UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2015

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

Commission File Number: 001-36642

VIVINT SOLAR, INC.

(Exact name of registrant as specified in its charter)

Delaware	**45-5605880**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

3301 N. Thanksgiving Way, Suite 500
Lehi, Utah 84043
(Address of principal executive offices) (Zip Code)

(877) 404-4129
(Registrant's telephone number, including area code)

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

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

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

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

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

As of November 2, 2015, 106,537,391 shares of the registrant's common stock were outstanding.

Vivint Solar, Inc.

Quarterly Report on Form 10-Q

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Vivint Solar, Inc.

Condensed Consolidated Balance Sheets
(In thousands, except per share data and footnote 1)

	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 81,755	$ 261,649
Accounts receivable, net	5,464	1,837
Inventories	472	774
Prepaid expenses and other current assets	20,861	16,806
Total current assets	108,552	281,066
Restricted cash and cash equivalents	13,172	6,516
Solar energy systems, net	986,908	588,167
Property and equipment, net	34,048	13,024
Intangible assets, net	4,462	18,487
Goodwill	36,601	36,601
Prepaid tax asset, net	247,861	111,910
Other non-current assets, net	9,409	8,553
TOTAL ASSETS (1)	$ 1,441,013	$ 1,064,324
LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS AND EQUITY		
Current liabilities:		
Accounts payable	$ 87,890	$ 51,354
Accounts payable—related party	1,544	2,132
Distributions payable to non-controlling interests and redeemable non-controlling interests	8,316	6,780
Accrued compensation	21,102	16,794
Current portion of deferred revenue	423	314
Current portion of capital lease obligation	5,147	3,502
Accrued and other current liabilities	34,286	14,016
Total current liabilities	158,708	94,892
Capital lease obligation, net of current portion	9,801	6,176
Long-term debt	253,000	105,000
Deferred tax liability, net	193,692	112,227
Deferred revenue, net of current portion	30,118	4,466
Other non-current liabilities	15,255	—
Total liabilities (1)	660,574	322,761
Commitments and contingencies (Note 15)		
Redeemable non-controlling interests	171,179	128,427
Stockholders' equity:		
Common stock, $0.01 par value—1,000,000 authorized, 106,537 shares issued and outstanding as of September 30, 2015; 1,000,000 authorized, 105,303 shares issued and outstanding as of December 31, 2014	1,065	1,053
Additional paid-in capital	528,252	502,785
Retained earnings (accumulated deficit)	421	(25,849)
Total stockholders' equity	529,738	477,989
Non-controlling interests	79,522	135,147
Total equity	609,260	613,136
TOTAL LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS AND EQUITY	$ 1,441,013	$ 1,064,324

(1) The Company's assets as of September 30, 2015 and December 31, 2014 include $914.1 million and $540.1 million consisting of assets of variable interest entities, or VIEs, that can only be used to settle obligations of the VIEs. These assets include solar energy systems, net, of $883.0 million and $525.9 million as of September 30, 2015 and December 31, 2014; cash and cash equivalents of $25.9 million and $12.6 million as of September 30, 2015 and December 31, 2014; and accounts receivable, net, of $5.3 million and $1.5 million as of September 30, 2015 and December 31, 2014. The Company's liabilities as of September 30, 2015 and December 31, 2014 included $42.8 million and $11.4 million of liabilities of VIEs whose creditors have no recourse to the Company. These liabilities include distributions payable to non-controlling interests and redeemable non-controlling interests of $8.3 million and $6.8 million as of September 30, 2015 and December 31, 2014; deferred revenue of $30.5 million and $4.6 million as of September 30, 2015 and December 31, 2014; accrued and other current liabilities of $0.9 million and $0 as of September 30, 2015 and December 31, 2014; and other non-current liabilities of $3.1 million and $0 as of September 30, 2015 and December 31, 2014. For further information see Note 10—Investment Funds.

See accompanying notes to condensed consolidated financial statements.

Vivint Solar, Inc.

Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue:				
Operating leases and incentives	$ 21,781	$ 7,131	$ 45,662	$ 15,798
Solar energy system and product sales	693	1,202	2,492	2,600
Total revenue	22,474	8,333	48,154	18,398
Operating expenses:				
Cost of revenue—operating leases and incentives	37,624	19,515	94,799	47,161
Cost of revenue—solar energy system and product sales	470	627	1,384	1,510
Sales and marketing	12,051	5,220	37,181	16,229
Research and development	1,047	431	2,549	1,403
General and administrative	21,954	37,170	71,948	63,276
Amortization of intangible assets	3,711	3,727	11,195	11,155
Impairment of intangible assets	—	—	4,506	—
Total operating expenses	76,857	66,690	223,562	140,734
Loss from operations	(54,383)	(58,357)	(175,408)	(122,336)
Interest expense	3,351	3,261	8,208	7,335
Other expense	26	297	399	1,462
Loss before income taxes	(57,760)	(61,915)	(184,015)	(131,133)
Income tax (benefit) expense	(7,448)	(10,222)	15,977	(3,286)
Net loss	(50,312)	(51,693)	(199,992)	(127,847)
Net loss attributable to non-controlling interests and redeemable non-controlling interests	(50,780)	(16,415)	(226,262)	(105,103)
Net income available (loss attributable) to common stockholders	$ 468	$ (35,278)	$ 26,270	$ (22,744)
Net income available (loss attributable) per share to common stockholders:				
Basic	$ 0.00	$ (0.45)	$ 0.25	$ (0.30)
Diluted	$ 0.00	$ (0.45)	$ 0.24	$ (0.30)
Weighted-average shares used in computing net income available (loss attributable) per share to common stockholders:				
Basic	106,492	78,428	105,932	76,160
Diluted	110,223	78,428	109,694	76,160

See accompanying notes to condensed consolidated financial statements.

Vivint Solar, Inc.

Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2015	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (199,992)	$ (127,847)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	16,771	5,435
Amortization of intangible assets	11,195	11,270
Impairment of intangible assets	4,506	—
Loss on removal of solar energy systems	1,169	—
Stock-based compensation	23,206	20,846
Amortization of deferred financing costs	2,557	1,522
Noncash contributions for services	—	181
Noncash interest expense	—	4,280
Deferred income taxes	77,480	45,567
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	(3,627)	(1,893)
Inventories	302	21
Prepaid expenses and other current assets	1,498	(11,610)
Prepaid tax asset, net	(135,951)	(45,817)
Other non-current assets, net	(990)	(11,350)
Accounts payable	6,570	1,243
Accounts payable—related party	(588)	(3,061)
Accrued compensation	3,713	(2,786)
Deferred revenue	25,761	1,340
Accrued and other current liabilities	21,785	7,788
Net cash used in operating activities	(144,635)	(104,871)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for the cost of solar energy systems	(383,674)	(249,612)
Payment in connection with business acquisition, net of cash acquired	—	(12,040)
Payments for property and equipment	(5,282)	(3,056)
Change in restricted cash and cash equivalents	(6,656)	(1,516)
Purchase of intangible assets	(1,675)	(269)
Proceeds from U.S. Treasury grants	—	190
Net cash used in investing activities	(397,287)	(266,303)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from investment by non-controlling interests and redeemable non-controlling interests	232,071	240,863
Distributions paid to non-controlling interests and redeemable non-controlling interests	(17,146)	(5,484)
Proceeds from long-term debt	148,000	87,000
Proceeds from short-term debt	—	75,500
Payments on short-term debt	—	(75,500)
Payments for debt issuance costs	(3,078)	—
Proceeds from lease pass-through financing obligation	4,005	—
Proceeds from revolving lines of credit—related party	—	154,500
Payments on revolving lines of credit—related party	—	(141,500)
Principal payments on capital lease obligations	(3,600)	(1,810)
Proceeds from issuance of common stock	648	103,500
Payments for deferred offering costs	(589)	(5,784)
Excess tax effects from stock-based compensation	1,717	—
Net cash provided by financing activities	362,028	431,285
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(179,894)	60,111
CASH AND CASH EQUIVALENTS—Beginning of period	261,649	6,038
CASH AND CASH EQUIVALENTS—End of period	$ 81,755	$ 66,149
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Costs of solar energy systems included in accounts payable, accrued compensation and other accrued liabilities	$ 28,619	$ 33,596
Property acquired under build-to-suit agreements	$ 12,250	$ —
Vehicles acquired under capital leases	$ 8,882	$ 6,421
Accrued distributions to non-controlling interests and redeemable non-controlling interests	$ 1,536	$ 2,302
Receivable for tax credit recorded as a reduction to solar energy system costs	$ 914	$ 3,380

See accompanying notes to condensed consolidated financial statements.

1. Organization

Vivint Solar, Inc. was incorporated as a Delaware corporation on August 12, 2011. Vivint Solar, Inc. and its subsidiaries are collectively referred to as the "Company." The Company commenced operations in May 2011. The Company offers solar energy to residential customers through long-term customer contracts, such as power purchase agreements and solar energy system leases. The Company enters into these long-term customer contracts and legal-form leases through a sales organization that primarily uses a direct-to-home sales model. The long-term customer contracts are typically for 20 years and require the customer to make monthly payments to the Company. In May 2015, the Company began offering solar energy systems to commercial and industrial ("C&I") customers through long-term customer contracts. On July 20, 2015, the Company entered into an Agreement and Plan of Merger with SunEdison, the world's largest renewable energy development company, and SEV Merger Sub, Inc., a wholly-owned subsidiary of SunEdison.

The Company has formed various investment funds to monetize the recurring customer payments under its long-term customer contracts and the investment tax credits, accelerated tax depreciation and other incentives associated with residential solar energy systems. The Company uses the cash received from the investment funds to finance a portion of the Company's variable and fixed costs associated with installing the residential solar energy systems.

2 . Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and applicable rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. As such, these unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's annual report on Form 10-K filed with the SEC on March 13, 2015. The unaudited condensed consolidated financial statements are prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments (all of which are considered of normal recurring nature) considered necessary to present fairly the Company's financial results. The results of the nine months ended September 30, 2015 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2015 or for any other interim period or other future year.

The condensed consolidated financial statements reflect the accounts and operations of the Company and those of its subsidiaries in which the Company has a controlling financial interest. The Company uses a qualitative approach in assessing the consolidation requirement for variable interest entities ("VIEs"). This approach focuses on determining whether the Company has the power to direct the activities of the VIE that most significantly affect the VIE's economic performance and whether the Company has the obligation to absorb losses, or the right to receive benefits, that could potentially be significant to the VIE. The Company has determined that it is the primary beneficiary in all but one of its operational VIEs, which are consolidated by the Company. The Company evaluates its relationships with the VIEs on an ongoing basis to ensure that it continues to be the primary beneficiary. All intercompany transactions and balances have been eliminated in consolidation. For additional information, see Note 10—Investment Funds.

Use of Estimates

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company regularly makes significant estimates and assumptions including, but not limited to, estimates that affect the Company's principles of consolidation, revenue recognition, the useful lives of solar energy systems, the valuation and recoverability of intangible assets and goodwill acquired, useful lives of intangible assets, recoverability of long-lived assets, the recognition and measurement of loss contingencies, the valuation of stock-based compensation, the determination of valuation allowances associated with deferred tax assets, and the valuation of non-controlling interests and redeemable non-controlling interests. The Company bases its estimates on historical experience and on various other assumptions believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ materially from those estimates.

Comprehensive Income (Loss)

As the Company has no other comprehensive income or loss, comprehensive income (loss) is the same as net income available (loss attributable) to common stockholders for all periods presented.

Other Changes

During the nine months ended September 30, 2015, the Company reassessed its reportable segments as discussed in Note 17—Segment Information. There have been no other changes to the Company's significant accounting policies as described in the Company's annual report on Form 10-K for the year ended December 31, 2014 .

Recent Accounting Pronouncements

In September 2015, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2015-16, *Business Combinations – Simplifying the Accounting for Measurement-Period Adjustments* . Under current GAAP, an acquirer is required to retrospectively adjust any provisional amounts recognized at the acquisition date with a corresponding adjustment to goodwill when new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts initially recognized or would have resulted in the recognition of additional assets or liabilities. To simplify the accounting for adjustments to provisional amounts, the update eliminates the requirement to retrospectively account for those adjustments. This update is effective in fiscal years beginning after December 15, 2015 and early adoption is permitted. The Company does not currently have acquisitions which would be affected by this update.

In August 2015, the FASB issued ASU 2015-15, *Interest – Imputation of Interest (Subtopic 835-30) – Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements* , which addresses an omission in ASU 2015-03. In April 2015, the FASB issued ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Costs* , which requires that debt issuance costs be presented as a direct reduction from the carrying amount of that debt liability similar to debt discounts. Existing recognition and measurement guidance is not impacted. However, ASU 2015-15 acknowledges that ASU 2015-03 does not address the presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements. Per ASU 2015-15, an entity may defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement. ASU 2015-15 is effective immediately. ASU 2015-03 is effective in fiscal years beginning after December 15, 2015 and early adoption is permitted. The Company has debt issuance costs related to line-of-credit arrangements and has adopted ASU 2015-15, which resulted in no change of presentation. If the Company enters into other debt arrangements that fall under ASU 2015-03, the Company will account for any related debt issuance costs per the update upon its effectiveness in the first quarter of 2016.

In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers – Deferral of the Effective Date* , which defers the effective date of ASU 2014-09. In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* , which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. ASU 2015-14 defers the effective date of ASU 2014-09 for one year, and the standard is now effective for the Company on January 1, 2018. The deferral allows for early adoption of the standard, which for the Company would be on January 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In April 2015, the FASB issued ASU 2015-05, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40) – Customers Accounting for Fees Paid in a Cloud Computing Arrangement* . This update provides guidance regarding the accounting for fees paid by a customer in cloud computing arrangements. If a cloud computing arrangement includes a software license, the payment of fees should be accounted for in the same manner as the acquisition of other software licenses. If there is no software license, the fees should be accounted for as a service contract. The update is effective in fiscal years beginning after December 15, 2015 and early adoption is permitted. An entity can elect to adopt the amendments either (1) prospectively to all arrangements entered into or materially modified after the effective date or (2) retrospectively. The Company is evaluating the impact this update will have on its consolidated financial statements and disclosures.

In February 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis* . This update makes some targeted changes to current consolidation guidance. These changes impact both the voting and the variable interest consolidation models. In particular, the update will change how companies determine whether limited partnerships or similar entities are VIEs. The update is effective in fiscal years, including interim periods, beginning after December 15, 2015, and early adoption is permitted. The Company currently consolidates all but one of its VIEs and does not anticipate that ASU 2015-02 will have a significant impact on its consolidated financial statements and related disclosures.

3 . Fair Value Measurements

The Company measures and reports its cash equivalents at fair value. The following tables set forth the fair value of the Company's financial assets measured on a recurring basis by level within the fair value hierarchy (in thousands):

	September 30, 2015			
	Level I	Level II	Level III	Total
Financial Assets				
Time deposits	$ —	$ 1,900	$ —	$ 1,900
Total financial assets	$ —	$ 1,900	$ —	$ 1,900

	December 31, 2014			
	Level I	Level II	Level III	Total
Financial Assets				
Time deposits	$ —	$ 1,900	$ —	$ 1,900
Money market funds	607	—	—	607
Total financial assets	$ 607	$ 1,900	$ —	$ 2,507

The carrying amounts of certain financial instruments of the Company, consisting of cash and cash equivalents excluding time deposits, accounts receivable, accounts payable, accounts payable—related party and distributions payable to redeemable non-controlling interests (all Level I) approximate fair value due to their relatively short maturities. Time deposits (Level II) approximate fair value due to their short-term nature (30 days) and, upon renewal, the interest rate is adjusted based on current market rates. The Company's long-term debt is carried at cost and was $253.0 million and $105.0 million as of September 30, 2015 and December 31, 2014. The Company estimated the fair values of long-term debt to approximate its carrying values as interest accrues at a floating rate based on market rates. The Company did not realize gains or losses related to financial assets for any of the periods presented.

4. Solar Energy Systems

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

	September 30, 2015	December 31, 2014
System equipment costs	$ 784,725	$ 478,502
Initial direct costs related to solar energy systems	147,098	75,349
	931,823	553,851
Less: Accumulated depreciation and amortization	(25,173)	(10,186)
	906,650	543,665
Solar energy system inventory	80,258	44,502
Solar energy systems, net	$ 986,908	$ 588,167

The Company recorded depreciation and amortization expense related to solar energy systems of $6.3 million and $2.0 million for the three months ended September 30, 2015 and 2014. Depreciation and amortization expense related to solar energy systems of $15.0 million and $5.1 million was recorded for the nine months ended September 30, 2015 and 2014.

5. Property and Equipment

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

	Estimated Useful Lives	September 30, 2015	December 31, 2014
Vehicles acquired under capital leases	3 years	$ 22,034	$ 13,351
Furniture and computer and other equipment	3 years	5,730	2,183
Leasehold improvements	1-3 years	3,933	2,088
		31,697	17,622
Less: Accumulated depreciation and amortization		(9,899)	(4,598)
		21,798	13,024
Build-to-suit assets		12,250	—
Property and equipment, net		$ 34,048	$ 13,024

The Company recorded depreciation and amortization expense related to property and equipment of $2.2 million and $1.0 million for the three months ended September 30, 2015 and 2014. Depreciation and amortization expense related to property and equipment of $5.6 million and $2.2 million was recorded for the nine months ended September 30, 2015 and 2014.

The Company leases fleet vehicles that are accounted for as capital leases. Depreciation on vehicles under capital leases totaling $1.4 million and $0.8 million was capitalized in solar energy systems, net for the three months ended September 30, 2015 and 2014. Depreciation on vehicles under capital leases totaling $3.8 million and $2.0 million was capitalized in solar energy systems, net for the nine months ended September 30, 2015 and 2014. For the three and nine months ended September 30 , 2015 and 2014, a de minimis amount of depreciation was also expensed.

Because of its involvement in certain aspects of the construction of a new headquarters building in Lehi, UT, t he Company is deemed the owner of the building for accounting purposes during the construction period. Accordingly, the Company recorded a build-to-suit asset of $12.3 million as of September 30, 2015. See Note 15—Commitments and Contingencies.

6. Intangible Assets

Intangible assets consisted of the following (in thousands):

	September 30, 2015	December 31, 2014
Cost:		
Customer contracts	$ 43,783	$ 43,783
Customer relationships	164	738
Trademarks/trade names	201	1,664
Developed technology	522	1,295
In-process research and development	—	2,097
Internal-use software	2,038	370
Total carrying value	46,708	49,947
Accumulated amortization:		
Customer contracts	(41,959)	(31,013)
Customer relationships	(55)	(135)
Trademarks/trade names	(33)	(152)
Developed technology	(109)	(160)
Internal-use software	(90)	—
Total accumulated amortization	(42,246)	(31,460)
Total intangible assets, net	$ 4,462	$ 18,487

The Company recorded amortization expense of $3.7 million for the three months ended September 30, 2015 and 2014, which was included in amortization of intangible assets in the condensed consolidated statements of operations. The Company recorded amortization expense of $11.2 million for the nine months ended September 30, 2015. Amortization expense was $11.3 million for the nine months ended September 30, 2014, of which $0.1 million was recorded in cost of revenue-solar energy system and product sales.

In February 2015, the Company decided to discontinue the external sales of the SunEye and PV Designer products , the rights to which the Company acquired when it acquired Solmetric Corporation, or Solmetric, in January 2014 . This discontinuance was considered an indicator of impairment, and a review regarding the recoverability of the carry ing value of the related intangible assets was performed. In-process research and development, which was intended to generate Solmetric product sales in the residential market, was discontinued and deemed fully impaired resulting in a charge of $2.1 millio n. The Solmetric, SunEye and PV Designer trade names will no longer be utilized and were deemed fully impaired resulting in a charge of $1.3 million. The SunEye and PV Designer developed technology assets were deemed fully impaired resulting in a charge of $0.7 million. Customer relationships were deemed partially impaired by $0.4 million due to the loss of external customers who purchased the discontinued products. As a result of this review , the Company recorded a total impairment charge of $ 4.5 million f or the nine months ended September 30 , 2015.

7 . Accrued Compensation

Accrued compensation consisted of the following (in thousands):

	September 30, 2015	December 31, 2014
Accrued payroll	$ 12,915	$ 10,219
Accrued commissions	8,187	6,575
Total accrued compensation	$ 21,102	$ 16,794

8 . Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following (in thousands):

	September 30, 2015	December 31, 2014
Income tax payable	$ 19,031	$ 4,097
Accrued professional fees	4,593	1,289
Sales and use tax payable	3,023	5,052
Accrued litigation settlements	2,215	450
Deferred rent	1,173	1,090
Current portion of lease pass-through financing obligation	901	—
Accrued unused commitment fees and interest	582	478
Fleet expenses	558	470
Other accrued expenses	2,210	1,090
Total accrued and other current liabilities	$ 34,286	$ 14,016

9 . Debt Obligations

Debt obligations consisted of the following (in thousands):

	September 30, 2015	December 31, 2014
Aggregation credit facility	$ 183,000	$ 105,000
Working capital credit facility	70,000	—
Total debt	253,000	105,000

Working Capital Credit Facility

In March 2015, the Company entered into a revolving credit agreement (the "Working Capital Facility") pursuant to which the Company may borrow up to an aggregate principal amount of $131.0 million from certain financial institutions for which Goldman Sachs Lending Partners LLC is acting as administrative agent and collateral agent. In May 2015, certain conditions were satisfied and the aggregate amount of available revolver borrowings was increased to $150.0 million. Loans under the Working Capital Facility will be used to pay for the costs incurred in connection with the design and construction of solar energy systems, and letters of credit may be issued for working capital and general corporate purposes. As of September 30, 2015, the Company had incurred an aggregate of $70.0 million in borrowings under the Working Capital Facility. Further, the Company established a letter of credit under the Working Capital Facility for $3.3 million related to an insurance contract. As such, the remaining borrowing capacity was $76.7 million as of September 30, 2015.

The Company has pledged the interests in the assets of the Company and its subsidiaries, excluding Vivint Solar Financing I, LLC, as security for its obligations under the Working Capital Facility. Prepayments are permitted under the Working Capital Facility, and the principal and accrued interest on any outstanding loans mature in March 2020. Interest accrues on borrowings at a floating rate equal to, dependent on the type of borrowing, (1) a rate equal to the Eurodollar Rate for the interest period divided by one minus the Eurodollar Reserve Percentage, plus a margin of 3.25%; or (2) the highest of (a) the Federal Funds Rate plus 0.50%, (b) the Citibank prime rate and (c) the one-month interest period Eurodollar rate plus 1.00%, plus a margin of 2.25%. Interest is payable dependent on the type of borrowing at the end of (1) the interest period that the Company may elect as a term and not to exceed three months, (2) quarterly or (3) at maturity of the Working Capital Facility.

The Working Capital Facility includes customary covenants, including covenants that restrict, subject to certain exceptions, the Company's ability to incur indebtedness, incur liens, make investments, make fundamental changes to its business, dispose of assets, make certain types of restricted payments or enter into certain related party transactions. Among other restrictions, the Working Capital Facility provides that the Company may not incur any indebtedness other than that related to the Working Capital Facility or in respect of permitted swap agreements. These restrictions do not impact the Company's ability to enter into investment funds, including those that are similar to those entered into previously. The Company is also required to maintain $25.0 million in cash and cash equivalents and certain investments as of the last day of each quarter. As of September 30, 2015, the Company was in compliance with such covenants.

The Working Capital Facility also contains certain customary events of default. If an event of default occurs, lenders under the Working Capital Facility will be entitled to take various actions, including the acceleration of amounts then outstanding.

Interest expense for this facility was approximately $0.7 million and $1.1 million for the three and nine months ended September 30, 2015. No interest expense was recorded for the three and nine months ended September 30, 2014. As of September 30, 2015, the current portion of deferred debt issuance costs of $0.5 million was recorded in prepaid expenses and other current assets, and the long-term portion of deferred debt issuance costs of $1.9 million was recorded in other non-current assets, net in the condensed consolidated balance sheet.

Bank of America, N.A. Aggregation Credit Facility

In September 2014, the Company entered into an aggregation credit facility (the "Aggregation Facility"), which was subsequently amended in February 2015, pursuant to which the Company may borrow up to an aggregate principal amount of $375.0 million and, for which Bank of America, N.A. is acting as administrative agent. Upon the satisfaction of certain conditions and the approval of the lenders, the Company may increase the aggregate amount of principal borrowings to $550.0 million .

As of September 30, 2015, the Company had incurred an aggregate of $183.0 million in term loan borrowings under the Aggregation Facility. The remaining borrowing capacity was $192.0 million as of September 30, 2015. However, the Company does not have immediate access to the remaining $192.0 million balance as future borrowings are dependent on when it has solar energy system revenue to collateralize the borrowings.

The borrower under the Aggregation Facility is Vivint Solar Financing I, LLC, one of the Company's indirect wholly owned subsidiaries, that in turn holds the Company's interests in the majority of the managing members of the Company's existing investment funds. These managing members guarantee the borrower's obligations under the Aggregation Facility. In addition, Vivint Solar Holdings, Inc. has pledged its interests in the borrower, and the borrower has pledged its interests in the guarantors as security for the borrower's obligations under the Aggregation Facility. The related solar energy systems are not subject to any security interest of the lenders, and there is no recourse to the Company in the case of a default.

Prepayments are permitted under t he Aggregation Facility, and the principal and accrued interest on any outstanding loans mature in March 2018. Interest accrues on borrowings at a floating rate equal to either (1)(a) the London Interbank Offer Rate (“ LIBOR”) or (b) the greatest of (i) the Federal Funds Rate plus 0.5%, (ii) the administrative agent’s prime rate and (iii) LIBOR plus 1% and (2) a margin that varies between 3.25% during the period during which the Company may incur borrowings and 3.50% after such period. Interest is payable at the end of each interest period that the Company may elect as a term of either one, two or three months .

The Aggregation Facility includes customary covenants, including covenants that restrict, subject to certain exceptions, the borrower’s, and the guarantors’ ability to incur indebtedness, incur liens, make investments, make fundamental changes to their business, dispose of assets, make certain types of restricted payments or enter into certain related party transactions. Among other restrictions, the Aggregation Facility provides that the borrower may not incur any indebtedness other than that related to the Aggregation Facility or in respect of permitted swap agreements, and that the guarantors may not incur any indebtedness other than that related to the Aggregation Facility or as permitted under existing investment fund transaction documents. These restrictions do not impact the Company’s ability to enter into investment funds, including those that are similar to those entered into previously. As of September 30, 2015, the Company was in compliance with such covenants.

The Aggregation Facility also contains certain customary events of default. If an event of default occurs, lenders under the Aggregation Facility will be entitled to take various actions, including the acceleration of amounts due under the Aggregation Facility and foreclosure on the interests of the borrower and the guarantors that have been pledged to the lenders.

Interest expense for this facility was approximately $2.6 million and $0.3 million for the three months ended September 30, 2015 and 2014. Interest expense for this facility was approximately $7.0 million and $0.3 million for the nine months ended September 30, 2015 and 2014. As of September 30, 2015, the current portion of deferred debt issuance costs of $3.0 million was recorded in prepaid expenses and other current assets, and the long-term portion of deferred debt issuance costs of $4.4 million was recorded in other non-current assets, net in the condensed consolidated balance sheet. In addition, an interest reserve of $3.2 million was held in an account with the administrative agent and was included in restricted cash and cash equivalents. The interest reserve increases as borrowings increase under the Aggregation Facility.

Bank of America, N.A. Term Loan Credit Facility

In May 2014, the Company entered into a term loan credit facility for an aggregate principal amount of $75.5 million with certain financial institutions for which Bank of America, N.A. acted as administrative agent. In September 2014 and in connection with the closing of the Aggregation Facility, the Company repaid the then outstanding $75.5 million in aggregate borrowings and terminated the agreement. There was no interest expense incurred for the three and nine months ended September 30, 2015 under this agreement. Interest expense from inception of the Term Facility in May 2014 through payoff in September 2014 was approximately $1.3 million.

Revolving Lines of Credit — Related Party

On October 9, 2014, the Company repaid $58.8 million in aggregate borrowings and interest owed to Vivint under two loan agreements, which were terminated upon repayment. There was no interest expense incurred for the three and nine months ended September 30, 2015 under these agreements. Interest expense was $1.4 million and $4.2 million for the three and nine months ended September 30, 2014 under these agreements.

10 . Investment Funds

As of September 30, 2015, the Company had formed 17 investment funds for the purpose of funding the purchase of solar energy systems. The aggregate carrying value of these funds' assets and liabilities (after elimination of intercompany transactions and balances) in the Company's condensed consolidated balance sheets were as follows (in thousands):

	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 25,924	$ 12,641
Accounts receivable, net	5,264	1,542
Total current assets	31,188	14,183
Solar energy systems, net	882,961	525,903
Total assets	$ 914,149	$ 540,086
Liabilities		
Current liabilities:		
Distributions payable to non-controlling interests and redeemable non-controlling interests	$ 8,316	$ 6,780
Current portion of deferred revenue	413	237
Accrued and other current liabilities	930	—
Total current liabilities	9,659	7,017
Deferred revenue, net of current portion	30,047	4,335
Other non-current liabilities	3,104	—
Total liabilities	$ 42,810	$ 11,352

Residential Investment Funds

As of September 30, 2015, the Company had formed 16 residential investment funds. Fund investors for three of the funds are managed indirectly by The Blackstone Group L.P. (the "Sponsor") and are considered related parties. As of September 30, 2015 and December 31, 2014, the cumulative total of contributions into the VIEs by all investors was $712.3 million and $480.2 million. Of these contributions, a cumulative total of $110.0 million was contributed by related parties in prior periods.

All residential investment funds except for one were operational as of September 30, 2015. The Company did not have any assets, liabilities or activity associated with that fund. Total available committed capital under that fund was $175.0 million as of September 30, 2015.

C&I Investment Fund

In May 2015, a wholly owned subsidiary of the Company entered into a C&I solar investment fund arrangement with a fund investor. The fund was not operational as of September 30, 2015, and as such, the Company did not have any assets or liabilities associated with the fund. The total available committed capital under the fund is $150.0 million, which is expected to be contributed through 2016.

Lease Pass-Through Financing Obligation

In the three months ended September 30, 2015, a new lease pass-through fund arrangement became operational under which the Company contributes solar energy systems and the investor contributes cash. Contemporaneously, a subsidiary of the Company entered into a master lease arrangement to lease the solar energy systems and the associated customer lease or power purchase agreements to the fund investor. The Company's subsidiary makes a tax election to pass-through the investment tax credits ("ITCs") that accrue to the solar energy systems to the fund investor, who as the legal lessee of the property is allowed to claim the ITCs under Section 50(d)(5) of the Internal Revenue Code and the related regulations. The solar energy systems are included under solar energy systems, net in the condensed consolidated balance sheets, and as of September 30, 2015, the net carrying value of the solar energy systems was $36.5 million.

Under the arrangement, the fund investor makes a large upfront payment to the Company's subsidiary and subsequent periodic payments. The Company allo cates a portion of the aggregate payments received from the fund investor to the estimated fair value of the assigned ITCs, and the balance to the future customer lease payments that are also assigned to the investor. The Company's subsidiary has an obliga tion to ensure the solar energy system is in service and operational for a term of five years to avoid any recapture of the ITCs. Accordingly, the Company recognizes revenue as the recapture provisions lapse assuming all other revenue recognition criteria have been met. The amounts allocated to ITCs are initially recorded as deferred revenue in the condensed consolidated balance sheet, and subsequently, one-fifth of the amounts allocated to ITCs is recognized as revenue from operating leases and solar energ y systems incentives in the condensed consolidated statements of operations based on the anniversary of each solar energy system's placed in service date over the next five years.

The Company accounts for the residual of the payments received from the fund investor, net of amounts allocated to ITCs, as a borrowing by recording the proceeds received as a lease pass-through financing obligation, which will be repaid through customer payments that will be received by the investor. Under this approach, the Company continues to account for the arrangement with the customers in its condensed consolidated financial statements, whether the cash generated from the customer arrangements is received by the lessor or paid directly to the fund investor. A portion of the amounts received by the fund investor from customer payments is applied to reduce the lease pass-through financing obligation, and the balance is allocated to interest expense. The customer payments are recognized into revenue based on cash receipts during the period as required by GAAP. Interest is calculated on the lease pass-through financing obligation using the effective interest rate method. The effective interest rate is the interest rate that equates the present value of the cash amounts to be received by a fund investor over the master lease term with the present value of the cash amounts paid by the investor to the Company, adjusted for any payments made by the Company. The lease pass-through financing obligation is nonrecourse once the associated assets have been placed in service and all the customer arrangements have been assigned to the fund investor.

The fund investor is responsible for services such as warranty support, accounting, lease servicing and performance reporting, which have been outsourced to the Company under administrative and maintenance service agreements.

Guarantees

With respect to the investment funds, the Company and the fund investors have entered into guaranty agreements under which the Company guarantees the performance of certain obligations of its subsidiaries to the investment funds. These guarantees do not result in the Company being required to make payments to the fund investors unless such payments are mandated by the investment fund governing documents and the investment fund fails to make such payment. The Company is also contractually obligated to make certain VIE investors whole for losses that the investors may suffer in certain limited circumstances resulting from the disallowance or recapture of ITCs.

As of December 31, 2014, the Company accrued an estimated $4.0 million distribution to reimburse a fund investor a portion of its capital contribution in order to true-up the investor's expected rate of return primarily due to a delay in solar energy systems being interconnected to the utility grid and other factors. During the nine months ended September 30, 2015, the Company accrued an additional $1.0 million and paid the contractually agreed upon distribution of $5.0 million to the fund investor.

As a result of the guaranty arrangements in certain funds, the Company is required to hold minimum cash balances of $10.0 million and $5.0 million as of September 30, 2015 and December 31, 2014, which are classified as restricted cash and cash equivalents on the condensed consolidated balance sheets.

11 . Redeemable Non-Controlling Interests and Equity

Common Stock

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

	September 30, 2015	December 31, 2014
Stock options issued and outstanding	9,284	10,053
Restricted stock units issued and outstanding	983	22
Shares available for grant under equity incentive plans	12,245	8,783
Long-term incentive plan	3,382	4,059
Total	25,894	22,917

Redeemable Non-Controlling Interests, Equity and Non-Controlling Interests

The changes in redeemable non-controlling interests were as follows (in thousands):

Balance as of December 31, 2014	$ 128,427
Contributions from redeemable non-controlling interests	79,356
Distributions to redeemable non-controlling interests	(5,099)
Net loss	(31,505)
Balance as of September 30, 2015	$ 171,179

The changes in stockholders' equity and non-controlling interests were as follows (in thousands):

	Total Stockholders' Equity	Non-Controlling Interests	Total Equity
Balance as of December 31, 2014	$ 477,989	$ 135,147	$ 613,136
Stock-based compensation expense	23,206	—	23,206
Excess tax effects from stock-based compensation	1,717	—	1,717
Issuance of common stock	556	—	556
Contributions from non-controlling interests	—	152,715	152,715
Distributions to non-controlling interests	—	(13,583)	(13,583)
Net income (loss)	26,270	(194,757)	(168,487)
Balance as of September 30, 2015	$ 529,738	$ 79,522	$ 609,260

Seven of the investment funds include a right for the non-controlling interest holder to elect to require the Company's wholly owned subsidiary to purchase all of its membership interests in the fund after a stated period of time (each, a "Put Option"). In one of the investment funds, the Company's wholly owned subsidiary has the right to elect to require the non-controlling interest holder to sell all of its membership units to the Company's wholly owned subsidiary (a "Call Option") after the expiration of the non-controlling interest holder's Put Option. In the six other investment funds that have Put Options, the Company's wholly owned subsidiary has a Call Option for a stated period prior to the effectiveness of the Put Option. In nine other investment funds there is a Call Option which is exercisable after a stated period of time. One investment fund has neither a Put Option nor a Call Option.

The purchase price for the fund investor's interest in the seven investment funds under the Put Options is the greater of fair market value at the time the option is exercised and a specified amount, ranging from $0.7 million to $4.1 million. The Put Options for these seven investment funds are exercisable beginning on the date that specified conditions are met for each respective fund. None of the Put Options are expected to become exercisable prior to 2019.

Because the Put Options represent redemption features that are not solely within the control of the Company, the non-controlling interests in these investment funds are presented outside of permanent equity. Redeemable non-controlling interests are reported using the greater of their carrying value at each reporting date (which is impacted by attribution under the hypothetical liquidation at book value method) or their estimated redemption value in each reporting period. The carrying values of redeemable non-controlling interests at September 30, 2015 and December 31, 2014 was greater than the redemption values.

The purchase price for the fund investors' interest s under the Call Options varies by fund, but is generally the greater of a specified amount, which ranges from approximately $ 0.7 million to $ 7.0 million, the fair market value of such interest at the time the option is exercised, or an amount that causes the fund investor to achieve a specified return on investment. The Call Options are exercisable beginning on the date that specified conditions are met for each respective fund. None of the Call Options ar e expected to become exercisable prior to 2019 .

12 . Equity Compensation Plans

Equity Incentive Plans

2014 Equity Incentive Plan

The Company adopted the 2014 Equity Incentive Plan (the "2014 Plan") in September 2014. Under the 2014 Plan, the Company may grant stock options, restricted stock, restricted stock units, stock appreciation rights, performance units, performance shares and performance awards to its employees, directors and consultants, and its parent and subsidiary corporations' employees and consultants.

Under the 2014 Plan, a total of 8.8 million shares of common stock initially were reserved for issuance, subject to adjustment in the case of certain events. In addition, any shares that otherwise would be returned to the Omnibus Plan (as defined below) as the result of the expiration or termination of stock options may be added to the 2014 Plan. The number of shares available for issuance under the 2014 Plan is subject to an annual increase on the first day of each year, equal to the least of 8.8 million shares, 4% of the outstanding shares of common stock as of the last day of the immediately preceding fiscal year and an amount of shares as determined by the Company. In accordance with the annual increase, an additional 4.2 million shares were reserved for issuance in 2015 under the 2014 Plan.

2013 Omnibus Incentive Plan; Non-plan Option Grant

In July 2013, the Company adopted the 2013 Omnibus Incentive Plan (the "Omnibus Plan"), which was terminated in connection with the adoption of the 2014 Plan in September 2014, and accordingly no additional shares are available for issuance under the Omnibus Plan. The Omnibus Plan will continue to govern outstanding awards granted under this plan. In August 2013, the Company granted an option to purchase 0.6 million shares of common stock outside of the Omnibus Plan; however the provisions of this option were substantially similar to those of the options granted pursuant to the Omnibus Plan.

During 2014 and 2013, the Company granted stock options of which one-third are subject to ratable time-based vesting over a five year period and two-thirds are subject to vesting upon certain performance conditions and the achievement of certain investment return thresholds by 313 Acquisition LLC, a subsidiary of the Company's Sponsor. The stock options have a ten-year contractual period.

During the nine months ended September 30, 2015, the first performance condition was met and 3.3 million performance-based options immediately vested and became exercisable during the second quarter of 2015. The Company accelerated all remaining expense related to the vested options for the first performance condition, resulting in additional stock-based compensation expense of approximately $7.4 million in the second quarter of 2015.

Long-term Incentive Plan

In July 2013, the Company's board of directors approved 4.1 million shares of common stock for six Long-term Incentive Plan Pools ("LTIP Pools") that comprise the 2013 Long-term Incentive Plan (the "LTIP"). The purpose of the LTIP is to attract and retain key service providers and strengthen their commitment to the Company by providing incentive compensation measured by reference to the value of the shares of the Company's common stock. Eligible participants include nonemployee direct sales personnel who sell the solar energy system contracts, employees that install and maintain the solar energy systems and employees that recruit new employees to the Company. During the nine months ended September 30, 2015, 0.6 million shares of common stock were awarded to participants under the LTIP. As of September 30, 2015, 3.4 million shares remained outstanding, as 0.1 million shares represented the exercise price that were returned to the 2014 Plan. The Company recognized zero and $8.3 million of expense related to these shares in the three and nine months ended September 30, 2015. No shares were awarded and no expense was recognized under the LTIP prior to the nine months ended September 30, 2015.

Stock Options

Stock Option Activity

Stock options are granted under the 2014 Plan and Omnibus Plan as described above. Stock option activity for the nine months ended September 30, 2015 was as follows (in thousands, except term and per share amounts):

	Shares Underlying Options	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding—December 31, 2014	10,053	$ 1.21		$ 80,790
Granted	114	12.56		
Exercised	(595)	1.09		
Cancelled	(288)	1.00		
Outstanding—September 30, 2015	9,284	$ 1.37	8.1	$ 84,912
Options vested and exercisable—September 30, 2015	3,858	$ 1.21	8.1	$ 35,787
Options vested and expected to vest—September 30, 2015	8,899	$ 1.36	8.1	$ 81,452

The weighted-average grant date fair value of time-based stock options granted during the nine months ended September 30, 2015 and 2014 was $9.39 and $4.69 per share. No performance-based stock options were granted during the nine months ended September 30, 2015. The weighted-average grant date fair value of performance-based stock options granted during the nine months ended September 30, 2014 was $2.80 per share. The weighted-average grant date fair value of time-based stock options exercised during the nine months ended September 30, 2015 was $2.34 per share. The weighted-average grant date fair value of performance-based options exercised during the nine months ended September 30, 2015 was $6.92 per share. There were no options exercised for the nine months ended September 30, 2014. Intrinsic value is calculated as the difference between the exercise price of the underlying stock options and the fair value of the common stock for the options that had exercise prices that were lower than the fair value per share of the common stock.

As of September 30, 2015, there was approximately $5.4 million of total unrecognized stock-based compensation expense, net of estimated forfeitures, related to nonvested time-based and performance condition stock options. As of September 30, 2015, the time-based awards are expected to be recognized over the weighted-average period of 3.2 years. As of September 30, 2015, the performance-based awards are expected to be recognized over a weighted-average period of 1.4 years.

The total fair value of stock options vested for the nine months ended September 30, 2015 and 2014 was $14.1 million and $0.3 million.

Determination of Fair Value of Stock Options

The Company estimates the fair value of the time-based stock options granted on each grant date using the Black-Scholes-Merton option pricing model and applies the accelerated attribution method for expense recognition. The fair values using the Black-Scholes-Merton method were estimated on each grant date using the following weighted-average assumptions:

	Nine Months Ended September 30,	
	2015	2014
Expected term (in years)	6.2	6.2
Volatility	89.0%	87.1%
Risk-free interest rate	1.8%	1.9%
Dividend yield	0.0%	0.0%

Restricted Stock Units

Restricted stock units, or RSUs, are granted under the 2014 Plan and the LTIP as described above. RSU activity for the nine months ended September 30, 2015 was as follows (awards in thousands):

	Number of Awards	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2014	22	$ 16.00
Granted	1,623	13.06
Vested	(648)	13.42
Forfeited	(14)	12.97
Outstanding at September 30, 2015	983	12.89

The total grant date fair value of RSUs vested was $8.7 million for the nine months ended September 30, 2015. No RSUs vested in the nine months ended September 30, 2014. The Company determines the fair value of RSUs granted on each grant date based on the fair value of the Company's common stock on the grant date. As of September 30, 2015, there was approximately $8.8 million of total unrecognized stock-based compensation expense, net of estimated forfeitures, related to RSUs, which is expected to be recognized over the weighted-average period of 3.0 years.

Stock-Based Compensation Expense

Stock-based compensation was included in operating expenses as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Cost of revenue—operating leases and incentives	$ 181	$ 710	$ 2,754	$ 765
Sales and marketing	751	421	10,054	611
General and administrative	1,512	18,899	10,122	19,470
Research and development	152	—	276	—
Total stock-based compensation	$ 2,596	$ 20,030	$ 23,206	$ 20,846

13 . Income Taxes

The income tax expense for the three months ended September 30, 2015 and 2014 was calculated on a discrete basis resulting in a consolidated quarterly effective income tax rate of 12.9% and 16.5%. For the nine months ended September 30, 2015 and 2014, the Company's consolidated effective income tax rate was (8.7)% and 2.5%. The variations between the consolidated effective income tax rates and the U.S. federal statutory rate for the three and nine months ended September 30, 2015 were primarily attributable to the effect of non-controlling interests and redeemable non-controlling interests, the domestic production activities deduction and to reduced ITC allocations to the Company. The variations between the consolidated effective income tax rates and the U.S. federal statutory rate for the three and nine months ended September 30, 2014 were primarily attributable to the effect of non-controlling interests and redeemable non-controlling interests, nondeductible expenses and ITC allocations to the Company.

The Company recognizes sales of solar energy systems to the investment funds for income tax purposes. As the investment funds are consolidated by the Company, the gain on the sale of the assets has been eliminated in the condensed consolidated financial statements. These transactions are treated as intercompany sales and any tax expense incurred related to these sales is being deferred and amortized over the estimated useful life of the underlying systems which has been estimated to be 30 years. The deferral of the tax expense results in recording of a prepaid tax asset. As of September 30, 2015 and December 31, 2014, the Company recorded a long-term prepaid tax asset of $247.9 million and $111.9 million, net of amortization.

Uncertain Tax Positions

As of September 30, 2015 and December 31, 2014, the Company had no unrecognized tax benefits. There was no interest and penalties accrued for any uncertain tax positions as of September 30, 2015 and December 31, 2014. The Company does not have any tax positions for which it is reasonably possible the total amount of gross unrecognized benefits will increase or decrease within the next 12 months. The Company is subject to taxation and files income tax returns in the United States, and various state and local jurisdictions. Due to the Company's net losses, substantially all of its federal, state and local income tax returns since inception are still subject to audit.

14 . Related Party Transactions

The Company's operations included the following related party transactions (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Cost of revenue—operating leases and incentives	$ 1,447	$ 2,139	$ 4,376	$ 5,524
Sales and marketing	328	610	1,589	956
General and administrative	211	310	5,013	3,220
Interest expense (1)	—	1,460	—	4,338

(1) Includes revolving lines of credit—related party. See Note 9—Debt Obligations.

Vivint Services

In 2014, the Company negotiated and entered into a number of agreements with its sister company, Vivint Inc. ("Vivint"), related to services and other support that Vivint provides to the Company. Under the terms of these agreements, Vivint provides the Company with information technology and infrastructure, employee benefits and certain other services. Prior to the new agreements, under full service sublease and trademark agreements, Vivint provided to the Company various administrative services, such as management, human resources, information technology, facilities and use of corporate office space, and rights to use certain trademarks. The Company incurred fees under these agreements of $1.8 million and $2.4 million for the three months ended September 30, 2015 and 2014, which reflect the amount of services provided by Vivint on behalf of the Company. The Company incurred fees under these agreements of $5.3 million and $6.6 million for the nine months ended September 30, 2015 and 2014.

Payables to Vivint recorded in accounts payable—related party were $1.5 million and $2.1 million as of September 30, 2015 and December 31, 2014. These payables include amounts due to Vivint related to the services agreements and other miscellaneous intercompany payables including freight, healthcare cost reimbursements and ancillary purchases.

Advances Receivable — Related Party

Net amounts due from direct-sales personnel were $1.6 million and $1.2 million as of September 30, 2015 and December 31, 2014. The Company provided a reserve of $1.2 million and $0.9 million as of September 30, 2015 and December 31, 2014 related to advances to direct-sales personnel who have terminated their employment agreement with the Company.

Advisory Agreements

In May 2014, the Company entered into an advisory agreement with Blackstone Advisory Partners L.P., an affiliate of the Sponsor ("BAP"), under which BAP will provide financial advisory and placement services related to the Company's financing of residential solar energy systems. In February 2015, the Company provided BAP a notice to terminate the agreement, which remains in effect for six months following the date of such notice. Under the agreement, the Company is required under certain circumstances to pay a placement fee to BAP ranging from 0.75% to 1.5% of the transaction capital, depending on the identity of the investor and whether the financing relates to residential or commercial projects. This agreement replaced the 2013 advisory agreement described below.

Effective May 2013, the Company entered into an advisory agreement with BAP that provided financial advisory and placement services related to the Company's financing of residential solar energy systems. Under the agreement, BAP was paid a placement fee ranging from 0% to 2% of the transaction capital, depending on the identity of the investor and how contact with the investor is established.

No fees were incurred under these agree ments for the three months ended September 30, 2015 and 2014. The Company incurred fees of $4.4 million and $ 2.2 million for the nine months ended September 30, 2015 and 2014. This amount was recorded in general and administrative expense in the Company's condensed consolidated statements of operations.

Investment Funds

Fund investors for three of the investment funds are indirectly managed by the Sponsor and accordingly are considered related parties. See Note 10— Investment Funds. In July 2014, the Company also entered into a Backup Maintenance Servicing Agreement with Vivint in which Vivint will provide maintenance servicing of the investment fund assets in the event that the Company is removed as the service provider for certain of the investment funds. No services have been performed by Vivint under this agreement.

15 . Commitments and Contingencies

Non-Cancellable Leases

The Company has entered into operating lease agreements for corporate and operating facilities, warehouses and related equipment in states in which the Company conducts operations. The aggregate expense incurred under these operating leases was $3.0 million and $1.2 million for the three months ended September 30, 2015 and 2014. The aggregate expense incurred under these operating leases was $9.4 million and $2.6 million for the nine months ended September 30, 2015 and 2014.

In September 2014, the Company entered into a non-cancellable lease whereby the Company will terminate the current lease for its corporate headquarters in Lehi, UT and move into another building being constructed in the same general location. In July 2015, the Company amended the new lease for its new corporate headquarters building that is under construction. These amendments included an extension of the lease term to 12 years from five years with the option to extend for two additional periods of five years, an increase in the leased premises by approximately 32,000 square feet and a change in the base rent that will commence at approximately $0.3 million per month and increase over the term of the lease, as amended, at a rate of 2.5% annually. As a result of the amendment, the Company expects to make additional lease payments of $36.1 million over the initial term of the lease.

The Company also entered into new non-cancellable leases for the construction of a second office building and a studio building on the corporate headquarters campus that will increase the leased premises by approximately 160,000 square feet. The studio building is expected to be available in the second quarter 2016. The second office building is expected to be available in the first quarter of 2018, and the Company has the option to move the commencement date forward by providing a 12-month notice. Both leases have a term of 12 years with the option to extend for two additional periods of five years. The aggregate monthly rent payments under both leases will commence at approximately $0.4 million and increase at a rate of 2.5% annually. As a result of these new leases, the Company expects to make additional lease payments of $57.5 million over the initial terms of the leases.

Build-to-Suit Lease Arrangements

As discussed in *Non-Cancellable Leases* above, in September 2014, the Company entered into a non-cancellable lease whereby the Company will terminate the current lease for its corporate headquarters in Lehi, UT and move into another building being constructed in the same general location. Because of its involvement in certain aspects of the construction per the terms of the lease, t he Company is deemed the owner of the building for accounting purposes during the construction period. Accordingly, as of September 30, 2015, the Company recorded a build-to-suit asset of $12.3 million included in property and equipment, net, which also includes $0.1 million in capitalized interest, and a $12.2 million build-to-suit lease liability included in other non-current liabilities.

Long-Term Purchase Agreements

In 2015, the Company entered into long term purchase agreements with certain key suppliers. These agreements require the Company to make minimum volume purchases on a quarterly basis. As of September 30, 2015, the Company has met these minimum purchase requirements, and no additional liability has been incurred or recorded.

Indemnification Obligations

From time to time, the Company enters into contracts that contingently require it to indemnify parties against claims. These contracts primarily relate to provisions in the Company's services agreements with related parties that may require the Company to indemnify the related parties against services rendered; and certain agreements with the Company's officers and directors under which the Company may be required to indemnify such persons for liabilities. In addition, under the terms of the agreements related to the Company's investment funds and other material contracts, the Company may also be required to indemnify fund investors and other third parties for liabilities. The Company has not recorded a liability related to these indemnification provisions and the indemnification agreements have not had any significant impact to the Company's condensed consolidated financial statements to date.

Legal Proceedings

In December 2013, one of the Company's former sales representatives, on behalf of himself and a purported class, filed a complaint for unspecified damages, injunctive relief and restitution in the Superior Court of the State of California in and for the County of San Diego against Vivint Solar Developer, LLC, one of the Company's subsidiaries, and unnamed John Doe defendants alleging violations of the California Labor Code and the California Business and Professions Code and seeking penalties of an unspecified amount, interest on all economic damages and reasonable attorney's fees and costs. In January 2014, the Company filed an answer denying the allegations in the complaint and asserting various affirmative defenses. In late 2014, the parties agreed to preliminary terms of settlement, which were subsequently revised in mid-2015. The proposed settlement agreement contemplates a settlement payment from the Company in the amount of $0.4 million. On October 30, 2015, the Court entered a final order approving the settlement agreement. The Company has recorded a $0.4 million reserve related to this proceeding in its consolidated financial statements.

In May 2014, Vivint made the Company aware that the U.S. Attorney's office for the State of Utah is engaged in an investigation that Vivint believes relates to certain political contributions made by some of Vivint's executive officers that are directors of the Company and some of Vivint's employees. The Company has no reason to believe that it, the executive officers or employees are targets of such investigation.

In September 2014, two former installation technicians of the Company, on behalf of themselves and a purported class, filed a complaint for damages, injunctive relief and restitution in the Superior Court of the State of California in and for the County of San Diego against the Company and unnamed John Doe defendants. The complaint alleges certain violations of the California Labor Code and the California Business and Professions Code based on, among other things, alleged improper classification of installer technicians, installer helpers, electrician technicians and electrician helpers, failure to pay minimum and overtime wages, failure to provide accurate itemized wage statements, and failure to provide wages on termination. In December 2014, the original plaintiffs and three additional plaintiffs filed an amended complaint with essentially the same allegations. On November 5, 2015, the parties agreed to preliminary terms of a settlement of all claims related to allegations in the complaint in return for the Company's payment of $1.7 million to be paid out to the purported class members. The settlement agreement must be approved by the Court, after notice to the purported class. A $1.7 million reserve was recorded related to this proceeding in the Company's condensed consolidated financial statements.

In November and December 2014, two putative class action lawsuits were filed in the U.S. District Court for the Southern District of New York against the Company, its directors, certain of its officers and the underwriters of the Company's initial public offering of common stock alleging violation of securities laws and seeking unspecified damages. In January 2015, the Court ordered these cases to be consolidated into the earlier filed case, *Hyatt v. Vivint Solar, Inc. et al.* , 14-cv-9283 (KBF). The plaintiffs filed a consolidated amended complaint in February 2015. On May 6, 2015, the Company filed a motion to dismiss the complaint. The Company believes this lawsuit is without merit and intends to defend the case vigorously. The Company is unable to estimate a range of loss, if any, that could result were there to be an adverse final decision. If an unfavorable outcome were to occur in this case, it is possible that the impact could be material to the Company's results of operations in the period(s) in which any such outcome becomes probable and estimable.

On July 31, 2015, a putative class action lawsuit was filed in the Court of Chancery State of Delaware against the Company's directors, SunEdison Inc. ("SunEdison"), and TerraForm Power ("TerraForm"), alleging that the proposed acquisition by SunEdison is unfair to the Company's stockholders. On August 7, 2015, a second putative class action lawsuit was filed in the same court alleging similar claims, and including 313, Acquisition, LLC as a named defendant. Both complaints seek injunctive relief and unspecified damages. On or about September 10, 2015, two purported class action lawsuits were also filed in Utah's Fourth District State Court (the "Utah Actions"), alleging similar claims to the complaints previously filed in the Delaware Chancery Court. On September 22, 2015, the Company, through counsel notified plaintiff's counsel in the Utah Actions that pursuant to the Company's Articles of Incorporation, any such derivative action was subject to exclusive jurisdiction in the Delaware Chancery Court, and accordingly, the Utah Actions should be dismissed. In the event the Utah Actions are not voluntarily dismissed, t he Company anticipates the cases will ultimately be consolidated into one case. In view of the Company's indemnification obligation to its directors, the Company is unable to estimate a range of loss, if any, that could result were there to be an adverse final decision. If an unfavorable outcome were to occur in these cases, it is possible that the impact could be material to the Company's results of operations in the period(s) in which any such outcome becomes probable and estimable.

In September 2015, a putative class action lawsuit was filed in the Kern County Superior Court of the State of California, seeking declaratory and injunctive relief with regard to the Company's customer agreements in California. The complaint essentially a lleges that certain versions of customer contracts fail to satisfy California Code provisions including home solicitation and home improvement laws. The Company believes that it has strong defenses to the claims asserted in this matter. Although the Compan y cannot predict with certainty the ultimate resolution of this suit, it does not believe this matter will have a material adverse effect on the Company's business, results of operations, cash flows or financial condition. It is not possible to estimate th e amount or range of potential loss, if any, at this time.

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

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

16 . Basic and Diluted Net Income Per Share

The Company computes basic net income per share by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution of securities that could be exercised or converted into common shares, and is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding plus the effect of potentially dilutive shares to purchase common stock.

The following table sets forth the computation of the Company's basic and diluted net income available per share to common stockholders for the three and nine months ended September 30, 2015 and 2014 (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Numerator:				
Net income available (loss attributable) to common stockholders	$ 468	$ (35,278)	$ 26,270	$ (22,744)
Denominator:				
Shares used in computing net income available (loss attributable) per share to common stockholders, basic	106,492	78,428	105,932	76,160
Weighted-average effect of potentially dilutive shares to purchase common stock	3,731	—	3,762	—
Shares used in computing net income available (loss attributable) per share to common stockholders, diluted	110,223	78,428	109,694	76,160
Net income available (loss attributable) per share to common stockholders				
Basic	$ 0.00	$ (0.45)	$ 0.25	$ (0.30)
Diluted	$ 0.00	$ (0.45)	$ 0.24	$ (0.30)

As of September 30, 2015, stock-based awards for 3.4 million underlying shares of common stock were subject to performance conditions which had not yet been met. Accordingly, these performance-based stock awards were not included in the computation of diluted net income per share for the three and nine months ended September 30, 2015. In addition, options remaining to be granted under the LTIP Pools were not included in the computation of diluted net income per share as these shares had not been granted as of September 30, 2015. For the three and nine months ended September 30, 2015, a de minimis number of shares was excluded from the dilutive share calculations as the effect on net income per share would have been antidilutive. For the three and nine months ended September 30, 2014, the Company incurred net losses attributable to common stockholders. As such, the potentially dilutive shares were anti-dilutive and were not considered in the weighted average number of common shares outstanding for those periods.

17. Segment Information

Prior to the second quarter 2015, the Company had one business activity that was focused primarily on providing service to customers in the residential market. During the second quarter of 2015, the Company closed its first C&I investment fund with plans to service customers in the C&I market. As of September 30, 2015, the C&I fund was not operational, i.e., no projects had been initiated within the fund. During the nine months ended September 30, 2015, the Company has aligned its operations as two reporting segments: (1) Residential and (2) C&I.

As of September 30, 2015, the Company recorded no assets related to the C&I segment. Segment loss from operations is comprised of operating unit revenue less operating expenses attributable to each operating segment. For the three and nine months ended September 30, 2015, no revenue was recognized in the C&I segment as the C&I investment fund was not operational. Operating expenses in the C&I segment included fees related to the closing of the C&I fund and personnel costs of employees directly involved in the development of C&I. Prior to the three months ended June 30, 2015, all reported results related to the Residential segment, and as such, no restatement of prior period segment results was necessary. Operating results by reporting segment in 2015 were as follows:

	Three Months Ended September 30, 2015		
	Residential	C&I	Total
Revenue:			
Operating leases and incentives	$ 21,781	$ —	$ 21,781
Solar energy system and product sales	693	—	693
Total revenue	22,474	—	22,474
Operating expenses:			
Cost of revenue—operating leases and incentives	37,624	—	37,624
Cost of revenue—solar energy system and product sales	470	—	470
Sales and marketing	11,802	249	12,051
Research and development	1,047	—	1,047
General and administrative	21,850	104	21,954
Amortization of intangible assets	3,711	—	3,711
Total operating expenses	76,504	353	76,857
Loss from operations	(54,030)	(353)	(54,383)

	Nine Months Ended September 30, 2015		
	Residential	C&I	Total
Revenue:			
Operating leases and incentives	$ 45,662	$ —	$ 45,662
Solar energy system and product sales	2,492	—	2,492
Total revenue	48,154	—	48,154
Operating expenses:			
Cost of revenue—operating leases and incentives	94,799	—	94,799
Cost of revenue—solar energy system and product sales	1,384	—	1,384
Sales and marketing	36,696	485	37,181
Research and development	2,549	—	2,549
General and administrative	69,843	2,105	71,948
Amortization of intangible assets	11,195	—	11,195
Impairment of intangible assets	4,506	—	4,506
Total operating expenses	220,972	2,590	223,562
Loss from operations	(172,818)	(2,590)	(175,408)

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

Forward-Looking Statements

This section should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included in Part 1, Item 1 of this report. This discussion contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are identified by words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may," "seek" and other similar expressions. You should read these statements carefully because they discuss future expectations, contain projections of future results of operations or financial condition or state other "forward-looking" information. These statements relate to our future plans, objectives, expectations, intentions and financial performance and the assumptions that underlie these statements.

These forward-looking statements include, but are not limited to:

- the proposed acquisition of us by SunEdison, Inc., or SunEdison;
- federal, state and local regulations and policies governing the electric utility industry;
- the regulatory regime for our offerings and for third-party owned solar energy systems;
- technical limitations imposed by operators of the power grid;
- the continuation of tax rebates, credits and incentives, including changes to the rates of the income tax credit, or ITC, beginning in 2017;
- the price of utility-generated electricity and electricity from other sources;
- our ability to finance the installation of solar energy systems;
- our ability to efficiently install and interconnect solar energy systems to the power grid;
- our ability to sustain and manage growth and costs;
- our ability to further penetrate existing markets, expand into new markets and expand into markets for non-residential solar energy systems, such as the commercial and industrial market, or C&I;
- our ability to develop new product offerings and distribution channels;
- our relationship with our sister company Vivint Inc., or Vivint, and The Blackstone Group L.P., our sponsor;
- our ability to manage our supply chain;
- the cost of solar panels and the residual value of solar panels after the expiration of our customer contracts;
- our ability to maintain our brand and protect our intellectual property; and
- our expectations regarding remediation of the material weakness in our internal control over financial reporting.

In combination with the risk factors we have identified, we cannot assure you that the forward-looking statements in this report will prove to be accurate. Further, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all, or as predictions of future events. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Overview

We offer distributed solar energy to residential customers based on long-term contracts at prices below their current utility rates. Our customer focus, neighborhood-driven direct-to-home sales model, brand and operational efficiency have driven our rapid growth in solar energy installations. We believe our continued growth is disrupting the traditional electricity market by satisfying customers' demand for increased energy independence and less expensive, more socially responsible electricity generation. We sell the electricity that our solar energy systems produce through long-term power purchase agreements or we lease our solar energy systems through long-term leases. Prior to 2014, all of our long-term customer contracts were structured as power purchase agreements. In 2014, we began offering legal-form leases to residential customers. Under either contract type, we install our solar energy system at our customer's home and bill the customer monthly. In the power purchase agreement structure, we charge customers a fee per kilowatt hour based on the amount of electricity the solar energy system actually produces. In the lease structure, the customer's monthly

payment is fixed based on a calculation that takes into account expected solar energy generation. We provide our lease customers a performance guarantee, under which we agree to make a payment at the end of each year to the customer if the solar energy system does not meet the guaranteed production level in the prior 12-month period. The power purchase agreement and lease terms are typically for 20 years, and virtually all the prices that we charge to our customers are subject to pre-determined annual fixed percentage price escalations as specified in the customer contract. We do not believe that either form of long-term customer contract is mater ially more advantageous to us than the other.

We compete mainly with traditional utilities. In the markets we serve, our strategy is to price the energy we sell below prevailing retail electricity rates. As a result, the price our customers pay to buy energy from us varies depending on the state where the customer is located and the local traditional utility. The price we charge also depends on customer price sensitivity, the need to offer a compelling financial benefit and the price other solar energy companies charge in the region.

Our ability to offer long-term customer contracts depends in part on our ability to finance the installation of the solar energy systems by monetizing the resulting customer receivables and investment tax credits, accelerated tax depreciation and other incentives related to the solar energy systems through structured investments known as "tax equity." As of September 30, 2015, we had raised 16 residential investment funds to which investors such as banks and other large financial investors have committed to invest approximately $1.1 billion, which will enable us to install solar energy systems of total fair market value approximating $2.6 billion. As of September 30, 2015, we had residential tax equity commitments to fund approximately 167 megawatts of future deployments, which we estimate to be sufficient to fund solar energy systems with a total fair market value of approximately $744 million.

In May 2015, we closed our first C&I investment fund with an investor capital commitment of $150.0 million. We have since offered distributed solar energy to C&I customers through long-term contracts. As of September 30, 2015, there has been no funding activity since the inception of the investment fund, and as such, the investment fund is not considered operational. As such, no revenue was recognized related to C&I activity during the three and nine months ended September 30, 2015.

Our investment funds have adopted the partnership flip, inverted lease or lease pass-through structures. We have determined that we are the primary beneficiary in all but one of the fund structures for accounting purposes. Accordingly, we consolidate the assets and liabilities and operating results of these entities in our consolidated financial statements. We recognize the fund investors' share of the net assets of the investment funds as non-controlling interests and redeemable non-controlling interests in our condensed consolidated balance sheets. These income or loss allocations, reflected on our condensed consolidated statement of operations, may create significant volatility in our reported results of operations, including potentially changing net income available (loss attributable) to common stockholders from income to loss, or vice versa, from quarter to quarter.

Recent Developments

Proposed Acquisition by SunEdison

On July 20, 2015, we entered into an Agreement and Plan of Merger, or the Merger Agreement, with SunEdison, the world's largest renewable energy development company, and SEV Merger Sub, Inc., a wholly-owned subsidiary of SunEdison. The Merger Agreement provides that SunEdison will acquire us with a combination of cash, shares of SunEdison common stock and SunEdison convertible notes. The Merger Agreement has been approved by our board of directors and the boards of directors of SunEdison and SEV Merger Sub, Inc.

Upon completion of the transactions contemplated by the Merger Agreement, our shareholders are expected to receive the following merger consideration: (1) $9.89 per share in cash, (2) $3.30 per share in SunEdison convertible notes and (3) the number of shares of SunEdison common stock equal to the quotient obtained by dividing (a) $3.31 by (b) the volume weighted average price per share of SunEdison common stock (rounded down to the nearest cent) on the NYSE for thirty consecutive trading days ending on (and including) the third trading day immediately prior to the consummation of the merger, or the Measurement Price, and rounding to the nearest 1/100,000 of a share, or the Exchange Ratio; provided that, if the Measurement Price is less than $27.51, the Exchange Ratio will be 0.120 and if the Measurement Price is greater than $33.62, the Exchange Ratio will be 0.098.

The consummation of the transactions contemplated by the Merger Agreement is subject to customary conditions and termination rights. We anticipate that the transactions contemplated by the Merger Agreement will be consummated in the fourth quarter of 2015 or first quarter of 2016. However, we cannot predict with certainty whether and when any of the required closing conditions will be satisfied or if another uncertainty may arise.

Under certain circumstances, including if the Merger Agreement is terminated by SunEdison as a result of our board of directors failing to recommend the Merger Agreement to our stockholders, making or notifying SunEdison of its intention to make a change of recommendation or if we have breached in any material respect its obligations under the non-solicitation provision of the Merger Agreement, including its obligation to call a meeting of our stockholders to adopt the Merger Agreement or by us as a resul t of our board of directors making a change of recommendation in order to enter into a definitive agreement with respect to a superior proposal, we shall be obligated to pay SunEdison a termination fee equal to $62 million. This termination fee is also pay able if, after an alternative proposal is made by a third party, our stockholders fail to approve the Merger Agreement at a meeting of our stockholders, and we subsequently enter into an agreement in respect of such alternative proposal within 12 months of termination of the Merger Agreement.

In connection with its entry into the Merger Agreement, SunEdison entered into a purchase agreement with its controlled affiliate, TerraForm Power, LLC, or Terra LLC, pursuant to which SunEdison will sell to Terra LLC certain renewable power assets of Vivint Solar in exchange for $922 million in cash consideration, which would include an advance for projects expected to be acquired from SunEdison following the consummation of the asset acquisition to be paid concurrently with the consummation of the merger.

Residential Market Expansion

In the third quarter of 2015, we expanded into two new states by opening sales and installation offices in New Mexico and Pennsylvania. In October 2015, we also expanded into South Carolina. These openings increase the number of states in which we operate to 12.

Key Operating Metrics

We regularly review a number of metrics, including the following key operating metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions. Some of our key operating metrics are estimates. These 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, these estimates are based on a combination of assumptions that may not prove to be accurate over time, particularly given that a number of them involve estimates of cash flows up to 30 years in the future. Underperformance of the solar energy systems, payment defaults by our customers, cancellation of signed contracts, competition from other distributed solar energy companies, development in the distributed solar energy market and the energy market more broadly, technical innovation or other factors described under the section of this report captioned "Risk Factors" could cause our actual results to differ materially from our calculations. Furthermore, while we believe we have calculated these key metrics in a manner consistent with those used by others in our industry, other companies may in fact calculate these metrics differently than we do now or in the future, which would reduce their usefulness as a comparative measure. As our C&I fund was not operational as of September 30, 2015, the following metrics only include the activity of our residential segment.

- *Solar energy system installations* . Solar energy system installations represents the number of solar energy systems installed on customers' premises. Cumulative solar energy system installations represents the aggregate number of solar energy systems that have been installed on customers' premises. We track the number of solar energy system installations as of the end of a given period as an indicator of our historical growth and as an indicator of our rate of growth from period to period.
- *Megawatts installed* . Megawatts installed represents the aggregate megawatt nameplate capacity of solar energy systems for which panels, inverters, and mounting and racking hardware have been installed on customer premises in the period. Cumulative megawatts installed represents the aggregate megawatt nameplate capacity of solar energy systems for which panels, inverters, and mounting and racking hardware have been installed on customer premises.
- *Estimated nominal contracted payments remaining* . Estimated nominal contracted payments remaining equals the sum of the remaining cash payments that our customers are expected to pay over the term of their agreements with us for systems installed as of the measurement date. For a power purchase agreement, we multiply the contract price per kilowatt-hour by the estimated annual energy output of the associated solar energy system to determine the estimated nominal contracted payments. For a customer lease, we include the monthly fees and upfront fee, if any, as set forth in the lease.
- *Estimated retained value* . Estimated retained value represents the net cash flows discounted at 6% that we expect to receive from customers pursuant to long-term customer contracts net of estimated cash distributions to fund investors and estimated operating expenses for systems installed as of the measurement date.
- *Estimated retained value under energy contracts* . Estimated retained value under energy contracts represents the estimated retained value from the solar energy systems during the typical 20-year term of our contracts.

- *Estimated retained value of renewal* . E stimated retained value of renewal represents the estimated retained value associated with an assumed 10-year renewal term following the expiration of the initial contract term. To calculate estimated retained value of renewal, we assume all contracts are renewed at 90% of the contractual price in effect at the expiration of the initial term.
- *Estimated retained value per watt* . Estimated retained value per watt is calculated by dividing the estimated retained value as of the measurement date by the aggregate nameplate capacity of solar energy systems under long-term customer contracts that have been installed as of such date, and is subject to the same assumptions and uncertainties as estimated retained value.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Solar energy system installations	8,658	6,935	24,396	15,560
Megawatts installed	60.5	48.6	172.2	105.4

	September 30, 2015	December 31, 2014
Cumulative solar energy system installations	60,116	35,720
Cumulative megawatts installed	400.4	228.2
Estimated nominal contracted payments remaining (in millions)	$ 1,656.5	$ 1,030.5
Estimated retained value under energy contracts (in millions)	$ 616.6	$ 383.1
Estimated retained value of renewal (in millions)	$ 176.0	$ 97.9
Estimated retained value (in millions)	$ 792.6	$ 480.9
Estimated retained value per watt	$ 1.98	$ 2.11

Solar energy system installations and megawatts installed during the three months ended September 30, 2015 were lower than expected, which we believe was due in large part to the distraction from the proposed acquisition by SunEdison. This distraction has exacerbated existing challenges faced by us, including competition in certain markets, particularly California – the largest market for solar energy systems, and the strains that our rapid growth has placed on our ability to achieve desired sales productivity. We have also been adversely impacted by changes in the legal and regulatory landscape affecting our industry. In addition, we have made investments in our sales, installation and administrative organizations to support expected growth and the megawatts installed have not grown rapidly enough to absorb those costs. As a result, despite improvements in costs of solar energy system components, our costs on a per watt basis have increased sequentially and are flat on a quarter-over-quarter basis.

We expect that solar energy system installations and megawatts installed will be affected by similar factors described above during the three months ending December 31, 2015, and may potentially affect future periods as well. The impact of such variable factors cannot be predicted with certainty or precision. We intend to closely monitor the size of our organization, particularly our installation and administrative functions to ensure that we are appropriately sized for our expected results; however, we may experience a similar impact on our costs on a per watt basis in the near term.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States, or GAAP. GAAP require us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, expenses, cash flows and related footnote disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. Our future consolidated financial statements will be affected to the extent that our actual results materially differ from these estimates.

We believe that the assumptions and estimates associated with our principles of consolidation; revenue recognition; solar energy systems, net; solar energy performance guarantees; impairment analysis of long-lived assets; goodwill impairment analysis; stock-based compensation; provision for income taxes; and non-controlling interests and redeemable non-controlling interests have the greatest potential impact on our condensed consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

During the nine months ended September 30, 2015, we reassessed our reportable segments and will report our new C&I business as a separate segment. See Note 17—Segment Information in the notes to our condensed consolidated financial statements. There have been no other material changes to our critical accounting policies and estimates during the three and nine months ended September 30, 2015 from those disclosed in our annual report on Form 10-K for the year ended December 31, 2014 .

Seasonality

We have experienced seasonal fluctuations in our operations. For example, the amount of revenue we recognize in a given period from power purchase agreements is dependent in part on the amount of energy generated by solar energy systems under such contracts. As a result, operating leases and incentives revenue is impacted by seasonally shorter daylight hours in winter months. In addition, our ability to install solar energy systems is impacted by weather. For example, we have limited ability to install solar energy systems during the winter months in the Northeastern United States. Such delays can impact the timing of when we can install and begin to generate revenue from solar energy systems. However, given that we are an early stage company operating in a rapidly growing industry, the true extent of these fluctuations may have been masked by our recent growth rates and thus may not be readily apparent from our historical operating results and may be difficult to predict. As such, our historical operating results may not be indicative of future performance.

Components of Results of Operations

Revenue

We classify and account for long-term customer contracts as operating leases. We consider the proceeds from solar energy system rebate incentives offered by certain state and local governments to form part of the payments under our operating leases and recognize such payments as revenue over the contract term. We record revenue from our operating leases over the term of our long-term customer contracts, which is typically 20 years. We also apply for and receive solar renewable energy certificates, or SRECs, in certain jurisdictions for power generated by our solar energy systems. We generally recognize revenue related to the sale of SRECs upon delivery. The market for SRECs is extremely volatile and sellers are often able to obtain better unit pricing by selling a large quantity of SRECs. As a result, we may sell SRECs infrequently, at opportune times and in large quantities, which may lead to fluctuations in our quarterly results. During the three months ended September 30, 2015 and 2014, approximately 25% and 8% of our revenue was attributable to SREC sales. During the nine months ended September 30, 2015 and 2014, approximately 18% and 8% of our revenue was attributable to SREC sales. Less than 1% of our revenue was attributable to state and local rebates and incentives in all periods presented. There were no C&I revenues recognized in the periods presented. On occasion we have sold solar energy systems for cash. In these instances, the revenue is recognized upon the solar energy system passing inspection by the responsible city department. We also recognize revenue related to the sale of photovoltaic installation software products and devices, a portion of which has consisted of post-contract customer support in prior periods. The following table sets forth our revenue by major product (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue:				
Operating leases and incentives	$ 21,781	$ 7,131	$ 45,662	$ 15,798
Photovoltaic installation devices and software	386	1,108	1,884	2,410
Solar energy system sales	307	94	608	190
Total revenue	$ 22,474	$ 8,333	$ 48,154	$ 18,398

Operating Expenses

Cost of Revenue. Cost of operating leases and incentives is comprised of the depreciation over 30 years of the cost of the solar energy systems; the amortization over the term of customer contracts of initial direct costs; and the indirect costs related to the processing, account creation, design, installation, interconnection and servicing of solar energy systems, including personnel costs not directly associated to a solar energy system installation, warehouse rent, utilities and fleet vehicle executory costs. Under our direct sales model, a vast majority of payments to our direct sales personnel consist of commissions attributable to customer acquisition, which are capitalized as initial direct costs. The cost related to the sales of SRECs is limited to broker fees, which are only paid in connection with certain transactions. Accordingly, the sale of SRECs in a quarter favorably impacts our operating results for that period. Through the third quarter of 2015 our costs of materials have continued to decrease. However, these decreased costs of materials were offset by increases in our installation cost structure. We expect our cost of operating leases and incentives revenue will continue to increase slightly in absolute dollars through the fourth quarter of 2015 as we anticipate growing our volume of installations.

Cost of solar energy system and product sales consists of direct a nd indirect material and labor costs for solar energy systems. It also consists of materials, personnel costs, depreciation, facilities costs, other overhead costs and infrastructure expenses associated with the manufacturing of the photovoltaic installati on software products and devices.

Sales and Marketing Expenses. Sales and marketing expenses include personnel costs, such as salaries, benefits, bonuses and stock-based compensation for our corporate sales and marketing employees and exclude costs related to our direct sales personnel that are accounted for as cost of revenue. Sales and marketing expenses also include advertising, promotional and other marketing-related expenses; certain allocated corporate overhead costs related to facilities and information technology; travel and professional services. Through the fourth quarter of 2015, we anticipate sales and marketing costs to increase in absolute dollars compared to the third quarter of 2015 due to increased sales and marketing efforts.

Research and Development. Research and development expense is comprised primarily of the salaries and benefits of certain employees and other costs related to the development of photovoltaic installation software products and devices and the development of other solar technologies. Research and development costs are charged to expense when incurred. Through the fourth quarter of 2015, we anticipate research and development costs to remain consistent with the third quarter of 2015.

General and Administrative Expenses. General and administrative expenses include personnel costs, such as salaries, bonuses and stock-based compensation related to our general and administrative personnel; professional fees related to legal, human resources, accounting and structured finance services; travel; and allocated facilities and information technology costs. In the fourth quarter of 2015, we expect that general and administrative expenses will increase in absolute dollars compared to the third quarter of 2015 in order to support the growth in our business and to continue building our information technology infrastructure separate from Vivint. Our financial results have included charges for the use of services provided by Vivint, including shared facilities. These costs were based on the actual cost incurred by Vivint without mark-up. The charges to us may not be representative of what the costs would have been had we operated separately from Vivint during the periods presented. However, we believe the amounts charged are representative of the incremental cost to Vivint to provide these services to us. In future periods, we expect to continue to use certain of these services, such as information and technology resources and systems, as we continue to transition away from Vivint under the transition services agreements, which provide that we are charged for actual costs incurred.

Amortization of Intangible Assets. We have recorded intangible assets at their fair value related to acquisitions in which we have been involved. Such intangible assets are amortized over their estimated useful lives. In the fourth quarter of 2015, amortization of intangible assets is expected to decrease in absolute dollars as our customer contracts asset becomes fully amortized during the quarter.

Impairment of Intangible Assets. During 2015, we discontinued the external sale of two Solmetric products. This discontinuance was considered an indicator of impairment, and we performed a review regarding the recoverability of the carrying value of the related intangible assets. As a result of this review, we recorded an impairment charge of $4.5 million in the first quarter of 2015.

Non-Operating Expenses

Interest Expense. Interest expense primarily consists of the interest charges associated with our indebtedness and the interest component of capital lease obligations. In the future, we expect to incur additional indebtedness to fund our operations and our interest expense would correspondingly increase.

Other Expense. Other expense has primarily consisted of interest and penalties associated with employee payroll withholding and federal and state income tax payments that were not paid in a timely manner.

Income Tax Expense. All of our business is conducted in the United States, and therefore income tax expense consists of current and deferred income taxes incurred in U.S federal, state and local jurisdictions.

Net Income Available to Common Stockholders

We determine the net income available to common stockholders by deducting from net loss the net loss attributable to non-controlling interests and redeemable non-controlling interests. The net loss attributable to non-controlling interests and redeemable non-controlling interests represents the investment fund investors' allocable share in the results of operations of the investment funds that we consolidate. Generally, gains and losses that are allocated to the fund investors under the hypothetical liquidation at book value, or HLBV, method relate to hypothetical liquidation gains and losses resulting from differences between the net assets of the investment fund and the partners' respective tax capital accounts in the investment fund.

Results of Operations

The results of operations presented below should be reviewed in conjunction with the condensed consolidated financial statements and related notes included elsewhere in this report.

The following table sets forth selected condensed consolidated statements of operations data for each of the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)		(In thousands)	
Revenue:				
Operating leases and incentives	$ 21,781	$ 7,131	$ 45,662	$ 15,798
Solar energy system and product sales	693	1,202	2,492	2,600
Total revenue	22,474	8,333	48,154	18,398
Operating expenses:				
Cost of revenue—operating leases and incentives	37,624	19,515	94,799	47,161
Cost of revenue—solar energy system and product sales	470	627	1,384	1,510
Sales and marketing	12,051	5,220	37,181	16,229
Research and development	1,047	431	2,549	1,403
General and administrative	21,954	37,170	71,948	63,276
Amortization of intangible assets	3,711	3,727	11,195	11,155
Impairment of intangible assets	—	—	4,506	—
Total operating expenses	76,857	66,690	223,562	140,734
Loss from operations	(54,383)	(58,357)	(175,408)	(122,336)
Interest expense	3,351	3,261	8,208	7,335
Other expense	26	297	399	1,462
Loss before income taxes	(57,760)	(61,915)	(184,015)	(131,133)
Income tax (benefit) expense	(7,448)	(10,222)	15,977	(3,286)
Net loss	(50,312)	(51,693)	(199,992)	(127,847)
Net loss attributable to non-controlling interests and redeemable non-controlling interests	(50,780)	(16,415)	(226,262)	(105,103)
Net income available (loss attributable) to common stockholders	$ 468	$ (35,278)	$ 26,270	$ (22,744)

Comparison of Three Months Ended September 30, 2015 and 2014

Revenue

	Three Months Ended September 30,		$ Change
	2015	2014	2015 from 2014
	(In thousands)		
Total revenue	$ 22,474	$ 8,333	$ 14,141

The $14.1 million increase was primarily due to a $9.7 million increase in operating lease revenue as the total megawatts of solar energy systems placed in service increased 179%. In addition, revenue from the sale of SRECs increased $4.9 million primarily related to the increased solar energy systems in service. These increases were partially offset by a $0.7 million decrease in photovoltaic device and software revenue as a result of discontinuing external sales of certain Solmetric products.

Operating Expenses

	Three Months Ended September 30,		$ Change
	2015	2014	2015 from 2014
	(In thousands)		
Operating expenses:			
Cost of revenue—operating leases and incentives	$ 37,624	$ 19,515	$ 18,109
Cost of revenue—solar energy system and product sales	470	627	(157)
Sales and marketing	12,051	5,220	6,831
Research and development	1,047	431	616
General and administrative	21,954	37,170	(15,216)
Amortization of intangible assets	3,711	3,727	(16)
Total operating expenses	$ 76,857	$ 66,690	$ 10,167

Cost of Revenue—operating leases and incentives . The $18.1 million increase was primarily due to a $10.4 million increase in compensation and benefits primarily due to employee headcount growth and the increase in installed solar energy systems related to solar energy system installation activities. Installation and operations employee headcount increased 62%. Depreciation and amortization of solar energy systems increased $4.0 million primarily due to the increase in the number of solar energy systems installed. Warehouse, office and other building costs increased $1.2 million due to increased installations and a 90% increase in warehouses in operation. Accrued losses on system removals were $1.2 million in 2015. Other installation costs increased by $1.0 million and are primarily related to installation tools, insurance and contracted services. Administrative costs increased $0.7 million primarily due to headcount growth and related personnel supplies. These increases were partially offset by a decrease of $0.5 million in stock-based compensation, which was higher in 2014 due to a stock award performance condition being met.

Sales and Marketing Expense . The $6.8 million increase was primarily due to our continued efforts to grow the business by entering into new markets, opening new sales offices and hiring sales and marketing personnel. Compensation and benefits increased $4.3 million primarily due to headcount growth of 143%. Sales and marketing management costs increased $1.1 million due to increases in contracted services, customer cancellations and credit reporting costs. Marketing and brand awareness activity costs increased $0.9 million. Stock-based compensation increased $0.2 million.

Research and Development Expense . The $0.6 million increase was primarily due to a 38% growth in research and development employee headcount due to additional development activities to optimize and accelerate business growth.

General and Administrative Expense . The $15.2 million decrease was primarily due to a $17.3 million decrease in stock-based compensation primarily due to a charge related to the sale of stock to two directors in 2014, a $3.4 million decrease in professional fees related to initiating and servicing tax equity investment funds as no new funds were closed in the third quarter of 2015 and a $3.4 million decrease in other professional fees due to higher costs being incurred in 2014 as we prepared to operate as a public company. These decreases were partially offset by $4.5 million in costs related to the proposed acquisition by SunEdison, $1.7 million in accrued legal settlements and an increase in compensation and benefits of $1.0 million due to 105% increase in general and administrative employee headcount growth. Additionally, administrative costs, including banking service charges and new office equipment, increased $0.7 million; depreciation expense increased $0.6 million consistent with business growth; and insurance costs increased $0.6 million.

Non-Operating Expenses

	Three Months Ended September 30,		$ Change
	2015	2014	2015 from 2014
	(In thousands)		
Interest expense	$ 3,351	$ 3,261	$ 90
Other expense	26	297	(271)

Other Expense . The decrease in other expenses was primarily due to a decrease in tax-related interest and penalties.

Income Taxes

	Three Months Ended September 30,		$ Change
	2015	2014	2015 from 2014
	(In thousands)		
Income tax benefit	(7,448)	(10,222)	2,774

The $2.8 million decrease in income tax benefit was primarily attributable to the effect of non-controlling interests and redeemable non-controlling interests, increased amortization of the prepaid tax asset and reduced ITC allocations to us.

Net Loss Attributable to Non-Controlling Interests and Redeemable Non-Controlling Interests

	Three Months Ended September 30,		$ Change
	2015	2014	2015 from 2014
	(In thousands)		
Net loss attributable to non-controlling interests and redeemable non-controlling interests	$ (50,780)	$ (16,415)	$ (34,365)

The allocation of net loss to non-controlling interests and redeemable non-controlling interests as a percentage of our total net loss was 101% and 32% for the three months ended September 30, 2015 and 2014. Total operational funds included in the 2015 results increased by six compared to 2014. Generally, gains and losses that are allocated to the fund investors under the HLBV method relate to hypothetical liquidation gains and losses resulting from differences between the net assets of the investment fund and the partners' respective tax capital accounts in the investment fund. This includes the difference between the timing of cash received by us from the investment funds and the carrying value of the solar energy systems contributed to the investment funds and the timing of tax benefits, such as the receipt of ITCs and tax depreciation benefits, received by fund investors in relation to the net assets of the respective investment funds. In 2015, the increase in losses allocated to the fund investors was primarily driven by additional investment funds for which the fund investors' claims on net assets were reduced due to the differences in the timing of cash contributions, system contributions or purchases, and receipt of ITCs and tax depreciation benefits that were primarily allocated to fund investors in relation to the net assets of the respective investment funds.

Comparison of Nine Months Ended September 30, 2015 and 2014

Revenue

	Nine Months Ended September 30,		$ Change
	2015	2014	2015 from 2014
	(In thousands)		
Total revenue	$ 48,154	$ 18,398	$ 29,756

The $29.8 million increase was primarily due to a $22.1 million increase in operating lease revenue as the total megawatts of solar energy systems placed in service increased 179%. In addition, revenue from the sale of SRECs increased $7.4 million primarily related to the increased solar energy systems in service.

Operating Expenses

	Nine Months Ended September 30,		$ Change
	2015	2014	2015 from 2014
	(In thousands)		
Operating expenses:			
Cost of revenue—operating leases and incentives	$ 94,799	$ 47,161	$ 47,638
Cost of revenue—solar energy system and product sales	1,384	1,510	(126)
Sales and marketing	37,181	16,229	20,952
Research and development	2,549	1,403	1,146
General and administrative	71,948	63,276	8,672
Amortization of intangible assets	11,195	11,155	40
Impairment of intangible assets	4,506	—	4,506
Total operating expenses	$ 223,562	$ 140,734	$ 82,828

Cost of Revenue—operating leases and incentives . The $47.6 million increase was in part due to a $24.7 million increase in compensation and benefits primarily due to employee headcount growth and the increase in installed solar energy systems related to solar energy system installation activities. Installation and operations employee headcount increased 62%. Depreciation and amortization of solar energy systems also increased $9.8 million primarily due to the increase in installed solar energy systems. Fleet vehicle maintenance, information technology, warehouse and other installation costs increased $8.1 million due to increased installations and a 90% increase in warehouses in operation. Stock-based compensation increased $2.0 million primarily due to a performance condition being met in 2015. Administrative costs increased $1.7 million primarily due to employee headcount growth and an increase in miscellaneous office expenses, such as office and personnel supplies, and telecommunications. System removal costs were $1.2 million in 2015.

Sales and Marketing Expense . The $21.0 million increase was primarily due to our continued efforts to grow the business by entering into new markets, opening new sales offices and hiring sales and marketing personnel. Stock-based compensation increased $9.4 million primarily due to the grant and vesting of shares issued to sales personnel under the LTIP and a performance condition being met in 2015. Compensation and benefits increased $7.1 million due to headcount growth of 143%. Additionally, sales and marketing management costs increased $3.3 million primarily due to increases in contracted services and customer cancellations; and marketing and brand awareness activity costs increased by $1.1 million.

Research and Development Expense . The $1.1 million increase was primarily due to a 38% growth in research and development employee headcount due to additional development activities to optimize and accelerate business growth.

General and Administrative Expense . The $8.7 million increase included a $9.4 million increase in compensation and benefits due to general and administrative employee headcount growth of 105%, $5.3 million in costs related to the proposed acquisition by SunEdison and $1.7 million in accrued legal settlements. Additionally, other administrative costs, including banking service charges, new office equipment and franchise tax expense increased $2.4 million; insurance costs increased $1.7 million; depreciation increased $1.7 million due to growth in equipment and leasehold improvements; and professional services fees increased $1.2 million related to the initiation and servicing of tax equity investment funds. These increases were partially offset by a $9.5 million decrease in stock-based compensation primarily due to a charge related to the sale of stock to two directors in 2014 and a $5.5 million decrease in other professional fees due to higher costs being incurred in 2014 as we prepared to operate as a public company.

Impairment of Intangible Assets. An impairment charge of $4.5 million was recorded in 2015 to write down the value of intangible assets associated with two Solmetric products for which external sales were discontinued in 2015. See Note 6—Intangible Assets for additional information.

Non-Operating Expenses

	Nine Months Ended September 30,		$ Change
	2015	2014	2015 from 2014
	(In thousands)		
Interest expense	$ 8,208	$ 7,335	$ 873
Other expense	399	1,462	(1,063)

Interest Expense . Interest expense increased $0.9 million primarily as the cost of financing additional borrowings was offset by lower interest rates year over year.

Other Expense . The $1.1 million decrease in other expenses was primarily due to a decrease in incurred tax-related interest and penalties.

Income Taxes

	Nine Months Ended September 30,		$ Change
	2015	2014	2015 from 2014
	(In thousands)		
Income tax expense (benefit)	15,977	(3,286)	19,263

The $19.3 million change from income tax benefit to expense was primarily attributable to the effect of non-controlling interests and redeemable non-controlling interests, increased amortization of the prepaid asset and reduced ITC allocations to us.

Net Loss Attributable to Non-Controlling Interests and Redeemable Non-Controlling Interests

	Nine Months Ended September 30,		$ Change
	2015	2014	2015 from 2014
	(In thousands)		
Net loss attributable to non-controlling interests and redeemable non-controlling interests	$ (226,262)	$ (105,103)	$ (121,159)

The allocation of net loss to non-controlling interests and redeemable non-controlling interests as a percentage of our total net loss was 113% and 82% for the nine months ended September 30, 2015 and 2014. Total operational funds included in the 2015 results increased by six compared to 2014. Generally, gains and losses that are allocated to the fund investors under the HLBV method relate to hypothetical liquidation gains and losses resulting from differences between the net assets of the investment fund and the partners' respective tax capital accounts in the investment fund. This includes the difference between the timing of cash received by us from the investment funds and the carrying value of the solar energy systems contributed to the investment funds and the timing of tax benefits, such as the receipt of ITCs and tax depreciation benefits, received by fund investors in relation to the net assets of the respective investment funds. In 2015, the increase in losses allocated to the fund investors was primarily driven by additional investment funds for which the fund investors' claims on net assets were reduced due to the differences in the timing of cash contributions, system contributions or purchases, and receipt of ITCs and tax depreciation benefits that were primarily allocated to fund investors in relation to the net assets of the respective investment funds.

Liquidity and Capital Resources

As of September 30, 2015, we had cash and cash equivalents of $81.8 million, which consisted principally of cash and time deposits with high-credit-quality financial institutions. As discussed in Note 9—Debt Obligations and Note 10—Investment Funds, we do not have full access to a portion of our cash and cash equivalents. We have financed our operations primarily from investment fund arrangements that we have formed with fund investors, from the issuance of common stock and from borrowings. Our principal uses of cash are funding our operations, including the costs of acquisition and installation of solar energy systems, working capital requirements and the satisfaction of our obligations under our debt instruments. Our business model requires substantial outside financing arrangements to grow the business and facilitate the deployment of additional solar energy systems. While there can be no assurances, we anticipate raising additional required capital from new and existing fund investors, additional borrowings and other potential financing vehicles.

If the proposed acquisition by SunEdison does not occur and we are unable to raise financing when needed, our operations and ability to execute our business strategy could be mat erially adversely affected. We may seek to raise financing through the sale of equity, equity-linked securities, additional borrowings or other financing vehicles . Additional equity or equity-linked financing may be dilutive to our stockholders. If we rais e funding through additional borrowings, such borrowings would have rights that are senior to holders of our equity securities and could contain covenants that restrict our operations. We believe our cash and cash equivalents, including our investment fund commitments, projected investment fund contributions and our current debt facilities as further described below, in addition to financing that we may obtain from other sources, including our financial sponsors, will be sufficient to meet our anticipated c ash needs f or at least the next 12 months.

Sources of Funds

Investment Fund Commitments

As of September 30, 2015, we have raised 16 residential investment funds to which investors such as banks and other large financial investors have committed to invest approximately $1.1 billion, which will enable us to install solar energy systems of total fair market value approximating $2.6 billion. The undrawn committed capital for these funds as of September 30, 2015 is approximately $330 million, which includes approximately $100 million in payments that will be received from fund investors upon interconnection to the respective utility grid of solar energy systems that have already been allocated to investment funds. As of September 30, 2015, we had tax equity commitments to fund approximately 167 megawatts of future deployments, which we estimate to be sufficient to fund solar energy systems with a total fair market value of approximately $744 million. As of September 30, 2015, we had entered into one C&I investment fund with a total committed capital amount of $150.0 million. The C&I investment fund was not operational as of September 30, 2015.

Debt Instruments

Working Capital Credit Facility. In March 2015, we entered into the Working Capital Facility pursuant to which we may borrow up to an aggregate principal amount of $131.0 million from certain financial institutions for which Goldman Sachs Lending Partners LLC is acting as administrative agent and collateral agent . In May 2015, certain conditions were satisfied and the aggregate amount of available revolver borrowings was increased to $150.0 million. Loans under the Working Capital Facility will be used to pay for the costs incurred in connection with the design and construction of solar energy systems, and letters of credit may be issued under Working Capital Facility for working capital and general corporate purposes. The Working Capital Facility matures in March 2020. As of September 30, 2015, we had incurred $70.0 million in borrowings under this credit facility and $3.3 million in a letter of credit, resulting in a remaining borrowing capacity of $76.7 million under this facility.

Prepayments are permitted under the Working Capital Facility, and the principal and accrued interest on any outstanding loans mature in March 2020. Interest accrues on borrowings at a floating rate equal to, dependent on the type of borrowing, (1) a rate equal to the Eurodollar Rate for the interest period divided by one minus the Eurodollar Reserve Percentage, plus a margin of 3.25%; or (2) the highest of (a) the Federal Funds Rate plus 0.50%, (b) the Citibank prime rate and (c) the one-month interest period Eurodollar rate plus 1.00%, plus a margin of 2.25%. Interest is payable dependent on the type of borrowing at the end of (1) the interest period that we elect as a term and not to exceed three months, (2) quarterly or (3) at maturity of the Working Capital Facility. As of September 30 , 2015, the borrowings under the Working Capital Facility accrued interest at 3.4%.

The Working Capital Facility includes customary covenants, including covenants that restrict, subject to certain exceptions, our ability to incur indebtedness, incur liens, make investments, make fundamental changes to our business, dispose of assets, make certain types of restricted payments or enter into certain related party transactions. Among other restrictions, the Working Capital Facility provides that we may not incur any indebtedness other than that related to the Working Capital Facility or in respect of permitted swap agreements. These restrictions do not impact our ability to enter into investment funds, including those that are similar to those entered into previously. We are also required to maintain $25.0 million in cash and cash equivalents and certain investments as of the last day of each quarter. As of September 30, 2015, we were in compliance with such covenants.

Aggregation Credit Facility. In September 2014, we entered into the Aggregation Facility which was subsequently amended in February 2015, pursuant to which we may borrow up to an aggregate principal amount of $375.0 million and, for which Bank of America, N.A. is acting as administrative agent. Upon the satisfaction of certain conditions and the approval of the lenders, we may increase the aggregate amount of principal borrowings to $550.0 million . As of September 30 , 2015, we had incurred an aggregate of $183.0 million in term loan borrowings under this agreement and we had a remaining borrowing capacity of $192.0 million under this facility. There were no significant changes to other terms of the Aggregation Facility during the nine months ended September 30 , 2015.

Prepayments are permitted under the A ggregation F acility and the principal and accrued interest on any outstanding loans mature on March 12, 2018. Under the A ggregation F acility , interest on borrowings accrues at a floating rate equal to (1) a margin that varies between 3.25% during the period during which we may incur borrowings and 3.50% after such period plus either of (2)(a) the London Interbank Offer Rate, or LIBOR , or (b) the greatest of (i) the Federal Funds Rate plus 0.5%, (ii) the administrative ag ent's prime rate and (iii) LIBOR plus 1%. As of September 30 , 2015 , the borrowings under the A ggregation F acility accrued interest at 3.5 % .

The Aggregation Facility includes customary covenants, including covenants that restrict, subject to certain exceptions, the borrower's, and the guarantors' ability to incur indebtedness, incur liens, make investments, make fundamental changes to their business, dispose of assets, make certain types of restricted payments or enter into certain related party transactions. Among other restrictions, the Aggregation Facility provides that the borrower may not incur any indebtedness other than that related to the Aggregation Facility or in respect of permitted swap agreements, and that the guarantors may not incur any indebtedness other than that related to the Aggregation Facility or as permitted under existing investment fund transaction documents. These restrictions do not impact our ability to enter into investment funds, including those that are similar to those entered into previously. As of September 30, 2015, we were in compliance with such covenants.

Uses of Funds

Our principal uses of cash are funding our operations, including the costs of acquisition and installation of solar energy systems, satisfaction of our obligations under our debt instruments and other working capital requirements. Over the past two years, our operating expenses have increased from year to year due to the significant growth of our business. We expect our capital expenditures to continue to increase as we continue to grow our business.

We expect our operating cash requirements to increase in the future as we increase sales and marketing activities to expand into new markets and increase sales coverage in markets in which we currently operate. In addition, the agreements governing each of our investment funds include options that, when exercised, either require us to purchase, or allow us to elect to purchase, our fund investor's interest in the investment fund. No options have been exercised or become exercisable to date, however, such options are expected to become exercisable in the future and the exercise of one or more options could require us to expend significant funds. Regardless of whether these options are exercised, we will need to raise financing to support our operations, and such financing may not be available to us on acceptable terms, or at all.

Historical Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Nine Months Ended September 30,	
	2015	2014
Consolidated cash flow data:	(In thousands)	
Net cash used in operating activities	$ (144,635)	$ (104,871)
Net cash used in investing activities	(397,287)	(266,303)
Net cash provided by financing activities	362,028	431,285
Net (decrease) increase in cash and cash equivalents	$ (179,894)	$ 60,111

Operating Activities

In the nine months ended September 30, 2015, we had a net cash outflow from operations of $144.6 million. This outflow was primarily due to a $200.0 million net loss and a $136.0 million increase in prepaid tax assets. The outflow was partially offset by noncash adjustments of $77.5 million for deferred income taxes, $23.2 million for stock-based compensation, $16.8 million for depreciation and amortization and $15.7 million for impairment and amortization of intangible assets. The outflow was further offset by increases in operating liabilities of $25.8 million in deferred revenue, $21.8 million in accrued and other current liabilities, $6.6 million in accounts payable and $3.7 million in accrued compensation.

Investing Activities

In the nine months ended September 30, 2015, we used $397.3 million in investing activities primarily to purchase $383.7 million associated with the design, acquisition and installation of solar energy systems. In addition, our restricted cash increased by $6.7 million and we paid $5.3 million for property and equipment and $1.7 million to develop internal-use software.

Financing Activities

In the nine months ended September 30, 2015, we generated $362.0 million from financing activities, of which $236.1 million was received in proceeds from investments by non-controlling interests and redeemable non-controlling interests into our investment funds, including a lease pass-through financing obligation, $148.0 million was received in proceeds from long-term debt and $1.7 million was recognized as the excess tax benefit from stock option exercises. These proceeds were partially offset by distributions to non-controlling interests and redeemable non-controlling interests of $17.1 million and payments for debt issuance and capital lease obligations of $6.7 million.

Contractual Obligations

Our contractual commitments and obligations were as follows as of December 31, 2014:

	Payments Due by Period				
	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
	(In thousands)				
Long-term debt [1]	$ —	$ —	$ 105,000	$ —	$ 105,000
Distributions payable to non-controlling interests and redeemable non-controlling interests	6,780	—	—	—	6,780
Capital lease obligations and interest [2]	4,029	5,891	715	—	10,635
Operating lease obligations [2]	7,077	15,043	7,529	4,080	33,729
Total	$ 17,886	$ 20,934	$ 113,244	$ 4,080	$ 156,144

(1) Does not include additional borrowings incurred during the nine months ended September 30, 2015. During the nine months ended September 30, 2015 we incurred $70.0 million in borrowings under the Working Capital Facility and $78.0 million in borrowings under the Aggregation Facility. The principal and accrued interest on any outstanding loans under the Working Capital Facility mature in March 2020. The principal and accrued interest on any outstanding loans under the Aggregation Facility mature in March 2018. Prepayments are permitted under both the Working Capital Facility and Aggregation Facility. See Note 9—Debt Obligations.

(2) In July 2015, we amended the existing non-cancellable lease for our new corporate headquarters building that is under construction and expected to be completed in the first quarter of 2016. The amendment included an extension of the lease term to 12 years from five years and an increase in the leased premises by approximately 32,000 square feet. Payments are expected to range from $0.3 million to $0.4 million per month over the initial term of the lease. Additionally, we entered into two new non-cancellable leases for the construction of a second office building and a studio building that will increase the leased premises by approximately 160,000 square feet. Both leases have a 12 year initial term. Total payments for both leases are expected to range from $0.4 million to $0.5 million per month over the initial terms. Lease classification will be determined at lease commencement once the construction of each building is complete. See Note 15—Commitments and Contingencies.

Off-Balance Sheet Arrangements

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

Recent Accounting Pronouncements

In September 2015, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2015-16, *Business Combinations – Simplifying the Accounting for Measurement-Period Adjustments* . Under current GAAP, an acquirer is required to retrospectively adjust any provisional amounts recognized at the acquisition date with a corresponding adjustment to goodwill when new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts initially recognized or would have resulted in the recognition of additional assets or liabilities. To simplify the accounting for adjustments to provisional amounts, the update eliminates the requirement to retrospectively account for those adjustments. This update is effective in fiscal years beginning after December 15, 2015 and early adoption is permitted. We do not currently have acquisitions which would be affected by this update.

In August 2015, the FASB issued ASU 2015-15 , *Interest – Imputation of Interest (Subtopic 835-30) – Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements* , which addresses an omission in ASU 2015-03 . I n April 2015, the FASB issued ASU 2015-03, *Inter est – Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Costs* , which requires that debt issuance costs be presented as a direct reduction from the carrying amount of that debt liability similar to debt discounts. Exis ting recognition and measurement guidance is not impacted. However, ASU 2015-15 acknowledges that ASU 2015-03 does not address the presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements . Per ASU 2015-15, an ent ity may defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement. ASU 2015-15 is effective immediately. ASU 2015-03 is effective in fiscal years beg inning after December 15, 2015 and early adoption is permitted. We have debt issuance costs related to line-of-credit arrangements and have adopted ASU 2015-15, which resulted in no change of presentation. If we enter into other debt arrangements that fall under ASU 2015-03, we will account for any related debt issuance costs per the update upon its effectiveness in the first quarter of 2016.

In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers – Deferral of the Effective Date* , which defers the effective date of ASU 2014-09. In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* , which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. ASU 2015-14 defers the effective date of ASU 2014-09 for one year, and the standard is now effective for us on January 1, 2018. The deferral allows for early adoption of the standard, which for us would be on January 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

In April 2015, the FASB issued ASU 2015-05, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40) – Customers Accounting for Fees Paid in a Cloud Computing Arrangement* . This update provides guidance regarding the accounting for fees paid by a customer in cloud computing arrangements. If a cloud computing arrangement includes a software license, the payment of fees should be accounted for in the same manner as the acquisition of other software licenses. If there is no software license, the fees should be accounted for as a service contract. The update is effective in fiscal years beginning after December 15, 2015 and early adoption is permitted. An entity can elect to adopt the amendments either (1) prospectively to all arrangements entered into or materially modified after the effective date or (2) retrospectively. We are evaluating the impact this update will have on our consolidated financial statements and disclosures.

In February 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis* . This update makes some targeted changes to current consolidation guidance. These changes impact both the voting and the variable interest consolidation models. In particular, the update will change how companies determine whether limited partnerships or similar entities are VIEs. The update is effective in fiscal years, including interim periods, beginning after December 15, 2015, and early adoption is permitted. We currently consolidate nearly all of our VIEs and do not anticipate that ASU 2015-02 will have a significant impact on our consolidated financial statements and related disclosures.

Emerging Growth Company Status

Section 107 of the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not “emerging growth companies.”

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our exposure to market risk for changes in interest rates relates primarily to our cash and cash equivalents and our indebtedness.

As of September 30, 2015, we had cash and cash equivalents of $81.8 million. Our cash equivalents are time deposits with maturities of three months or less at the time of purchase. Our primary exposure to market risk on these funds is interest income sensitivity, which is affected by changes in the general level of the interest rates in the United States. However, because of the short-term nature of the instruments in our portfolio, a sudden change in market interest rates would not be expected to have a material impact on our condensed consolidated financial statements.

As of September 30 , 2015 , w e had incurred an aggregate o f $253.0 million in bo rrowings under our debt facilities , which c urrently accrue interest at a weighted average rate of approximately 3.5 % . If our debt facilities had been fully drawn at December 31, 2014 and remained outstanding for all of 2015 , the effect of a hypothetical 10% change in our floating interest rate on these borrowings would increase or decrease interest expense by approximately $ 1.8 million.

All of our operations are in the United States and all purchases of our solar energy system components are denominated in U.S. dollars. However, our suppliers often incur a significant amount of their costs by purchasing raw materials and generating operating expenses in foreign currencies. If the value of the U.S. dollar depreciates significa ntly or for a prolonged period of time against these currencies (particularly the Chinese Renminbi), our suppliers may raise the prices they charge us, which could harm our financial results.

Item 4. Controls and Procedures

Internal Control Over Financial Reporting

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2015 pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Based on the evaluation of our disclosure controls and procedures as of September 30, 2015, our chief executive officer and chief financial officer concluded that, as a result of material weaknesses in our internal control over financial reporting as disclosed in our annual report on Form 10-K for the year ended December 31, 2014, our disclosure controls and procedures were not effective as of September 30, 2015.

Material Weakness

In connection with the preparation, audits and interim reviews of our consolidated financial statements, we and our independent registered public accounting firm identified a material weakness in internal control over financial reporting. This material weakness was evidenced by errors discovered during the preparation and review of our consolidated financial statements as of and for the six months ended June 30, 2014 which resulted in the restatement of our consolidated financial statements as of and for the year ended December 31, 2013 and as of and for the three months ended March 31, 2014. These errors included, but were not limited to: (1) incorrectly accounting for income taxes, (2) incorrect inputs in the hypothetical liquidation at book value, or HLBV, method of attributing net income or loss to non-controlling interests and redeemable non-controlling interests and (3) the incorrect classification of paid-in-kind interest in our statement of cash flows.

Under standards established by the Public Company Accounting Oversight Board of the United States, a material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Specifically and in addition to the errors that resulted in the restatement discussed above, we and our independent registered public accounting firm identified a number of material errors and other audit adjustments in connection with the preparation, audits and interim reviews of our consolidated financial statements which resulted in the restatement of our consolidated financial statements as of and for the year ended December 31, 2013 and as of and for the three months ended March 31, 2014. Additionally, the nature of our investment funds increases the complexity of our accounting for the allocation of net income (loss) between our stockholders and non-controlling interests under the HLBV method and the calculation of our tax provision. As we enter into additional investment funds, which may have contractual provisions different from those of our existing funds, the calculation under the HLBV method and the calculation of our tax provision could become increasingly complicated. This additional complexity could increase the chance that we experience additional errors in the future, particularly because we have a material weakness in internal controls. In addition, our need to devote our resources to addressing this complexity could delay or prolong our remediation efforts and thereby prolong the existence of the material weakness. As a result, we and our independent registered public accounting firm determined that we do not have adequate procedures and controls to ensure that accurate financial statements could be prepared on a timely basis.

We continue to tak e steps to remediate the underlying causes of the material weakness. As of September 30 , 201 5 , we are in process of implementing and improving our controls and processes. We have hired a number of additional financial, accounting and tax personnel. In January 2015, we hired a director of internal audit to assist us in implementing and improving our existing internal controls. In February 2015, we hired a chief information officer to assist us in im proving our underlying information technology systems and to decrease our reliance on manual processes. We are also in the process of formalizing , documenting and implementing written policies and procedures for the review of our various financial reportin g processes . We continue to engage third-party consultants to provide support over our accounting and tax process es to assist us with our evaluation of complex technical accounting matters. W e continue to engage consultants to advise us on making further i mprovements to our internal controls over financial reporting. We believe that these additional resources will enable us to broaden the scope and quality of our controls relating to the oversight and review of financial statements and our application of re levant accounting policies. Furthermore, we continue to implement and improve systems to automate certain financial reporting processes and to improve information accuracy. However, these remediation efforts are still in process and have not yet been compl eted. Because of this material weakness, there is heightened risk that a material misstatement of our annual or quarterly financial statements will not be prevented or detected.

The actions that we are taking are subject to ongoing senior management review as well as audit committee oversight. We are working diligently on this remediation process; however, we cannot estimate how long it will take to remediate this material weakness. In addition, the remediation steps we have taken, are taking and expect to take may not effectively remediate the material weakness, in which case our internal control over financial reporting would continue to be ineffective. We cannot guarantee that we will be able to complete our remedial actions successfully. Even if we are able to complete these actions successfully, these measures may not adequately address our material weakness and may take more than a year to complete. In addition, it is possible that we will discover additional material weaknesses in our internal control over financial reporting or that our existing material weakness will result in additional errors in or restatements of our financial statements.

We will be required to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting commencing with the filing of our second annual report on Form 10-K. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, we will be required to engage an independent registered public accounting firm to opine on the effectiveness of our internal control over financial reporting beginning at the date we are no longer an “emerging growth company” as defined in the JOBS Act. At such time, our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may issue a report that is adverse if such firm is not satisfied with the level at which our controls are documented, designed, operated or reviewed. As a result, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring additional accounting or internal audit staff. Our remediation efforts may not enable us to avoid a material weakness in the future. In addition, as a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future.

(b) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the nine months ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, other than those described above.

Inherent Limitation on the Effectiveness of Internal Control

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurances. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

In December 2013, one of our former sales representatives, on behalf of himself and a purported class, filed a complaint for unspecified damages, injunctive relief and restitution in the Superior Court of the State of California in and for the County of San Diego against Vivint Solar Developer, LLC, one of our subsidiaries, and unnamed John Doe defendant alleging violations of the California Labor Code and the California Business and Professions Code and seeking penalties of an unspecified amount, interest on all economic damages and reasonable attorney's fees and costs. In January 2014, we filed an answer denying the allegations in the complaint and asserting various affirmative defenses. In late 2014, the parties agreed to preliminary terms of settlement which were subsequently revised in mid-2015. The proposed settlement agreement contemplates a settlement payment from Vivint Solar in the amount of $0.4 million. On October 30, 2015, the Court entered a final order approving the settlement agreement. We have recorded a $0.4 million reserve related to this proceeding in our condensed consolidated financial statements.

In May 2014, Vivint made us aware that the U.S. Attorney's office for the State of Utah is engaged in an investigation that Vivint believes relates to certain political contributions made by some of Vivint's executive officers that are our directors and some of Vivint's employees. We have no reason to believe that Vivint Solar, our executive officers or our employees are targets of such investigation.

In September 2014, two of our former installation technicians, on behalf of themselves and a purported class, filed a complaint for damages, injunctive relief and restitution in the Superior Court of the State of California in and for the County of San Diego against us and unnamed John Doe defendants. The complaint alleges certain violations of the California Labor Code and the California Business and Professions Code based on, among other things, alleged improper classification of installer technicians, installer helpers, electrician technicians and electrician helpers, failure to pay minimum and overtime wages, failure to provide accurate itemized wage statements, and failure to provide wages on termination. In December 2014, the original plaintiffs and three additional plaintiffs filed an amended complaint with essentially the same allegations. On November 5, 2015, the parties agreed to preliminary terms of a settlement of all claims related to allegations in the complaint in return for our payment of $1.7 million to be paid out to the purported class members. The settlement agreement must be approved by the Court, after notice to the purported class. We have recorded a $1.7 million reserve related to this proceeding in our condensed consolidated financial statements.

In November and December 2014, two putative class action lawsuits were filed in the U.S. District Court for the Southern District of New York against us, our directors, certain of our officers and the underwriters of our initial public offering of common stock alleging violation of securities laws and seeking unspecified damages. In January 2015, the Court ordered these cases to be consolidated into the earlier filed case, *Hyatt v. Vivint Solar, Inc. et al.* , 14-cv-9283 (KBF). The plaintiffs filed a consolidated amended complaint in February 2015. On May 6, 2015, we filed a motion to dismiss the complaint. We believe this lawsuit is without merit, and we intend to defend the case vigorously. We are unable to estimate a range of loss, if any, that could result were there to be an adverse final decision. If an unfavorable outcome were to occur in this case, it is possible that the impact could be material to our results of operations in the period(s) in which any such outcome becomes probable and estimable.

On July 31, 2015, a putative class action lawsuit was filed in the Court of Chancery State of Delaware against our directors, SunEdison Inc. ("SunEdison"), and TerraForm Power ("TerraForm"), alleging that the proposed acquisition by SunEdison is unfair to our stockholders. On August 7, 2015, a second putative class action lawsuit was filed in the same court alleging similar claims, and including 313, Acquisition, LLC as a named defendant. Both complaints seek injunctive relief and unspecified damages. On or about September 10, 2015, two purported class action lawsuits were also filed in Utah's Fourth District State Court (the "Utah Actions"), alleging similar claims to the complaints previously filed in the Delaware Chancery Court. On September 22, 2015, the Company, through counsel notified plaintiff's counsel in the Utah Actions that pursuant to the Company's Articles of Incorporation, any such derivative action was subject to exclusive jurisdiction in the Delaware Chancery Court, and accordingly, the Utah Actions should be dismissed. In the event the Utah Actions are not voluntarily dismissed, w e anticipate the cases will ultimately be consolidated into one case. In view of our indemnification obligation to our directors, we are unable to estimate a range of loss, if any, that could result were there to be an adverse final decision. If an unfavorable outcome were to occur in these cases, it is possible that the impact could be material to our results of operations in the period(s) in which any such outcome becomes probable and estimable.

In September 2015, a putative class action lawsuit was filed in the Kern County Superior Court of the State of California, seeking declaratory and injunctive relief with regard to our customer agreements in California. The complaint essentially alleges that certain versions of our customer contracts fail to satisfy California Code provisions including home solicitation and home improvement laws. We believe that we have strong defenses to the claims asserted in this matter. Although we cannot predict with certainty the ultimate resolution of this suit, we do not believe this matter will have a material adverse effect on our business, results of operations, cash flows or financial condition. We are not able to estimate the amount or range of potential loss, if any, at this time.

Item 1A. Risk Factors

You should carefully consider the following risk factors, together with all of the other information included in this report, including the section of this report captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes. If any of the following risks occurred, it could materially adversely affect our business, financial condition or operating results. This report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of factors that are described below and elsewhere in this report.

Risk Related to our Proposed Acquisition by SunEdison

Failure to complete, or further delays in completing, the acquisition by SunEdison could materially and adversely affect our results of operations and stock price.

On July 20, 2015, we entered into an Agreement and Plan of Merger, or Merger Agreement, with SunEdison, and SEV Merger Sub Inc., or Merger Sub, which contemplates the acquisition of our company by SunEdison. Pursuant to the Merger Agreement, we will merge with Merger Sub, with us being the surviving corporation and a wholly owned subsidiary of SunEdison. In connection with the acquisition, our stockholders would receive a combination of cash, SunEdison common stock and SunEdison convertible notes in exchange for such stockholders' shares of our common stock. Consummation of the acquisition is subject to a number of conditions including, (1) the effectiveness of the registration statement on Form S-4 to be filed with the SEC with respect to the SunEdison common stock and convertible notes to be issued in connection with the acquisition; (2) the expiration or termination of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; (3) the approval of the listing on the New York Stock Exchange of the shares of SunEdison common stock and convertible notes to be issued in connection with the acquisition; and (4) the absence of any law, regulation or order that has the effect of making the acquisition illegal or otherwise preventing the consummation of the acquisition. It is also possible that a change, event, fact, effect or circumstance could occur that could lead to a material adverse effect to us, which may give SunEdison the ability to not complete the acquisition. We cannot predict with certainty whether and when any of the required closing conditions will be satisfied or if another uncertainty may arise. Risks related to the failure, or delay, of the proposed acquisition include the following:

- we would not realize any or all of the potential benefits of the acquisition, including any synergies that could result from combining the resources of us and SunEdison, which could have a negative effect on our stock price;
- we will remain liable for significant transaction costs, including legal, accounting, financial advisory and other costs relating to the transaction regardless of whether the acquisition is consummated;
- under some circumstances, we may have to pay a termination fee to SunEdison equal to $62 million if the acquisition is not completed;
- the attention of our management and employees has been diverted, and may continue to be diverted, from day-to-day operations during the period up to the completion of the acquisition;
- our business may be disrupted by customer uncertainty over when or if the acquisition will be completed or customers' and investors' perception of us as a standalone company;
- under the Merger Agreement, we are subject to certain restrictions on the conduct of our business prior to completing the acquisition, which restrictions could adversely affect our ability to conduct business as we otherwise would have done if we were not subject to these restrictions;
- our ability to raise additional financing when needed; and
- our ability to retain current key employees or attract new employees may be harmed by uncertainties associated with the proposed acquisition.

The occurrence, continuation or exacerbation of any of these events individually or in combination could materially and adversely affect our results of operations and stock price.

Pending litigation filed in connection with the SunEdison acquisition, the outcome of which is uncertain, could delay or prevent the completion of the SunEdison acquisition.

SunEdison, Terraform and the members of our board of directors have been named as defendants in two putative class action lawsuits filed on behalf of named plaintiffs and other holders of our common stock challenging the SunEdison acquisition and seeking injunctive relief and unspecified damages. Our controlling stockholder, 313 Acquisition, LLC, was also named as a defendant in one of these lawsuits. If a plaintiff in these or any other future litigation is successful in obtaining injunctive relief prohibiting the parties from completing the SunEdison acquisition on the terms currently contemplated, the injunction may prevent the completion of the SunEdison acquisition in the expected timeframe or altogether. If the SunEdison acquisition is prevented or delayed, it could result in substantial costs to us and could materially and adversely affect our results of operations and stock price. In addition, we may incur significant costs in connection with these lawsuits, including the costs associated with defending these lawsuits or any other liabilities or costs the parties may incur in connection with the litigation or settlement of these lawsuits.

The announcement and pendency of the acquisition has caused, and will continue to cause, disruptions in our business, which has had, and may continue to have, an adverse effect on our business and financial results, and consequently, may have an adverse effect on the combined company.

We and SunEdison have operated and, until the consummation of the acquisition, will continue to operate, independently. Uncerta inty about the effect of the acquisition on customers and employees has had, and will likely continue to have, an adverse effect on us and consequently, may have an adverse effect on the combined company. As a result of the acquisition, current and prospec tive employees have experienced uncertainty about their future with SunEdison, us or the combined company. These uncertainties have, and may continue to, impair the ability of us to retain, recruit or motivate key personnel, and may negatively impact the productivity of current employees. In response to the announcement of the Transaction, our existing or prospective customers or suppliers may:

- d elay, defer and may cease purchasing products or services from or providing products or services to us or the combined company;
- delay or defer other decisions concerning us or the combined company; or
- otherwise sought to change the terms on which they do business with us or the combined co mpany.

These such delays or changes to terms have disrupted, and may continue to disrupt our business and adversely impact our results of operations and , if the acquisition is completed, may cause serious harm to the combined company.

If the SunEdison acquisition is completed, the combined company may not perform as we expect, or as the market expects, which could have an adverse effect on the price of SunEdison stock and the value of the SunEdison convertible notes, which our stockholders will own following such completion.

The integration of our company into SunEdison's existing operations will be a complex, time-consuming and expensive process and may disrupt SunEdison's existing operations if it is not completed in a timely and efficient manner. If SunEdison's management is unable to minimize the potential disruption to its business during the integration process, SunEdison may not realize the anticipated benefits of the acquisition. Realizing the benefits of the acquisition will depend in part on the integration of technology, operations, and personnel while maintaining adequate focus on SunEdison's core businesses. SunEdison may encounter substantial difficulties, costs and delays in integrating us including the following, any of which could seriously harm its results of operations, business, financial condition and/or the price of its stock:

- conflicts between business cultures;
- difficulties and delays in the integration of operations, personnel, technologies, products, services, business relationships and information and other systems of the acquired businesses;
- the diversion of management's attention from normal daily operations of the business;
- the incurrence of contingent liabilities;
- lost sales and customers as a result of customers of either of the two companies deciding not to do business with the combined company;
- loss of key employees and disruptions among employees that may erode employee morale;
- inability to implement uniform standards, controls, policies and procedures; and
- failure to achieve anticipated levels of revenue, profitability or productivity.

SunEdison's operating expenses may increase significantly over the near term due to the increased headcount, expanded operations and changes related to the acquisition. To the extent that the e xpenses increase but revenues do not, there are unanticipated expenses related to the integration process, or there are significant costs associated with presently unknown liabilities, SunEdison's business, operating results and financial condition may be adversely affected. Failure to minimize the numerous risks associated with the post-acquisition integration strategy also may adversely affect the trading price of SunEdison's common stock and the value of the SunEdison convertible notes which will be issu ed in connection with the acquisition.

In addition, SunEdison intends to finance the cash consideration that will be paid in connection with the acquisition from the proceeds of a debt financing. If SunEdison is unable to obtain the debt financing needed to fund the cash consideration in the acquisition, or is unable to do so in a timely manner, SunEdison may be obligated to take any and all necessary actions to obtain alternative financing in an amount necessary to consummate the acquisition. If SunEdison is required to arrange such alternate financing, there can be no assurances that such financing will be available on terms that are attractive to SunEdison. Difficulties or failure in securing financing on attractive terms may adversely affect SunEdison's results of operations and the trading price of SunEdison's common stock.

Our executive officers and directors may have interests that are different from, or in addition to, those of our stockholders generally.

Our executive officers and directors may have interests in the Transaction that are different from, or are in addition to, those of our stockholders generally. These interests include direct or indirect ownership of our common stock, stock options and restricted stock units and for executive officers, change of control and severance agreements. In addition, certain of our directors hold interests in our sponsor, 313 Acquisition, LLC, which beneficially owns approximately 77% of the outstanding shares of our common stock. As a result of the control of our sponsor, minority holders of our outstanding common stock will have little control over the outcome of any stockholder voting regarding the approval of the acquisition.

Because the value of the SunEdison common stock issuable in connection with the acquisition, and upon conversion of the SunEdison notes issuable in connection with the acquisition, are subject to collars, the value of the shares of SunEdison common stock and convertible notes to be received by our stockholders in connection with the acquisition may not fully reflect the value of SunEdison common stock at the time of the closing of such transactions.

The stock portion of the consideration issuable in the acquisition is calculated by reference to the volume weighted average of the sale prices for SunEdison common stock as reported on the New York Stock Exchange for each of the 30 consecutive trading days ending on and including the third trading day prior to the closing of the acquisition, or the closing date average price. Notwithstanding the foregoing, the closing date average price shall be no greater than $33.62 and no less than $27.51. As a result of such collar, the number of shares of SunEdison common stock received in the offer and the merger may not fully reflect the value of SunEdison common stock. Similarly, the number of shares of SunEdison common stock issued upon conversion of the SunEdison convertible notes will be determined by the volume weighted average of the sale prices for SunEdison common stock as reported on the New York Stock Exchange for each of the 30 consecutive trading days ending on and including the third trading day prior to the closing of the acquisition, or the closing date average price, subject to adjustment as set forth in the indenture governing the terms of the convertible notes and the same collar as set forth above. Accordingly, the value of the convertible notes cannot be determined until the conversion of such convertible notes.

Changes in stock price may result from a variety of factors, including, among others, general market and economic conditions, changes in SunEdison's business, operations and prospects, market assessment of the likelihood that the acquisition will be completed as anticipated or at all and regulatory considerations. Many of these factors are beyond SunEdison's control. As a result of any such changes in stock price, the market value of the shares of SunEdison common stock that the our stockholders will receive at the time that the acquisition is completed and upon conversion of the convertible notes could vary significantly from the value of such shares immediately prior to the public announcement of the acquisition, on the date of this report or on the date on which our stockholders actually receive shares of SunEdison common stock or convert the convertible notes issued in connection with the acquisition. Accordingly, as of the date of this report, our stockholders will not know, or be able to calculate, the exact market value of the consideration that such stockholders will receive upon consummation of the acquisition.

The SunEdison convertible notes issued in connection with the acquisition may not have an active market and their price may be volatile. You may be unable to sell the SunEdison notes at the price you desire or at all.

There is no existing trading market for the SunEdison notes that will be issued in connection with the acquisition. Although the sale and issuance of the SunEdison notes in the acquisition will be registered with the SEC and the notes will be freely tradable, there can be no assurance that a liquid market will develop or be maintained for such notes, that you will be able to sell any of the notes you receive in the acquisition at a particular time (if at all) or that the price you receive if or when you sell such notes will be at or above

the value of such notes at the closing of the acquisition. The liquidity of any trading market that may develop for the notes, and the price quoted for such notes, may be adversely affected by, among other things:

- changes in the overall market for debt securities;
- changes in SunEdison's financial performance or prospects;
- the prospects for companies in SunEdison's industry generally;
- the number of holders of the notes; and
- prevailing interest rates.

The following risk factors assume that we remain a stand-alone company except as otherwise noted.

Risks Related to our Business

We need to enter into substantial additional financing arrangements to facilitate our customers' access to our solar energy systems, and if financing is not available to us on acceptable terms when needed, our ability to continue to grow our business would be materially adversely impacted.

Our future success depends on our ability to raise capital from third-party investors on competitive terms to help finance the deployment of our solar energy systems. We seek to minimize our cost of capital in order to maintain the price competitiveness of the electricity produced by, or the lease payments for, our solar energy systems. If we are unable to establish new investment funds when needed, or upon desirable terms, to enable our customers' access to our solar energy systems with little to no upfront cost to them, we may be unable to finance installation of our customers' systems or our cost of capital could increase, either of which would have a material adverse effect on our business, financial condition, results of operations and prospects. As of September 30, 2015, we had raised 16 residential investment funds to which investors such as banks and other large financial investors have committed to invest approximately $1.1 billion which will enable us to install solar energy systems of total fair market value approximating $2.6 billion. As of September 30, 2015, we had remaining residential tax equity commitments to fund approximately 167 megawatts of future deployments, which we estimate to be sufficient to fund solar energy systems with a total fair market value of approximately $744 million. As of September 30, 2015, we had entered into one C&I investment fund with a total committed capital amount of $150.0 million. The C&I investment fund was not operational as of September 30, 2015. The contract terms in certain of our investment fund documents impose conditions on our ability to draw on financing commitments from the fund investors, including if an event occurs that could reasonably be expected to have a material adverse effect on the fund or on us. If we do not satisfy such conditions due to events related to our business or a specific investment fund or developments in our industry or otherwise, and as a result we are unable to draw on existing commitments, our inability to draw on such commitments could have a material adverse effect on our business, liquidity, financial condition and prospects.

To meet the capital needs of our growing business, we will need to obtain additional financing from new investors and investors with whom we currently have arrangements. If any of the financial institutions that currently provide financing decide not to invest in the future due to general market conditions, concerns about our business or prospects or any other reason, or decide to invest at levels that are inadequate to support our anticipated needs or materially change the terms under which they are willing to provide future financing, we will need to identify new financial institutions and companies to provide financing and negotiate new financing terms. In addition, the pendency of the SunEdison acquisition and the risks and uncertainties associated with it may adversely affect the willingness of parties to enter into financing arrangements with us. Furthermore, the Merger Agreement provides that, during pendency of the SunEdison acquisition, we will not, without the prior consent of SunEdison, incur, assume or guarantee any indebtedness, or make any loans or advances to any other person. If the SunEdison acquisition is not completed, or if we are unable to obtain SunEdison's consent, these restrictions could limit our ability to meet our capital needs.

In the past, we have sometimes been unable to timely establish investment funds in accordance with our plans, due in part to the relatively limited numb er of investors attracted to such types of funds, competition for such capital and the complexity associated with negotiating the agreements with respect to such funds. Delays in raising financing could cause us to delay expanding in existing markets or en tering into new markets and hiring additional personnel in support of our planned growth. Any future delays in capital raising could similarly cause us to delay deployment of a substantial number of solar energy systems for which we have signed power purch ase agreements or leases with customers. Our future ability to obtain additional financing depends on banks' and other financing sources' continued confidence in our business model and the renewable energy industry as a whole. It could also be impacted by the liquidity needs of such financing sources themselves. We face intense competition from a variety of other companies, technologies and financing structures for such limited investment capital. If we are unable to continue to offer a competitive investme nt profile, we may lose access to these funds or they may only be available to us on terms that are less favorable than those received by our competitors. For example, if we experience higher customer default rates than we currently experience in our exist ing investment funds, this could make it more difficult or costly to attract future financing. In our experience, there are a relatively small number of investors that generate sufficient profits and possess the requisite financial sophistication that can benefit from and have significant demand for the tax benefits that our investment funds can provide. Historically, in the distributed solar energy industry, investors have typically been large financial institutions and a few large, profitable corporations . Our ability to raise investment funds is limited by the relatively small number of such investors. Any inability to secure financing could lead us to cancel planned installations, could impair our ability to accept new customers and could increase our bo rrowing costs, any of which would have a material adverse effect on our business, financial condition, resul ts of operations and prospects.

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

We believe that a significant number of our customers decide to buy solar energy because they want to pay less for electricity than what is offered by the traditional utilities. However, distributed residential solar energy has yet to achieve broad market adoption as evidenced by the fact that distributed solar has penetrated less than 1% of its total addressable market in the U.S. residential sector as of December 31, 2014.

The customer's decision to choose solar energy may also be affected by the cost of other renewable energy sources. Decreases in the retail prices of electricity from the traditional utilities or from other renewable energy sources would harm our ability to offer competitive pricing and could harm our business. The cost of electricity from traditional utilities could decrease as a result of:

- construction of new power generation plants, including plants utilizing natural gas, nuclear, coal, renewable energy or other generation technologies;
- relief of transmission constraints that enable local centers to generate energy less expensively;
- reductions in the price of natural gas or other fuel sources;
- utility rate adjustment and customer class cost reallocation;
- energy conservation technologies and public initiatives to reduce electricity consumption;
- widespread deployment of existing or development of new or lower-cost energy storage technologies that have the ability to reduce a customer's average cost of electricity by shifting load to off-peak times; and
- development of new energy generation technologies that provide less expensive energy.

A reduction in utility electricity costs would make the purchase of electricity under our power purchase agreements or the lease of our solar energy systems less economically attractive. If the cost of energy available from traditional utilities were to decrease due to any of these reasons, or other reasons, we would be at a competitive disadvantage, we may be unable to attract new customers and our growth would be limited.

Electric utility industry policies and regulations may present technical, regulatory and economic barriers to the purchase and use of solar energy systems that may significantly reduce demand for electricity from our solar energy systems.

Federal, state and local government regulations and policies concerning the electric utility industry, utility rate structures, interconnection procedures, and internal policies of electric utilities, heavily influence the market for electricity generation products and services. These regulations and policies often relate to electricity pricing and the interconnection of distributed electricity generation systems to the power grid. Policies and regulations that promote renewable energy and customer-sited energy generation have been challenged by traditional utilities and questioned by those in government and others arguing for less governmental spending and involvement in the energy market. To the extent that such views are reflected in government policy, the changes in such policies and regulations could adversely affect our results of operations, cost of capital and growth prospects.

In the United States, governments and the state public service commissions that determine utility rates continuously modify these regula tions and policies. These regulations and policies could result in a significant reduction in the potential demand for electricity from our solar energy systems and could deter customers from entering into contracts with us. In addition, depending on the r egion, electricity generated by solar energy systems competes most effectively with the most expensive retail rates for electricity from the power grid, rather than the less expensive average price of electricity. Modifications to the utilities' peak hour pricing policies or rate design, such as to a flat rate, would make our current products less competitive with the price of electricity from the power grid. For example, the California Public Utilities Commission recently issued a decision that will transition residential rates over the next four years from a four-tiered structure to a two-tiered structure, with only a 25 % differential between the two rates and a surcharge for very high energy users . It is possible that this change could have the eff ect of lowering the incentive for residential customers of California's large investor-owned utilities to reduce their purchases of electricity from their utility by supplying more of their own electricity from solar, and thereby reduce demand for our prod ucts. In addition , California is in the process of shifting to a time-of-use rate structure in the coming years. A shift in the timing of peak rates for utility-generated electricity to a time of day when solar energy generation is less efficient could mak e our solar energy system offerings less competitive and reduce demand for our offerings. In addition, since we are required to obtain i nterconnection permission for each solar energy system from the local utility , changes in a local utility's regulations, policies or interconnection process have in the past delayed and in the future could delay or prevent the completion of our solar energy systems. This in turn has delayed and in the future could delay or prevent us from generating revenues from such solar energy systems or cause us to redeploy solar energy systems, adversely impacting our results of operations.

In addition, any changes to government or internal utility regulations and policies that favor electric utilities could reduce our competitiveness and cause a significant reduction in demand for our offerings or increase our costs or the prices we charge our customers. Certain jurisdictions have proposed allowing traditional utilities to assess fees on customers purchasing energy from solar energy systems or have imposed or proposed new charges or rate structures that would disproportionately impact solar energy system customers who utilize net metering, either of which would increase the cost of energy to those customers and could reduce demand for our solar energy systems. For example, California has adopted and is in the process of implementing Assembly Bill 327, which has lifted the capacity caps on net metering applicable to each utility in the state, but also allows fixed charges or minimum bills of up to $10 to be imposed on future net metering customers. The California Public Utilities Commission recently issued a decision that allowed utilities to impose a minimum $10 monthly bill for residential customers, approved the concept of fixed charges and will permit the utilities to propose such fixed charges again in 2018. This may result in monthly charges being imposed on our customers in California. Additionally, certain utilities in Arizona have recently approved increased rates and charges for net metering customers, and others have proposed doing away with the state's renewable electricity standard carve-outs for distributed generation as well as the state's net metering program. These policy changes may be less favorable to our customers and affect demand for our solar energy systems, and similar changes to net metering policies may occur in other states. It is also possible that these or other changes could be imposed on our current customers, as well as future customers. Due to the current and expected continued concentration of our solar energy systems in California, any such changes in this market would be particularly harmful to our reputation, customer relations, business, results of operations and future growth in these areas. We may be similarly adversely affected if our business becomes concentrated in other jurisdictions.

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

Federal, state and local government and regulatory bodies provide for tariff structures and incentives to various parties including owners, end users, distributors, system integrators and manufacturers of solar energy systems to promote solar energy in various forms, including rebates, tax credits and other financial incentives such as system performance payments, renewable energy credits associated with renewable energy generation, exclusion of solar energy systems from property tax assessments and net metering. We rely on these governmental and regulatory programs to finance solar energy system installations, which enables us to lower the price we charge customers for energy from, and to lease, our solar energy systems, helping to catalyze customer acceptance of solar energy with those customers as an alternative to utility-provided power. However, these programs may expire on a particular date, end when the allocated funding is exhausted or be reduced or terminated. These reductions or terminations often occur without warning. For example, the Arizona Department of Revenue recently decided that it will begin to collect property taxes in 2015 on rooftop solar energy systems such as ours. In addition, the financial value of certain incentives decreases over time. For example, the value of solar renewable energy certificates, or SRECs, in a market tends to decrease over time as the supply of SREC-producing solar energy systems installed in that market increases. If we overestimate the future value of these incentives, it could adversely impact our financial results.

The federal government currently offers a 30% investment tax credit, or the ITC, under Section 48(a) of the Internal Revenue Code for the installation of certain solar power facilities; the 30% rate continues until December 31, 2016. By statute, the ITC is scheduled to decrease to 10% of the fair market value of a solar energy system on January 1, 2017, and the amounts that fund investors are willing to invest could decrease or we may be required to provide a larger allocation of customer payments to the fund investors as a result of this scheduled decrease. To the extent we have a reduced ability to raise investment funds as a result of this

reduction, the rate of growth of installations of our residential solar energy systems could be negatively impacted. The ITC has been a significant driver of the financing supporting the adoption of residential solar energy systems in the United States a nd its scheduled reduction beginning in 2017, unless modified by an intervening change in law, will significantly impact the attractiveness of solar energy to these investors and could potentially harm our business. In addition, as we approach the schedule d decrease in the ITC, delays in obtaining interconnection approval from the local utility as a result of changes to regulations, policies or interconnection process or other reasons may result in the loss of our ability to obtain the higher 30% ITC for sy stems installed in the months and weeks approaching the end of 2016, which would be harmful to our business.

Applicable authorities may adjust or decrease incentives from time to time or include provisions for minimum domestic content requirements or other requirements to qualify for these incentives. Reductions in, eliminations or expirations of or additional application requirements for, governmental incentives could adversely impact our results of operations and ability to compete in our industry by increasing our cost of capital, causing us to increase the prices of our energy and solar energy systems and reducing the size of our addressable market. In addition, this would adversely impact our ability to attract investment partners and to form new investment funds and our ability to offer attractive financing to prospective customers.

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

Our business benefits significantly from favorable net metering policies in states in which we operate. Net metering allows a homeowner to pay his or her local electric utility only for their power usage net of production from the solar energy system, transforming the conventional relationship between customers and traditional utilities. Homeowners receive credit for the energy that the solar installation generates in excess of that needed by the home to offset energy usage at times when the solar installation is not generating energy. In states that provide for net metering, the customer typically pays for the net energy used or receives a credit against future bills at the retail rate if more energy is produced by the solar installation than consumed. In some states and utility territories, customers are also reimbursed by the electric utility for net excess generation on a periodic basis.

Forty-four states, Puerto Rico and the District of Columbia have adopted some form of net metering. Each of the states where we currently serve customers has adopted some form of a net metering policy. In recent years, net metering programs have been subject to regulatory scrutiny in some states, such as Arizona, California, Colorado, Hawaii and Utah. Generally, the programs have been upheld in their current form, though some were subject to minor modification and others, including Arizona and California, are undergoing additional regulatory review. In California, for example, proposed changes to the current net metering tariff may have the effect of lowering the rate associated with a customer's export of electricity to the grid. California's current net metering rules, as applied to the state's three large investor-owned utilities (San Diego Gas and Electric Company, Southern California Edison Company and Pacific Gas and Electric Company), would generally be grandfathered for a period of 20 years, but only for systems installed prior to the earlier of July 1, 2017 or the date the applicable utility reaches its statutory net metering cap. This net metering cap is measured based on the nameplate capacity of net metered systems within the applicable utility's service territory. Currently, the net metering caps for the three large investor-owned utilities are: 607 megawatts for San Diego Gas and Electric Company; 2,240 megawatts for Southern California Edison Company; and 2,409 megawatts for Pacific Gas and Electric Company. Once the net metering cap is reached for one of the three investor-owned utilities, customers of that utility seeking to net meter will be required to take service under the new net metering tariff. As reflected in their September 30, 2015 reports required by statute, these investor-owned utilities have approximately 22%, 43% and 30%, respectively, of capacity remaining under their respective net metering caps. The statute providing the current caps also provides that, once the new net metering rules are effective, there will be no net metering caps applied to these utilities.

On October 12, 2015, the Hawaii Public Utilities Commission issued an order closing the Hawaiian Electric Company's net metering program to new participants and replaced this program with two new options for customers to interconnect to the utilities' electric grids, neither of which provides for compensation for exports at retail electricity rates. Solar advocates have filed suit challenging this order and seeking to enjoin its effectiveness. If and when net metering caps in certain jurisdictions are reached while they are still in effect, the value of the credit that customers receive for net metering is significantly reduced, utility rate structures are altered, or fees are imposed on net metering customers, future customers may be unable to recognize the same level of cost savings associated with net metering that current customers enjoy. The absence of favorable net metering policies or of net metering entirely, or the imposition of new charges that only or disproportionately impact customers that use net metering would significantly limit customer demand for our solar energy systems and the electricity they generate and could adversely impact our business, results of operations and future growth. For example, shortly after expanding our operations into Nevada, the state's primary electric utility reached its net metering cap . As a result, we have suspended operations in Nevada pending revisions to the net metering available in the state.

Technical and regulat ory limitations may significantly reduce our ability to sell electricity from our solar energy systems in certain markets.

Technical and regulatory limits may curb our growth in certain key markets. For example, the Federal Energy Regulatory Commission, in promulgating the first form small generator interconnection procedures, recommended limiting customer-sited intermittent generation resources, such as our solar energy systems, to a certain percentage of peak load on a given electrical feeder circuit. Similar limits have been adopted by many states as a de facto standard and could constrain our ability to market to customers in certain geographic areas where the concentration of solar installations exceeds this limit. For example, Hawaiian electric utilities have adopted certain policies that limit distributed electricity generation in parts of their service territories. In the first half of 2014, Hawaii was the second largest market in which we operated as measured by total installations. However, despite legislative and regulatory actions to allow further distributed electricity penetration, these limitations constrained growth of distributed residential solar energy in Hawaii in the second half of 2014 and beyond, and Hawaii has become a less important market to us as a result. While a recent Hawaii Public Utilities Commission order seeks to streamline the interconnection process, and while our growth in other markets has more than offset the impact of these limitations in Hawaii, if we experienced similar or other limitations on the deployment of solar energy systems, our business, operating results and growth prospects could be materially adversely affected. Furthermore, in certain areas, we benefit from policies that allow for expedited or simplified procedures related to connecting solar energy systems to the power grid. If such procedures are changed or cease to be available, our ability to sell the electricity generated by solar energy systems we install may be adversely impacted. As adoption of solar distributed generation rises along with the commercial operation of utility scale solar generation in key markets such as California, the amount of solar energy being fed into the power grid will surpass the amount planned for relative to the amount of aggregate demand. Some traditional utilities claim that in less than five years, solar generation resources may reach a level capable of producing an over-generation situation, which may require some solar generation resources to be curtailed to maintain operation of the grid. While the prospect of such curtailment is somewhat speculative, the adverse effects of such curtailment without compensation could adversely impact our business, results of operations and future growth.

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

We have incurred operating losses since our inception. We incurred net losses of $165.9 million and $200.0 million for the year ended December 31, 2014 and the nine months ended September 30, 2015. We expect to continue to incur net losses from operations as we increase our spending to finance the expansion of our operations, expand our installation, engineering, administrative, sales and marketing staffs , and implement internal systems and infrastructure to support our growth. Failure to grow at a sufficient rate to support these investments in personnel, systems and infrastructure, have adversely impacted and in the future could adversely impact our business and results of operations. In addition, as a public company, we incur significant additional legal, accounting and other expenses that we did not incur as a private company. We do not know whether our revenue will grow rapidly enough to absorb these c osts, and our limited operating history makes it difficult to assess the extent of these expenses or their impact on our operating results. Our ability to achieve profitability depends on a number of factors, including:

- growing our customer base;
- finding investors willing to invest in our investment funds;
- maintaining and further lowering our cost of capital;
- reducing the time between system installation and interconnection to the power grid, which allows us to begin generating revenue;
- reducing the cost of components for our solar energy systems; and
- reducing our operating costs by optimizing our sales, 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.

The vast majority of our business is conducted primarily using one channel, direct-selling.

Historically, our primary sales channel has been a direct sales model. Recently, we have opened a new retail sales channel as a new means of reaching customers. We compete against companies with experience selling solar energy systems to customers through a number of distribution channels, including homebuilders, home improvement stores, large construction, electrical and roofing companies and other third parties and companies that access customers through relationships with third parties in addition to other direct-selling companies. Our less diversified distribution channels may place us at a disadvantage with consumers who pr efer to purchase products through these other distribution channels. We are also vulnerable to changes in laws related to direct marketing as regulations have limited unsolicited residential sales calls and may impose additional restrictions. If additional laws affecting direct marketing are passed in the markets in which we operate, it would take time to train our sales force to comply with such laws, and we may be exposed to fines or other penalties for violations of such laws. If we fail to compete effec tively through our direct-selling efforts or are not successful in executing our strategy to sell our solar energy systems through other channels, our financial condition, results of operations and growth prospects will be adversely affected.

We are highly dependent on our ability to attract, train and retain an effective sales force.

The success of our direct-selling channel efforts depends upon the recruitment, retention and motivation of a large number of sales personnel to compensate for a high turnover rate among sales personnel, which is a common characteristic of a direct-selling business. In order to grow our business, we need to recruit, train and retain sales personnel on a continuing basis. Historically, we have recruited a large portion of our sales personnel from our sister company, Vivint, particularly in California, where a significant portion of our business is concentrated. Pursuant to a non-competition agreement entered into in connection with our initial public offering, we and Vivint have agreed not to solicit for employment any of the other's employees who primarily manage sales, installation or servicing of the other's products and services. The commitment not to solicit those employees lasts for 180 days after the employee finishes employment with us or Vivint. In the future, we will need to recruit greater numbers of our sales personnel from other sources and we may be unable to successfully do so. Sales personnel are attracted to direct-selling by competitive earnings opportunities and so direct-sellers typically compete for sales personnel by providing a more competitive earnings opportunity than that offered by the competition. Competitors devote substantial effort to determining the effectiveness of such incentives so that they can invest in incentives that are the most cost effective or produce the best return on incentive. For example, we have historically compensated our sales personnel on a commission basis, based on the size of the solar energy systems they sell. Some sales personnel may prefer a compensation structure that also includes a salary and equity incentive component. We may need to adjust our compensation model to include such components, and these adjustments could adversely impact our operating results and financial performance.

In addition to our sales compensation model, our ability to recruit, train and retain effective sales personnel could be harmed by additional factors, including:

- uncertainty regarding the proposed acquisition by SunEdison;
- any adverse publicity regarding us, our solar energy systems, our distribution channel or our industry;
- lack of interest in, or the technical failure of, our solar energy systems;
- lack of a compelling product or income opportunity that generates interest for potential new sales personnel, or perception that other product or income opportunities are more attractive;
- any negative public perception of our sales personnel and direct-selling businesses in general;
- any regulatory actions or charges against us or others in our industry;
- general economic and business conditions; and
- potential saturation or maturity levels in a given market which could negatively impact our ability to attract and retain sales personnel in such market.

We are subject to significant competition for the recruitment of sales personnel from other direct-selling companies and from other companies that sell solar energy systems in particular. Furthermore, the regional and district managers of our sales personnel are instrumental in recruiting, retaining and motivating our sales personnel. From time to time, when managers have elected to leave us and join other companies, the sales personnel they supervise have left with them. We expect to experience similar attrition in our sales personnel in the future which may impact our results of operations and growth. The impact of such attrition could be particularly acute in those jurisdictions, such as California, where contractual non-competition agreements for service providers are not enforceable or subject to significant limitations.

It is therefore continually necessary to innovate and enhance our direct-selling and service model as well as to recruit and retain new sales personnel. If we are unable to do so, our business will be adversely affected.

We are not currently regulated as an electric utility under applicable law, but we may be subject to regulation as an electric utility in the future.

We are not regulated as a public utility in any of the markets in which we currently operate. As a result, we are not subject to the various federal, state and local standards, restrictions and regulatory requirements applicable to traditional utilities that operate transmission and distribution systems and that have an obligation to serve electric customers within a specified jurisdiction. Any federal, state, or local regulations that cause us to be treated as an electric utility, or to otherwise be subject to a similar regulatory regime of commission-approved operating tariffs, rate limitations, and related mandatory provisions, could place significant restrictions on our ability to operate our business and execute our business plan by prohibiting, restricting or otherwise regulating our sale of electricity. If we were subject to the same state or federal regulatory authorities as electric utilities in the United States or if new regulatory bodies were established to oversee our business in the United States, then our operating costs would materially increase.

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

Retail sales of electricity by non-utilities such as us face regulatory hurdles in some states and jurisdictions, including states and jurisdictions that we intend to enter where the laws and regulatory policies have not historically embraced competition to the service provided by the incumbent, vertically integrated electric utility. Some of the principal challenges pertain to whether non-customer owned systems qualify for the same levels of rebates or other non-tax incentives available for customer-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. Furthermore, in some states and utility territories third parties are limited in the way that they may deliver solar to their customers. In jurisdictions such as Arizona, South Carolina and Utah and in Los Angeles, California, laws have been interpreted to prohibit the sale of electricity pursuant to our standard power purchase agreement, in some cases, leading residential solar energy system providers to use leases in lieu of power purchase agreements. Changes in law, reductions in, eliminations of or additional application requirements for, these benefits could reduce demand for our systems, adversely impact our access to capital and could cause us to increase the price we charge our customers for energy.

If the Internal Revenue Service or the U.S. Treasury Department makes a determination that the fair market value of our solar energy systems is materially lower than what we have reported in our fund tax returns or cash grant applications, we may have to pay significant amounts to our investment funds, to our fund investors and/or the U.S. government. Such determinations could have a material adverse effect on our business, financial condition and prospects.

We report in our fund tax returns and we and our fund investors claim the ITC based on the fair market value of our solar energy systems. While we are not aware of any audits or results of audits related to our appraisals or fair market value determinations of any of our investment funds by the Internal Revenue Service, or IRS, scrutiny with respect to fair market value determinations has increased industry-wide in recent years. If as part of an examination the IRS were to review the fair market value that we used to establish our basis for claiming ITCs and determine that the ITCs previously claimed should be reduced, we would owe certain of our investment funds or our fund investors an amount equal to 30% of the investor's share of the difference between the fair market value used to establish our basis for claiming ITCs and the adjusted fair market value determined by the IRS, plus any costs and expenses associated with a challenge to that fair market value, plus a gross up to pay for additional taxes. We could also be subject to tax liabilities, including interest and penalties based on our share of claimed ITCs. To date, we have not been required to make such payments under any of our investment funds.

Solar energy systems that began construction or satisfied a safe harbor by incurring eligible project costs prior to the end of 2011 were eligible to receive a 30% federal cash grant paid by the U.S. Treasury Department under Section 1603 of the "American Recovery and Reinvestment Act of 2009," or the U.S. Treasury grant. Separate from the IRS fair market value determination for purposes of ITCs, the U.S. Treasury Department has issued subpoenas related to its cash grant program and reviewed the fair market value determinations of a number of other significant participants in residential solar investment funds. Although we were not a target of this investigation, after discussions with the U.S. Treasury Department in early 2013, we accepted approximately $2.5 million less in cash grant payments than we had originally anticipated, a reduction of approximately 12%, which reduction affected a single investment fund. Although we were not obligated to make any payments to the investor in such fund, this resulted in a reduction of the fund investor's overall investment by approximately $1.0 million. We had no other existing cash grant investment funds as of September 30, 2015, but if we were to enter into such funds in the future we may be required to engage in further discussions with, or otherwise be subject to investigation by, the U.S. Treasury Department in relation to applications for cash grants made by such funds.

Our ability to provide solar energy systems to customers on an economically viable basis depends on our ability to finance these systems with fund investors who require particular tax and ot her benefits.

Substantially all of our solar energy systems installed to date have been eligible for ITCs or U.S. Treasury grants, as well as accelerated depreciation benefits. We have relied on, and will continue to rely on, financing structures that monetize a substantial portion of those benefits and provide financing for our solar energy systems. If, for any reason, we were unable to continue to monetize those benefits through these arrangements, we may be unable to provide solar energy systems for new customers and maintain solar energy systems for new and existing customers on an economically viable basis.
The availability of this tax-advantaged financing depends upon many factors, including:

- our ability to compete with other renewable energy companies for the limited number of potential investment 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.

Solar energy system owners are currently allowed to claim the ITC that is equal to 30% of the system's eligible tax basis, which is generally the fair market value of the system. By statute, the ITC is scheduled to decrease to 10% on January 1, 2017. Moreover, potential fund investors must remain satisfied that the structures we offer qualify for the tax benefits associated with solar energy systems available to these investors, which depends both on the investors' assessment of tax law and the absence of any unfavorable interpretations of that law. Changes in existing law and interpretations by the IRS and the courts could reduce the willingness of fund investors to invest in funds associated with these solar energy system investments. We cannot assure you that this type of financing will continue to be available to us. Alternatively, new investment fund structures or other financing mechanisms may become available, and if we are unable to take advantage of these fund structures and financing mechanisms it may place us at a competitive disadvantage. If, for any reason, we are unable to finance solar energy systems through tax-advantaged structures or if we are unable to realize or monetize depreciation benefits, or if we are otherwise unable to structure investment funds in ways that are both attractive to investors and allow us to provide desirable pricing to customers, we may no longer be able to provide solar energy systems to new customers on an economically viable basis. This would have a material adverse effect on our business, financial condition, results of operations and prospects.

Rising interest rates could adversely impact our business.

Changes in interest rates could have an adverse impact on our business by increasing our cost of capital. For example, rising interest rates would increase our cost of capital and may negatively impact our ability to secure financing on favorable terms needed to build our solar energy systems.

The majority of our cash flows to date have been from customer contracts that have been partially monetized under various investment fund structures. One of the components of this monetization is the present value of the payment streams from the customers who enter into these contracts. If the rate of return required by the fund investor rises as a result of a rise in interest rates, the present value of the customer payment stream and the total value that we are able to derive from monetizing the payment stream will each be reduced. Interest rates are at historically low levels, partially as a result of intervention by the U.S. Federal Reserve. The Federal Reserve has taken actions to taper off this intervention, and should these actions continue, it is likely that interest rates will rise in 2015, which would cause our costs of capital to increase and could impede our ability to secure financing. Rising interest rates could harm our business and financial condition.

Our investment funds contain arrangements which provide for priority distributions to fund investors until they receive their targeted rates of return. In addition, under the terms of certain of our investment funds, we may be required to make payments to the fund investors if certain tax benefits that are allocated to such fund investors are not realized as expected. Our financial condition may be adversely impacted if a fund is required to make these priority distributions for a longer period than anticipated to achieve the fund investors' targeted rates of return or if we are required to make any tax-related payments.

Our fund investors expect returns partially in the form of cash and, to enable such returns, our investment funds contain terms that contractually require the investment funds to make priority distributions to the fund investor, to the extent cash is available, until it achieves its targeted rate of return. The amounts of potential future distributions under these arrangements depends on the amounts and timing of receipt of cash flows into the investment fund, almost all of which is generated from customer payments related to solar energy systems that have been previously purchased (or leased, as applicable) by such fund. If such cash flows are lower than expected, the priority distributions to the investor may continue for longer than initially anticipated. Additionally, certain of our investment funds require that, under certain circumstances, we forego distributions from the fund that we are otherwise contractually

entitled to , or make capital contributions to the fund, so that such distributions owed to us, or additional capital contributions made by us, can be r edirected to the fund investor such that it achieves the targeted return. For example, as of December 31, 2014, we accrued an estimated $4.0 million capital contribution to reimburse a fund investor a portion of its capital contribution in order to true-up the investor's expected rate of return primarily due to a delay in solar energy systems being interconnected to the utility grid and other factors .

Our fund investors also expect returns partially in the form of tax benefits and, to enable such returns, our investment funds contain terms that contractually require us to make payments to the funds that are then used to make payments to the fund investor in certain circumstances so that the fund investor receives value equivalent to the tax benefits it expected to receive when entering into the transaction. The amounts of potential tax payments under these arrangements depend on the tax benefits that accrue to such investors from the funds' activities.

Due to uncertainties associated with estimating the timing and amounts of these cash distributions and allocations of tax benefits to such investors, we cannot determine the potential maximum future impact on our cash flows or payments that we could have to make under these arrangements. We may agree to similar terms in the future if market conditions require it. Any significant payments that we may be required to make or distributions to us that are reduced or diverted as a result of these arrangements could adversely affect our financial condition.

We may incur substantially more debt or take other actions that could restrict our ability to pursue our business strategies.

In September 2014, we entered into an aggregation credit facility, which was subsequently amended in February 2015, pursuant to which we may borrow up to an aggregate of $375.0 million and, upon the satisfaction of certain conditions and the approval of the lenders, up to an aggregate of $175.0 million in additional borrowings. In addition, in March 2015, we entered into a revolving credit facility pursuant to which we may borrow up to an aggregate of $131.0 million. In May 2015, certain conditions were satisfied and the aggregate amount of available revolver borrowings was increased to $150.0 million. These credit facilities restrict our ability to dispose of assets, incur indebtedness, incur liens, pay dividends or make other distributions to holders of our capital stock, repurchase our capital stock, make specified investments or engage in transactions with our affiliates. In addition, we do not have full access to the cash and cash equivalents held in our investments funds until distributed per the terms of the arrangements. We and our subsidiaries may incur substantial additional debt in the future and any debt instrument we enter into in the future may contain similar restrictions. In addition, certain of our affiliates, including our sister company Vivint Inc., or Vivint, are and may in the future be restricted in engaging in transactions with us pursuant to the terms of the instruments governing indebtedness incurred by them. These restrictions could inhibit our ability to pursue our business strategies. Furthermore, if we default on one of our debt instruments, and such event of default is not cured or waived, the lenders could terminate commitments to lend and cause all amounts outstanding with respect to the debt to be due and payable immediately, which in turn could result in cross acceleration under other debt instruments. Our assets and cash flow may not be sufficient to fully repay borrowings under all of our outstanding debt instruments if some or all of these instruments are accelerated upon a default.

Furthermore, there is no assurance that we will be able to enter into new debt instruments on acceptable terms. If we are unable to satisfy financial covenants and other terms under existing or new instruments or obtain waivers or forbearance from our lenders or if we are 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.

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

As of September 30, 2015, approximately 43% of our cumulative installations and approximately 43% of our total offices were located in California. In addition, we expect future growth to occur in California, which could further concentrate our customer base and operational infrastructure. Accordingly, our business and results of operations are particularly susceptible to adverse economic, regulatory, political, weather and other conditions in California and in other markets that may become similarly concentrated.

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

Since our formation in 2011, we have focused our efforts exclusively on the sales, financing, engineering, installation, maintenance and monitoring of solar energy systems for residential customers. We may be unsuccessful in significantly broadening our customer base through installation of solar energy systems within our current markets or in new markets we may enter. 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 operating and financial results and business prospects. In addition, we have limited insight into emerging trends that may adversely impact our business, prospects and operating results.

Additionally, due to our limited operating history, we do not have empirical evidence of the effect of our systems on the resale value of our customers' houses. Due to the length of our customer contracts, the system deployed on a customer's roof may be outdated prior to the expiration of the term of the customer contract reducing the likelihood of renewal of our contracts at the end of the 20-year term, and possibly increasing the occurrence of defaults. This could have an adverse effect on our business, financial condition, results of operations and cash flow. As a result, our limited operating history may impair our ability to accurately forecast our future performa nce and to invest accordingly.

We have identified a material weakness in our internal control over financial reporting relating to inadequate financial statement preparation and review procedures in connection with the preparation of our consolidated financial statements that resulted in the restatement of certain of our financial statements, and we may identify material weaknesses in the future.

In connection with the preparation, audits and interim reviews of our consolidated financial statements, we and our independent registered public accounting firm identified a material weakness in internal control over financial reporting. This material weakness was evidenced by errors discovered during the preparation and review of our consolidated financial statements as of and for the six months ended June 30, 2014 which resulted in the restatement of our consolidated financial statements as of and for the year ended December 31, 2013 and as of and for the three months ended March 31, 2014. These errors included, but were not limited to: (1) incorrectly accounting for income taxes, (2) incorrect inputs in the hypothetical liquidation at book value, or HLBV, method of attributing net income or loss to non-controlling interests and redeemable non-controlling interests and (3) the incorrect classification of paid-in-kind interest in our statement of cash flows.

Under standards established by the Public Company Accounting Oversight Board, a material weakness is a deficiency or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected and corrected on a timely basis. This material weakness resulted from several control deficiencies.

Specifically and in addition to the errors that resulted in the restatement discussed above, we and our independent registered public accounting firm identified a number of material errors and other audit adjustments and determined that we did not design and implement sufficient controls and processes and did not have a sufficient number of qualified accounting and finance personnel. Additionally, the nature of our investment funds increases the complexity of our accounting for the allocation of net income (loss) between our stockholders and non-controlling interests under the HLBV method and the calculation of our tax provision. As we enter into additional investment funds, which may have contractual provisions different from those of our existing funds, the calculation under the HLBV method and the calculation of our tax provision could become increasingly complicated. This additional complexity could increase the chance that we experience additional errors in the future, particularly because we have a material weakness in internal controls. In addition, our need to devote our resources to addressing this complexity could delay or prolong our remediation efforts and thereby prolong the existence of the material weakness. As a result, we and our independent registered public accounting firm determined that we do not have adequate procedures and controls and adequate personnel to ensure that accurate financial statements could be prepared on a timely basis.

We continue to take steps to remediate the underlying causes of the material weakness. As of September 30, 2015, we are in process of implementing and improving our controls and processes. We have hired additional financial, accounting and tax personnel. In January 2015, we hired a director of internal audit to assist us in implementing and improving our existing internal controls. In February 2015, we hired a chief information officer to assist us in improving our underlying information technology systems and to decrease our reliance on manual processes. We are also in the process of formalizing, documenting and implementing written policies and procedures for the review of our various financial reporting processes. We continue to engage third-party consultants to provide support over our accounting and tax processes to assist us with our evaluation of complex technical accounting matters. We continue to engage consultants to advise us on making further improvements to our internal controls over financial reporting. We believe that these additional resources will enable us to broaden the scope and quality of our controls relating to the oversight and review of financial statements and our application of relevant accounting policies. Furthermore, we continue to implement and improve systems to automate certain financial reporting processes and to improve information accuracy. However, these remediation efforts are still in process and have not yet been completed. Because of this material weakness, there is heightened risk that a material misstatement of our annual or quarterly financial statements will not be prevented or detected.

The actions that we are taking are subject to ongoing senior management review as well as audit committee oversight. We are working diligently on this remediation process; however, we cannot estimate how long it will take to remediate this material weakness. In addition, the remediation steps we have taken, are taking and expect to take may not effectively remediate the material weakness, in which case our internal control over financial reporting would continue to be ineffective. We cannot guarantee that we will be able to complete our remedial actions successfully. Even if we are able to complete these actions successfully, these measures may not adequately address our material weakness and may take more than a year to complete. In addition, it is possible that we will discover additional material weaknesses in our internal control over financial reporting or that our existing material weakness will result in additional errors in or restatements of our financial statements. If in future periods we determine that this material weakness

has not been rem ediated or we identify other material weaknesses in internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective, which could result in the loss of investor confidence. In addition, to date, the audit of our consolidated financial statements by our independent registered public accounting firm has included a consideration of internal control over financial reporting as a basis of designing their audit procedures, but not for the purpo se of expressing an opinion on the effectiveness of our internal controls over financial reporting. When we cease to be an emerging growth company we will be required to have our independent registered accounting firm perform such an evaluation, and additi onal material weaknesses or other control deficiencies may be identified.

If we are unable to successfully remediate our current material weakness or avoid or remediate any future material weakness, our stock price may be adversely affected and we may be unable to maintain compliance with applicable stock exchange listing requirements.

Expansion into new markets could be costly and time-consuming. Historically, we have only provided our offerings to residential customers, which could put us at a disadvantage relative to companies who also compete in other markets.

We have historically only provided our offerings to residential customers. We compete with companies who sell solar energy systems in the commercial, industrial and government markets, in addition to the residential market. While we have recently entered the commercial and industrial market, and while we believe that in the future we may have opportunities to expand our operations into other markets, there are no assurances that our design and installation systems will work for non-residential customers or that we will be able to compete successfully with companies with historical presences in such markets we may not realize the anticipated benefits of entering such markets, and entering new markets has numerous risks, including the following:

- incurring significant costs if we are required to adapt our current or develop new design and installation processes for use in non-residential applications;
- diversion of our management and employees from our core residential business;
- difficulty adapting our current or developing new marketing strategies and sales channels to non-residential customers;
- inability to obtain key customers, brand recognition and market share and compete successfully with companies with historical presences in such markets; and
- inability to achieve the financial and strategic goals for such market.

If we are unable to successfully compete in the commercial and industrial market, our operating results and growth prospects could be materially adversely affected. Additionally, there is intense competition in the residential solar energy market in the markets in which we operate. As new entrants continue to enter into these markets, we may be unable to gain or maintain market share and we may be unable to compete with companies that earn revenue in both the residential market and non-residential markets.

We face competition from traditional regulated electric utilities, from less-regulated third party energy service providers and from new renewable energy companies.

The solar energy and renewable energy industries are both highly competitive and continually evolving as participants strive to distinguish themselves within their markets and compete with large traditional utilities. We believe that our primary competitors are the traditional utilities that supply electricity to our potential customers. Traditional utilities generally have substantially greater financial, technical, operational and other resources than we do. As a result, 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. Traditional utilities could also offer other value-added products or services that could help them to compete with us even if the cost of electricity they offer is higher than ours. In addition, a majority of utilities' sources of electricity is non-solar, which may allow utilities to sell electricity more cheaply than electricity generated by our solar energy systems.

We also compete with companies that are not regulated like traditional utilities but that have access to the traditional utility electricity transmission and distribution infrastructure pursuant to state and local pro-competitive and consumer choice policies. These energy service companies are able to offer customers electricity supply-only solutions that are competitive with our solar energy system options on both price and usage of renewable 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 new customers, 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 compete with solar companies with business models that are similar to ours. In addition, we compete with solar companies in the downstream value chain of solar energy. For example, we face competition from purely finance driven organizations that acquire customers and then subcontract out the installation of solar energy systems, from installation businesses that seek financing from external parties, from large construction companies an d utilities, and increasingly from sophisticated electrical and roofing companies. Some of these competitors specialize in the residential solar energy market, and some may provide energy at lower costs than we do. Some of our competitors offer or may offe r alternative sales strategies to investment fund strategy, such as direct outright sales of and consumer loan products for solar energy systems . Additionally, some of our competitors may offer their products through sales channels that they have more full y developed, such as retail sales. Further , some of our competitors are integrating vertically in order to ensure supply and to control costs. Many of our competitors also have significant brand name recognition and have extensive knowledge of our target m arkets. For us to remain competitive, we must distinguish ourselves from our competitors by offering an integrated approach that successfully competes with each level of products and services offered by our competitors at various points in the value chain. If our competitors develop an integrated approach similar to ours including sales, financing, engineering, manufacturing, installation, maintenance and monitoring services, this will reduce our marketplace differentiation.

As the solar industry grows and evolves, we will also face new competitors who are not currently in the market. Our industry is characterized by low technological barriers to entry and well-capitalized companies could choose to enter the market and compete with us. Our failure to adapt to changing market conditions and to compete successfully with existing or new competitors will limit our growth and will have a material adverse effect on our business and prospects.

Developments in alternative technologies or improvements in distributed solar energy generation may materially adversely affect demand for our offerings.

Significant developments in alternative technologies, such as advances in other forms of distributed solar power generation, storage solutions such as batteries, the widespread use or adoption of fuel cells for residential or commercial properties or improvements in other forms of centralized power production may materially and adversely affect our business and prospects in ways we do not currently anticipate. Any failure by us to adopt new or enhanced technologies or processes, or to react to changes in existing technologies, could materially delay deployment of our solar energy systems, which could result in product obsolescence, the loss of competitiveness of our systems, decreased revenue and a loss of market share to competitors.

A failure to hire and retain a sufficient number of employees in key functions would constrain our growth and our ability to timely complete our customers' projects.

To support our growth, we need to hire, train, deploy, manage and retain a substantial number of skilled installers and electricians in the relevant markets. Competition for qualified personnel in our industry has increased substantially and we expect it to continue to do so, particularly for skilled electricians and other personnel involved in the installation of solar energy systems. We also compete with the homebuilding and construction industries for skilled labor. As these industries seek to hire additional workers, our cost of labor may increase. Our current compensation plans for installers and electricians contain incentives related to their installation volume. Companies with whom we compete to hire installers may offer compensation or incentive plans that certain installers may view as more favorable. We periodically assess the compensation plans and policies for our service providers, including our installers and electricians, and, if deemed necessary, may decide to revise those plans and policies. Our installers and electricians may not react well to any such revisions, which in turn could adversely affect retention, motivation and productivity.

Furthermore, trained installers are typically able to more efficiently install solar energy systems. Shortages of skilled labor could significantly delay installations or otherwise increase our costs. While we do not currently have any unionized employees, we have expanded, and may continue to expand, into areas such as the Northeast, where labor unions are more prevalent. The unionization of our labor force could also increase our labor costs. In addition, a significant portion of our business has been concentrated in states such as California, where market conditions are particularly favorable to distributed solar energy generation. We have experienced and may in the future experience greater than expected turnover in our installers in those jurisdictions which would adversely impact the geographic mix of new solar energy system installations.

Because we are a licensed electrical contractor in every jurisdiction in which we operate, we are required to employ licensed electricians. As we expand into new markets, we are required to hire and/or contract with seasoned licensed electricians in order for us to qualify for the requisite state and local licenses. Because of the high demand for these seasoned licensed electricians, these individuals currently or in the future may demand greater compensation. In addition, our inability to attract and retain these qualifying electricians may adversely impact our ability to continue operations in current markets or expand into new areas.

If we cannot meet our hiring, retention and efficiency goals, we may be unable to complete our customers' projects on time, 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 an d the growth of our business.

We depend on a limited number of suppliers of solar energy system components and technologies to adequately meet anticipated demand for our solar energy systems. Due to the limited number of suppliers in our industry, the acquisition of any of these suppliers by a competitor or any shortage, delay, price change, imposition of tariffs or duties or other limitation in our ability to obtain components or technologies we use could result in sales and installation delays, cancellations and loss of market share.

We purchase solar panels, inverters and other system components from a limited number of suppliers, making us susceptible to quality issues, shortages and price changes. In 2014, Trina Solar Limited and Yingli Green Energy Americas, Inc. accounted for substantially all of our solar photovoltaic module purchases and Enphase Energy, Inc. accounted for substantially all of our inverter purchases. In the nine months ended September 30, 2015, Trina Solar Limited, Yingli Green Energy Americas, Inc. and JinkoSolar Holding Co., Ltd. accounted for all of our solar photovoltaic module purchases and Enphase Energy, Inc. and SolarEdge Technologies Inc. accounted for substantially all of our inverter purchases. If we fail to develop, maintain and expand our relationships with these or other suppliers, our ability to adequately meet anticipated demand for our solar energy systems may be adversely affected, 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 rely upon to meet anticipated demand ceases or reduces production due to its financial condition, acquisition by a competitor or otherwise, is unable to increase production as industry demand increases or is otherwise unable to allocate sufficient production to us, it may be difficult to quickly identify alternative suppliers or to qualify alternative products on commercially reasonable terms, and our ability to satisfy this demand may be adversely affected. There are a limited number of suppliers of solar energy system components and technologies. While we believe there are other sources of supply for these products available, transitioning to a new supplier may result in additional costs and delays in acquiring our solar products and deploying our systems. These issues could harm our business or financial performance.

In addition, the acquisition of a component supplier or technology provider by one of our competitors could limit our access to such components or technologies and require significant redesigns of our solar energy systems or installation procedures and have a material adverse effect on our business. For example, one of our competitors acquired Zep Solar, Inc., or Zep, in 2013. Zep sold us virtually all of the racking systems used in our hardware in 2013, and the resulting limitation in our ability to acquire Zep products required us to redesign certain aspects of our systems to accommodate alternative racking hardware. In addition, some of our investment funds require the use of designated equipment, and our inability to obtain any such required equipment could limit our ability to finance solar energy systems that we intend to place in those funds.

There have also been periods of industry-wide shortages of key components, including solar panels, in times of rapid industry growth. 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. The solar industry is currently experiencing rapid growth and, as a result, shortages of key components, including solar panels, may be more likely to occur, which in turn may result in price increases for such components. Even if industry-wide shortages do not occur, suppliers may decide to allocate key components with high demand or insufficient production capacity to more profitable customers, customers with long-term supply agreements or customers other than us and our supply of such components may be reduced as a result.

Historically, we purchased the components for our solar energy systems on an as-needed basis and did not operate under long-term supply agreements. Recently, we have entered into multi-year agreements with certain of our major suppliers. These purchase orders are denominated in U.S. dollars. Since our revenue is also generated in U.S. dollars we are mostly insulated from currency fluctuations. However, since our suppliers often incur a significant amount of their costs by purchasing raw materials and generating operating expenses in foreign currencies, if the value of the U.S. dollar depreciates significantly or for a prolonged period of time against these other currencies this may cause our suppliers to raise the prices they charge us, which could harm our financial results. Since we purchase almost all of the solar photovoltaic modules we use from China, we are particularly exposed to exchange rate risk from increases in the value of the Chinese Renminbi. In addition, the U.S. government has imposed tariffs on solar cells produced and assembled in China and Taiwan. These tariffs, and any tariffs or duties, or shortages, delays, price changes or other limitation in our ability to obtain components or technologies we use could limit our growth, cause cancellations or adversely affect our profitability, and result in loss of market share and damage to our brand. Further, certain of these multi-year agreements require us to make minimum volume purchases on a quarterly basis. As of September 30, 2015, we have met these minimum purchase requirements. However, if we fail to meet such minimum purchases in the future, we may be required to make additional payments or breach our contracts, which could adversely affect our results of operations and damage our relationships with these suppliers.

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

Our quarterly and annual operating results are difficult to predict and may fluctuate significantly in the future. We have experienced seasonal and quarterly fluctuations in the past. However, given that we are an early-stage company operating in a rapidly growing industry, the true extent of these fluctuations may have been masked by our recent growth rates and thus may not be readily apparent from our historical operating results and may be difficult to predict. For example, the amount of revenue we recognize in a given period from our customer contracts is dependent in part on the amount of energy generated by solar energy systems under such contracts. As a result, revenue derived from power purchase agreements is impacted by seasonally shorter daylight hours in winter months. In addition, our ability to install solar energy systems is impacted by weather, as for example during the winter months in the Northeastern United States. Such delays can impact the timing of when we can install and begin to generate revenue from solar energy systems. As such, our past quarterly operating results may not be good indicators of future performance.

In addition to the other risks described in this "Risk Factors" section, the following factors could cause our operating results to fluctuate:

- the expiration or initiation of any rebates or incentives;
- significant fluctuations in customer demand for our offerings;
- our ability to complete installations in a timely manner;
- the availability and costs of suitable financing;
- the amount and timing of sales of SRECs;
- our ability to continue to expand our operations, and the amount and timing of expenditures related to this expansion;
- actual or anticipated changes in our growth rate relative to our competitors;
- announcements by us or our competitors of 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 traditional utilities; and
- actual or anticipated developments in our competitors' businesses or the competitive landscape.

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, key operating metrics and other operating results in future periods may fall short of the expectations of investors and financial analysts, which could have an adverse effect on the trading price of our common stock.

Our business has benefited from the declining cost of solar panels, and our financial results may be harmed now that the cost of solar panels has stabilized and could increase in the future.

The declining cost of solar panels and the raw materials necessary to manufacture them has been a key driver in the price we charge for electricity and customer adoption of solar energy. According to industry experts, solar panel and raw material prices are not expected to continue to decline at the same rate as they have over the past several years. In addition, growth in the solar industry and the resulting increase in demand for solar panels and the raw materials necessary to manufacture them may also put upward pressure on prices. The resulting prices could slow our growth and cause our financial results to suffer. In addition, in the past we have purchased virtually all of the solar panels used in our solar energy systems from manufacturers based in China which have benefited from favorable governmental policies by the Chinese government. If this governmental support were to decrease or be eliminated, our ability to purchase these products on competitive terms or to access specialized technologies from China could be restricted.

Even if this support were to continue, the U.S. government could impose additional tariffs on solar cells manufactured in China. In 2012, the U.S. government imposed anti-dumping tariffs on Chinese crystalline silicon photovoltaic cells on a manufacturer specific basis with rates ranging from approximately 18.3% to 250.0%, and applicable countervailing duty rates ranging from approximately 14.8% to 16.0%. In 2014, the U.S. government broadened its investigation of Chinese pricing practices in this area to include solar panels and modules produced in China containing solar cells manufactured in other countries. In July 2015, the U.S. government announced antidumping duties ranging from 9.67% to 238.95% on imports of the majority of solar panels made in China, and, in December 2014, rates ranging from 11.5% to 27.6% on imported solar cells made in Taiwan. Countervailing duties ranging from 15.43% to 49.8% for Chinese modules have also been announced, and in July 2015 were set at 20.94% for most Chinese modules. In January 2015, the antidumping duties were confirmed by a determination of the U.S. International Trade Commission that material harm to the U.S. solar industry had occurred. These combined tariffs would make such solar cells less competitively priced in

the United States, and the Chinese and Taiwanese manufacturers may choose to limit the amount of solar equipment they sell into the United States. As a result, it may be easier for solar cell manufacturers located outside of Ch ina or Taiwan to increase the prices of the solar cells they sell into the United States. If we are required to pay higher prices, accept less favorable terms or purchase solar panels or other system components from alternative, higher-priced sources, our financial results will be adversely affected.

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 today and adversely affect our financial performance and valuation.

We intend to amortize the costs of our solar energy systems over a 30-year estimated useful life, which exceeds the period of the component warranties and the corresponding payment streams from our contracts with our customers. If we incur repair and maintenance costs on these systems after the warranties have expired, and if they then fail or malfunction, we will be liable for the expense of repairing these systems without a chance of recovery from our suppliers. We are also contractually obligated to remove, store and reinstall the solar energy systems for a nominal fee if customers need to replace or repair their roofs. The nominal fee is market standard; however, it may not cover our costs to remove, store and reinstall the solar energy systems. In addition, we typically bear the cost of removing the solar energy systems at the end of the term of the customer contract if the customer does not renew his or her contract at the end of its term. 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 residual value of the systems is less than we expect at the end of the customer contract, after giving effect to any associated removal and redeployment costs, we may be required to accelerate all or some of the remaining unamortized costs. This could materially impair our future operating results and estimated retained value.

We act as the licensed general contractor for our customers and 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 every market we service and we are responsible for every customer installation. We are the general contractor, electrician, construction manager and installer for all our solar energy systems. We may be liable to customers for any damage we cause to their home, belongings or property during the installation of our systems. For example, we penetrate our customers' roofs during the installation process and may incur liability for the failure to adequately weatherproof such penetrations following the completion of installation of solar energy systems. In addition, because the solar energy systems we deploy are high-voltage energy systems, we may incur liability for the failure to comply with electrical standards and manufacturer recommendations. Furthermore, prior to obtaining permission to operate our solar energy systems, the systems must pass various inspections. Any delay in passing, or inability to pass, such inspections, would adversely affect our results of operations. 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 results or cover our costs for that project.

In addition, the installation of solar energy systems is 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 authority having jurisdiction over our operations and our solar energy systems. Any new government regulations or utility policies pertaining to our systems, or changes to existing government regulations or utility policies pertaining to our systems, may result in significant additional expenses to us and our customers and, as a result, could cause a significant reduction in demand for our systems.

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

The installation of solar energy systems requires our employees to work at heights with complicated and potentially dangerous electrical systems and at potentially high temperatures. The evaluation and modification of buildings as part of the installation process requires our employees to work in locations that may contain potentially dangerous levels of asbestos, lead, mold or other materials known or believed to be hazardous to human health. We also maintain a fleet of nearly 800 trucks and other vehicles to support our installers and operations. 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, or OSHA, the U.S. Department of Transportation, or DOT, and equivalent state laws. Changes to OSHA, DOT or state 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. Because our current compensation structure contains volume related components, our installation employees may be incentivized to work more quickly than installers that are compensated differently. While we have not experienced a high level of injuries to date, this incentive structure may result in higher

injury rates than others in the industry an d could accordingly expose us to increased liability. In the past, we have had workplace accidents and received citations from OSHA regulators for alleged safety violations, resulting in fines. Any such 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.

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

We agree to maintain the solar energy systems installed on our customers' homes during the length of the term of our customer contracts, which is typically 20 years. We are exposed to any liabilities arising from the systems' failure to operate properly and are generally under an obligation to ensure that each system remains in good condition during the term of the agreement. As part of our operations and maintenance work, we provide a pass-through of the inverter and panel manufacturers' warranty coverage to our customers, which generally range from 10 to 25 years. One or more of these third-party manufacturers could cease operations and no longer honor these warranties, leaving us to fulfill these potential obligations to our customers or to our fund investors without underlying warranty coverage. In most of our investment funds, the fund itself would bear this cost; however, in certain funds we would bear this cost with respect to such major equipment. Even if the investment fund bears the direct expense of such replacement equipment, we could suffer financial losses associated with a loss of production from the solar energy systems.

Beginning in 2014, we began structuring some customer contracts as solar energy system leases. To be competitive in the market and to comply with the requirements of jurisdictions where we offer leases, our solar energy system leases contain a performance guarantee in favor of the lessee. Leases with performance guarantees require us to refund money to the lessee if the solar energy system fails to generate a stated minimum amount of electricity in a 12-month period. We may also suffer financial losses associated with such refunds if significant performance guarantee payments are triggered.

Our failure to accurately predict future liabilities related to material quality or performance expenses could result in unexpected volatility in our financial condition. Because of the limited operating history of our solar energy systems, 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. We have made these assumptions based on the historic performance of similar systems or on accelerated life cycle testing. Our assumptions could prove to be materially different from the actual performance of our systems, causing us to incur substantial expense to repair or replace defective solar energy systems in the future or to compensate customers for systems that do not meet their performance guarantees. Equipment defects, serial defects or operational deficiencies also would reduce our revenue from customer contracts because the customer payments under such agreements are dependent on system production or would require us to make refunds under performance guarantees. Any widespread product failures or operating deficiencies may damage our market reputation and adversely impact our financial results.

We are responsible for providing maintenance, repair and billing on solar energy systems that are owned or leased by our investment funds on a fixed fee basis, and our financial performance could be adversely affected if our cost of providing such services is higher than we project.

We typically provide a five-year workmanship warranty to our investment funds for every system we sell to them. We are also generally contractually obligated to cover the cost of maintenance, repair and billing on any solar energy systems that we sell or lease to our investment funds. We are subject to a maintenance services agreement under which we are required to operate and maintain the system, and perform customer billing services for a fixed fee that is calculated to cover our future expected maintenance and servicing costs of the solar energy systems in each investment fund over the term of the lease or power purchase agreement with the covered customers. If our solar energy systems require an above-average amount of repairs or if the cost of repairing systems were higher than our estimate, we would need to perform such repairs without additional compensation. If our solar energy systems, a majority of which are located in California, are damaged in the event of a natural disaster beyond our control, such as an earthquake, tsunami or hurricane, losses could be outside the scope of insurance policies or exceed 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. When required to do so under the terms of a particular investment fund, we purchase property and business interruption insurance with industry standard coverage and limits approved by the investor's third-party insurance advisors to hedge against such risk, but such coverage may not cover our losses, and we have not acquired such coverage for all of our funds.

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

If one of our solar energy systems injured someone, we could be exposed to product liability claims. In addition, it is possible that our products could injure our customer or third parties, or that our products could cause property damage as a result of product malfunctions, defects, improper installation, fire or other causes. We rely on our general liability insurance to cover product liability claims. 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, penalties or fines, subject us to adverse

publicity, damage our reputation and competitive position and adversely affect sales of our sys tems 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 adv erse effect on our ability to attract new customers, thus affecting our growth and financial performance.

Failure by our component suppliers to use ethical business practices and comply with applicable laws and regulations may adversely affect our business.

We do not control our suppliers or their business practices. Accordingly, we cannot guarantee that they follow 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, which could increase our costs and result in delayed delivery of our products, product shortages or other disruptions of our operations. Violation of labor or other laws by our suppliers or the divergence of a supplier's labor or other practices from those generally accepted as ethical in the United States or other markets in which we do business could also attract negative publicity for us and harm our business.

Damage to our brand and reputation, or change or loss of use of our brand, would harm our business and results of operations.

We depend significantly on our reputation for high-quality products, best-in-class customer service and the brand name "Vivint Solar" to attract new customers and grow our business. If we fail to continue to deliver our solar energy systems within the planned timelines, if our offerings do not perform as anticipated or if we damage any of our customers' properties or delay or cancel projects, our brand and reputation could be significantly impaired. Future technical improvements may allow us to offer lower prices or offer new technology to new customers; however, technical limitations in our current solar energy systems may prevent us from offering such lower prices or new technology to our existing customers. The inability of our current customers to benefit from technological improvements could cause our existing customers to lower the value they perceive our existing products offer and impair our brand and reputation.

We have focused particular attention on growing our direct sales force, leading us in some instances to take on candidates who we later determined did not meet our standards. In addition, given our direct sales business model and the sheer number of interactions our sales and other personnel have with customers and potential customers, it is inevitable that some customers' and potential customers' interactions with our company will be perceived as less than satisfactory. This has led to instances of customer complaints, some of which have affected our digital footprint on rating websites such as that for Yelp and the Better Business Bureau. If we cannot manage our hiring and training processes to avoid or minimize to the extent possible, these issues, our reputation may be harmed and our ability to attract new customers would suffer.

Given our past relationship with our sister company Vivint and the similarity in our names, customers may associate us with any problems experienced with Vivint, such as complaints with the Better Business Bureau. Because we have no control over Vivint, we may not be able to take remedial action to cure any issues Vivint has with its customers, and our brand and reputation may be harmed if we are mistaken for the same company.

In addition, if we were to no longer use, lose the right to continue to use, or if others use, the "Vivint Solar" brand, we could lose recognition in the marketplace among customers, suppliers and partners, which could affect our growth and financial performance, and would require financial and other investment, and management attention in new branding, which may not be as successful.

Marketplace confidence in our liquidity and long-term business prospects is important for building and maintaining our business.

Our financial condition, operating results and business prospects may suffer materially if we are unable to establish and maintain confidence about our liquidity and business prospects among consumers and within our industry. Our solar energy systems require ongoing maintenance and support. If we were to reduce operations, even years from now, buyers of our systems from years earlier might have difficulty in having us repair or service our systems, which remain our responsibility under the terms of our customer contracts. As a result, consumers may be less likely to purchase our solar energy systems now if they are uncertain that our business will succeed or that our operations will continue for many years. Similarly, suppliers and other third parties will be less likely to invest time and resources in developing business relationships with us if they are not convinced that our business will succeed. Accordingly, in order to build and maintain our business, we must maintain confidence among customers, suppliers and other parties in our liquidity and long-term business prospects. We may not succeed in our efforts to build this confidence.

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

We have experienced significant growth in recent periods with the cumulative capacity of our solar energy systems growing from 72.8 megawatts as of December 31, 2013 to 400.4 megawatts as of September 30, 2015, 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 scale and otherwise improve our IT infrastructure in tandem with that headcount growth. Our management will also be required to maintain and expand our relationships with customers, suppliers and other third parties and attract new customers and suppliers, as well as manage multiple geographic locations.

In addition, our current and planned operations, personnel, IT and other systems and procedures might be inadequate to support our future growth and may require us to make additional unanticipated investments in our infrastructure. 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 meet our or industry analysts' expectations regarding growth, opportunity and financial targets, take advantage of market opportunities, execute our business strategies or respond to competitive pressures. This could also result in declines in quality or customer satisfaction, increased costs, difficulties in introducing new offerings or other operational difficulties. Any failure to effectively manage growth could adversely impact our business and reputation.

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 Solmetric Corporation in January 2014 and in the future we may acquire additional companies, project pipelines, products or technologies or enter into joint ventures or other strategic initiatives. We may not realize the anticipated benefits of this acquisition or any other future acquisition, and any acquisition has numerous risks. These risks include the following:

- difficulty in assimilating the operations and personnel of the acquired company;
- difficulty in effectively integrating the acquired technologies or products with our current 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 operating results;
- potential failure of the due diligence processes to identify significant issues with product quality, intellectual property infringement and other 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.

Mergers and acquisitions of companies are inherently risky, and if we do not complete the integration of acquired businesses successfully and in a timely manner, we may not realize the anticipated benefits of the acquisitions to the extent anticipated, which could adversely affect our business, financial condition or results of operations.

The l oss 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, Greg Butterfield. We also depend on our ability to retain and motivate key employees and attract qualified new employees. None of our key executives are bound by employment agreements for any specific term and we do not maintain key person life insurance policies on any of our executive officers. In the nine months ended September 30, 2015, one-third of the outstanding options to purchase shares of our common stock granted to our key executives and other employees under our 2013 Omnibus Incentive Plan vested. In addition, one-third of the options remained outstanding and will vest if 313 Acquisition LLC receives a return on its invested capital at a pre-established threshold, subject to the employee's continued service through the receipt of such return. While our initial public offering did not itself constitute an event that would trigger vesting, subsequent sales by 313 Acquisition LLC of our common stock could result in the vesting of such options. As a result, the retention incentives associated with these options could lapse for all employees holding these options under our 2013 Omnibus Incentive Plan at the same time or times. This decrease in retention incentive could cause significant turnover after these options vest. We may be unable to replace key members of our management team and key employees if we lose their services. Integrating new employees into our team could prove disruptive to our operations, require substantial resources and management attention and ultimately prove unsuccessful. An inability to attract and retain sufficient managerial personnel who have critical industry experience and relationships could limit or delay our strategic efforts, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

The execution of our business plan and development strategy may be seriously harmed if integration of our senior management team is not successful.

Since August 2013, we have experienced and we may continue to experience significant changes in our senior management team. Specifically, nine members of our senior management team, including our chief executive officer and chief financial officer, have joined us since August 2013 and only two members of our senior management team have prior experience in the distributed solar energy industry. This lack of long-term experience working together and limited experience in the distributed solar energy industry may adversely impact our senior management team's ability to effectively manage our business and accurately forecast our results, including revenue from our distributed solar energy systems and sales.

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 are subject to the reporting requirements of the Exchange Act, the listing requirements of the New York Stock Exchange, or NYSE, and other applicable securities rules and regulations. Compliance with these rules and regulations has increased our legal and financial compliance costs, made some activities more difficult, time-consuming or costly and increased demand on our systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and operating results 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 operating results. 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. Moreover, in the preparation of our financial statements, we and our independent registered public accounting firm identified a material weakness in our internal control over financial reporting in connection with the preparation, audits and interim reviews of our consolidated financial statements, and if we fail to remediate this material weakness or, in the future, we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the Securities and Exchange Commission, or the SEC, or other regulatory authorities, which would require additional financial and management resources.

Being a public company has also made it more expensive for us to obtain director and officer liability insurance, and in the future, we may be required to accept reduced coverage or incur substantially higher costs to continue coverage. These factors could also make it more difficult for us to attract and retain qualified executive officers and members of our board of directors, particularly to serve on our audit committee and compensation committee.

We may be subject to intellectual property rights claims by third parties, which are extremely costly to defend, could require us to pay significant damages and could limit our ability to use certain technologies.

Third parties, including our competitors, may own patents or other intellectual property rights that cover aspects of our technology or business methods. Such parties may claim we have misappropriated, misused, violated or infringed third party intellectual property rights, and, if we gain greater recognition in the market, we face a higher risk of being the subject of claims that we have violated others' intellectual property rights. Any claim that we violate a third party's intellectual property rights, whether with or without merit, could be time-consuming, expensive to settle or litigate and could divert our management's attention and other resources. If we do not successfully settle or defend an intellectual property claim, we could be liable for significant monetary damages and could be prohibited from continuing to use certain technology, business methods, content or brands. To avoid a prohibition, we could seek a license from third parties, which could require us to pay significant royalties, increasing our operating expenses. If a license is not available at all or not available on reasonable terms, we may be required to develop or license a non-violating alternative, either of which could require significant effort and expense. If we cannot license or develop a non-violating alternative, we would be forced to limit or stop sales of our offerings and may be unable to effectively compete. Any of these results would adversely affect our business, results of operations, financial condition and cash flows. To deter other companies from making intellectual property claims against us or to gain leverage in settlement negotiations, we may be forced to significantly increase the size of our intellectual property portfolio through internal efforts and acquisitions from third parties, both of which could require significant expenditures. However, a robust intellectual property portfolio may provide little or no deterrence, particularly for patent holding companies or other patent owners that have no relevant product revenues.

We use "open source" software in our solutions, which may restrict how we distribute our offerings, 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 currently use in our solutions, and expect to continue to use in the future, 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. We do not plan to integrate our proprietary software with open source software in ways that would require the release of the source code of our proprietary software to the public, however, our use and distribution 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 and ultimately could result in a loss of sales. 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 operating results. In addition, if the license terms for open source software that we use change, we may be forced to re-engineer our solutions, incur additional costs or discontinue the sale of our offerings if re-engineering could not 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 commercialize our offerings. We cannot guarantee that we have incorporated 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.

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

The energy produced and revenue and cash receipts generated by a solar energy system depend on suitable solar, atmospheric and weather conditions, all of which are beyond our control. Furthermore, components of our systems, such as panels and inverters, could be damaged by severe weather, such as hailstorms or lightning. Although we maintain insurance to cover for many such casualty events, our investment funds would be obligated to bear the expense of repairing the damaged solar energy systems, sometimes subject to limitations based on our ability to successfully make warranty claims. Our economic model and projected returns on our systems require us to achieve certain production results from our systems and, in some cases, we guarantee these results for both our consumers and our investors. If the systems underperform for any reason, our financial results could suffer. Sustained unfavorable weather also could delay our installation of solar energy systems, leading to increased expenses and decreased revenue and cash receipts in the relevant periods. We have experienced seasonal fluctuations in our operations. For example, the amount of revenue we recognize in a given period from power purchase agreements is dependent in part on the amount of energy generated by solar energy systems under such contracts. As a result, operating leases and incentives revenue is impacted by seasonally shorter daylight hours in winter months. In addition, our ability to install solar energy systems is impacted by weather. For example, we have

limited ability to install solar energy systems during the winter months in the Northeastern United States. Such delays can impact the timing of when we can install and begin to generate revenue from solar energy systems. However, given that w e are an early stage company operating in a rapidly growing industry, the true extent of these fluctuations may have been masked by our recent growth rates and thus may not be readily apparent from our historical operating results and may be difficult to p redict. As such, our historical operating results may not be indicative of future performance. Furthermore, weather patterns could change, making it harder to predict the average annual amount of sunlight striking each location where we install a solar ene rgy system. This could make our solar energy systems less economical overall or make individual systems less economical. Any of these events or conditions could harm our business, financial condition, results of operations and prospects.

Disruptions to our solar monitoring systems could negatively impact our revenues and increase our expenses.

Our ability to accurately charge our customers for the energy produced by our solar energy systems depends on customers maintaining a broadband internet connection so that we may receive data regarding solar energy systems production from their home networks. We could incur significant expenses or disruptions of our operations in connection with failures of our solar monitoring systems, including failures of our customers' home networks that would prevent us from accurately monitoring solar energy production. In addition, sophisticated hardware and operating system software and applications that we procure from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation of our systems. The costs to us to eliminate or alleviate viruses and bugs, or any problems associated with failures of our customers' home networks could be significant, and the efforts to address these problems could result in interruptions, delays or cessation of service that may impede our sales, distribution or other critical functions. We have in the past experienced periods where some of our customers' networks have been unavailable and, as a result, we have been forced to estimate the production of their solar energy systems. Such estimates may prove inaccurate and could cause us to underestimate the power being generated by our solar energy systems and undercharge our customers, thereby harming our results of operations.

We are exposed to the credit risk of our customers.

Our solar energy customers purchase energy or lease solar energy systems from us pursuant to one of two types of long-term contracts: a power purchase agreement or a lease. The power purchase agreement and lease terms are typically for 20 years, and require the customer to make monthly payments to us. Accordingly, we are subject to the credit risk of our customers. As of September 30, 2015, the average FICO score of our customers was approximately 755. However, as we grow our business, we expect that the risk of customer defaults will increase. As a result, our reserve for this exposure is estimated to be $0.7 million as of September 30, 2015, and our future exposure may exceed the amount of such reserves.

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 and may take further action based on this ongoing investigation or for other reasons.

In July 2012, other companies that are significant participants in both the solar industry and the U.S. Treasury grant program received subpoenas from the U.S. Department of Treasury's Office of the Inspector General to deliver certain documents in their possession related to their applications for U.S. Treasury grants and communications with certain other solar development 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 in grant applications by companies in the solar industry. While we have not been a direct target of this investigation to date, given our participation in the U.S. Treasury grant program, the Inspector General or the Department of Justice could broaden the investigation to include us. If it were broadened to include us, the period of time necessary to resolve the investigation would be uncertain, and the matter could require significant management and financial resources that could otherwise be devoted to the operation of our business. The Department of Justice could also decide to bring a civil action to recover amounts it believes were improperly paid to us. If it were successful in asserting this action, it could have a material adverse effect on our business, liquidity, financial condition and prospects.

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 substantially focuses on contracts and transactions with residential customers. We must comply with numerous federal, state and local laws and regulations that govern matters relating to our interactions with residential consumers, including those pertaining to privacy and data security, consumer financial and credit transactions, home improvement contracts, warranties and door-to-door solicitation. These laws and regulations are dynamic and subject to potentially differing interpretations, and various federal, state and local legislative and regulatory bodies may initiate investigations, 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. For example, Arizona recently enacted a new statute that will require increased disclosures and acknowledgements in any agreement governing the financing, sale or lease of distributed energy systems, suc h as our solar energy systems. This new law, which will take effec t on December 31, 2015, will require us to amend the standard legal-form lease we provide customers in Arizona to, among other things, include an acknowledgement by the customer of any restrictions on the ability to transfer ownership of the solar energy s ystem or underlying property and provide contact information for any party that has the right to review or approve such as transfer. 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. For example, members of the U.S. House of Representatives have recently sent letters to the Consumer Financial Protection Board, or CFPB, and the Federal Trade Commission, or FTC, requesting that these agencies investigate the sales practices of companies providing solar energy system leases to residential consumers. While we believe our standard sales practices and policies comply with all applicable laws and regulations, if the CFPB or FTC or other regulators or agencies were to initiate an investigation against us or enact regulations relating to the marketing of so lar leases to residential consumers, responding to such investigation or complying with such regulations could require us to modify our operations and incur significant additional expenses, which could have an adverse effect on our business, financial cond ition and results of operations or could reduce the number of our potential customers . Additionally, we cannot ensure that our sales force will comply with our standard practices and policies, and any such non-compliance which violates applicable law s or r egulations 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 hav e incurred, and will continue to incur, significant expenses to comply with such laws and regulations .

Any unauthorized access to, or disclosure or theft of personal information we gather, store or use could harm our reputation and subject us to claims or litigation.

We receive, store and use personal information of our customers, including names, addresses, e-mail addresses, credit information and other housing and energy use information. We also store and use personal information of our employees. In addition, we currently utilize certain shared information and technology systems with Vivint. We take certain steps in an effort to protect the security, integrity and confidentiality of the personal information we collect, store or transmit, but there is no guarantee that inadvertent or unauthorized use or disclosure will not occur or that third parties will not gain unauthorized access to this information despite our efforts. Because techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we and our suppliers or vendors, including Vivint, may be unable to anticipate these techniques or to implement adequate preventative or mitigation measures.

Unauthorized use or disclosure of, or access to, any personal information maintained by us or on our behalf, whether through breach of our systems, breach of the systems of our suppliers or vendors, including Vivint, by an unauthorized party, or through employee or contractor error, theft or misuse, or otherwise, could harm our business. If any such unauthorized use or disclosure of, or access to, such personal information were to occur, our operations could be seriously disrupted and we could be subject to demands, claims and litigation by private parties, and investigations, related actions, and penalties by regulatory authorities. In addition, we could incur significant costs in notifying affected persons and entities and otherwise complying with the multitude of federal, state and local laws and regulations relating to the unauthorized access to, or use or disclosure of, personal information. Finally, any perceived or actual unauthorized access to, or use or disclosure of, such information could harm our reputation, substantially impair our ability to attract and retain customers and have an adverse impact on our business, financial condition and results of operations.

We are involved, and may become involved in the future, in legal proceedings that, if adversely adjudicated or settled, could adversely affect our financial results.

We are, and may in the future become, party to litigation. For example, in September 2014, two of our former installation technicians, on behalf of themselves and individuals the plaintiffs claim to be similarly situated, filed a purported class action complaint in the Superior Court of the State of California, County of San Diego. This action alleges certain violations of the California Labor Code and the California Business and Professions Code based on, among other things, alleged improper classification of installer technicians, installer helpers, electrician technicians and electrician helpers, failure to pay minimum and overtime wages, failure to provide accurate itemized wage statements, and failure to provide wages on termination. In November 2015, the parties agreed to preliminary settlement terms which would include our payment of $1.7 million to be paid out to the purported class members. The settlement agreement must be approved by the Court, following notice to the purported class. There can be no assurances that the settlement agreement will be approved.

In addition, in November and December 2014, two putative class action lawsuits were filed in the U.S. District Court for the Southern District of New York against us, our directors, certain of our officers and the underwriters of our initial public offerin g of common stock alleging violation of securities laws and seeking unspecified damages. In January 2015, the Court ordered these cases to be consolidated into the earlier filed case, *Hyatt v. Vivint Solar, Inc. et al.* , 14-cv-9283 (KBF). The plaintiffs fil ed a consolidated amended complaint in February 2015. On May 6, 2015, we filed a motion to dismiss the complaint. We believe this lawsuit is without merit, and we intend to defend the case vigorously.

While we intend to defend against these actions vigorously, the ultimate outcomes of these cases are presently not determinable as they are in a preliminary phase. In general, litigation claims can be expensive and time consuming to bring or defend against, may result in the diversion of management attention and resources from our business and business goals and could result in settlements or damages that could significantly affect financial results and the conduct of our business. It is not possible to predict the final resolution of the litigation to which we currently are or may in the future become party, and the impact of certain of these matters on our business, prospects, financial condition, liquidity, results of operations and cash flows.

Risks Related to our Relationship with Vivint

Vivint provides us with certain key services for our business. If Vivint fails to perform its obligations to us or if we do not find appropriate replacement services, we may be unable to perform these services or implement substitute arrangements on a timely and cost-effective basis on terms favorable to us.

We have historically relied on the technical, administrative and operational support of Vivint to run our business. Some of the Vivint resources we are using include information technology and infrastructure, employee benefits and certain other services. In addition, historically we have recruited a majority of our sales personnel from Vivint. We continue to separate our operations from those of Vivint and are working to either create our own financial, administrative, operational and other support systems or contract with third parties to replace Vivint's systems and services that will not be provided to us under the terms of continuing services agreements between us and Vivint. The implementation of new software support systems requires significant management time, support and cost, and there are inherent risks associated with implementing, developing, improving and expanding our core systems. We cannot be sure that these systems will be fully or effectively implemented on a timely basis, if at all. If we do not successfully implement these systems, our operations may be disrupted and our operating results could be harmed. In addition, the new systems may not operate as we expect them to, and we may be required to expend significant resources to correct problems or find alternative sources for performing these functions.

In order to successfully transition to our own systems, services and service providers and operate as a stand-alone business, we entered into various agreements with Vivint in connection with our public offering. These include a master framework agreement providing the overall terms of the relationship and a transition services agreement detailing various information technology and back office support services that Vivint will provide. Vivint will provide each service until we agree that support from Vivint is no longer required for that service. The services provided under the transition services agreement may not be sufficient to meet our needs and we may not be able to replace these services at favorable costs and on favorable terms, if at all. Any failure or significant downtime in our own financial or administrative systems or in Vivint's financial or administrative systems during the transition period and any difficulty in separating our operations from Vivint's operations and integrating newly developed or acquired services into our business could result in unexpected costs, impact our results or prevent us from paying our suppliers and employees and performing other technical, administrative and operations services on a timely basis and could materially harm our business, financial condition, results of operations and cash flows.

Our historical financial information may not be representative of future results as a stand-alone public company.

The historical financial information we have included in this report does not necessarily reflect what our financial position, results of operations or cash flows would have been had we operated separately from Vivint during the historical periods presented. The historical costs and expenses reflected in our consolidated financial statements include charges to certain corporate functions historically provided to us by Vivint. We and Vivint believe these charges are reasonable reflections of the historical utilization levels of these services in support of our business; however, these charges may not include all of the expenses that would have been incurred had we operated separately from Vivint during the historical periods presented. As a result, our historical financial information is not necessarily indicative of our future results of operations, financial position, cash flows or costs and expenses.

Our i nability to resolve any disputes that arise between us and Vivint with respect to our past and ongoing relationships may adversely affect our financial results, and such disputes may also result in claims for indemnification.

Disputes may arise between Vivint and us in a number of areas relating to our past and ongoing relationships, including the following:

- intellectual property, labor, tax, employee benefits, indemnification and other matters arising from our separation from Vivint;
- employee retention and recruiting;
- our ability to use, modify and enhance the intellectual property that we have licensed from Vivint;
- business combinations involving us;
- pricing for shared and transitional services;
- exclusivity arrangements;
- the nature, quality and pricing of products and services Vivint agrees to provide to us; and
- business opportunities that may be attractive to both Vivint and us.

We have entered into certain agreements with Vivint. Pursuant to the terms of the Non-Competition Agreement we have entered into with Vivint, we and Vivint each define our areas of business and our competitors, and agree not to directly or indirectly engage in the other's business for three years. This agreement may limit our ability to pursue attractive opportunities that we may have otherwise pursued.

Additionally, this agreement prohibits, for a period of five years, either Vivint or us from soliciting for employment any member of the other's executive or senior management team, or any of the other's employees who primarily manage sales, installation or services of the other's products and services. The commitment not to solicit each other's employees lasts for 180 days after such employee finishes employment with us or Vivint. Historically we have recruited a majority of our sales personnel from Vivint. This agreement may require us to obtain personnel from other sources, and may limit our ability to continue scaling our business if we are unable to do so.

Pursuant to the terms of the Marketing and Customer Relations Agreement we have entered into with Vivint, we and Vivint are required to compensate one another for sales leads that result in sales. Vivint may direct sales leads to other solar energy companies in markets in which we have not entered. However, once we enter a market, Vivint must exclusively direct to us all leads for customers and potential customers with an interest in solar energy. Vivint's ability to sell leads to other solar energy providers in markets where we are not currently operating may adversely affect our ability to scale rapidly if we subsequently enter into such market as many of Vivint's customers with solar energy inclinations may have already been referred to another company by the time we enter into such market.

We may not be able to resolve any potential conflicts relating to these agreements or otherwise, and even if we do, the resolution may be less favorable than if we were dealing with an unaffiliated party. In addition, we have indemnification obligations under the intercompany services agreements we entered into with Vivint, and disputes between us and Vivint may result in claims for indemnification. However, we do not currently expect that these indemnification obligations will materially affect our potential liability compared to what it would be if we did not enter into these agreements with Vivint.

Risks Related to Our Common Stock

The price of our common stock may be volatile, and the value of your investment could decline.

The trading price of our common stock may be highly volatile. For example, from our initial public offering to September 30, 2015, the closing price of our common stock has ranged from a high of $16.01 to a low of $7.94. Our stock price could continue to be subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors include:

- changes in laws or regulations applicable to our industry or offerings;
- additions or departures of key personnel;
- the failure of securities analysts to cover our common stock;
- actual or anticipated changes in expectations regarding our performance by investors or securities analysts;
- securities litigation involving us;

- price and volume fluctuations in the overall stock market;
- volatility in the market price and trading volume of companies in our industry or companies that investors consider comparable;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- our ability to protect our intellectual property and other proprietary rights;
- sales of our common stock by us or our stockholders;
- the expiration of contractual lock-up agreements;
- litigation or disputes involving us, our industry or both;
- major catastrophic events;
- general economic and market conditions; and
- potential acquisitions.

Further, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. In addition, the stock prices of many renewable energy companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may cause the market price of our common stock to decline. If the market price of our common stock decreases, investors may not realize any return on investment and may lose some or all of their investments.

In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We are currently subject to two putative class action lawsuits filed in the U.S. District Court for the Southern District of New York, alleging certain misrepresentations by us in connection with our initial public offering. We may become the target of additional securities litigation in the future, which could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

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" including, but not limited to, 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 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.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can utilize the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not "emerging growth companies."

We could remain an ''emerging growth company'' for up to five years, or until the earliest of (1) the last day of the first fiscal year in which our annual gross revenue exceeds $1 billion, (2) the date that we become a ''large accelerated filer'' as defined in Rule 12b-2 under the Exchange Act, which would occur if we become a seasoned issuer and the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter or (3) the date on which we have issued more than $1 billion in non-convertible debt during the preceding three-year period.

Our stock price could decline due to th e large number of outstanding shares of our common stock eligible for future sale.

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could cause the market price of our common stock to decline. These sales could also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

As of September 30, 2015, we had 106.5 million outstanding shares of common stock. These shares may be sold in the public market in the United States, subject to prior registration in the United States, if required, or reliance upon an exemption from U.S. registration, including, in the case of shares held by affiliates or control persons, compliance with the volume restrictions of Rule 144.

In addition, 0.6 million shares of our common stock reserved for future issuance under our Long-Term Incentive Plan were issued, vested and became immediately tradable without restriction on April 15, 2015. Approximately 2.7 million additional shares of our common stock reserved for future issuance under our Long-Term Incentive Plan will issue, vest and be immediately tradable without restriction on the date that The Blackstone Group L.P., our sponsor, and its affiliates achieve specified returns on their invested capital. On the date that is 18 months after the closing of our initial public offering, approximately 0.7 million shares reserved for future issuance under our Long-Term Incentive Plan will issue, vest and be immediately tradable without restriction. For more information regarding the shares reserved under our Long Term Incentive Plan see the section of the Prospectus captioned “Shares Eligible for Future Sale.”

Further, options to purchase 9.3 million shares of common stock remained outstanding as of September 30, 2015, with 3.9 million of those shares being vested and exercisable as of September 30, 2015. Of the 5.4 million shares that are not yet vested, 2.1 million shares are subject to ratable time-based vesting over a five year period and 0.1 million shares are subject to time-based vesting over a four year period with 25% vesting after 1 year and 6.25% vesting quarterly thereafter. All shares subject to time-based vesting will become immediately tradable once vested. The remaining 3.2 million shares are subject to vesting upon certain performance conditions and will vest and become immediately tradable when 313 Acquisition LLC receives cash proceeds with respect to its holdings of our common stock in an amount that equals $500 million more than its cumulative investment in our common stock (which amount shall be equal to $75 million plus any amounts invested after November 16, 2012). As of September 30, 2015, 1.0 million restricted stock units remained outstanding, most of which are time-based and vest over four years with 25% vesting after 1 year and 6.25% vesting quarterly thereafter.

Stockholders owning an aggregate of 84.7 million shares of our common stock are entitled, under contracts providing for registration rights, to require us to register shares of our common stock owned by them for public sale in the United States, subject to the restrictions of Rule 144. On October 1, 2014, we filed a registration statement on Form S-8 to register 22.9 million shares previously issued or reserved for future issuance under our equity compensation plans and agreements. Upon effectiveness of this registration statement, subject to the satisfaction of applicable exercise periods, the shares of common stock issued upon exercise of outstanding options will be available for immediate resale in the United States in the open market. Sales of our common stock as restrictions end or pursuant to registration rights 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 our stock price to fall and make it more difficult for you to sell shares of our common stock.

Our sponsor and its affiliates control us and their interests may conflict with ours or yours in the future.

As of September 30, 2015, 313 Acquisition LLC, which is controlled by our sponsor and its affiliates, beneficially owned approximately 77% of our common stock. Moreover, under our organizational documents and the stockholders agreement with 313 Acquisition LLC, for so long as our existing owners and their affiliates retain significant ownership of us, we will agree to nominate to our board individuals designated by our sponsor, whom we refer to as the sponsor directors. In addition, for so long as 313 Acquisition LLC continues to own shares representing a majority of the total voting power, we will agree to nominate to our board individuals appointed by Summit Partners and Todd Pedersen. Even when our sponsor and its affiliates and certain of its co-investors cease to own shares of our stock representing a majority of the total voting power, for so long as our sponsor and its affiliates continue to own a significant percentage of our stock our sponsor will still be able to significantly influence the composition of our board of directors and the approval of actions requiring stockholder approval. In addition, under the stockholders agreement, affiliates of our sponsor will have consent rights with respect to certain actions involving our company, provided a certain aggregate ownership threshold is maintained collectively by our sponsor and its affiliates, together with Summit Partners, Todd Pedersen and Alex Dunn and their respective affiliates. Accordingly, for such period of time, our sponsor and certain of its co-investors will have significant influence with respect to our management, business plans and policies, including the appointment and removal of our officers. In particular, for so long as our sponsor and its affiliates continue to own a significant percentage of our stock, our sponsor will be able to cause or prevent a change of control of our company or a change in the composition of our board of directors and could preclude any unsolicited acquisition of our company. The concentration of ownership could deprive you of an opportunity to receive a premium for your shares of common stock as part of a sale of our company and ultimately might affect the market price of our common stock.

Our sponsor and its affiliates engage in a broad spectrum of activities, including investments in the energy sector. In the ordinary course of their business activities, our sponsor and its affiliates may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. For example, affiliates of our sponsor regularly invest in utility companies that compete with solar energy and renewable energy companies such as ours. In addition, affiliates of our spo nsor own interests in one of the largest solar power developers in India and may in the future make other investments in solar power, including in the United States. Our certificate of incorporation provide s that none of our sponsor, any of its affiliates or any director who is not employed by us (including any non-employee director who serves as one of our officers in both his or her director and officer capacities) or his or her affiliates will have any duty to refrain from engaging, directly or indirectl y, in the same business activities or similar business activities or lines of business in which we operate. Our sponsor also may pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities m ay not be available to us. In addition, our sponsor may have an interest in pursuing acquisitions, divestitures and other transactions that, in its judgment, could enhance its investment, even though such transactions might involve risks to you.

We have elected to take advantage of the "controlled company" exemption to the corporate governance rules for NYSE-listed companies, which could make our common stock less attractive to some investors or otherwise harm our stock price.

Because we qualify as a "controlled company" under the corporate governance rules for NYSE-listed companies, we are not required to have a majority of our board of directors be independent, nor are we required to have a compensation committee or an independent nominating function. In light of our status as a controlled company, in the future we could elect not to have a majority of our board of directors be independent or not to have a compensation committee or nominating and governance committee. Accordingly, should the interests of 313 Acquisition LLC or our sponsor differ from those of other stockholders, the other stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance rules for NYSE-listed companies. Our status as a controlled company could make our common stock less attractive to some investors or otherwise harm our stock price.

Provisions in our certificate of incorporation, bylaws, stockholders agreement and under Delaware law might discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock.

Our certificate of incorporation, bylaws and stockholders agreement contain provisions that could depress the trading price of our common stock by discouraging, delaying or preventing a change of control of our company or changes in our management that the stockholders of our company may believe advantageous. These provisions include:

- establishing a classified board of directors so that not all members of our board of directors are elected at one time;
- authorizing "blank check" preferred stock that our board of directors could issue to increase the number of outstanding shares to discourage a takeover attempt;
- limiting the ability of stockholders to call a special stockholder meeting;
- limiting the ability of stockholders to act by written consent;
- providing that the board of directors is expressly authorized to make, alter or repeal our bylaws;
- establishing advance notice requirements for nominations for elections to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings;
- requiring our sponsor to consent to certain actions, as described under the section of our 2014 Proxy Statement captioned "Related Party Transactions—Agreements with Our Sponsor," for so long as our sponsor, Summit Partners, Todd Pedersen and Alex Dunn or their respective affiliates collectively own, in the aggregate, at least 30% of our outstanding shares of common stock;
- the removal of directors only for cause and only upon the affirmative vote of the holders of at least 66 2/3% in voting power of all the then-outstanding shares of stock of our company entitled to vote thereon, voting together as a single class, if Blackstone and its affiliates beneficially own, in the aggregate, less than 30% in voting power of the stock of our company entitled to vote generally in the election of directors; and
- that certain provisions may be amended only by the affirmative vote of the holders of at least 66 2/3% in voting power of all the then-outstanding shares of stock of our company entitled to vote thereon, voting together as a single class, if Blackstone and its affiliates beneficially own, in the aggregate, less than 30% in voting power of the stock of our company entitled to vote generally in the election of directors.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. If any of the analysts who do now, or may in the future, cover us change their recommendation regarding our stock adversely, or provide more favorable relative recommendations about our competitors, our stock price would likely decline. If any analyst 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 our stock price or trading volume to decline.

I tem 6. Exhibits

2.1	Agreement and Plan of Merger, dated as of July 20, 2015, by and among SunEdison, Inc., SEV Merger Sub Inc. and Vivint Solar, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 22, 2015).
10.1	Voting Agreement, dated as of July 20, 2015, by and among SunEdison, Inc., SEV Merger Sub Inc. and 313 Acquisition LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 22, 2015)
10.2	Lock-Up Agreement, dated as of July 20, 2015, by 313 Acquisition LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 22, 2015)
10.3	Letter Agreement, dated as of July 20, 2015, between SunEdison, Inc., Vivint, Inc. and Vivint Solar, Inc. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on July 22, 2015)
10.4	Letter Agreement, dated as of July 19, 2015, between Gregory S. Butterfield and Vivint Solar, Inc.
10.5	Letter Agreement, dated as of July 19, 2015, between Dana Russell and Vivint Solar, Inc.
31.1*	Certification of Chief Executive Officer, pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
*	The Certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Vivint Solar, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

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

VIVINT SOLAR, INC.

Date: November 16, 2015

/s/ GREGORY S. BUTTERFIELD
Gregory S. Butterfield
Chief Executive Officer and President
(Principal Executive Officer)

Date: November 16, 2015

/s/ DANA C. RUSSELL
Dana C. Russell
Chief Financial Officer and Executive Vice President
(Principal Financial Officer)

Exhibit 10.4

July 19, 2015

Gregory S. Butterfield
At the address last on the records of the Company

Re: Amendment Letter

Dear Gregory:

As you know, on or about July 19, 2015, SunEdison, Inc., a Delaware corporation ("Parent"), SEV Merger Sub Inc., a Delaware corporation and an indirect wholly-owned subsidiary of Parent (" Merger Sub "), and Vivint Solar, Inc., a Delaware corporation (the " Company ") entered into an Agreement and Plan of Merger (the " Merger Agreement "), whereby, ultimately, Merger Sub will be merged with and into the Company with the Company surviving as a wholly-owned subsidiary of Parent (such transactions, the " Transaction "). This letter amendment (this " Amendment Letter ") amends your Severance Agreement (defined below) and sets forth the treatment of the Options (defined below) in connection with the Transaction, notwithstanding the terms of the Merger Agreement that might otherwise apply. Capitalized terms not defined herein shall have the meaning set forth in the Merger Agreement.

As soon as practicable following the Effective Time, you will be granted 700,000 restricted stock units in respect of Parent common stock in accordance accordance with a grant agreement consistent in all material respects with the form attached hereto as Exhibit A (the " RSU Award ").

Upon the Effective Time, you agree that the Severance Agreement shall be amended to provide that the Severance Agreement shall be terminated and have no further effect upon the second anniversary of the Effective Time; provided , that the Appendix A thereto (" Restrictive Covenants ") shall continue in full force and effect during your employment or service with the Company or its affiliates and for the one-year period thereafter; provided , further , that for purposes of your Restrictive Covenants, the definition of "Business" shall be amended to include (in addition to the practices set forth therein) all solar development. Moreover, notwithstanding anything to the contrary contained in the Severance Agreement, you agree that the consummation of the Transaction alone will not constitute a material diminution in your title, duties, authority, reporting position or responsibilities measured in the aggregate for purposes of the Good Reason definition set forth in the Severance Agreement.

Upon the Effective Time, your Options shall be treated in the following manner:

1. All of the Options other than the Options described in Section 2, whether or not vested, will be treated in accordance with Section 2.03(a) of the Merger Agreement.

2. Upon the Effective Time, a number of Options equal to 30% of the total number of Options provided in each applicable Award Agreement (defined below) (the " Old Options "), whether or not vested as of the date hereof or as a result of the Transaction, will be converted into an option (the " Rolled Option ") to acquire the number of shares of Parent Common Stock in the manner set forth in Section 2.03(b) of the Merger Agreement; provided, further that, for purposes of the conversion of your Old Options into Rolled Options, those certain Tier II Performance Options granted to you by the Company in 2013 shall be converted into Rolled Options (on the terms set forth below) prior to any of your other Old Options being so converted. The relevant Parent Common Stock underlying such Rolled Options will be registered with the SEC on Form S-8.

3. Subject to your continued employment with the Company or its affiliates through the relevant vesting date, 50% of the Rolled Options will vest on each of the first and second anniversaries of the Effective Time; provided , that 100% of the Rolled Options will immediately vest if your employment with the Company and its affiliates is terminated for any reason other than by the

Company for Cause (as defined in the Severance Agreement) or by you for "Good Reason" (as defined below) . A ny unvested Rolled Options (determined after giving effect to the preceding sentence) will be forfeited upon your termination of employment with the Company and its affiliates . F or the avoidance of doubt, if you resign voluntarily (not including resignations for death or disability) prior to the vesting of any portion of the Rolled Options, such Rolled Options will be immediately forfeited.

In addition, by signing this Amendment Letter, you agree and acknowledge that (i) you are the holder of such number of Options and at the relevant exercise price(s) as are described in the paragraph below, and (ii) you have not exercised and, prior to the Effective Time, will not exercise, any such Options.

For purposes hereof, " Severance Agreement " refers to that certain Involuntary Termination Protection Agreement, dated as of June 27, 2014, by and between you and Vivint Solar, Inc.; " Options " refers to the non-qualified stock options that are outstanding as of immediately prior to the Effective Time and were granted to you by the Company pursuant to one or more award agreements (the " Award Agreements ") and subject to the terms of the V Solar Holdings, Inc. 2013 Omnibus Incentive Plan (the "Plan"); and " Good Reason " means the occurrence of any of the following events, without your express written consent, unless such events are fully corrected in all material respects by the Parent or the Company within thirty (30) days following written notification by you to the Parent and the Company that you intend to terminate your employment hereunder for one of the following reasons: (i) a material diminution your base salary as in effect immediately following the Effective Time; (ii) a material diminution in your duties, authorities or responsibilities (other than temporarily while physically or mentally incapacitated or as required by applicable law), in each case, as in effect immediately following the Effective Time; or (iii) relocation of your primary work location by more than 50 miles from its then current location. You shall provide the Parent and the Company with a written notice detailing the specific circumstances alleged to constitute Good Reason within ninety (90) days after the first occurrence of such circumstances. Otherwise, any claim of such circumstances as "Good Reason" shall be deemed irrevocably waived by you.

Except for the adjustments specified herein, the Severance Agreement will continue in full force and effect and the Options will continue to remain outstanding in full force and effect in accordance with all of the terms and conditions of the Award Agreement and the Plan; provided , that commencing at the Effective Time, all references to the "Company" in the Award Agreement shall be deemed to refer to Parent; provided , further , that this Amendment Letter shall rendered null and void ab initio in the event that either (i) the Transaction is terminated by any party thereto or (ii) the Transaction is not consummated by March 18, 2016. In the event of any conflict between the Severance Agreement, the Award Agreement, the Plan, and this Amendment Letter, this Amendment Letter shall control.

[Signature Page Follows]

Very truly yours,

VIVINT SOLAR, INC.

By: /s/ Shawn J. Lindquist
Name: Shawn J. Lindquist
Title: Chief Legal Officer

AGREED AND ACKNOWLEDGED

as of July 19, 2015

/s/ Gregory S. Butterfield
GREGORY S. BUFFTERFIELD

Exhibit 10.5

July 19, 2015

Dana Russell
At the address last on the records of the Company

Re: Amendment Letter

Dear Dana:

As you know, on or about July 19, 2015, SunEdison, Inc., a Delaware corporation (" Parent "), SEV Merger Sub Inc., a Delaware corporation and an indirect wholly-owned subsidiary of Parent (" Merger Sub "), and Vivint Solar, Inc., a Delaware corporation (the " Company ") entered into an Agreement and Plan of Merger (the " Merger Agreement "), whereby, ultimately, Merger Sub will be merged with and into the Company with the Company surviving as a wholly-owned subsidiary of Parent (such transactions, the " Transaction "). This letter amendment (this " Amendment Letter ") amends your Severance Agreement (defined below) and sets forth the treatment of the Options (defined below) in connection with the Transaction, notwithstanding the terms of the Merger Agreement that might otherwise apply. Capitalized terms not defined herein shall have the meaning set forth in the Merger Agreement.

As soon as practicable following the Effective Time, you will be granted 225,000 restricted stock units in respect of Parent common stock in accordance with a grant agreement consistent in all material respects with the form attached hereto as Exhibit A (the " RSU Award ").

Upon the Effective Time, you agree that the Severance Agreement shall be amended to provide that the Severance Agreement shall be terminated and have no further effect upon the second anniversary of the Effective Time; provided , that the Appendix A thereto (" Restrictive Covenants ") shall continue in full force and effect during your employment or service with the Company or its affiliates and for the one-year period thereafter; provided , further , that for purposes of your Restrictive Covenants, the definition of "Business" shall be amended to include (in addition to the practices set forth therein) all solar development. Moreover, notwithstanding anything to the contrary contained in the Severance Agreement, you agree that the consummation of the Transaction alone will not constitute a material diminution in your title, duties, authority, reporting position or responsibilities measured in the aggregate for purposes of the Good Reason definition set forth in the Severance Agreement, and that the parenthetical in roman numeral (i) therein shall be removed in its entirety.

Upon the Effective Time, your Options shall be treated in the following manner:

1. All of the Options other than the Options described in Section 2, whether or not vested, will be treated in accordance with Section 2.03(a) of the Merger Agreement.

2. Upon the Effective Time, a number of Options equal to 20% of the total number of Options provided in each applicable Award Agreement (defined below) (the " Old Options "), whether or not vested as of the date hereof or as a result of the Transaction, will be converted into an option (the " Rolled Option ") to acquire the number of shares of Parent Common Stock in the manner set forth in Section 2.03(b) of the Merger Agreement; provided, further that, for purposes of the conversion of your Old Options into Rolled Options, those certain Tier II Performance Options granted to you by the Company in 2013 shall be converted into Rolled Options (on the terms set forth below) prior to any of your other Old Options being so converted. The relevant Parent Common Stock underlying such Rolled Options will be registered with the SEC on Form S-8.

3. Subject to your continued employment with the Company or its affiliates through the relevant vesting date, 50% of the Rolled Options will vest on each of the first and second anniversaries of the Effective Time; provided , that 100% of the Rolled Options will immediately vest if your employment with the Company and its affiliates is terminated for any reason other than by the Company for Cause (as defined in the Severance Agreement) or by you for "Good Reason" (as

defined below). Any unvested Rolled Options (determined after giving effect to the preceding sentence) will be forfeited upon your termination of employment with the Company and its affiliates. For the avoidance of doubt, if you resign voluntarily (not including resignations for death or disability) prior to the vesting of any portion of the Rolled Options, such Rolled Options will be immediately forfeited.

In addition, by signing this Amendment Letter, you agree and acknowledge that (i) you are the holder of such number of Options and at the relevant exercise price(s) as are described in the paragraph below, and (ii) you have not exercised and, prior to the Effective Time, will not exercise, any such Options.

For purposes hereof, " Severance Agreement " refers to that certain Involuntary Termination Protection Agreement, dated as of June 26, 2014, by and between you and Vivint Solar, Inc.; " Options " refers to the non-qualified stock options that are outstanding as of immediately prior to the Effective Time and were granted to you by the Company pursuant to one or more award agreements (the " Award Agreements ") and subject to the terms of the V Solar Holdings, Inc. 2013 Omnibus Incentive Plan (the " Plan "); and " Good Reason " means the occurrence of any of the following events, without your express written consent, unless such events are fully corrected in all material respects by the Parent or the Company within thirty (30) days following written notification by you to the Parent and the Company that you intend to terminate your employment hereunder for one of the following reasons: (i) a material diminution your base salary as in effect immediately following the Effective Time; (ii) a material diminution in your duties, authorities or responsibilities (other than temporarily while physically or mentally incapacitated or as required by applicable law), in each case, as in effect immediately following the Effective Time; or (iii) relocation of your primary work location by more than 50 miles from its then current location. You shall provide the Parent and the Company with a written notice detailing the specific circumstances alleged to constitute Good Reason within ninety (90) days after the first occurrence of such circumstances. Otherwise, any claim of such circumstances as "Good Reason" shall be deemed irrevocably waived by you.

Except for the adjustments specified herein, the Severance Agreement will continue in full force and effect and the Options will continue to remain outstanding in full force and effect in accordance with all of the terms and conditions of the Award Agreement and the Plan; provided, that commencing at the Effective Time, all references to the "Company" in the Award Agreement shall be deemed to refer to Parent; provided , further , that this Amendment Letter shall rendered null and void ab initio in the event that either (i) the Transaction is terminated by any party thereto or (ii) the Transaction is not consummated by March 18, 2016. In the event of any conflict between the Severance Agreement, the Award Agreement, the Plan, and this Amendment Letter, this Amendment Letter shall control.

[Signature Page Follows]

Very truly yours,

VIVINT SOLAR, INC.

By: /s/ Gregory S. Butterfield
Name: Gregory S. Butterfield
Title: Chief Executive Officer

AGREED AND ACKNOWLEDGED

as of July 19, 2015

/s/ Dana Russell
DANA RUSSELL

Exhibit 31.1

I, Gregory S. Butterfield, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vivint Solar, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2015

/s/ Gregory S. Butterfield
Gregory S. Butterfield
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31.2

I, Dana C. Russell certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vivint Solar, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2015

/s/ Dana C. Russell

Dana C. Russell
Chief Financial Officer and Executive Vice President
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Gregory S. Butterfield, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Vivint Solar, Inc. for the quarterly period ended September 30, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Vivint Solar, Inc.

November 16, 2015.

/s/ Gregory S. Butterfield
Gregory S. Butterfield
Chief Executive Officer and President

Exhibit 32.2

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Dana C. Russell, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Vivint Solar, Inc. for the quarterly period ended September 30, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Vivint Solar, Inc.

November 16, 2015.

/s/ Dana C. Russell
Dana C. Russell
Chief Financial Officer and Executive Vice President