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ROBBINS GELLER RUDMAN  
& DOWD LLP  
JAMES I. JACONETTE (179565)  
600 West Broadway, Suite 1900  
San Diego, CA 92101  
Telephone: 619/231-1058  
Facsimile: 619/231-7423

*Attorneys for Plaintiffs*  
*Jeffrey L. Pytel and Jackie L. Nunez*

COTCHETT, PITRE & MCCARTHY, LLP  
MARK C. MOLUMPHY  
ALEXANDRA P. SUMMER  
San Francisco Airport Office Center  
840 Malcolm Road, Suite 200  
Burlingame, CA 94010  
Telephone: 650/697-6000  
Facsimile: 650/697-0577

*Attorneys for Plaintiff*  
*Chaile Steinberg*

[Additional counsel appear on signature page.]

SUPERIOR COURT OF THE STATE OF CALIFORNIA  
COUNTY OF SAN MATEO

JEFFREY L. PYTEL, Individually and on  
Behalf of All Others Similarly Situated,  
Plaintiff,

vs.

SUNRUN INC., LYNN JURICH, BOB  
KOMIN, EDWARD FENSTER, JAMESON  
MCJUNKIN, GERALD RISK, STEVE  
VASSALLO, RICHARD WONG, BEAU  
PEELLE, EREN OMER ATESMEN,  
REGINALD NORRIS, WILLIAM ELMORE,  
FOUNDATION CAPITAL VI, L.P.,  
FOUNDATION CAPITAL MANAGEMENT  
CO. VI, LLC, CREDIT SUISSE SECURITIES  
(USA) LLC, GOLDMAN, SACHS & CO.,  
MORGAN STANLEY & CO. LLC,  
MERRILL LYNCH, PIERCE FENNER &  
SMITH INCORPORATED, RBC CAPITAL  
MARKETS, LLC, KEYBANC CAPITAL  
MARKETS INC., and SUNTRUST  
ROBINSON HUMPHREY, INC.,

Defendants.

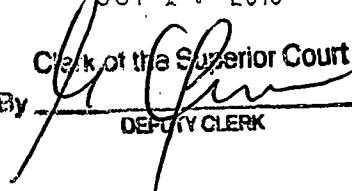
Case No. CIV538215

CONSOLIDATED COMPLAINT FOR  
VIOLATIONS OF THE FEDERAL  
SECURITIES LAWS

CLASS ACTION

**FILED**  
SAN MATEO COUNTY

OCT 17 2016

Clerk of the Superior Court  
By  DEPUTY CLERK

CIV538215  
CONC  
Consolidated Complaint  
224754



[Caption continued to next page.]

1 JOE BAKER, CARL HAYNER, and KEN )  
2 MORRIS, Individually and on Behalf of All )  
Others Similarly Situated, )

3 Plaintiffs, )

4 vs. )

5 SUNRUN INC., LYNN JURICH, BOB )  
6 KOMIN, EDWARD FENSTER, JAMESON )  
7 MCJUNKIN, GERALD RISK, STEVE )  
8 VASSALLO, RICHARD WONG, BEAU )  
9 PEELLE, EREN OMER ATESMEN, )  
10 REGINALD NORRIS, WILLIAM ELMORE, )  
11 FOUNDATION CAPITAL VI, L.P., )  
12 FOUNDATION CAPITAL MANAGEMENT )  
13 CO. VI, LLC, CREDIT SUISSE SECURITIES )  
(USA) LLC, GOLDMAN, SACHS & CO., )  
14 MORGAN STANLEY & CO. LLC, )  
MERRILL LYNCH, PIERCE FENNER & )  
15 SMITH INCORPORATED, RBC CAPITAL )  
16 MARKETS, LLC, KEYBANC CAPITAL )  
17 MARKETS INC., and SUNTRUST )  
18 ROBINSON HUMPHREY, INC., )

19 Defendants. )

Case No. CIV538419

CLASS ACTION

20 [Caption continued to next page]

1 MICHAEL BROWN and REBECCA LOY,  
Individually and on Behalf of All Others  
2 Similarly Situated,

3 Plaintiffs,

4 vs.

5 SUNRUN INC., LYNN JURICH, BOB  
KOMIN, EDWARD FENSTER, JAMESON  
6 MCJUNKIN, GERALD RISK, STEVE  
VASSALLO, RICHARD WONG, BEAU  
7 PEELLE, EREN OMER ATESMEN,  
REGINALD NORRIS, WILLIAM ELMORE,  
8 FOUNDATION CAPITAL VI, L.P.,  
FOUNDATION CAPITAL MANAGEMENT  
9 CO. VI, LLC, CREDIT SUISSE SECURITIES  
(USA) LLC, GOLDMAN, SACHS & CO.,  
10 MORGAN STANLEY & CO. LLC,  
MERRILL LYNCH, PIERCE FENNER &  
11 SMITH INCORPORATED, RBC CAPITAL  
MARKETS, LLC, KEYBANC CAPITAL  
12 MARKETS INC., and SUNTRUST  
ROBINSON HUMPHREY, INC.,

13 Defendants.  
14

Case No. CIV538311

CLASS ACTION

15 GEORGE COHEN, DAVID MOSS, and  
ROXANNE XENAKIS, Individually and on  
16 Behalf of All Others Similarly Situated,

17 Plaintiffs,

18 vs.

19 SUNRUN INC., LYNN JURICH, BOB  
KOMIN, EDWARD FENSTER, JAMESON  
20 MCJUNKIN, GERALD RISK, STEVE  
VASSALLO, RICHARD WONG, CREDIT  
21 SUISSE SECURITIES (USA) LLC,  
GOLDMAN, SACHS & CO., MORGAN  
22 STANLEY & CO. LLC, MERRILL LYNCH,  
PIERCE FENNER & SMITH  
23 INCORPORATED, RBC CAPITAL  
MARKETS, LLC, KEYBANC CAPITAL  
24 MARKETS INC., and SUNTRUST  
ROBINSON HUMPHREY, INC.,

25 Defendants.  
26

Case No. CIV538304

CLASS ACTION

27 [Caption continued to next page]  
28

1 GREG MANCY, Individually and on Behalf of)  
All Others Similarly Situated,

2  
3 Plaintiff,

4 vs.

5 SUNRUN INC., LYNN JURICH, BOB  
6 KOMIN, EDWARD FENSTER, JAMESON  
7 MCJUNKIN, GERALD RISK, STEVE  
8 VASSALLO, RICHARD WONG, BEAU  
9 PEELLE, EREN OMER ATESMEN,  
10 REGINALD NORRIS, WILLIAM ELMORE,  
11 FOUNDATION CAPITAL VI, L.P.,  
12 FOUNDATION CAPITAL MANAGEMENT  
CO. VI, LLC, CREDIT SUISSE SECURITIES  
(USA) LLC, GOLDMAN, SACHS & CO.,  
MORGAN STANLEY & CO. LLC,  
MERRILL LYNCH, PIERCE FENNER &  
SMITH INCORPORATED, RBC CAPITAL  
MARKETS, LLC, KEYBANC CAPITAL  
MARKETS INC., and SUNTRUST  
ROBINSON HUMPHREY, INC.,

13 Defendants.

Case No. CIV538303

CLASS ACTION

14 JACKIE L. NUNEZ, Individually and on  
15 Behalf of All Others Similarly Situated,

16 Plaintiff,

17 vs.

18 SUNRUN INC., LYNN JURICH, BOB  
19 KOMIN, EDWARD FENSTER, JAMESON  
20 MCJUNKIN, GERALD RISK, STEVE  
21 VASSALLO, RICHARD WONG, BEAU  
22 PEELLE, EREN OMER ATESMEN,  
23 REGINALD NORRIS, WILLIAM ELMORE,  
24 FOUNDATION CAPITAL VI, L.P.,  
25 FOUNDATION CAPITAL MANAGEMENT  
CO. VI, LLC, CREDIT SUISSE SECURITIES  
(USA) LLC, GOLDMAN, SACHS & CO.,  
MORGAN STANLEY & CO. LLC,  
MERRILL LYNCH, PIERCE FENNER &  
SMITH INCORPORATED, RBC CAPITAL  
MARKETS, LLC, KEYBANC CAPITAL  
MARKETS INC., and SUNTRUST  
ROBINSON HUMPHREY, INC.,

26 Defendants.

Case No. CIV538593

CLASS ACTION

27  
28 [Caption continued to next page.]

1 CHAILE STEINBERG, Individually and on  
2 Behalf of All Others Similarly Situated,

3  
4 Plaintiff,

5 vs.

6 SUNRUN INC., LYNN JURICH, BOB  
7 KOMIN, EDWARD FENSTER, JAMESON  
8 MCJUNKIN, GERALD RISK, STEVE  
9 VASSALLO, RICHARD WONG, BEAU  
10 PEELLE, EREN OMER ATESMEN,  
11 REGINALD NORRIS, WILLIAM ELMORE,  
12 FOUNDATION CAPITAL VI, L.P.,  
FOUNDATION CAPITAL MANAGEMENT  
CO. VI, LLC, CREDIT SUISSE SECURITIES  
(USA) LLC, GOLDMAN, SACHS & CO.,  
MORGAN STANLEY & CO. LLC,  
MERRILL LYNCH, PIERCE FENNER &  
SMITH INCORPORATED, RBC CAPITAL  
MARKETS, LLC, KEYBANC CAPITAL  
MARKETS INC., and SUNTRUST  
ROBINSON HUMPHREY, INC.,

13 Defendants.  
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Case No. CIV539064

CLASS ACTION

1 Plaintiffs Jeffrey L. Pytel, Joe Baker, Ken Morris, Carl Hayner, George Cohen, David Moss,  
2 Roxanne Xenakis, Michael Brown, Rebecca Loy, Greg Mancy, Jackie L. Nunez and Chaile Steinberg  
3 (“plaintiffs”), individually and on behalf of all others similarly situated, by plaintiffs’ undersigned  
4 attorneys, allege the following based upon personal knowledge as to plaintiffs and plaintiffs’ own acts,  
5 and upon information and belief as to all other matters based on the investigation conducted by and  
6 through plaintiffs’ attorneys, which included, among other things, a review of Sunrun Inc.’s (“Sunrun”  
7 or the “Company”) press releases, Securities and Exchange Commission (“SEC”) filings, conference  
8 call transcripts, analyst reports, media reports and other publicly disclosed reports and information  
9 about defendants. Plaintiffs believe that substantial evidentiary support will exist for the allegations set  
10 forth herein after a reasonable opportunity for discovery.

#### 11 NATURE OF THE ACTION

12 1. This is a securities class action on behalf of all those who purchased Sunrun common  
13 stock pursuant or traceable to Sunrun’s August 5, 2015 initial public stock offering (the “IPO”), seeking  
14 to pursue remedies under the Securities Act of 1933 (the “1933 Act”).

#### 15 JURISDICTION AND VENUE

16 2. The claims alleged herein arise under §§11, 12(a)(2) and 15 of the 1933 Act, 15 U.S.C.  
17 §§77k, 77l(a)(2) and 77o. Jurisdiction is conferred by §22 of the 1933 Act and venue is proper pursuant  
18 to §22 of the 1933 Act. Section 22 of the 1933 Act explicitly states that “[e]xcept as provided in section  
19 16(c), no case arising under this title and brought in any State court of competent jurisdiction shall be  
20 removed to any court in the United States.” Section 16(c) refers to “covered class actions,” which are  
21 defined as lawsuits brought as class actions or brought on behalf of more than 50 persons asserting  
22 claims under state or common law. This is an action asserting federal law claims. Thus, it does not fall  
23 within the definition of a “covered class action” under §16(b)-(c) and **is therefore is not removable to**  
24 **federal court**, under the Securities Litigation Uniform Standards Act of 1998 or otherwise. *See Luther*  
25 *v. Countrywide Fin. Corp.*, 195 Cal. App. 4th 789, 792 (2011) (“The federal Securities Act of 1933 . . . ,  
26 as amended by the Securities Litigation Uniform Standards Act . . . , provides for **concurrent**  
27 **jurisdiction** for cases asserting claims under the 1933 Act . . . .”); *Luther v. Countrywide Home Loans*  
28 *Servicing LP*, 533 F.3d 1031, 1032 (9th Cir. 2008) (“Section 22(a) of the Securities Act of 1933 creates

concurrent jurisdiction in state and federal courts over claims arising under the Act. It also specifically provides that such claims brought in state court are not subject to removal to federal court.”); and *Plymouth County Ret. Sys. v. Model N, Inc.*, No. 14-cv-04516-WHO, 2015 U.S. Dist. LEXIS 1104, \*8 (N.D. Cal. Jan. 5, 2015) (“Since 2013, . . . **every court** in this district to [adjudicate a motion to remand an action brought in state court pursuant to the 1933 Act] **has granted remand**.”).

3. The violations of law complained of herein occurred in this State and in large part this County. More Individual Defendants reside in San Mateo County than any other County. Individual Defendants Komin, Risk, Vassallo and Wong (defined below) reside in San Mateo County, the Venture Capital Defendants operate out of their offices in San Mateo County, and each of the Underwriter Defendants (defined below) has a sizable San Mateo County practice and maintains substantial and continuous contact with California by conducting significant investment banking operations in this County and throughout this State.

## PARTIES

4. Plaintiff Jeffrey L. Pytel purchased Sunrun common stock at \$14 per share on August 5, 2015, in the IPO after reviewing the Prospectus and Registration Statement (as defined below), and was damaged thereby. The shares were purchased in response to being invited by the Company to submit an indication of interest to invest in the IPO with instructions on how to purchase the shares offered by, and directed from, Sunrun and sold by an underwriter at the behest of Sunrun through an administrator selected by Sunrun.

5. X Plaintiff Chaile Steinberg purchased Sunrun common stock at \$14 per share on August 5, 2015, in the IPO pursuant to the Prospectus and Registration Statement (as defined below), from defendant Merrill Lynch, Pierce, Fenner & Smith Incorporated, and was damaged thereby.

6. Plaintiff Jackie L. Nunez purchased Sunrun common stock at \$14 per share on August 5, 2015, in the IPO after reviewing the Prospectus and Registration Statement (as defined below), and was damaged thereby. The shares were purchased in response to being invited by the Company to submit an indication of interest to invest in the IPO with instructions on how to purchase the shares offered by, and directed from, Sunrun and sold by an underwriter at the behest of Sunrun through an administrator selected by Sunrun.

✓  
1 7. ✕ Plaintiff Joe Baker purchased Sunrun common stock at \$14 per share on August 5, 2015,  
2 in the IPO after reviewing the Prospectus and Registration Statement (as defined below), and was  
3 damaged thereby. The shares were purchased in response to being invited by the Company to submit an  
4 indication of interest to invest in the IPO with instructions on how to purchase the shares offered by,  
5 and directed from, Sunrun and sold by an underwriter at the behest of Sunrun through an administrator  
6 selected by Sunrun.

✓  
7 8. ✕ Plaintiff Ken Morris purchased Sunrun common stock at \$14 per share on August 5,  
8 2015, in the IPO after reviewing the Prospectus and Registration Statement (as defined below), and was  
9 damaged thereby. The shares were purchased in response to being invited by the Company to submit an  
10 indication of interest to invest in the IPO with instructions on how to purchase the shares offered by,  
11 and directed from, Sunrun and sold by an underwriter at the behest of Sunrun through an administrator  
12 selected by Sunrun.

✓  
13 9. ✕ Plaintiff Carl Hayner purchased Sunrun common stock traceable to the IPO and pursuant  
14 to the Prospectus and Registration Statement (as defined below), and was damaged thereby.

✓  
15 10. ✕ Plaintiff George Cohen purchased Sunrun common stock traceable to the IPO and  
16 pursuant to the Prospectus and Registration Statement (as defined below), and was damaged thereby.

✓  
17 11. ✕ Plaintiff David Moss purchased Sunrun common stock traceable to the IPO and pursuant  
18 to the Prospectus and Registration Statement (as defined below), and was damaged thereby.

✓  
19 12. ✕ Plaintiff Roxanne Xenakis purchased Sunrun common stock traceable to the IPO and  
20 pursuant to the Prospectus and Registration Statement (as defined below), and was damaged thereby.

✓  
21 13. ✕ Plaintiff Michael Brown purchased Sunrun common stock at \$14 per share on August 5,  
22 2015, in the IPO after reviewing the Prospectus and Registration Statement (as defined below), and was  
23 damaged thereby. The shares were purchased in response to being invited by the Company to submit an  
24 indication of interest to invest in the IPO with instructions on how to purchase the shares offered by,  
25 and directed from, Sunrun and sold by an underwriter at the behest of Sunrun through an administrator  
26 selected by Sunrun.

✓  
27 14. ✕ Plaintiff Rebecca Loy purchased Sunrun common stock at \$14 per share on August 5,  
28 2015, in the IPO after reviewing the Prospectus and Registration Statement (as defined below), and was



1 damaged thereby. The shares were purchased in response to being invited by the Company to submit an  
2 indication of interest to invest in the IPO with instructions on how to purchase the shares offered by,  
3 and directed from, Sunrun and sold by an underwriter at the behest of Sunrun through an administrator  
4 selected by Sunrun.

5 15. ✓ Plaintiff Greg Mancy purchased Sunrun common stock traceable to the IPO and pursuant  
6 to the Prospectus and Registration Statement (as defined below), and was damaged thereby.

7 16. ✗ Defendant Sunrun is a provider of residential solar electricity and purportedly operates  
8 the "second largest fleet of residential solar energy systems" in the United States.

9 17. ✓ Defendant Lynn Jurich ("Jurich") is, and was at the time of the IPO, a member of  
10 Sunrun's Board of Directors and its Chief Executive Officer ("CEO"). As one of Sunrun's executives  
11 in the IPO working group, Jurich reviewed and approved, and participated in making, statements in the  
12 Preliminary Prospectus and Registration Statement, and road show. He also reviewed, edited and  
13 approved the road show power point presentation, road show talking points and script, in addition to  
14 pitching investors at the road show as Sunrun's CEO. Jurich was motivated by the financial  
15 implications of an IPO given his financial stake in the Company. Immediately prior to the IPO,  
16 defendant Jurich beneficially owned approximately 3.2 million shares of common stock, which included  
17 over 862,000 shares pursuant to stock options, all of which constituted 3.8% of the Company's shares,  
18 providing her with 3.8% voting control at the IPO and with well over \$52 million in marketable  
19 securities as of the close of the IPO. These shares also included 495,010 shares of common stock  
20 pursuant to options priced at \$1.95 per share that were fully vested and exercisable as of the IPO;  
21 303,500 common shares pursuant to options priced at \$3.19 per share that were approximately 80%  
22 vested and exercisable as of the IPO; and 400,000 common shares pursuant to options priced at \$5.88  
23 per share that were over 25% vested and exercisable as of the IPO. Jurich's options immediately  
24 became in the money as of the IPO with an intrinsic value of over \$10 million, and her options  
25 immediately exercisable as of the IPO had an intrinsic value of more than \$9.3 million. Jurich was also  
26 slated to sell 175,000 shares in the IPO pursuant to a greenshoe. Jurich was also motivated by the  
27 financial implications of an IPO for Sunrun and Sunrun's selling investors, which included a number of  
28 venture capital firms and individuals.

1 18. ✓ Defendant Bob Komin ("Komin") is, and was at the time of the IPO, Sunrun's Chief  
2 Financial Officer ("CFO"). As one of Sunrun's executives in the IPO working group, Komin reviewed  
3 and approved, and participated in making, statements in the Preliminary Prospectus and Registration  
4 Statement, and road show. He also reviewed, edited and approved the road show power point  
5 presentation, road show talking points and script, in addition to pitching investors at the road show as  
6 Sunrun's CFO. Komin was motivated by the financial implications of an IPO given his financial stake  
7 in the Company. Immediately prior to the IPO, defendant Komin beneficially owned 650,000 shares of  
8 common stock, which included 550,000 shares pursuant to stock options. Komin's options immediately  
9 became in the money as of the IPO with an intrinsic value of over \$2.6 million. Komin was also  
10 motivated by the financial implications of an IPO for Sunrun and Sunrun's selling investors, which  
11 included a number of venture capital firms and individuals.

12 19. ✓ Defendant Edward Fenster ("Fenster") is and was at the time of the IPO, the Chairman of  
13 the Sunrun Board of Directors. Fenster beneficially owned over 2.7 million shares of Sunrun common  
14 stock, providing him with 3.3% voting control as of the IPO. Fenster was slated to sell 175,000 shares  
15 in the IPO pursuant to a greenshoe.

16 20. ✓ Defendant Jameson McJunkin ("McJunkin") is and was at the time of the IPO, a member  
17 of the Sunrun Board of Directors. McJunkin beneficially owned over 6.1 million shares of Sunrun  
18 common stock, providing him with 7.5% voting control as of the IPO.

19 21. ✓ Defendant Gerald Risk ("Risk") is and was at the time of the IPO, a member of the  
20 Sunrun Board of Directors.

21 22. ✓ Defendant Steve Vassallo ("Vassallo") is and was at the time of the IPO, a member of  
22 the Sunrun Board of Directors. Vassallo beneficially owned over 16.1 million shares of Sunrun common  
23 stock, providing him and the Venture Capital Defendants (defined below) with 19.6% voting control as  
24 of the IPO.

25 23. ✓ Defendant Richard Wong ("Wong") is and was at the time of the IPO, a member of the  
26 Sunrun Board of Directors. Wong beneficially owned over 10.8 million shares of Sunrun common  
27 stock, providing him with 13.2% voting control as of the IPO.

1           24.     The defendants referenced above in ¶¶17-23 signed the false and misleading Registration  
2 Statement used to conduct the IPO and are referred to herein as the "Individual Defendants." The  
3 defendants referenced above in ¶¶17-18 are executives of Sunrun who pitched investors in the  
4 roadshow to sell the IPO at the behest of the Company and the Underwriter Defendants, and are  
5 sometimes referred to herein as the "Executive Defendants." Defendant Sunrun and the Individual  
6 Defendants are strictly liable for the false and misleading statements in the Registration Statement.

7           25.     Defendants Beau Peelle, Eren Omer Atesmen and Reginald Norris were current  
8 employees of Sunrun at the time of the IPO and each sold stock in the IPO (the "Selling Stockholders").  
9 The securities sold by the Selling Stockholders in the IPO were acquired in connection with Sunrun's  
10 acquisition of Clean Energy Experts, LLC ("CEE") on April 1, 2015.

11           26.     Defendants William Elmore ("Elmore"), Foundation Capital VI, L.P. and Foundation  
12 Capital Management Co. VI, LLC (the "Venture Capital Defendants"), along with defendant Vassallo,  
13 are part of a venture capital stake in Sunrun and beneficially owned, through partnerships they  
14 controlled (Foundation Capital VI, L.P., Foundation Capital VI Principals and Foundation Capital  
15 Management Co. VI, LLC) approximately 20% of the Company's shares at the time of the IPO. Those  
16 shares controlled by the Venture Capital Defendants and Vassallo, Series A through Series E  
17 convertible Preferred Stock, automatically converted into publicly tradable common stock immediately  
18 prior to the completion of the IPO, on a one-to-one basis. These shares represented approximately 20%  
19 of the voting power on Sunrun's Board of Directors just prior to the IPO. As of the IPO, Elmore and  
20 Vassallo were managing members of Foundation Capital Management Co. VI, LLC, the general partner  
21 to Foundation Capital VI, L.P. and Foundation Capital VI Principals, and as such, had voting and  
22 dispositive power over the shares held by those entities. As a result of those holdings and by having a  
23 director on Sunrun's Board of Directors, the Venture Capital Defendants effectively controlled Sunrun  
24 and caused it to conduct the IPO. Indeed, the Registration Statement refers to the Venture Capital  
25 Defendants in stating, "[u]pon completion of this offering, our . . . directors and principal stockholders  
26 will continue to have substantial control over us." The offices of the Venture Capital Defendants are in  
27 San Mateo County.

27. Defendants Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co., Morgan Stanley & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets, LLC, KeyBanc Capital Markets Inc. and SunTrust Robinson Humphrey, Inc. are investment banking firms that acted as underwriters of the IPO, helping to draft and disseminate the IPO documents. These defendants are referred to herein as the "Underwriter Defendants." Pursuant to the 1933 Act, the Underwriter Defendants are liable for the false and misleading statements in the Registration Statement as follows:

(a) The Underwriter Defendants are investment banking houses which specialize, *inter alia*, in underwriting public IPOs of securities. They served as the underwriters of the IPO and shared more than \$16.2 million in fees collectively. The Underwriter Defendants determined that in return for their share of the IPO proceeds, they were willing to merchandize Sunrun stock in the IPO. In the bakeoff that determined the composition of the underwriting syndicate, the Underwriter Defendants extolled their ability to market Sunrun's stock. Each of the Underwriter Defendants designated personnel to the IPO working group, including investment bankers, analysts, associates, and counsel, to market Sunrun's stock, and those personnel worked on and approved the content of Sunrun's Registration Statement and road show presentation. The Underwriter Defendants arranged a multi-city roadshow prior to the IPO during which they, and the Executive Defendants, met with potential investors and presented highly favorable information about the Company, its operations, and its financial prospects. The Underwriter Defendants also promoted Sunrun's IPO to their bank's own clients.

(b) The Underwriter Defendants also demanded and obtained an agreement from Sunrun that Sunrun would indemnify and hold the Underwriter Defendants harmless from any liability under the federal securities laws. They also made certain that Sunrun had purchased millions of dollars in directors' and officers' liability insurance.

(c) Representatives of the Underwriter Defendants also assisted Sunrun and the Individual Defendants in planning the IPO, and purportedly conducted an adequate and reasonable investigation into the business and operations of Sunrun, an undertaking known as a "due diligence" investigation. The due diligence investigation was required of the Underwriter Defendants in order to

1 engage in the IPO. During the course of their “due diligence,” the Underwriter Defendants had  
2 continual access to confidential corporate information concerning Sunrun’s operations and financial  
3 prospects.

4 (d) In addition to availing themselves of virtually unbridled access to internal  
5 corporate documents, agents of the Underwriter Defendants met with Sunrun’s management, top  
6 executives and outside counsel and engaged in “drafting sessions” between at least March 2015 and  
7 August 2015. During these sessions, understandings were reached as to: (i) the strategy to best  
8 accomplish the IPO; (ii) the terms of the IPO, including the price at which Sunrun stock would be sold;  
9 (iii) the language to be used in the Registration Statement; (iv) what disclosures about Sunrun would be  
10 made in the Registration Statement; and (v) what responses would be made to the SEC in connection  
11 with its review of the Registration Statement. As a result of those constant contacts and  
12 communications between the Underwriter Defendants’ representatives and Sunrun’s management and  
13 top executives, the Underwriter Defendants knew, or should have known, of Sunrun’s existing problems  
14 as detailed herein.

15 (e) The Underwriter Defendants caused the Registration Statement to be filed with  
16 the SEC and declared effective in connection with offers and sales thereof, including to plaintiffs and  
17 the Class (as defined below).

18 28. The true names and capacities of defendants sued herein under California Code of Civil  
19 Procedure §474 as Does 1 through 25, inclusive, are presently not known to plaintiffs, who therefore  
20 sues these defendants by such fictitious names. Plaintiffs will seek to amend this Complaint and  
21 include these Doe defendants’ true names and capacities when they are ascertained. Each of the  
22 fictitiously named defendants is responsible in some manner for the conduct alleged herein and for the  
23 injuries suffered by plaintiffs and the Class.

#### 24 SUBSTANTIVE ALLEGATIONS

25 29. Sunrun is a provider of residential solar electricity and is said to operate the “second  
26 largest fleet of residential solar energy systems” in the United States, now with approximately 111,000  
27 solar customers in 15 states as well as the District of Columbia.

1           30.     Founded in 2007 with a focus on home solar power installation, financing and leasing,  
2 Sunrun pioneered the use of solar as a service for residential customers, and in some states Sunrun  
3 offers customers either a lease or a Power Purchase Agreement ("PPA"), whereby homeowners pay for  
4 electricity that their solar panels produce but do not have to buy solar panels outright. Sunrun installs  
5 solar energy systems on customers' homes and sells them the solar power produced by those systems  
6 for a 20-year initial term. While homeowners have the option of purchasing the solar energy system  
7 outright, most of Sunrun's customers choose to buy solar as a service to avoid the significant upfront  
8 investment of purchasing a solar energy system.

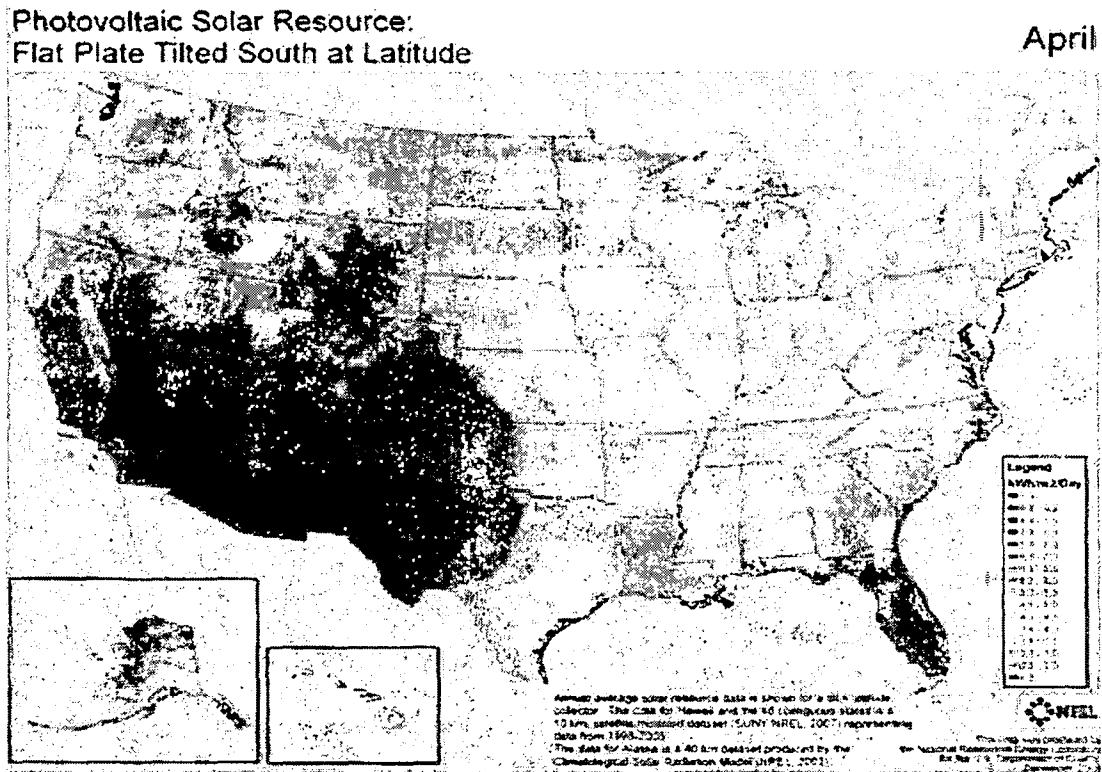
9           31.     In April 2015, Sunrun acquired the "consumer demand generation" company CEE,  
10 which was then being billed as the "largest lead generation company in the solar industry."

11           32.     Sunrun's PPA business entails net metering, which is a billing mechanism that credits  
12 solar energy system owners for the electricity they add to the grid. For example, if a residential  
13 customer has a solar system, it may generate more electricity than the home uses during daylight hours.  
14 Through net metering, customers only pay for electricity to the extent that they use more than the panels  
15 on their roof feed back into the system. Because Sunrun owns most of the solar panels used by its  
16 customers, Sunrun has been able to fund most of its manufacturing, installation and servicing costs  
17 through excess solar production from the panels mounted on the roofs of its customers. Net metering  
18 also allows Sunrun to charge well above wholesale rates for the electricity it sells to homeowners.

19           33.     As home solar installation increased, encouraged by state and federal subsidies designed  
20 to make clean energy investment more attractive, utility companies began to complain that the new  
21 solar systems put new pressures on their old infrastructures, including circuits and power lines,  
22 requiring that they continued maintaining the electric grid while charging solar customers little or  
23 nothing for the fixed costs of maintaining the grid. There is a fixed cost to extend the grid to each  
24 electricity customer, regardless of how much or little power that customer consumes. To address these  
25 concerns, nearly half the states that permit net metering have reconsidered their net metering policies  
26 over the past year.

27           34.     Though Sunrun operated in 15 states at the time of its IPO, California, Nevada and  
28 Hawaii had traditionally provided the lion's share of the Company's revenues and profits. Nevada

1 alone, the seventh largest U.S. state and home to one of the hottest, sunniest deserts on Earth, and thus  
2 with an inordinate need for air conditioning, was the third-leading solar state in 2014 according to the  
3 Solar Energy Industries Association. As indicated in the following April 2015 map, Nevada has high  
4 levels of solar irradiance compared to most other U.S. states:



18 35. On or about March 27, 2015, Sunrun filed with the SEC its registration statement on  
19 Form S-1 (Registration No. 333- 205217), which was amended and later declared effective by the SEC  
20 (the "Registration Statement"). Meanwhile, lawmakers in the Nevada Legislature rejected a call by  
21 rooftop solar companies, including Sunrun, to increase the cap on the number of consumers who can  
22 participate in net metering solar programs from 3% to a higher level.

23 36. On July 31, 2015, NV Energy, a public utility which generates, transmits and distributes  
24 electric service in northern and southern Nevada, filed an application with the Nevada Public Utilities  
25 Commission ("PUC") seeking to curtail what it characterized as rooftop solar customers receiving  
26 subsidies from non-solar customers. Two of Nevada Governor Brian Sandoval's closest advisers, Pete  
27 Ernaut and Greg Ferraro, were NV Energy's top lobbyists. Governor Sandoval himself was once an  
28 attorney for a utility shareholders group. If NV Energy got the changes it sought to the way the utility

1 paid and billed its solar customers, it threatened to destroy Sunrun's PPA business in Nevada.  
2 Specifically, NV Energy would not only be allowed to boost its fees for solar customers, it would also  
3 be permitted to pay them below the market rate for the electricity that their solar panels put back onto  
4 the grid, and which the utility resells. Concerned about these potential regulatory threats in the lead up  
5 to its IPO, Sunrun had served a public records request on the Nevada PUC in June 2015 demanding to  
6 see all communications between NV Energy employees and lobbyists and Governor Sandoval and his  
7 staff, including current PUC Chairman Paul Thomsen.

8 37. Immediately after NV Energy's filing with the Nevada PUC, Sunrun rushed to  
9 commence its IPO. On or about August 5, 2015, Sunrun, the Selling Stockholders, the Venture Capital  
10 Defendants and the Underwriter Defendants priced the IPO at \$14 per share, filed with the SEC the  
11 final prospectus for the IPO (the "Prospectus"), which forms part of the Registration Statement (the  
12 Prospectus and Registration Statement are collectively referred to herein as the "Registration  
13 Statement"), and sold 17.9 million shares of Sunrun common stock to the investing public.

14 38. The Registration Statement was negligently prepared and, as a result, contained untrue  
15 statements of material facts or omitted to state other facts necessary to make the statements made not  
16 misleading, and was not prepared in accordance with the rules and regulations governing its  
17 preparation.

18 39. Concerning the Company's "core solar product offerings," the Registration Statement  
19 claimed to "provide homeowners with simple, *predictable pricing* for solar energy *that is insulated*  
20 *from rising retail electricity prices.*"<sup>1</sup> Concerning the Company's "strategy," the Registration  
21 Statement also emphasized that Sunrun "continue[d] to sell *customer-friendly solar service offerings*  
22 *with customized configurations and pricing.*" The Registration Statement also promoted as one of the  
23 Company's primary strengths in its "Distinctive Approach" a purported "differentiated customer  
24 experience that attracts high quality customers" based in part on Sunrun's "best-in-class customer  
25 experience." It also asserted Sunrun had a "strong brand presence" and "growing reputation as a choice  
26 solar service provider" as well as "process excellence" including "sales and installation best practices."

27  
28 <sup>1</sup> All emphasis in bold and italics is added, unless otherwise noted.



1 These statements were false and misleading and omitted material information. The Company was  
2 charging well above wholesale rates to its solar customers and Sunrun's business was materially  
3 suffering from negative perceptions created as consumers learned of that, poor customer service, and of  
4 Sunrun's questionable sales tactics such as providing misleading information (including among other  
5 things regarding maintenance, necessity, location and performance of the solar panels), unilaterally  
6 changing contracts and charging hidden fees. These issues were exacerbated when Sunrun dramatically  
7 increased sales quotas in the quarter before the IPO. In fact, Sunrun's reputation was flagging due to  
8 customer dissatisfaction with installation, service and maintenance delays, poor installation quality, and  
9 lacking and/or overestimated/overstated cost savings.

10 40. Regarding installing solar units on Sunrun's customers' homes pursuant to 20-year  
11 contracts, the Registration Statement claimed that "[i]n exchange, [Sunrun] receive[s] **20 years of**  
12 ***predictable cash flows*** from high credit quality customers." These statements were false and  
13 misleading and omitted material information. Nevada legislators were then seeking to modify or  
14 eliminate net metering policies that were purportedly unfairly shifting the costs of solar manufacturing,  
15 installation and maintenance to non-solar users. Due to the intense regulatory scrutiny the Company's  
16 net metering policies were then being subjected to in Nevada in particular, not only were Sunrun's  
17 Nevada customers at risk of loss, the Company faced difficulty throughout the country getting  
18 customers to agree to sign on to 20-year contracts with state regulators willing to ***retroactively*** increase  
19 fixed solar connection fees and reduce solar net metering credits.

20 41. Concerning the purported then-ongoing sales growth being experienced, the Registration  
21 Statement stated that Sunrun had "***experienced substantial growth in [its] business and operations***  
22 ***since [its] inception in 2007***" and that "***recent trends***" in the home solar industry made "solar energy a  
23 cost-effective power source for homeowners in an increasing number of markets." The Registration  
24 Statement bolstered the assertion Sunrun was benefiting from "recent trends" by stating those trends  
25 included "[r]ising utility energy prices" and "[d]eclining solar energy system costs." The Registration  
26 Statement also identified "[n]et metering" as one of the "federal, state, and local policies [that had] also  
27 been [a] strong factor[] affecting the market for distributed solar generation," stating that "[a]  
28 substantial majority of states ha[d] net metering policies whereby homeowners [could] offset electricity

1 purchased from a utility by the amount of excess solar energy produced and sold to the utility.” It also  
2 emphasized that “[n]et metering help[ed] reduce peak electricity load and offset[] the construction of  
3 new generation transmission and distribution facilities and the increased output from traditional  
4 generation facilities.” These statements were false and misleading and omitted material information  
5 because net metering was then being eliminated by the Nevada PUC and was otherwise being regulated  
6 to the detriment of Sunrun. Furthermore, Sunrun’s sales growth was being significantly hampered by  
7 consumer awareness of poor customer service, installation, service and maintenance delays, poor  
8 installation quality, lacking and/or overestimated/overstated cost savings, questionable sales tactics such  
9 as providing misleading information (including among other things regarding maintenance, necessity,  
10 location and performance of the solar panels), unilaterally changing contracts and charging hidden fees.

11 42. Detailing the “key elements of [Sunrun’s] platform” and the Company’s “distinctive  
12 approach,” the Registration Statement emphasized that Sunrun “focus[ed] [its] resources on *markets*  
13 *with . . . favorable policy environments*,” stating that it “believe[d] that [its] distinctive approach  
14 [would] create a higher quality portfolio of solar energy assets that create significant value for [its]  
15 customers *while generating reliable cash flow to [the Company] over time*.” The Registration  
16 Statement further listed as Sunrun’s “strategy,” “[e]xpand[ing][its] Geographic Footprint.” These  
17 statements were false and misleading and omitted material information. Sunrun had committed  
18 immense resources to Nevada, where net metering was then being attacked in the Nevada PUC. Indeed,  
19 far from being a favorable policy environment, the Company then faced considerable opposition in  
20 Nevada, including from Nevada Governor Sandoval’s ties to NV Energy, which had prompted the  
21 Company to issue a public records inspection demand in June 2015 demanding NV Energy’s  
22 communications with the Nevada PUC. A large portion of Sunrun’s purported “Geographic Footprint”  
23 was in fact vanishing. Indeed, when the Company later disclosed the magnitude of its exposure and  
24 committed resources to Nevada when it exited the Nevada market, securities analysts were surprised  
25 and Sunrun’s stock price plummeted.

26 43. Concerning the Company’s key strengths, the Registration Statement highlighted  
27 Sunrun’s “[p]roven [e]xecution,” emphasizing that “[a]s of March 31, 2015, [Sunrun] had deployed 430  
28 MW of residential systems, *creat[ing] \$1.1 billion of estimated retained value*” and stating elsewhere

1 that Sunrun “consider[ed] a discount rate of 6% *to be appropriate* based on recent market transactions  
2 *that demonstrate that a portfolio of residential solar homeowner contracts is an asset class that can*  
3 *be securitized successfully on a long term basis*, with a coupon of less than 5%.” These statements  
4 were false and misleading because the Company was using a 6% discount rate in ascertaining that  
5 “retained value,” which overstated the retained value because a 6% discount rate was only appropriate  
6 for highly liquid assets – something 20-year residential solar contracts subject to huge regulatory risks  
7 *simply were not.*

8 44. Concerning the Company’s “strategy,” the Registration Statement stated that Sunrun  
9 then planned to “Grow [its] Direct-to-Consumer Presence,” emphasizing that it would “*continue to*  
10 *invest in and expand [its] direct-to-consumer channel*” and that by “*managing the entire process* from  
11 sales to installation to ongoing monitoring, [Sunrun was] *well positioned to create value by pursuing*  
12 *attractive markets.*” These statements were false and misleading and omitted material information  
13 because, in fact, Sunrun was *not* pursuing “attractive markets” and was bogged down with a massive  
14 investment in Nevada and faced a hostile market and the influence of a purportedly conflicted state  
15 governor the Company was then actively privately investigating.

16 45. Concerning Sunrun’s customer concentration, the Registration Statement affirmatively  
17 stated that Sunrun had customers in 15 states and the District of Columbia, giving the appearance of  
18 diversity. Specifically, the Registration Statement stated that Sunrun “currently provide[d] solar energy  
19 services in Arizona, California, Delaware, Colorado, Connecticut, Hawaii, Maryland, Massachusetts,  
20 Nevada, New Hampshire, New Jersey, New York, Oregon, Pennsylvania and South Carolina, as well as  
21 the District of Columbia.” The Registration Statement stated elsewhere that Sunrun’s “business [was]  
22 concentrated in certain markets, putting [it] at risk of region specific disruptions,” purportedly due to  
23 potential earthquakes, and misleadingly emphasized that “[a]s of March 31, 2015, approximately 58%  
24 of [Sunrun’s] customers were in California and [that the Company then] expect[ed] much of [its] near-  
25 term future growth to occur in California.” These statements were false and misleading and omitted  
26 material information because the Company was then being attacked by the Nevada PUC and was  
27 therefore losing 20% of its business. The purported region “risk” was not about earthquakes in  
28 California – it was about Nevada.

1           46.     The Registration Statement contained pages and pages of numerous generalized possible  
2 "Risk Factors" that "**may**" occur and "**if**" they did "actually occur," "**could**" "materially and adversely  
3 affect[]" Sunrun's "business." Those statements were false and misleading and omitted material  
4 information.

5           47.     For instance, the Registration Statement stated that "[i]n addition to changes in general  
6 rates charged to all residential customers, utilities are increasingly seeking solar-specific charges (which  
7 may be fixed charges, capacity-based charges, or other rate changes)" and that "[a]ny of these changes  
8 could materially reduce the demand for our products and could limit the number of markets in which  
9 our products are competitive with electricity provided by the utilities." These statements were false and  
10 misleading and omitted material **then-current** information because NV Energy had just moved the  
11 Nevada PUC to increase Nevada's fixed solar connection fee and to reduce its net metering credits,  
12 while the Nevada PUC was under a directive by the Nevada Legislature to address purported inequities  
13 in net metering. In fact, this motion and NV Energy's ties to Governor Sandoval were so significant  
14 that the Company filed a public records inspection demand on the Nevada PUC regarding its rule-  
15 making decision on NV Energy's request. Likewise, the following purported risk disclosure was not  
16 only false and misleading for failing to disclose the intense regulatory scrutiny being experienced in  
17 Nevada and Governor Sandoval's ties to the public utility company seeking reform, **it is false and**  
18 **misleading in that it expressly misstated the Nevada Legislature's directive to the Nevada PUC and**  
19 **implied that the Nevada Legislature had supported not only continuing net metering in Nevada but**  
20 **eliminating the 3% cap on it as Sunrun and other solar companies had requested:**

21           Utilities, their trade associations, and fossil fuel interests in the country are  
22 currently challenging net metering policies, and seeking to either eliminate it, cap it, or  
23 impose charges on homeowners that have adopted net metering. Some states, including  
24 California, currently set limits on the total percentage of a utility's customers that can  
25 adopt net metering. Maryland, Nevada and New York also have metering caps and other  
26 states we serve now or in the future may adopt metering caps. If the net metering caps  
27 in California or other jurisdictions are reached without an expansion of net metering  
28 policies, homeowners in the future will be unable to recognize the cost savings  
associated with net metering they currently enjoy. Of the states in which we offer our  
solar service offerings, only **Nevada is expected to reach its cap within the next 12**  
**months unless the cap is increased. We currently expect Nevada to reach its cap in**  
**the next month unless it is increased. However, legislation has been adopted that**  
**requires that an uncapped program approved by the Nevada Public Utilities**  
**Commission be implemented in Nevada no later than December 31, 2015.** If changes  
to net metering policies occur without grandfathering to existing homeowners, those

1 existing homeowners could be negatively impacted which could create a default risk  
2 from those homeowners. *Our ability to sell our solar service offerings may be  
adversely impacted by the failure to expand existing limits to net metering.*

3 These statements were false and misleading and omitted material information because NV Energy had  
4 just moved the Nevada PUC to increase Nevada's fixed solar connection fee and to reduce its net  
5 metering credits, while the Nevada PUC was under a directive by the Nevada Legislature to address  
6 purported inequities in net metering that favored solar customers, *i.e.*, rather than prospects being an  
7 "increased" cap or "an uncapped program," Nevada's PUC was under a directive causing the limitation  
8 of net metering and the end of solar service expansion in Nevada.

9 48. The Registration Statement also stated the "solar energy industry is an emerging market  
10 that is constantly evolving and may not develop to the size or at the rate we expect," emphasizing "the  
11 solar energy industry will take several years to fully develop and mature." These statements were false  
12 and misleading and omitted material information because one of Sunrun's largest markets, Nevada, was  
13 no longer "develop[ing]" and would not grow due to the Nevada PUC's directive causing the limitation  
14 of net metering and the end of solar service expansion in Nevada. Likewise, the Registration Statement  
15 focused attention on "electricity pricing" rates for residential customers, stating changing rates "can  
16 have a negative impact on our ability to deliver savings to homeowners." This statement was false and  
17 misleading and omitted material information, for it was the loss of net metering that was then hurting  
18 Sunrun.

19 49. The Registration Statement suggested Sunrun's "limited operating history," including in  
20 Sunrun's "direct-to-consumer business" made it "difficult to evaluate" the Company's "business and  
21 prospects," and therefore the Company "may fail to grow as quickly or achieve the revenue scale  
22 targeted." It also stated Sunrun had "experienced significant growth," would "continue to expand . . .  
23 significantly within existing markets and in a number of new locations in the future," and "[a]ny failure  
24 to effectively manage growth *could* adversely impact our business and reputation." These statements  
25 were false and misleading because Sunrun's existing operating history was replete with problems then  
26 significantly affecting the Company's ability to expand. Indeed, the Company was *not* expanding in  
27 one of its largest markets – Nevada. And, the Company was charging well above wholesale rates to its  
28 solar customers and Sunrun's business was then materially suffering from negative perceptions created

1 as consumers learned of that, poor customer service, and of Sunrun's questionable sales tactics such as  
2 providing misleading information (including among other things regarding maintenance, necessity,  
3 location and performance of the solar panels), unilaterally changing contracts and charging hidden fees.  
4 In fact, Sunrun's reputation was flagging due to customer dissatisfaction with installation, service and  
5 maintenance delays, poor installation quality, and lacking and/or overestimated/overstated cost savings.  
6 This was not a matter of "expansion . . . in the future" that "could adversely impact" the Company's  
7 business. And these issues were exacerbated when Sunrun dramatically increased sales quotas in the  
8 quarter before the IPO. Sunrun's business was *already* suffering significantly from its inability to  
9 manage expansion.

10 50. The statements referenced above in ¶¶39-49 were each materially false and misleading  
11 because they failed to disclose and misrepresented the following adverse facts that existed at the time of  
12 the IPO:

13 (a) Sunrun's actual historical operating costs were being understated by not  
14 identifying and disclosing the fixed grid costs being borne for it by public utilities where net metering  
15 programs were being employed;

16 (b) Sunrun had been charging well above wholesale rates for the electricity it was  
17 selling to its net metering customers;

18 (c) Contrary to having listed customers dispersed across 15 states and the District of  
19 Columbia in its Registration Statement, Sunrun had a substantial 20% customer concentration in  
20 Nevada alone;

21 (d) Sunrun's ability to continue convincing customers to sign 20-year contracts –  
22 which lowers its own fixed costs for installing solar systems on those customers' houses – was in  
23 jeopardy due to the ongoing regulatory review of net metering programs in 20 of the 40 states that then  
24 permitted net metering;

25 (e) Sunrun's sales growth was significantly undermined by sales lost due to negative  
26 perceptions as consumers learned of poor customer service, installation delays, service and maintenance  
27 delays, poor installation quality, lacking and/or overestimated/overstated cost savings, and questionable  
28 sales tactics such as providing misleading information (including among other things regarding

1 maintenance, necessity, location and performance of the solar panels), unilaterally changing contracts  
2 and charging hidden fees.

3 (f) Because Sunrun was employing an unreasonably low discount rate of 6% in  
4 calculating the value of its retained assets, it was overstating their value; and

5 (g) As a result of the foregoing, at the time of the IPO, the Company's business and  
6 financial prospects were not what defendants had led the market to believe they were in the Registration  
7 Statement.

8 51. Pursuant to Item 303 of Regulation S-K [17 C.F.R. §229.303], and the SEC's related  
9 interpretive releases thereto, issuers are required to disclose events or uncertainties, including any  
10 known trends, that have had or are reasonably likely to cause the registrant's financial information not  
11 to be indicative of future operating results. At the time of the IPO, unbeknownst to investors, Sunrun's  
12 historical costs were being understated, it was charging customers well above wholesale rates for the  
13 electricity it was selling, its customers were highly concentrated in the State of Nevada, and its ability to  
14 continue signing customers to 20-year contracts was in jeopardy due to intense regulatory scrutiny  
15 prompted by utility company concerns. The adverse events and uncertainties associated with these  
16 negative trends were reasonably likely to have a material impact on Sunrun's profitability, and,  
17 therefore, were required to be disclosed in the Registration Statement, but were not.

18 52. The IPO was successful for the Company, the Selling Stockholders and the Underwriter  
19 Defendants who sold 17.9 million shares of Sunrun common stock to the investing public, raising  
20 \$250.6 million in gross proceeds (\$234.3+ million net of underwriting fees and IPO costs). Of this, the  
21 Company sold 17,482,268 shares, receiving \$228,842,888 in gross proceeds and the Selling  
22 Stockholders collectively sold another 417,732 shares, receiving \$5,468,112 in gross proceeds.

23 53. However, the price of Sunrun common stock plummeted as the market learned,  
24 following the IPO, that the Company's business practices, ability to grow, and financial prospects were  
25 not as strong as represented in the Registration Statement. The response to the Company's revelations  
26 demonstrates the information previously omitted was material. Within weeks of the Company's IPO  
27 and pressing through autumn, Sunrun's stock plummeted as the market learned the Company could not  
28 grow as expected and its business practices were questionable. Just months after the IPO and in

1 Sunrun's maiden first quarter as a public company, on January 7, 2016, the Company admitted that it  
2 was ceasing all operations in Nevada. The Company's stock price dropped significantly. When Sunrun  
3 reported its fiscal 2015 results and fiscal 2016 guidance on March 10, 2016, the Company also admitted  
4 that residential solar growth would decline in 2016 due to its having halted operations in Nevada.  
5 According to the Company, 2016 installation growth would fall from 76% in 2015 to just 40% in 2016.

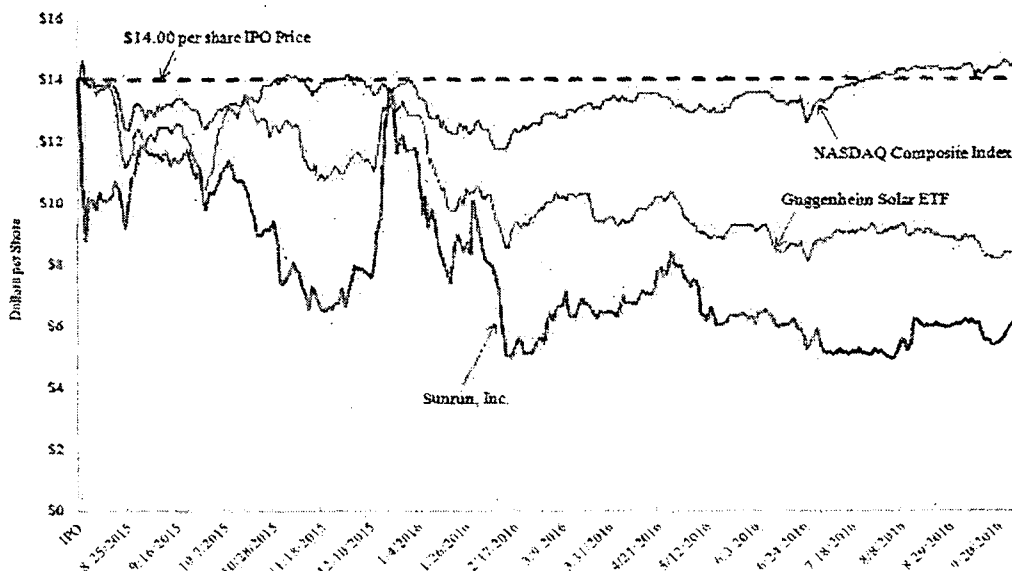
6 54. Adding insult to injury, investors learned for the first time the full extent of customer  
7 concentration the Company had in Nevada. Securities analysts accused the Company of surprising  
8 them in the Company's earnings call, asserting they were not informed of the extent of the Company's  
9 exposure to Nevada and were under the impression since the IPO that Sunrun was expecting share gains  
10 in the industry and growth, *not* deceleration. Thereafter, multiple analyst reports commented on the  
11 surprise and the lack of information they were provided. For instance, defendant KeyBanc's March 21,  
12 2016 report emphasized that "[o]n Nevada, we view the expected headwind as unsurprising but  
13 acknowledge at ~20% of [Sunrun's] direct deployments, *this market had become a bigger piece of*  
14 *[Sunrun's] business than we anticipated.*" Likewise, lowering its price target on Sunrun stock by one-  
15 third, defendant Morgan Stanley lamented in its report that "*the company's exposure to the state was*  
16 *larger than many, including ourselves, had anticipated.*" Lowering its own price target by 40%,  
17 defendant Credit Suisse also highlighted Sunrun's "*higher than expected mix of Nevada deployments*"  
18 and stated *that it too "had underappreciated how quickly Nevada had growth when [it had] attempted*  
19 *to asses risks to volumes.*" Furthermore, certain stock analysts have applied a higher discount rate in  
20 calculating the value of Sunrun's retained assets, including Deutsche Bank, which applies an 8% (rather  
21 than 6%) discount rate.<sup>2</sup> As of the filing of this lawsuit Sunrun's stock traded, and as of the filing of  
22 this Consolidated Complaint Sunrun's stock trades at, below \$7 per share, *or at less than 50%* of the  
23 price the stock was sold at in the IPO.

24  
25  
26  
27 <sup>2</sup> While defendant Morgan Stanley's January 28, 2016 client report still implies a retained value  
28 of \$1.1 billion on Sunrun's assets, it applies a 7% discount rate, which apparently computes no growth  
in the retained assets since June 30, 2015.



**Sunrun, Inc. vs. NASDAQ Composite Index and Guggenheim Solar ETF (1)**

August 5, 2015 through September 30, 2016  
(indexed to Sunrun's \$14.00 per share IPO Price)



(1) NASDAQ Composite (Market index) and Guggenheim Solar ETF (Industry index) identified in Sunrun's 2015 Form 10-K, page 39

**CLASS ACTION ALLEGATIONS**

55. Plaintiffs bring this action as a class action on behalf of all those who purchased Sunrun common stock pursuant or traceable to the Registration Statement issued in connection with the IPO (the "Class"). Excluded from the Class are defendants and their families, the officers, directors and affiliates of defendants, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

56. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to plaintiffs at this time and can only be ascertained through appropriate discovery, plaintiffs believe that there are hundreds of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Sunrun or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

57. Plaintiffs' claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

1           58.     Plaintiffs will fairly and adequately protect the interests of the members of the Class and  
2 has retained counsel competent and experienced in class and securities litigation.

3           59.     Common questions of law and fact exist as to all members of the Class and predominate  
4 over any questions solely affecting individual members of the Class. Among the questions of law and  
5 fact common to the Class are:

6                   (a)     whether defendants violated the 1933 Act;  
7                   (b)     whether statements made by defendants to the investing public in the Registration  
8 Statement and Prospectus misrepresented material facts about the business and operations of Sunrun;  
9 and

10                   (c)     to what extent the members of the Class have sustained damages and the proper  
11 measure of damages.

12           60.     A class action is superior to all other available methods for the fair and efficient  
13 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the  
14 damages suffered by individual Class members may be relatively small, the expense and burden of  
15 individual litigation make it impossible for members of the Class to individually redress the wrongs  
16 done to them. There will be no difficulty in the management of this action as a class action.

#### 17                                   **FIRST CAUSE OF ACTION**

#### 18                                   **For Violation of §11 of the 1933 Act Against** 19                                   **Sunrun, the Individual Defendants and the Underwriter Defendants**

20           61.     Plaintiffs incorporate ¶¶1-60 by reference.

21           62.     This Cause of Action is brought pursuant to §11 of the 1933 Act, 15 U.S.C. §77k, on  
22 behalf of the Class, against Sunrun, the Individual Defendants and the Underwriter Defendants.

23           63.     The Registration Statement for the IPO was inaccurate and misleading, contained untrue  
24 statements of material facts, omitted to state other facts necessary to make the statements made not  
25 misleading, and omitted to state material facts required to be stated therein.

26           64.     The defendants named in this Cause of Action are strictly liable to plaintiffs and the  
27 Class for the misstatements and omissions.  
28

65. None of the defendants named herein made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the Registration Statement were true and without omissions of any material facts and were not misleading.

66. By reason of the conduct herein alleged, each defendant named herein violated, and/or controlled a person who violated, §11 of the 1933 Act.

67. Plaintiffs acquired Sunrun common stock in the IPO.

68. Plaintiffs and the Class have sustained damages. The value of Sunrun common stock has declined substantially subsequent to and due to these defendants' violations.

69. At the time of their purchases of Sunrun common stock, plaintiffs and other members of the Class were without knowledge of the facts concerning the wrongful conduct alleged herein and could not have reasonably discovered those facts prior to the disclosures herein. Less than one year elapsed from the time that plaintiffs discovered or reasonably could have discovered the facts upon which this complaint is based to the time that plaintiffs commenced this action. Less than three years elapsed between the time that the securities upon which this Cause of Action is brought were offered to the public and the time plaintiffs commenced this action.

## SECOND CAUSE OF ACTION

**For Violation of §12(a)(2) of the 1933 Act, By Plaintiffs Pytel, Steinberg, Nunez, Baker,  
Morris, Brown and Loy (the “§12(a)(2) Plaintiffs”), Against Sunrun,  
the Executive Defendants, the Selling Stockholders  
and the Underwriter Defendants**

70. Section 12(a)(2) Plaintiffs incorporate ¶¶1-69 by reference.

71. By means of the defective Prospectus, defendants Sunrun, the Executive Defendants, the Selling Stockholders and the Underwriter Defendants promoted and sold Sunrun stock to §12(a)(2) Plaintiffs and other members of the Class.

72. The Prospectus contained untrue statements of material fact, and/or concealed or failed to disclose material facts, as detailed above. The defendants named in this Cause of Action owed §12(a)(2) Plaintiffs and the other members of the Class who purchased Sunrun common stock pursuant to the Prospectus the duty to make a reasonable and diligent investigation of the statements contained in the Prospectus to ensure that such statements were true and that there was no omission to state a

1 material fact required to be stated in order to make the statements contained therein not misleading.  
2 These defendants, in the exercise of reasonable care, should have known of the misstatements and  
3 omissions contained in the Prospectus as set forth above.

4 73. Section 12(a)(2) Plaintiffs did not know, nor in the exercise of reasonable diligence  
5 could have known, of the untruths and omissions contained in the Prospectus at the time plaintiffs  
6 acquired Sunrun common stock.

7 74. By reason of the conduct alleged herein, these defendants violated §12(a)(2) of the 1933  
8 Act. As a direct and proximate result of such violations, plaintiffs and the other members of the Class  
9 who purchased Sunrun common stock pursuant to the Prospectus sustained substantial damages in  
10 connection with their purchases of Sunrun stock. Accordingly, §12(a)(2) Plaintiffs and the other  
11 members of the Class who hold the common stock issued pursuant to the Prospectus have the right to  
12 rescind and recover the consideration paid for their shares, and hereby tender their common stock to the  
13 defendants sued herein. Class members who have sold their common stock seek damages to the extent  
14 permitted by law.

### 15 **THIRD CAUSE OF ACTION**

#### 16 **For Violation of §15 of the 1933 Act Against** 17 **Sunrun, the Selling Stockholders, the Venture Capital Defendants** **and the Individual Defendants**

18 75. Plaintiffs incorporate ¶¶1-74 by reference.

19 76. This Cause of Action is brought pursuant to §15 of the 1933 Act against Sunrun, the  
20 Selling Stockholders, the Venture Capital Defendants and the Individual Defendants.

21 77. The Individual Defendants each were control persons of Sunrun by virtue of their  
22 positions as directors and/or senior officers of Sunrun. Each of the Venture Capital Defendants  
23 controlled Sunrun by their voting and dispositive control over approximately 20% of Sunrun's  
24 outstanding voting shares, pre-IPO shareholder agreements, and by having a designee on Sunrun's  
25 Board of Directors at the time of the IPO, Vassallo, who they controlled. The Individual Defendants  
26 each had a series of direct and/or indirect business and/or personal relationships with other directors  
27 and/or officers and/or major shareholders of Sunrun. The Selling Stockholders and the Venture Capital  
28 Defendants were control persons of Sunrun by virtue of their ownership of Sunrun stock and their rights

1 to force Sunrun to register that stock for resale. Sunrun controlled the Individual Defendants and all of  
2 its employees.

3 78. The Venture Capital Defendants had a financial interest in taking the Company's stock  
4 public in order to increase the holding value and marketability of the Venture Capital Defendants'  
5 investment in Sunrun. Sunrun, the Venture Capital Defendants and the Individual Defendants were  
6 each critical to effecting the IPO, based on their signing or authorization of the signing of the  
7 Registration Statement, by voting (including voting their shares) to execute the IPO, and by having  
8 otherwise directed through their authority the processes leading to execution of the IPO.

9 **PRAYER FOR RELIEF**

10 WHEREFORE, plaintiffs pray for relief and judgment, as follows:

11 A. Determining that this action is a proper class action, certifying plaintiffs as Class  
12 representatives under California Rule of Court 3.764 and California Code of Civil Procedure §382, and  
13 plaintiffs' counsel as Class counsel;

14 B. Awarding compensatory damages in favor of plaintiffs and the other Class members  
15 against all defendants, jointly and severally, for all damages sustained as a result of defendants'  
16 wrongdoing, in an amount to be proven at trial, including interest thereon;

17 C. Awarding plaintiffs and the Class their reasonable costs and expenses incurred in this  
18 action, including counsel fees and expert fees;

19 D. Awarding rescission or a rescissory measure of damages; and

20 E. Such equitable/injunctive or other relief as deemed appropriate by the Court.  
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1 JURY DEMAND

2 Plaintiffs hereby demand a trial by jury.

3 DATED: October 14, 2016

ROBBINS GELLER RUDMAN  
& DOWD LLP  
JAMES I. JACONETTE

4  
5  
6 JAMES I. JACONETTE

7 655 West Broadway, Suite 1900  
8 San Diego, CA 92101-8498  
9 Telephone: 619/231-1058  
619/231-7423 (fax)

10 ROBBINS GELLER RUDMAN  
11 & DOWD LLP  
12 JOHN K. GRANT  
13 Post Montgomery Center  
One Montgomery Street, Suite 1800  
San Francisco, CA 94104  
Telephone: 415/288-4545  
415/288-4534 (fax)

14 Attorneys for Plaintiffs Jeffrey L. Pytel and Jackie L.  
Nunez

15 DATED: October 14, 2016

16 COTCHETT, PITRE & MCCARTHY, LLP  
17 MARK C. MOLUMPY  
18 ALEXANDRA P. SUMMER

19 MARK C. MOLUMPY

20 San Francisco Airport Office Center  
21 840 Malcolm Road, Suite 200  
22 Burlingame, CA 94010  
Telephone: 650/697-6000  
650/697-0577 (fax)

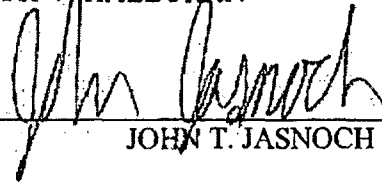
23 Attorneys for Plaintiff Chaile Steinberg

24 RIGRODSKY & LONG, P.A.  
25 SETH D. RIGRODSKY  
26 TIMOTHY J. MACFALL  
27 825 East Gate Boulevard, Suite 300  
28 Garden City, NY 11530  
Telephone: 516/683-3516  
302/654-7530 (fax)

Attorneys for Plaintiff Chaile Steinberg

1 DATED: October 14, 2016

SCOTT + SCOTT LLP  
JOHN T. JASNOCH  
JOSEPH V. HALLORAN

  
JOHN T. JASNOCH

707 Broadway, Suite 1000  
San Diego, CA 92101  
Telephone: 619/233-4565  
619/233-0508 (fax)

Attorneys for Plaintiffs George Cohen, David Moss,  
and Roxanne Xenakis

2 DATED: October \_\_\_\_, 2016

THE ROSEN LAW FIRM, P.A.  
LAURENCE M. ROSEN

LAURENCE M. ROSEN

355 South Grand Avenue, Suite 2450  
Los Angeles, CA 90071  
Telephone: 213/785-2610  
213/226-4684 (fax)

Attorneys for Plaintiffs Michael Brown and Rebecca  
Loy

1 DATED: October 14, 2016

SCOTT + SCOTT LLP  
JOHN T. JASNOCH  
JOSEPH V. HALLORAN

JOHN T. JASNOCH

707 Broadway, Suite 1000  
San Diego, CA 92101  
Telephone: 619/233-4565  
619/233-0508 (fax)

Attorneys for Plaintiffs George Cohen, David Moss,  
and Roxanne Xenakis

9 DATED: October 14, 2016

THE ROSEN LAW FIRM, P.A.  
LAURENCE M. ROSEN

  
LAURENCE M. ROSEN

355 South Grand Avenue, Suite 2450  
Los Angeles, CA 90071  
Telephone: 213/785-2610  
213/226-4684 (fax)

Attorneys for Plaintiffs Michael Brown and Rebecca  
Loy



1 DATED: October 17, 2016

JOHNSON & WEAVER, LLP  
FRANK J. JOHNSON  
PHONG L. TRAN

4   
FRANK J. JOHNSON

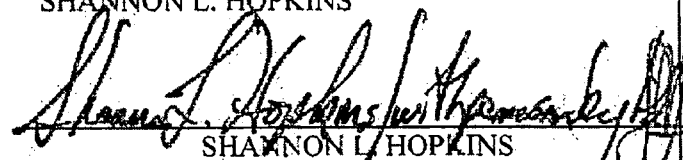
6 600 West Broadway, Suite 1340  
7 San Diego, CA 92101  
Telephone: 619/230-0063  
8 619/255-1856 (fax)

9 JOHNSON & WEAVER, LLP  
10 MICHAEL I. FISTEL, JR.  
40 Powder Springs Street  
11 Marietta, GA 30064  
Telephone: 770/200-3104  
770/200-3101 (fax)

12 Attorneys for Plaintiff Jeffrey L. Pytel

13 DATED: October 14, 2016

LEVI & KORSINSKY LLP  
ADAM C. MCCALL  
SHANNON L. HOPKINS

15   
SHANNON L. HOPKINS

17 445 South Figueroa Street, 31st Floor  
18 Los Angeles, CA 90071  
Telephone: 213/985-7290  
19 202/333-2121 (fax)

20 Attorneys for Plaintiff Greg Mancy

21 DATED: October \_\_\_\_, 2016

BOTTINI & BOTTINI, INC.  
FRANCIS A. BOTTINI, JR.

24 FRANCIS A. BOTTINI, JR.

1 DATED: October \_\_\_\_, 2016  
2  
3  
4

JOHNSON & WEAVER, LLP  
FRANK J. JOHNSON  
PHONG L. TRAN

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FRANK J. JOHNSON

600 West Broadway, Suite 1540  
San Diego, CA 92101  
Telephone: 619/230-0063  
619/255-1856 (fax)

JOHNSON & WEAVER, LLP  
MICHAEL I. FISTEL, JR.  
40 Powder Springs Street  
Marietta, GA 30064  
Telephone: 770/200-3104  
770/200-3101 (fax)

Attorneys for Plaintiff Jeffrey L. Pytel

DATED: October \_\_\_\_, 2016

LEVI & KORSINSKY LLP  
ADAM C. MCCALL  
SHANNON L. HOPKINS

---

SHANNON L. HOPKINS

445 South Figueroa Street, 31st Floor  
Los Angeles, CA 90071  
Telephone: 213/985-7290  
202/333-2121 (fax)

Attorneys for Plaintiff Greg Mancy

DATED: October 14, 2016

BOTTINI & BOTTINI, INC.  
FRANCIS A. BOTTINI, JR.

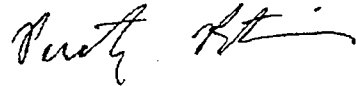
  
FRANCIS A. BOTTINI, JR.

7817 Ivanhoe Avenue Suite 102  
La Jolla, CA 92037  
Telephone: 858/914-2001  
858/914-2002 (fax)

Attorneys for Plaintiff Joe Baker, Carl Hayner and  
Ken Morris

DATED: October 14, 2016

BRONSTEIN, GEWIRTZ & GROSSMAN LLC  
PERETZ BRO



---

PERETZ BRONSTEIN

60 East 42nd Street, Suite 4600  
New York, NY 10165  
Telephone: 212/697-6484  
212/697-7296 (fax)

Attorneys for Plaintiff Jackie L. Nunez

DATED: October 14, 2016

STULL, STULL & BRODY  
PATRICE L. BISHOP

---

PATRICE L. BISHOP

9430 W. Olympic Boulevard  
Suite 400  
Beverly Hills, CA 90212  
Telephone: 310/209-2468  
310/209-2087 (fax)

Attorneys for Plaintiff Jackie L. Nunez

1  
2  
3  
4  
5  
6  
7  
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25  
26  
27  
28

7817 Ivanhoe Avenue Suite 102  
La Jolla, CA 92037  
Telephone: 858/914-2001  
858/914-2002 (fax)

Attorneys for Plaintiff Joe Baker, Carl Hayner and  
Ken Morris

DATED: October 14, 2016

BRONSTEIN, GEWIRTZ & GROSSMAN LLC  
PERETZ BRONSTEIN

---

PERETZ BRONSTEIN

60 East 42nd Street, Suite 4600  
New York, NY 10165  
Telephone: 212/697-6484  
212/697-7296 (fax)

Attorneys for Plaintiff Jackie L. Nunez

DATED: October 14, 2016

STULL, STULL & BRODY  
PATRICE L. BISHOP



---

PATRICE L. BISHOP

9430 W. Olympic Boulevard  
Suite 400  
Beverly Hills, CA 90212  
Telephone: 310/209-2468  
310/209-2087 (fax)

Attorneys for Plaintiff Jackie L. Nunez

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
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- 13
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SUNRUN

Service List - 10/14/2016 (16-0047)

Page 1 of 2

**Counsel for Defendant(s)**

Anna Erickson White  
Morrison & Foerster LLP  
425 Market Street  
San Francisco, CA 94105-2406  
415/268-7000  
415/268-7522 (Fax)

Patrick D. Robbins  
Shearman & Sterling LLP  
Four Embarcadero, Suite 3800  
San Francisco, CA 94111  
415/616-1100  
415/616-1199 (Fax)

**Counsel for Plaintiff(s)**

Francis A. Bottini Jr.  
Albert Y. Chang  
Yury A. Kolesnikov  
Bottini & Bottini, Inc.  
7817 Ivanhoe Avenue, Suite 102  
La Jolla, CA 92037  
858/914-2001  
858/914-2002 (Fax)

Mark C. Molumphy  
Alexandra P. Summer  
Cotchett, Pitre & McCarthy, LLP  
840 Malcolm Road, Suite 200  
Burlingame, CA 94010  
650/697-6000  
650/697-0577 (Fax)

Adam C. McCall  
Levi & Korsinsky LLP  
445 South Figueroa Street, 31st Floor  
Los Angeles, CA 90071  
213/985-7290  
202/333-2121 (Fax)

Seth D. Rigrodsky  
Timothy J. MacFall  
Rigrodsky & Long, P.A.  
825 East Gate Blvd., Suite 300  
Garden City, NY 11530  
516/683-3516  
302/654-7530 (Fax)

James J. Jaconette  
Robbins Geller Rudman & Dowd LLP  
655 West Broadway, Suite 1900  
San Diego, CA 92101  
619/231-1058  
619/231-7423 (Fax)

John K. Grant  
Robbins Geller Rudman & Dowd LLP  
Post Montgomery Center  
One Montgomery Street, Suite 1800  
San Francisco, CA 94104  
415/288-4545  
415/288-4534 (Fax)

SUNRUN

Service List - 10/14/2016 (16-0047)

Page 2 of 2

John T. Jasnoch  
Joseph V. Halloran  
Scott + Scott LLP  
707 Broadway, 10th Floor  
San Diego, CA 92101  
619/233-4565  
619/233-0508 (Fax)

Laurence M. Rosen  
The Rosen Law Firm, P.A.  
355 South Grand Avenue, Suite 2450  
Los Angeles, CA 90071  
213/785-2610  
213/226-4684 (Fax)

Peretz Bronstein  
Bronstein, Gewirtz & Grossman LLC  
60 East 42nd Street, Suite 4600  
New York, NY 10165  
212/697-6484  
212/697-7296 (fax)

Patrice L. Bishop  
Stull, Stull & Brody  
9430 W. Olympic Boulevard, Suite 400  
Beverly Hills, CA 90212  
310/209-2468  
310/209-2087 (fax)