under
The Securities Act of 1933

SUNRUN INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

4931
(Primary Standard Industrial
Classification Code Number)
595 Market Street, 29th Floor

26-2841711
(I.R.S. Employer
Identification Number)

San Francisco, California 94105

(415) 580-6900

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Lynn Jurich

Chief Executive Officer

Sunrun Inc.

595 Market Street, 29th Floor

San Francisco, California 94105

(415) 580-6900

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Robert O Connor, Esq.

Mina Kim, Esq.

Daniel G. Kelly, Jr., Esq.

Jon C. Avina, Esq.

Christopher Filosa, Esq.

Sarah K. Solum, Esq.

Calise Y. Cheng, Esq.

Sunrun Inc.

Davis Polk & Wardwell LLP

Wilson Sonsini Goodrich & Rosati, P.C.

595 Market Street, 29th Floor

1600 El Camino Real

One Market, Spear Tower, Suite 3300

San Francisco, California 94105

Menlo Park, California 94025

San Francisco, California 94105

(415) 580-6900

(650) 752-2000

(415) 947-2000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
Common Stock, \$0.0001 par value per share	\$100,000,000	\$11,620

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(2) Includes the aggregate offering price of additional shares that the underwriters have the right to purchase to cover over-allotments, if any.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject To Completion. Dated _____, 2015.

Shares

Common Stock

This is an initial public offering of shares of common stock of Sunrun Inc. _____ shares of common stock are being sold by us and _____ shares of common stock are being sold by the selling stockholders identified in this prospectus. We will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders.

Prior to this offering, there has been no public market for shares of our common stock. The initial public offering price of the common stock is expected to be between \$ _____ and \$ _____. We have applied to list our common stock on the NASDAQ Stock Market under the symbol RUN.

The underwriters have an option to purchase from us a maximum of _____ additional shares to cover over-allotments of shares.

We are an emerging growth company as defined under the federal securities laws and, as such, are subject to reduced public company reporting requirements.

See **Risk Factors** beginning on page 14 to read about factors you should consider before buying shares of our common stock.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Issuer	Proceeds to Selling Stockholders
Per share	\$	\$	\$	\$
Total	\$	\$	\$	\$
Delivery of the shares of common stock will be made on or about _____, 2015.				

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse

Goldman, Sachs & Co.

Morgan Stanley

BofA Merrill Lynch

RBC Capital Markets

KeyBanc Capital Markets

SunTrust Robinson Humphrey

The date of this prospectus is , 2015

Table of Contents

Table of Contents

Table of Contents

TABLE OF CONTENTS

	Page
<u>PROSPECTUS SUMMARY</u>	1
<u>RISK FACTORS</u>	14
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	42
<u>MARKET AND INDUSTRY DATA</u>	44
<u>USE OF PROCEEDS</u>	45
<u>DIVIDEND POLICY</u>	46
<u>CAPITALIZATION</u>	47
<u>DILUTION</u>	49
<u>SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA</u>	51
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	53
<u>INDUSTRY OVERVIEW</u>	88
<u>BUSINESS</u>	90
<u>MANAGEMENT</u>	107
<u>EXECUTIVE COMPENSATION</u>	114
<u>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</u>	124
<u>PRINCIPAL AND SELLING STOCKHOLDERS</u>	129
<u>DESCRIPTION OF CAPITAL STOCK</u>	132
<u>SHARES ELIGIBLE FOR FUTURE SALE</u>	137
<u>MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR COMMON STOCK</u>	139
<u>UNDERWRITING</u>	143
<u>LEGAL MATTERS</u>	150
<u>EXPERTS</u>	150
<u>WHERE YOU CAN FIND ADDITIONAL INFORMATION</u>	150
<u>INDEX TO CONSOLIDATED FINANCIAL STATEMENTS</u>	F-1
<u>UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION</u>	P-1

We have not, and the selling stockholders have not, authorized anyone to provide any information or make any representations other than those contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We and the selling stockholders take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We and the selling stockholders are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

Through and including _____, 2015 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and

with respect to an unsold allotment or subscription.

For investors outside of the United States: Neither we, the selling stockholders nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus outside of the United States.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights selected information that is presented in greater detail elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, including the sections titled Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this prospectus, before making an investment decision. Unless the context otherwise requires, the terms Sunrun, the company, we, us and our in this prospectus refer to Sunrun Inc. and its consolidated subsidiaries.

SUNRUN INC.

Our Mission

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

Overview

We provide clean, solar energy to homeowners at a significant savings to traditional utility energy. After inventing the residential solar service model and recognizing its enormous market potential, we leveraged our first-mover advantage to build out the infrastructure and capabilities necessary to rapidly acquire and serve customers in a low-cost and scalable manner. Today, our scalable operating platform provides us with a number of unique advantages. First, we are able to drive distribution by marketing our solar service offerings through multiple channels, including our diverse partner network and direct-to-consumer operations. This multi-channel model supports broad sales and installation capabilities, which together allow us to achieve capital-efficient growth. Second, we are able to provide differentiated solutions to our customers that, combined with a great customer experience, we believe will drive meaningful margin advantages for us over the long term as we strive to create the industry's most valuable and satisfied customer base.

Our core solar product offerings are provided through a lease or a power purchase agreement, which are substantially similar to one another, and which we refer to as our solar service offerings. Our solar service offerings provide homeowners with simple, predictable pricing for solar energy that is insulated from rising retail electricity prices. While homeowners have the option to purchase a solar energy system outright from us, most of our customers choose to buy solar as a service from us through our solar service offerings and enjoy the flexibility and savings that come from purchasing solar energy without the significant upfront investment of purchasing a solar energy system. With our solar service offerings, we install solar energy systems on our customers' homes and sell them the solar power produced by those systems for a 20-year initial term. Most of our customers can expect to save an estimated 20% or more on their cost of electricity over that 20-year term. In addition, we monitor, maintain and insure the system at no additional cost during the term of the contract. In exchange, we receive 20 years of predictable cash flows from high credit quality customers and qualify for tax and other benefits. We finance portions of these tax benefits and cash flows through tax equity and non-recourse debt structures in order to fund our upfront costs, overhead and growth investments. We develop valuable customer relationships that can extend beyond this initial contract term and provide us an opportunity to offer additional services in the future. Delivering a differentiated customer experience is core to our strategy. We emphasize a customized solution, including a design specific to each customer's home and pricing

configurations that typically drive both customer savings and value to us.

Table of Contents

We currently go to market with our core solar service offerings through three channels: (i) our direct-to-consumer channel, (ii) our solar partner channel who originate customers for our solar service offerings, procure and install solar energy systems on our customers' homes on our behalf, and (iii) a growing set of strategic relationships with recognized non-solar brands.

Direct-to-consumer channel. In our direct-to-consumer channel, we provide our solar service offerings to homeowners, and install the solar energy systems ourselves. We also sell and install customer-owned solar energy systems through this channel. This channel consists of an online lead-generation function, a telesales and field sales team, a direct-to-home sales force, a retail sales team and an industry-leading installation organization. We developed our direct-to-consumer channel primarily through the acquisition of the residential solar business of a partner in 2014.

Solar partner channel. In our solar partner channel, we contract with more than 40 diverse solar organizations that act as lead generators, distributors of our solar service offerings and subcontractors for the procurement and installation of the related solar energy systems. Because of our commitment to our solar partners and our vested interest in their success, we refer to them as our solar partners, although the actual legal relationship is that of an independent contractor. These solar partners are compensated on a per customer or per solar energy system basis for the work they perform. They are not entitled to any portion of the ongoing payments that we receive from our customers pursuant to our solar service offerings.

Strategic partnerships. In our strategic partnership channel, we contract with new market entrants not previously engaged in solar, including cable, consumer marketing, retail, and specialized energy retail companies. Through these strategic arrangements, we market and sell our solar service offerings to the strategic partner's customer base and install the related solar energy system directly or subcontract the installation through one of our solar partners. Typically, we compensate our strategic partners on a per customer basis for customers who enter into customer agreements with us as a result of the strategic partners' marketing efforts or the access they provide to us to their customers. We call these relationships partnerships as well, although the legal relationship is typically structured as a sales and marketing contract or similar arrangement. Our strategic partners are not entitled to any portion of the ongoing payments that we receive from our customers pursuant to our solar service offerings.

Our platform of services and tools allows us to efficiently go to market through all three channels. Our platform incorporates processes and software automation, streamlining customer origination and solar energy system installation, and simplifying ongoing maintenance and billing. We believe the use of our platform, which we generally provide to solar partners free of charge, empowers new market entrants and smaller industry participants to become our solar partners and profitably serve our large and under-penetrated market without them having to make the significant investments in technology and infrastructure required to compete effectively against established industry players by improving efficiency and driving down system-wide costs. Our platform provides the support for our multi-channel model, which drives broad customer reach and capital-efficient growth. In part because of our platform capabilities, we have built a leading, diversified partner network of solar sales and installation companies.

We have made significant investments to expand our capabilities, including, in 2014, direct customer acquisition, direct system installation, and fulfillment and racking capabilities. To accelerate these efforts, we acquired the residential solar business of a long-time partner, Mainstream Energy Corporation, as well as its fulfillment and racking businesses, which we refer to collectively as MEC. We will continue to evaluate investment and partnership

opportunities to expand market reach and lower our cost structure in this dynamic and nascent market.

We have experienced substantial growth in our business and operations since our inception in 2007. As of March 31, 2015, we operated the second largest fleet of residential solar energy systems in the United States,

Table of Contents

with approximately 79,000 customers across 13 states. We have deployed an aggregate of 430 megawatts (MW) as of March 31, 2015. As of March 31, 2015, our estimated nominal contracted payments remaining was approximately \$1.7 billion, and our estimated retained value was \$1.1 billion. In addition, we also have a long track record of attracting low-cost capital from diverse sources, including tax equity and debt investors. As of March 31, 2015, we have raised 20 tax equity investment funds to finance the installation of solar energy systems with an estimated value of \$3.1 billion. These investment funds allow us to monetize the recurring customer payments from our customer agreements, as well as the associated tax and other incentives including the Federal Investment Tax Credit (ITC), accelerated tax depreciation and other government and utility incentives. We use proceeds from these investment funds to finance the costs associated with purchasing and installing solar energy systems. We have established different types of investment funds to implement our financing strategy, and the allocation of the economic benefits between us and the fund investor varies depending on the structure of the investment fund. We currently use three different investment fund structures which we refer to as lease pass-throughs, partnership flips and joint venture inverted leases. Economic and tax benefits are allocated between us and fund investors based on these structures, and these structures are treated differently for financial statement purposes. We provide additional information about these investment funds in Management's Discussion and Analysis of Financial Condition and Results of Operations Investment Funds. Although we have been successful in raising capital, we have incurred net losses since inception and had an accumulated deficit of \$76.8 million as of March 31, 2015.

Market Opportunity

The residential solar market opportunity is both large and significantly underpenetrated. Growth in the market has been driven by the advent of the residential solar service model, allowing homeowners to benefit from solar electricity without the upfront capital expense or taking on the perceived risks of solar energy system ownership. Additional financing alternatives such as loan products have also served to continue to expand the market. Today, residential solar has penetrated less than 1% of the 83 million single family detached homes in the United States. The total residential electricity revenues in the United States were \$175 billion in 2014 and are expected to reach \$208 billion by 2020. According to GTM Research and the Solar Energy Industries Association (SEIA), the residential solar energy market is expected to deploy 5,242 MW of installed capacity in 2020, representing a 27% compounded annual growth rate (CAGR) from 2014 installation levels.

The following recent trends have made solar energy a cost-effective power source for homeowners in an increasing number of markets:

Rising utility energy prices. According to the U.S. Energy Information Administration (EIA), the average residential retail electricity prices from the power grid increased at a 3.4% CAGR from 2004 to 2014.

Declining solar energy system costs. Solar energy system costs continue to decline due to decreasing hardware prices, increased installation efficiencies and lower customer acquisition costs. According to GTM Research, costs to install residential solar systems have declined 42% since 2011 and module prices have declined 80% since 2008.

The following federal, state, and local policies have also been strong factors affecting the market for distributed solar generation:

Federal Investment Tax Credit (ITC). Tax incentives have accelerated growth in U.S. solar energy system installations. Currently, business owners of solar energy systems can claim a tax credit worth 30% of the system's eligible tax basis (or the fair market value). While the tax credit for third-party-owned systems is set to step down to 10% on January 1, 2017, we expect the impact of any reduction to be mitigated by declining costs, rising electric rates and additional sources of low-cost financing.

Table of Contents

Net metering. A substantial majority of states have net metering policies whereby homeowners can offset electricity purchased from a utility by the amount of excess solar energy produced and sold to the utility. Net metering helps reduce peak electricity load and offsets the construction of new generation transmission and distribution facilities and the increased output from traditional generation facilities.

Solar renewable energy certificates (SRECs) and other state incentives. Solar renewable energy certificates have been implemented in certain states to provide an incentive for solar capacity additions, particularly for distributed generation. States offering a market for SRECs allow utilities to meet regulations requiring minimum limits for the amount of electricity that must be generated by renewable sources.

Our Distinctive Approach

Our goal is to attract high-quality customers with a great service at a competitive cost structure. We employ a distinctive two-pronged approach to achieve this goal: ongoing investment in an open platform of services and tools to drive cost efficiencies, as well as broad customer reach, and a differentiated customer experience that attracts high quality customers with strong unit margin.

Platform of Services and Tools: We have built a platform that supports a diversified value creation engine across our various channels. Our platform facilitates tight process controls and a best-in-class customer experience and enables us to own and manage the ongoing customer relationship for all solar service customers originated through our partner ecosystem. This infrastructure underpins our ability to enjoy broad customer reach with a low system-wide cost structure and positions us for expansion to every market where distributed solar energy generation can offer homeowners savings versus traditional utility retail power.

Key elements of our platform include:

Brand. We have invested to develop a strong brand presence for both our partners and us. We believe that our continuing investments in our brand will help expand our reach and reduce our cost to find and sell to new customers in both our direct and partner business. In addition, our growing reputation as a choice solar service provider increases the attractiveness of our platform for new and existing partners. Our sales and installation partners are able to leverage our brand to provide services under the Sunrun name.

Technology Suite. BrightPath, our end-to-end software suite, is designed to enable us to manage every aspect of our customers' experience in a scalable manner. BrightPath supports the sales and installation processes for both our direct and partner businesses. BrightPath also supports the maintenance and monitoring of systems which Sunrun performs as a service to the customer throughout the term of the customer agreement.

Operational Process Excellence. Over our eight-year operating history we have refined the key processes required to provide a great service at a competitive cost structure. This process excellence includes our sales and installation best practices, which we refine internally and share with partners through our dedicated training and partner management teams.

Fulfillment and Racking. Our fulfillment business, AEE, provides our direct-to-consumer business as well as more than 1,300 solar installers and other resellers across the United States with access to modules, inverters, racking and other solar components. In addition, we design and manufacture industry-leading racking technology with our SnapNrack solution, enabling fast, safe, and beautiful solar installations.

Uninterrupted Project Finance and Asset Management. Our ability to consistently raise low-cost tax equity and debt financing benefits us, our partners and consumers. Our partners benefit because we use our financing to pay them for the origination of customers for our solar service offerings, procurement and installation of solar energy systems. Our ability to draw on such commitments from investors is contingent on various conditions being satisfied in our tax equity and debt financing agreements.

Table of Contents

We have the unique capability to reach customers through multiple channels because our platform is robust, nimble, and open to partners. Our platform empowers partners, including top-tier retail operations, service partners, solar integrators, local entrepreneurs, and potential new market entrants to profitably provide our solar service offerings to their customers without incurring the significant investments necessary to compete with established industry players. We believe that these key elements of our open platform provide us with reach and scalability, a competitive cost structure and capital efficiency.

Differentiated Customer Experience: Our differentiated customer acquisition strategy attracts a large group of high-quality customers with strong unit margin. We provide our customers with tailored system design and customizable pricing for each home. Our significant investment in technology and analytics allows us to provide these benefits to customers through our direct-to-consumer channel and through our partners without compromising speed and efficiency in the sales process.

We believe that our strategy of providing a leading solar service at competitive prices through a high-quality sales process sets us apart and drives low customer acquisition costs through new customer referrals. We have designed our customizable pricing and system design capabilities to offer all target homeowners a competitive service while uniquely attracting high-quality customers those who realize enhanced savings at attractive unit margins to us. Through BrightPath, we are able to use high-resolution, site-specific data to provide customers that have favorable home characteristics with below-market pricing.

We focus our resources on markets with high electricity rates, favorable policy environments, and other characteristics that allow for low operational costs and favorable unit margins. As a result of this customer targeting and market selection, we generated an average nominal contract value of more than \$35,000 per customer agreement sold in the quarter ended March 31, 2015. We believe that our distinctive approach will create a higher quality portfolio of solar energy assets that create significant value for our customers while generating reliable cash flow to us over time.

Our Strengths

We believe the following strengths will help position us to drive the mass adoption of residential solar in a manner that maximizes the value of our growing customer base over the long term:

Platform of Services and Tools. We have built a robust operational and technology infrastructure that enables broad customer reach with a favorable cost structure.

Differentiated Customer Experience. We strive to create a leading customer offering and experience through customer-friendly solar service features, tailored designs and customizable pricing for each homeowner, a highly consultative sales process, and a focus on customer savings.

Proven Execution. We have established meaningful scale in residential solar to provide streamlined customer origination and installation and simplify ongoing maintenance and management of the customer experience for us and our partners. As of March 31, 2015, we had deployed 430 MW of residential systems, created \$1.1 billion of estimated retained value, and executed thousands of service transfers (usually when our customers move). We intend to leverage our extensive experience in solar service offerings through our partner channels in our newer direct-to-consumer business.

Proven Access to Capital. As of March 31, 2015, we have raised \$1.5 billion in tax equity to fund the installation of solar energy systems with an estimated value of \$3.1 billion. We have raised numerous investment funds including 17 from repeat investors. Our capital providers rely on our ability to generate a diverse pool of high-quality 20-year customer agreements, build systems in a timely manner,

Table of Contents

and maintain performance in our growing fleet of tens of thousands of solar energy systems. Although we have been successful in raising capital, we have incurred net losses since inception and had an accumulated deficit of \$76.8 million as of March 31, 2015.

Policy and Regulatory Leadership. We are dedicated to advancing solar-friendly policies throughout the country. We co-founded The Alliance for Solar Choice (TASC), which leads the national advocacy for rooftop solar and has led the industry to numerous favorable regulatory and legislative verdicts.

Industry Pioneering Management Team. We have assembled an executive management team with over 100 years of combined experience leading successful growth businesses and public companies in both energy and consumer-facing industries while bringing extensive functional experience in sales, marketing, project finance, legal, and public policy to help drive the mass adoption of residential solar.

Our Strategy

We will continue to focus on our distinctive approach building an open platform of services and tools and delivering a differentiated customer experience to achieve our goal of generating industry-leading cash flow from a large, happy customer base. The following are key elements of our strategy:

Grow Our Direct-to-Consumer Presence. We will continue to invest in and expand our direct-to-consumer channel, which enables us to reach homeowners and install systems using dedicated Sunrun personnel. Our direct-to-consumer strategy includes referrals, phone outreach, online sales, retail presence and direct-to-home sales. By managing the entire process from sales to installation to ongoing monitoring, we are well positioned to create value by pursuing attractive markets, driving cost savings and leveraging best practices across our partner network.

Expand Our Partnerships with Solar Partners, Strategic Partners, and Attractive New Market Participants. Our open platform of services and tools allows us to engage with a wide variety of solar industry partners, as well as new industry participants such as retailers and service providers who would like to cost-effectively offer solar to new and existing customers. We will continue to invest in our ability to attract, convert, grow, and retain promising partners in order to facilitate capital-efficient growth.

Continue to Invest in Our Platform. We plan to continue to invest in and develop complementary software, services and technologies to enhance the scalability of our platform and support a low system-wide cost structure.

Continue to Deliver a Differentiated Customer Experience. We will continue to sell customer-friendly solar service offerings with customized configurations and pricing. We believe that our increasing set of proprietary pricing and system performance data in BrightPath will enable us to deliver accurate and compelling pricing to an increasing number of customers at attractive margins to us.

Expand Our Geographic Footprint. We believe the market for residential solar remains significantly underpenetrated. We intend to leverage our versatile, scalable platform and unique multi-channel approach to expand into new markets as the economics for solar become more compelling.

Offer New Products and Services. We will continue to innovate and expand our product and service offerings to homeowners. For example, we are currently piloting a combined solar and battery service, which is designed to reduce demands on the existing energy distribution infrastructure by retaining the energy at the location of generation and use.

Table of Contents

Risks Associated with Our Business

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled **Risk Factors** immediately following this prospectus summary. Some of these risks include:

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;

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;

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;

We have historically benefited from declining costs in our industry, and our business and financial results may be harmed as a result of increases in costs associated with our solar service offerings. If we do not reduce our cost structure in the future, our ability to become profitable may be impaired;

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;

We face competition from traditional energy companies as well as solar energy companies;

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;

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;

Interconnection limits 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; and

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

Corporate Information

Our principal executive offices are located at 595 Market Street, 29th Floor, San Francisco, California 94105, and our telephone number is (415) 580-6900. Our website address is www.sunrun.com. Information contained on, or that can be accessed through, our website does not constitute part of this prospectus and inclusions of our website address in this prospectus are inactive textual references only. We were formed in 2007 as a California limited liability company, and converted in 2008 into a Delaware corporation.

The Sunrun design logo, Sunrun and our other registered or common law trademarks, service marks or trade names appearing in this prospectus are the property of Sunrun Inc. Other trademarks and trade names referred to in this prospectus are the property of their respective owners.

Table of Contents

Emerging Growth Company

The Jumpstart Our Business Startups Act (JOBS Act) was enacted in April 2012 with the intention of encouraging capital formation in the United States and reducing the regulatory burden on newly public companies that qualify as emerging growth companies. We are an emerging growth company within the meaning of the JOBS Act. As an emerging growth company, we may take advantage of certain exemptions from various public reporting requirements, including the requirement that our internal control over financial reporting be audited by our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley Act), certain requirements related to the disclosure of executive compensation in this prospectus and in our periodic reports and proxy statements and the requirement that we hold a nonbinding advisory vote on executive compensation and any golden parachute payments. We may take advantage of these exemptions until we are no longer an emerging growth company.

We will cease to be an emerging growth company upon the earliest of: (i) the last day of the first fiscal year in which our annual gross revenues are \$1.0 billion or more, (ii) the date on which we are deemed to be a large accelerated filer as defined in the Securities Exchange Act of 1934, as amended (the Exchange Act), (iii) the date on which we have, during the previous rolling three year period, issued more than \$1 billion in non-convertible debt securities, and (iv) the last day of the fiscal year following the fifth anniversary of this offering. We are irrevocably opting out of the extended transition periods available under the JOBS Act for complying with new or revised accounting standards.

See the section titled *Risk Factors Risks Related to Ownership of Our Common Stock and this Offering 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* for certain risks related to our status as an emerging growth company.

Edgar Filing: Sunrun Inc. - Form S-1

The number of shares of our common stock that will be outstanding after this offering is based on 79,491,627 shares of our common stock outstanding as of March 31, 2015 (including shares of our preferred stock on an as-converted basis), and excludes:

10,610,240 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock outstanding as of March 31, 2015, with a weighted-average exercise price of \$4.46 per share;

947,342 shares of our common stock issuable upon the vesting of restricted stock units (RSUs) outstanding as of March 31, 2015;

2,589,950 shares issuable upon the exercise of options to purchase shares of common stock granted after March 31, 2015, with a weighted-average exercise price of \$9.17 per share;

Table of Contents

135,000 shares of our common stock issuable upon the vesting of RSUs granted after March 31, 2015;

1,400,000 shares of our common stock issued on April 2015 and an additional 1,100,000 shares issuable, in connection with our acquisition of Clean Energy Experts, LLC (CEE); and

shares of our common stock reserved for future issuance under our equity compensation plans, consisting of:

shares of our common stock reserved for future issuance under our 2015 Equity Incentive Plan (2015 Plan) which will become effective prior to the completion of this offering; and

shares of our common stock reserved for future issuance under our 2015 Employee Stock Purchase Plan (ESPP) which will become effective prior to the completion of this offering.

Our 2015 Plan and our ESPP each provide for annual automatic increases in the number of shares reserved thereunder, and our 2015 Plan also provides for increases in the number of shares reserved thereunder based on awards under certain of our other equity compensation plans that expire, are forfeited or otherwise repurchased by us. See the section titled Executive Compensation Employee Benefit and Stock Plans for additional information.

Except as otherwise indicated, all information in this prospectus assumes:

the filing and effectiveness of our amended and restated certificate of incorporation and the effectiveness of our amended and restated bylaws, each of which will occur immediately prior to the completion of this offering;

the assumed conversion of all outstanding shares of our convertible preferred stock into an aggregate of 54,840,767 shares of our common stock, which will occur immediately prior to the completion of this offering; and

no exercise by the underwriters of their over-allotment option.

Table of Contents**SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA**

The following tables summarize our consolidated financial and other data. We have derived the summary consolidated statement of operations data for the years ended December 31, 2013 and 2014 and the summary consolidated balance sheet data as of December 31, 2014 from our audited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated statements of operations data for the three months ended March 31, 2014 and 2015 and the unaudited consolidated balance sheet data as of March 31, 2015 are derived from our unaudited consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited financial information on a basis consistent with our audited consolidated financial statements and have included, in our opinion, all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of the financial information set forth in those statements. Our historical results are not necessarily indicative of the results that may be expected in the future, and our interim results are not necessarily indicative of the results to be expected for the full fiscal year. The following summary consolidated financial and other data should be read in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus. See also the consolidated financial statements of MEC, which we acquired in February 2014, as well as the pro forma information contained elsewhere in this prospectus.

	Year Ended		Three Months Ended	
	December 31,	2014	March 31,	2015
	2013	2014	2014	2015
	(In thousands, except per share data)			
Consolidated Statements of Operations Data:				
Revenue:				
Operating leases and incentives	\$ 54,740	\$ 84,006	\$ 18,441	\$ 22,308
Solar energy systems and product sales		114,551	11,962	27,369
Total revenue	54,740	198,557	30,403	49,677
Operating expenses:				
Cost of operating leases and incentives	43,088	72,898	14,896	21,377
Cost of solar energy systems and product sales		100,802	10,475	25,330
Sales and marketing	22,395	78,723	12,589	24,926
Research and development	9,984	8,386	1,927	2,287
General and administrative	33,242	68,098	12,650	20,306
Amortization of intangible assets		2,269	463	542
Total operating expenses	108,709	331,176	53,000	94,768
Loss from operations	(53,969)	(132,619)	(22,597)	(45,091)
Interest expense, net	11,752	27,521	5,662	7,130
Loss on early extinguishment of debt		4,350		
Other expenses	365	3,043	460	299
Loss before income taxes	(66,086)	(167,533)	(28,719)	(52,520)
Income tax expense (benefit)	2,508	(4,980)	(4,980)	

Edgar Filing: Sunrun Inc. - Form S-1

Net loss	(68,594)	(162,553)	(23,739)	(52,520)
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	(64,294)	(86,638)	(12,872)	(34,525)
Net loss attributable to common stockholders	\$ (4,300)	\$ (75,915)	\$ (10,867)	\$ (17,995)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.44)	\$ (3.33)	\$ (0.57)	\$ (0.74)
Weighted average shares used in computing net loss per share attributable to common stockholders, basic and diluted	9,780	22,795	19,021	24,427
Pro forma net loss per share attributable to common stockholders, basic and diluted(1)	\$	\$	\$	\$
Weighted average shares used in computing pro forma net loss per share attributable to common stockholders, basic and diluted(1)				

Table of Contents

- (1) Pro forma net loss per share attributable to common stockholders, basic and diluted, as well as weighted average shares used in computing pro forma net loss per share attributable to common stockholders, give effect to the assumed conversion of our convertible preferred stock into an aggregate of 54,840,767 shares of our common stock as of the beginning of the applicable period.

	As of March 31, 2015	
	Actual	Pro Forma as Adjusted(1)(2)
	(In thousands)	
Consolidated Balance Sheet Data:		
Cash and cash equivalents	\$ 105,473	\$
Solar energy systems, net	1,587,867	
Total assets	2,016,555	
Current portion of long-term debt	2,417	
Line of credit	48,675	
Long-term debt, less current portion	188,604	
Redeemable noncontrolling interests	142,375	
Total equity	412,971	

- (1) The pro forma as adjusted column in the balance sheet data table above gives effect to the assumed conversion of all outstanding shares of our convertible preferred stock as of March 31, 2015 into an aggregate of 54,840,767 shares of our common stock, which assumed conversion will occur immediately prior to the completion of this offering, as if such conversion had occurred on March 31, 2015, and the sale and issuance by us of shares of our common stock in this offering at an assumed initial public offering price of \$ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.
- (2) Each \$1.00 increase or decrease in the assumed initial public offering price of \$ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, our cash and cash equivalents, total assets, and total equity by approximately \$ million, assuming the number of shares of our common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us. Similarly, each one million increase or decrease in the number of shares of our common stock offered by us would increase or decrease, as applicable, our cash and cash equivalents, total assets, and total equity by approximately \$ million, assuming the assumed initial public offering price of \$ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us.

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 these key operating metrics are estimates. The estimates 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, particularly given that the estimates relate to cash flows up to 30 years in the future. 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. For additional information about our key operating metrics, including their

Table of Contents

definitions and limitations, see the section of this prospectus captioned Management's Discussion and Analysis of Financial Condition and Results of Operations Key Operating Metrics.

	Year Ended		As of March 31,	
	December 31,	December 31,	2014	2015
	2013	2014		
Megawatts deployed (during the period)	80	130	24	37
Cumulative megawatts deployed (end of period)	264	393	287	430
Customers (end of period)	48,998	73,113	52,718	78,730
Estimated nominal contracted payments remaining (end of period)	\$ 995,455	\$ 1,596,615	\$ 1,091,524	\$ 1,713,031
Estimated retained value (end of period)	\$ 605,423	\$ 1,000,064	\$ 681,514	\$ 1,087,428
Estimated retained value per watt (end of period)	\$ 2.44	\$ 2.40	\$ 2.42	\$ 2.41

Table of Contents

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 prospectus, 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.

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.

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 were 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 were to be unable to arrange new or alternative methods of financing on favorable terms, our business, 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. 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 and our ability to provide our solar service

Table of Contents

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. Such 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. This Commercial ITC will be, pursuant to current law, reduced from approximately 30% of the fair market value of the solar energy systems to approximately 10% for solar energy systems placed in service after December 31, 2016. The Commercial ITC reductions will reduce the amount we can monetize pursuant to investment fund structures. Moreover, 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 may 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.

Table of Contents

We have historically benefited from declining costs in our industry, and our business and financial results may be harmed as a result of increases in costs associated with our solar service offerings. 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 due 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 increases 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 imposed antidumping and countervailing duties on solar cells manufactured in China. In addition, we may face other increases in our operating expense, including increases in wages or other labor costs, as well as marketing, sales or branding related costs. In addition, we invested heavily in building our direct-to-consumer capabilities in 2014 after our acquisition of 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.

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.

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.

Table of Contents

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. In addition, 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 and have extensive knowledge of our target markets. If we are unable to establish or maintain a consumer brand that resonates with homeowners, or compete with the pricing offered by our competitors, our sales and market share position may be adversely affected as our growth is dependent on originating new 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 first providers in new local markets. Some of these competitors may provide energy at lower costs than we do.

As the solar industry grows and evolves, we will also face new competitors who are not currently in the market, as well as existing and new 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 are seeking rate design changes to de-couple rates. This form of de-coupling means changing rates to charge lower volume-based rates, or the rates charged for kilowatt hour of electricity purchased by a residential customer, and higher unavoidable fixed charges that a homeowner is subject to when they purchase solar energy from third parties. This form of rate design would adversely impact our business by reducing the value of the electricity our solar energy systems produce and reducing the savings homeowners receive by purchasing our solar service offerings. In addition to changes in general rates charged to all residential customers, utilities are increasingly

seeking solar-specific charges (which may be fixed charges,

Table of Contents

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.

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 March 31, 2015, a substantial majority of states have adopted net metering policies, including each of the states where we currently serve homeowners. Net metering policies provide homeowners with a one-for-one full retail credit within a monthly billing period for electricity that the solar energy system exports to the electric grid. 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 purchases. While the value of credits carried forward from month to month varies from state to state, all intra-month credits are at the full retail rate. 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. Some states, including California, currently set limits on the total percentage of a utility's customers that can adopt net metering. Maryland, Nevada and New York also have metering caps and other states we serve now or in the future may adopt metering caps. If the net metering caps in California or other jurisdictions are reached without an expansion of net metering policies, homeowners in the future will be unable to recognize the cost savings associated with net metering they currently enjoy. Of the states in which we offer our solar service offerings, only Nevada is expected to reach its cap within the next 12 months unless the cap is increased. If changes to net metering policies occur without grandfathering to existing homeowners, 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 expand existing limits to net metering. 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 would adversely impact our business.

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 ITCs, 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. We rely on these incentives 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 ITCs), end when the allocated funding is exhausted, or be reduced or terminated without notice. The financial value of certain incentives may also decrease over time. For example, the values of SRECs are volatile and could decrease over time as the supply of SREC-producing solar energy systems installed in a particular market increases. We monetize SRECs through forward sales. If we are unable to deliver these contracted SRECs, we may be required to make up the shortfall of SRECs through purchases on the open market or make payments of liquidated damages.

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

Table of Contents

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, 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 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.

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. These interconnection limits or circuit-level caps have slowed the pace of our installations in Hawaii and could slow our installations in other markets, harming our growth rate and customer satisfaction scores.

Table of Contents

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 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 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 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 purchased the residential sales and installation business of Mainstream Energy Corporation, as well as its fulfillment business, AEE Solar, and its racking business, SnapNrack. We refer to these businesses collectively as MEC. We have limited experience managing the fulfillment and racking lines of 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

Table of Contents

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 \$76.8 million as of March 31, 2015. 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 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;

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;

Table of Contents

changes in regulatory policy related to solar energy generation;

the loss of one or more key partners;

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 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 future quarters may fall short of the expectations of investors and financial analysts, which could have a material adverse effect on the trading price of our common stock.

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 significantly 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. 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

Table of Contents

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 in 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 March 31, 2015, approximately 58% of our customers were in California and we expect much of our near-term future growth to occur in California, further concentrating our customer base and operational infrastructure. Accordingly, our business and results of operations are particularly susceptible to adverse economic, regulatory, political, weather and other conditions in this market and in other markets that may become similarly concentrated. 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.

Table of Contents

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, there is a possibility of a shift from this trend to an outright purchase of the 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) with the development of loan financing products. Increases in third-party loan financing products or 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, 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.

In addition to the Commercial ITC, the federal government currently offers a 30% ITC under Section 25D of the Code (Individual ITC). The Individual ITC is available only to individual taxpayers who purchase a solar energy system outright (for cash or through a loan) and is scheduled to expire at the end of 2016. Additionally, we sell solar panels and equipment to resellers and installers who sell solar energy systems to individual homeowners for cash. As such, we expect the demand for that portion of our direct-to-consumer products and sales in our distribution channel to be adversely affected to the extent such Individual ITC is not extended (with or without some level of reduction).

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. A significant portion of our business depends on attracting and retaining new and existing solar partners. Negotiating relationships with our solar partners, investing in due diligence efforts with potential solar partners, training such third parties and contractors, and monitoring them for compliance with our standards require significant time and resources and may present greater risks and challenges than expanding a direct sales or installation team. If we are unsuccessful in establishing or maintaining our relationships with these third parties, our ability to grow our business and address our market opportunity could be impaired. Even if we are able to establish and maintain these relationships, we may not be able to execute on our goal of leveraging these relationships to meaningfully expand our business, brand recognition and customer base. This would limit our growth potential and our opportunities to generate significant additional revenue or cash flows.

We and our solar partners depend on a limited number of suppliers of solar panels 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 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.

Table of Contents

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, 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.

Further, we or our solar partners may face construction delays or cost overruns, which may adversely affect our or our solar partners' ability to ramp up the volume of installation in accordance with our plans. Such delays or overruns may occur as a result of a variety of factors, such as labor shortages, defects in materials and workmanship, adverse weather conditions, transportation constraints, construction change orders, site changes, labor issues and other unforeseen difficulties, any of which could lead to increased cancellation rates, reputational harm and other adverse effects.

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.

Table of Contents

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 and Hawaii, 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

Table of Contents

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 at the end of the contract 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

Table of Contents

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.

Federal tax law is not clear regarding when our projects can be considered to have been placed in service, and we have obligations to indemnify some of our fund investors if the IRS is successful in asserting that the relevant fund did not place in service the system it owns. Our business and financial condition could be adversely affected if we were required to make any payments as a result of this indemnity.

Generally, only the entity that originally places a solar system in service may claim a Commercial ITC. The term "placed in service" for federal tax purposes is not statutorily defined, and while the IRS and tax court decisions have provided general guidance related to the factors that should determine when property is placed in service for federal tax purposes, it has not provided any guidance specifically related to this issue for residential solar systems. We have indemnification obligations in place with some of our fund investors for ITC losses resulting from systems being transferred to their funds after having been placed in service for federal tax purposes. If the IRS were to assert that these residential solar energy systems were placed in service for federal tax purposes, before being transferred to the relevant fund, it could lead to the loss of the ITCs claimed on these systems, and any resulting indemnification payments that we may be required to make to our fund investors, now or in the future, could adversely affect our financial condition. Furthermore, if the Commercial ITC steps down as is contemplated under current law from 30% to 10% in 2017, there may be confusion as to which year some of our systems are placed in service for federal tax purposes and which of the 30% and 10% tax credit can be claimed on such systems.

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

We depend significantly on our brand and reputation for high-quality solar service offerings, engineering and customer service to attract 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

Table of Contents

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. We recently hired our Chief Financial Officer in March 2015, and it will take time for this executive officer to become fully integrated into his new role. 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 in April 2015. We may in the future acquire additional companies, project pipelines, products, or technologies or enter into joint ventures or other strategic

Table of Contents

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 BrightPath software. 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

Table of Contents

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 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 are being delivered to the Office of the Inspector General of the U.S. Department of 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 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 are continuing to produce 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

Table of Contents

effect on our business, liquidity, financial condition 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.

If the Internal Revenue Service or the U.S. Treasury Department 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 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 Treasury Inspector General investigation, 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 for which we have been awarded approximately \$269.0 million in U.S. Department of Treasury grants since the beginning of the U.S. Treasury grant program through December 31, 2014, would obligate us to repay approximately \$14 million to our fund investors. Two of our investment funds have been subject to audit by the IRS related to this issue. One of these audits has been closed with no adjustment. The other audit is still ongoing.

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 Treasury investigation discussed above and under Business Legal Proceedings. 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.

Further, we are currently involved in an ongoing consumer rights class action lawsuit, as well as a wage and hour class action. If we are not successful in these cases, 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 the

class action lawsuits or any other 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.

Table of Contents

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 non-compliance with any such law 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 substantial 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

Table of Contents

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 March 31, 2015, the average FICO score of our customers under a lease or power purchase agreement was approximately 760, 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.

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.

As a public company, we will be 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 will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase 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

Table of Contents

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.

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 maintain effective internal control over financial reporting, investors may lose confidence in the accuracy of our financial reports.

As a public company, we will be required to 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 this 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 maintain effective internal controls 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 hypothetical liquidation book value (HLBV) method as well as the income tax consequences of these fund structures. As we enter into additional investment funds, which may have contractual provisions different from those of our existing funds, the analysis as to whether we consolidate these funds, the calculation under the HLBV method, and the analysis of the tax impact could become increasingly complicated. This additional complexity could require us to hire additional resources and increase the chance that we experience errors in the future.

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

Table of Contents

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.

The accounting policies associated with our investment funds are complex, which contributed to the material weaknesses in our internal control over financial reporting. For a certain fund arrangement, we initially characterized the transfer of legal title to certain solar energy systems and the associated prepaid cash flows as a sale as opposed to a lease pass-through arrangement. Additionally, our accrual for certain milestone payments was incomplete.

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. In addition, deficiencies in the design and operation of our internal controls resulted in audit adjustments and delayed our financial statement close process for the years ended December 31, 2013 and 2012.

If we fail to maintain effective internal controls 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, 2014, we had U.S. federal net operating loss carryforwards of approximately \$454.5 million and state net operating loss carryforwards of approximately \$409.6 million, which begin expiring in varying amounts from 2028 through 2034 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 and this Offering

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

Upon completion of this offering, 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, will beneficially own approximately % of the outstanding shares of our common stock, based on the number of shares outstanding as of , 2015. 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.

Table of Contents

An active trading market for our common stock may never develop or be sustained.

We have applied to list our common stock on the NASDAQ Stock Market under the symbol RUN. However, we cannot assure you that an active trading market for our common stock will develop on that exchange or elsewhere or, if developed, that any market will be sustained. Accordingly, we cannot assure you of the liquidity of any trading market, your ability to sell your shares of our common stock when desired or the prices that you may obtain for your shares of our common stock.

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

Prior to the completion of this offering, there has been no public market for shares of our common stock. The initial public offering price of our common stock will be determined through negotiation between us and the underwriters. This price will not necessarily reflect the price at which investors in the market will be willing to buy and sell shares of our common stock following this offering. In addition, the market price of our common stock following this offering is likely to be highly volatile, may be higher or lower than the initial public offering price of our common stock and could be subject to wide fluctuations in response to various factors, some of which are beyond our control and may not be related to our operating performance.

Fluctuations in the market price of our common stock could cause you to lose all or part of your investment because you may not be able to sell your shares at or above the price you paid in this offering. 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;

Table of Contents

any significant change in our management; and

general economic conditions and slow or negative growth of our markets.

In addition, 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. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

A total of _____, or _____%, of the outstanding shares of our capital stock after this offering will be restricted from immediate resale but may be sold in the near future. 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 this offering, and the perception that these sales could occur may also depress the market price of our common stock. Based on shares of our capital stock outstanding as of _____, 2015, we will have _____ shares of our capital stock outstanding after this offering. Our executive officers, directors and the holders of substantially all of our capital stock and securities convertible into or exchangeable for our capital stock have entered into market standoff agreements with us or lock-up agreements with the underwriters under which they have agreed, subject to specific exceptions, not to sell any of our capital stock for 180 days following the date of this prospectus. As a result of these agreements, the provisions of our investors' rights agreement described further in the section titled "Description of Capital Stock Registration Rights" and the provisions of Rule 144 or Rule 701 under the Securities Act, shares of our capital stock will be available for sale in the public market as follows:

beginning on the date of this prospectus, all _____ shares of our common stock sold in this offering will be immediately available for sale in the public market; and

beginning 180 days after the date of this prospectus, the remainder of the shares of our capital stock will be eligible for sale in the public market from time to time thereafter, subject in some cases to the volume and other restrictions of Rule 144 and our insider trading policy.

Following the expiration of the lock-up agreements referred to above, stockholders owning an aggregate of up to _____ 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 intend to file a registration statement to register approximately _____ shares of our capital stock reserved for future issuance under our equity compensation plans. Upon effectiveness of that registration statement, subject to the satisfaction of applicable exercise periods, the expiration or waiver of the market standoff agreements and lock-up agreements referred to above 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 will be 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.

Table of Contents

Among other things, our amended and restated certificate of incorporation and amended and restated bylaws include provisions:

creating a classified board of directors whose members serve staggered three-year terms;

authorizing blank check preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;

limiting the liability of, and providing indemnification to, our directors and officers;

limiting the ability of our stockholders to call and bring business before special meetings;

requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors; and

controlling the procedures for the conduct and scheduling of board of directors and stockholder meetings.

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

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation law, which prevents certain stockholders holding more than 15% of our outstanding capital stock from engaging in certain business combinations without approval of the holders of at least two-thirds of our outstanding capital stock not held by such stockholder.

Any provision of our amended and restated certificate of incorporation, amended and restated bylaws or Delaware law that has the effect of delaying or preventing a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our capital stock and could also affect the price that some investors are willing to pay for our common stock.

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

Our amended and restated certificate of incorporation will provide 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 will not be 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 will 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 will 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 will provide 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 % 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.

Table of Contents

Our amended and restated bylaws will provide that the Court of Chancery of 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, which will become effective prior to the completion of this offering, provide that, unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware is 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 the Delaware General Corporation Law or (iv) any action asserting a claim governed by the internal affairs doctrine. 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.

Our management will have broad discretion over the use of proceeds and may apply the proceeds of this offering in ways that may not improve our operating results or increase the value of your investments.

We intend to use the net proceeds to us from this offering for general corporate purposes, including working capital, operating expenses and capital expenditures. We cannot specify with certainty the particular uses of the net proceeds to us from this offering. Accordingly, our management will have considerable discretion in the application of the net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. Until the net proceeds are used, they may be placed in investments that do not produce significant income or that may lose value.

Purchasers in this offering will experience immediate and substantial dilution in the book value of their investment.

The assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, is substantially higher than the pro forma net tangible book value per share of our outstanding capital stock upon the completion of this offering. Therefore, if you purchase shares of our common stock in this offering, you will incur immediate dilution of \$ _____ in the net tangible book value per share from the price you paid. In addition, investors purchasing shares of our common stock from us in this offering will have contributed _____ % of the total consideration paid to us by all stockholders who purchased shares of our common stock from us, in exchange for acquiring approximately _____ % of the outstanding shares of our common stock as of _____, 2015 after giving effect to this offering. The exercise of outstanding options to purchase shares of our common stock will result in further dilution.

If securities or industry analysts do not publish or 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 will be influenced by the research and reports that securities or industry analysts may publish about us, our business, our market or our competitors. If any of the analysts who may 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 may cover us

were to 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.

Table of Contents

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

We do not anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. 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 have in this prospectus utilized, 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 this 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 January 1, 2017 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.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the federal securities laws, 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, pro 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 prospectus 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 to establish new investment funds;

the impact that existing electric utility industry regulations, and changes to those regulations, may have on demand for the purchase and use of solar energy systems;

our reliance on net metering and related policies to offer competitive pricing to our customers in some of our key markets;

our dependence on the availability of rebates, tax credits and other financial incentives;

our dependence on the regulatory treatment of third-party owned solar energy systems;

determinations by the Internal Revenue Service or the U.S. Treasury Department of the fair market value of our solar energy systems;

the retail price of utility-generated electricity or electricity from other energy sources;

our ability to maintain an adequate rate of revenue growth;

our business plan and our ability to effectively manage our growth;

our ability to further penetrate existing markets and expand into new markets;

our expectations concerning relationships with third parties, including the attraction and retention of qualified channel partners;

the calculation of certain of our key financial metrics;

the effects of increased competition in our market and our ability to compete effectively;

the effects of seasonal trends on our operating results;

the cost of solar panels and the residual value of solar panels after the expiration of our customer agreements;

our ability to maintain, protect and enhance our brand and intellectual property; and

our expected use of proceeds from this offering.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this prospectus.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this prospectus primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled "Risk Factors" and elsewhere in this prospectus. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties

Table of Contents

emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this prospectus. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this prospectus to reflect events or circumstances after the date of this prospectus or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

Table of Contents

MARKET AND INDUSTRY DATA

This prospectus contains estimates and information concerning our industry, including market size and growth rates of the markets in which we participate, that are based on industry publications and reports. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates. We have not independently verified the accuracy or completeness of the data contained in these industry publications and reports. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled Risk Factors. These and other factors could cause results to differ materially from those expressed in these publications and reports.

Certain information in the text of this prospectus is contained in independent industry publications. The source of these independent industry publications is provided below:

- (1) U.S. Census Bureau, 2013 American Community Survey, December 2014, revised February 2015
- (2) Greentech Media, Inc. and Solar Energy Industries Association, Inc., U.S. Solar Market Insight Report Q2 2014, September 2014
- (3) U.S. Energy Information Administration, Annual Energy Outlook 2014 With Projections to 2040, April 2014
- (4) U.S. Energy Information Administration, Electric Power Monthly with Data for March 2015, May 2015
- (5) Greentech Media Research U.S. PV Leaderboard for Q4 2014

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of shares of our common stock in this offering at the assumed initial public offering price of \$ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately \$ million, or approximately \$ million if the underwriters exercise their over-allotment in full. We will not receive any of the proceeds from the sale of shares by the selling stockholders.

Each \$1.00 increase or decrease in the assumed initial public offering price of \$ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, the net proceeds to us from this offering by approximately \$ million, assuming the number of shares of our common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us. Similarly, each one million increase or decrease in the number of shares of our common stock offered by us would increase or decrease, as applicable, the net proceeds to us from this offering by approximately \$ million, assuming the assumed initial public offering price of \$ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us.

We intend to use the net proceeds to us from this offering for general corporate purposes, including working capital, operating expenses and capital expenditures. We cannot specify with certainty the particular uses of the net proceeds to us from this offering. Accordingly, we will have broad discretion in using these proceeds, provided that we comply with the terms and conditions contained in our credit agreements. Pending the use of proceeds to us from this offering as described above, we intend to invest the net proceeds from this offering in short-term and long-term interest-bearing obligations, including government and investment-grade debt securities and money market funds.

Table of Contents

DIVIDEND POLICY

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

Edgar Filing: Sunrun Inc. - Form S-1

Accumulated deficit	(76,845)		
Total stockholders' equity	309,521		
Noncontrolling interests in subsidiaries	103,450		
Total capitalization	\$ 804,317	\$	\$
&nb			