

**NOTICE OF PENDENCY AND PROPOSED SETTLEMENT  
OF STOCKHOLDER DERIVATIVE ACTIONS**

**TO: ALL CURRENT RECORD OR BENEFICIAL OWNERS OF SUNRUN INC.  
SECURITIES AS OF SEPTEMBER 5, 2019:**

**PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. IT  
CONTAINS IMPORTANT INFORMATION ABOUT YOUR LEGAL RIGHTS. THIS  
NOTICE RELATES TO A PROPOSED SETTLEMENT OF STOCKHOLDER  
DERIVATIVE ACTIONS (THE “DERIVATIVE ACTIONS”), AND CLAIMS ASSERTED  
ON BEHALF OF SUNRUN INC. (“SUNRUN” OR THE “COMPANY”).**

**IF THE COURT APPROVES THE SETTLEMENT AND DISMISSAL OF THE  
DERIVATIVE ACTIONS, STOCKHOLDERS OF SUNRUN WILL BE FOREVER  
BARRED FROM CONTESTING THE APPROVAL OF THE PROPOSED SETTLEMENT  
AND FROM PURSUING THE RELEASED CLAIMS.**

**THESE ACTIONS ARE NOT CLASS ACTIONS. THUS, THERE IS NO  
COMMON FUND UPON WHICH YOU CAN MAKE A CLAIM FOR A MONETARY  
PAYMENT.**

**PURPOSE OF THIS NOTICE**

This Notice of Pendency and Proposed Settlement of Shareholder Derivative Actions (the “Notice”) is provided to Current Sunrun Stockholders pursuant to an order of the United States District Court for the Northern District of California (the “Court”). This is not a solicitation from a lawyer. The Court has not determined the merits of Derivative Plaintiffs’ claims or Derivative Defendants’ defenses. By this Notice, the Court does not express any opinion as to the merits of any claim or defense asserted by any party in the Derivative Actions.

The purpose of this Notice is to advise you that, pursuant to the Court’s Preliminary Approval Order,<sup>1</sup> a hearing will be held on November 21, 2019, at 10:00 a.m., before the Honorable Vince Chhabria or such other judge as may be sitting in his place and stead, at the San Francisco United States Courthouse, 450 Golden Gate Avenue, San Francisco, CA 94102 (or at such a date and time as the Court may direct without further notice) (the “Settlement Hearing”) to determine: (i) whether the terms of a proposed settlement (the “Settlement”) of the Derivative Actions described below is fair, reasonable, adequate, and in the best interests of Sunrun; (ii) whether this Notice fully satisfies the requirements of Rule 23.1 of the Federal Rules of Civil Procedure and due process; (iii) whether the Final Order and Judgment should be entered dismissing the above-captioned matter with prejudice, releasing the Released Persons from the Released Claims; (iv) whether the amount of attorneys’ fees and expenses to be awarded to

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<sup>1</sup> The capitalized terms used in this Notice and not otherwise defined herein shall have the same meaning as in the Second Amended and Restated Stipulation and Agreement of Settlement (the “Stipulation”) dated September 5, 2019, which is available at the investor relations section of Sunrun’s website at <http://www.sunrun.com>.

Derivative Plaintiffs' Counsel is fair and reasonable; and (v) any other matters that come before the Court. You have an opportunity to be heard at this hearing.

The Court may adjourn the Settlement Hearing by oral or other announcement at such hearing or make any other adjournment without further notice of any kind. The Court may approve the Settlement with or without modification, enter the Final Order and Judgment, and order the payment of the Fee and Expense Award without further notice of any kind.

The terms and conditions of the proposed Settlement are summarized in this Notice and set forth in full in the Stipulation.

## **I. BACKGROUND OF THE DERIVATIVE ACTIONS**

### **A. The *Sklar* Action**

On June 29, 2017, Plaintiff Sklar filed *Barbara Sue Sklar Living Trust v. Fenster et al.*, Case No. 3:17-cv-3743 in the United States District Court, Northern District of California, San Francisco Division, against the Company and certain of the Company's directors and officers. The complaint generally alleged that the defendants violated Section 14(a) of the Exchange Act by making false or misleading statements in connection with public filings, including proxy statements, made between September 10, 2015 and May 3, 2017 regarding the number of customers who cancelled contracts after signing up for the Company's home solar energy system.

### **B. The *Olsen* Action**

In July 2017, Plaintiff Olsen made a demand pursuant to 8 Del. C. § 220 ("Section 220") to inspect certain of the Company's books and records related to the Company's account cancellations, including the accounting for, the disclosure of, and the metric used for such cancellations (the "220 Demand"). After negotiation regarding the validity and scope of the 220 Demand, Sunrun agreed to turn documents over to Plaintiff Olsen pending the execution of a confidentiality agreement. On October 9, 2017, the parties executed a confidentiality agreement, and on October 30, 2017, Plaintiff Olsen received a production of documents from Sunrun (the "220 Documents").

After reviewing the 220 Documents, on April 5, 2018, Plaintiff Olsen filed *Leonard Olsen v. Sunrun Inc. et al.*, Case No. 1:18-cv-00516-VAC-CJB in the United States District Court, District of Delaware, against the Company and certain of the Company's directors and officers. The complaint alleged that the defendants breached their fiduciary duties and violated Section 14(a) of the Exchange Act in connection with public statements made between September 16, 2015 and May 21, 2017 regarding the Company's cancellation rate and the incorporation of these cancellations into its performance metrics. Pursuant to the terms of the Stipulation, the Settling Parties transferred the *Olsen* Action to the United States District Court for the Northern District of California and the Court consolidated the *Sklar* and *Olsen* Actions.

## **II. SETTLEMENT NEGOTIATIONS AND STATUS OF THE DERIVATIVE ACTIONS**

Counsel for Sunrun and for the Derivative Plaintiffs have engaged in extensive arm's-length discussions and negotiations, both telephonically and in writing, concerning a possible settlement of the Derivative Actions based on certain corporate governance reforms.

After such arm's-length negotiations, Derivative Plaintiffs' Counsel and counsel for the Derivative Defendants reached an agreement concerning a proposed settlement of the Derivative Actions, the terms of which are set forth in the Stipulation (and summarized herein).

As a result of this agreement, the Settling Parties moved to stay all proceedings in the Derivative Actions, except for settlement-related proceedings, pending final approval of the Settlement by the Court.

## **III. SUMMARY OF THE SETTLEMENT TERMS**

The terms and conditions of the proposed Settlement are set forth fully in Section V of the Stipulation. The following is only a summary of its terms.

Pursuant to the Settlement of the Derivative Actions, Sunrun has or shall within 30 days after the Court's entry of the Final Order and Judgment implement certain corporate governance reforms. Specifically, Sunrun has made or will make the following changes to the Company's policies and procedures, which will serve to improve the Company's compliance with applicable laws and regulations, and enhance Board oversight of the Company's compliance function:

a. At least Four (4) Board Meetings Per Year: The Board of Sunrun will have annually no less than four regularly scheduled meetings, at each of which the Board will review and discuss management reports on the performance of the Company, the Company's plans and prospects, and other issues facing the Company.

b. Customer Experience Presentations to Board: On a periodic basis, a member of the Company's executive team will present the Board with information regarding customer experiences (*i.e.*, information regarding factors that may be affecting customer satisfaction with the Company).

c. Improvements to Board Diversity: The Company will agree to include "diversity" among the factors considered when evaluating potential candidates to fill Board vacancies.

d. Board Continuing Education Improvements: The Nominating and Corporate Governance ("N&CG") Committee Charter will be amended to provide that the N&CG Committee will evaluate the participation of members of the Board in orientation and continuing education activities in accordance with applicable listing standards and the Company's Corporate Governance Guidelines.

e. Corporate Governance Review by Full Board: The N&CG Committee Charter will be amended to provide that the findings of the N&CG Committee's annual corporate governance evaluation will be reviewed with the full Board.

f. “Closed Session” Meetings of Independent Directors: The Board will continue to schedule regular, separate meeting times for independent directors without management (*i.e.*, “closed sessions”). Such closed sessions will continue to be held following regularly scheduled meetings of the Board and at such other times as requested by an independent director. The Lead Independent Director shall preside at closed sessions. Should the independent directors believe a closed session is not necessary following a regularly scheduled Board meeting, a statement noting this will be entered in the Board meeting minutes.

These reforms shall remain in effect for no less than five (5) years from the Effective Date of the Settlement, provided, however, that any reform can be altered or removed by the affirmative vote of a majority of the independent directors of the Board, upon determining, in good faith, that such measure conflicts or is substantially redundant with any law, regulation, or rule (including rules of the NASDAQ or other exchange or quotation system) or conflicts with or is substantially redundant with any amendment to Sunrun's articles of incorporation or bylaws.

These changes and enhancements were made, in material part, to augment the Board's oversight and address certain matters alleged or asserted in the Derivative Actions.

#### **IV. RELEASE AND DISMISSAL**

The Settlement calls for the Releasing Parties, including Derivative Plaintiffs (on behalf of themselves, all Current Sunrun Stockholders and, derivatively, on behalf of Sunrun), their Related Persons, and anyone making claims through or on behalf of any of them, to release any and all of the Released Claims against each and all of the Released Persons, as defined in the Stipulation. The term “Released Claims” shall collectively mean any and all claims and causes of action of every nature and description whatsoever, whether known or unknown, whether arising under federal, state, common or foreign law (including “Unknown Claims,” as defined below) that have been alleged or asserted or could have been alleged or asserted in any pleading or forum by any of the Derivative Plaintiffs (or any other Sunrun stockholder derivatively on behalf of Sunrun), Sunrun, or any of the Derivative Plaintiffs' Counsel against any Released Person based upon or arising from (i) any of the claims, facts, events, transactions, occurrences, acts, disclosures, statements, alleged omissions or failures to act, or any other circumstance alleged, set forth, or referred to by Derivative Plaintiffs in the Derivative Actions or that could have been alleged in the Derivative Actions, or (ii) the settlement of the Derivative Actions, including the payments provided for in this Stipulation, and the reasonable attorneys' fees, cost, and expenses incurred in defense thereof.

Excluded from the term Released Claims are all claims, rights, or causes of action or liabilities whatsoever related to the enforcement of the Settlement, including, without limitation, any of the terms of this Stipulation or orders or judgments issued by the courts in connection with this Settlement.

Should the Court approve the Settlement and enter the Final Order and Judgment in the Derivative Actions, all of Derivative Plaintiffs' Released Claims against the Derivative Defendants shall be dismissed with prejudice and the Released Persons shall be released from the Released Claims.

#### **V. DERIVATIVE PLAINTIFFS COUNSEL'S POSITION CONCERNING SETTLEMENT**

Derivative Plaintiffs' Counsel believe that the claims asserted in the Derivative Actions have substantial merit yet support settling the Derivative Actions because they believe that a settlement of the Derivative Actions on the terms provided for in the Stipulation is fair, reasonable, and adequate and provides substantial benefits to the Company and Current Sunrun Stockholders based upon the terms and procedures outlined therein (and summarized herein).

Derivative Plaintiffs' Counsel have also taken into account the uncertain outcome and the risk of any litigation, especially in complex cases such as the Derivative Actions, as well as the difficulties and delays inherent in such litigation. Derivative Plaintiffs' Counsel are also mindful of the inherent problems of proof and the possible defenses to the claims alleged in the Derivative Actions.

#### **VI. DERIVATIVE DEFENDANTS' POSITION CONCERNING SETTLEMENT**

Derivative Defendants have denied, and continue to deny, any fault, liability, or wrongdoing of any kind. The Derivative Defendants continue to deny vigorously each and all of the claims and contentions alleged in the Derivative Actions and assert that all claims and contentions alleged in the Derivative Actions are completely without merit. The Individual Defendants assert that at all relevant times, they acted in good faith and in a manner they reasonably believed to be in the best interests of the Company and Current Sunrun Stockholders.

Derivative Defendants entered into the Stipulation solely because the Settlement would eliminate the burden, expense, and uncertainties inherent in further litigation. Derivative Defendants believe that the settlement of the Derivative Actions on the terms provided for in the Stipulation is fair, reasonable, and adequate based upon the terms and procedures outlined therein.

Sunrun acknowledges that the initiation and prosecution of the Derivative Actions and discussions with Derivative Plaintiffs' Counsel were a material cause of the adoption and implementation of the governance reforms described in the Stipulation, and that such reforms confer a substantial benefit on the Company.

As set forth in additional detail in the Stipulation, neither the Stipulation, nor any of its terms or provisions, nor entry of the Final Order and Judgment, nor any document or exhibit referred in or attached to the Stipulation, nor any action taken to carry out the Stipulation, is, may be construed as, or may be used as evidence of the validity of any of the Released Claims, or an admission by or against Derivative Defendants of any fault, wrongdoing, or concession of liability.

## **VII. DERIVATIVE PLAINTIFFS’ COUNSEL’S ATTORNEYS’ FEES AND EXPENSE AWARD**

Derivative Plaintiffs’ Counsel have asked the Court to approve an agreed-to award of attorneys’ fees and expenses that have been incurred or will be incurred in connection with the Derivative Actions in the amount of \$280,000.00 (the “Fee and Expense Award”), as appropriate consideration for the substantial benefits conferred upon Sunrun as a result of the prosecution and settlement of the Derivative Actions.

## **VIII. THE RIGHT TO BE HEARD AT THE SETTLEMENT HEARING**

Any Current Sunrun Stockholder may appear at the Settlement Hearing and show cause, if he, she, or it has any reason why the Settlement of the Derivative Actions embodied in the Stipulation should not be approved as fair, reasonable, and adequate, or why the Final Order and Judgment should or should not be entered, or why the Fee and Expense Award should not be awarded (an “Objection”). Current Sunrun Stockholders cannot ask the Court to order a different settlement; the Court can only approve or reject the Settlement.

To object, the Current Sunrun Stockholder must: (a) file a written Objection stating your name, legal address and telephone number, the case name and number (*Sklar v. Fenster, et al.*, Case No. 17-cv-03743) and stating all reasons for the Objection; (b) give proof of current ownership of Sunrun common stock, including the number of shares and documentary evidence of when such stock ownership was acquired; (c) clearly identify any and all evidence that would be presented at the Settlement Hearing in connection with such Objection, along with the names of any witness(es) you intend to call to testify at the Settlement Hearing and the subject(s) of their testimony; and (d) identify any case, by name, court, and docket number, in which the objector or his, her, or its attorney, if any, has objected to a settlement in the last three years. Any written Objection shall be filed with the Clerk of the Court at least fourteen (14) calendar days prior to the Settlement Hearing, at the below address:

**CLERK OF COURT**  
San Francisco United States Courthouse  
450 Golden Gate Avenue  
San Francisco, CA 94102

Any Current Sunrun Stockholder wishing to be heard at the Settlement Hearing is required to include a notice of intention to appear at the Settlement Hearing together with his, her, or its written Objection. A Current Sunrun Stockholder who fails to file a written Objection may be excused by the Court for good cause and appear at the Settlement Hearing. Unless the Court otherwise directs, any Current Sunrun Stockholder who does not make his, her, or its Objection in the manner provided in the preceding paragraph of this Notice shall be deemed to have waived such objection, shall be bound by the Final Order and Judgment, and shall forever be foreclosed from (a) making any objections to the fairness, adequacy, or reasonableness of the Settlement, or (b) making any objections to the fairness and reasonableness of the Fee and Expense Award.

## **IX. CONDITIONS FOR SETTLEMENT**

The Settlement is conditioned on the occurrence of certain events described in the Stipulation, including entry of the Final Order and Judgment by the Court. If, for any reason, any one of the conditions described in the Stipulation is not met and the entry of the Final Order and Judgment does not occur, the Stipulation might be terminated and, if terminated, will become null and void and the parties to the Stipulation will be restored to their respective positions as of September 5, 2019.

## **X. EXAMINATION OF PAPERS AND INQUIRIES**

This Notice summarizes the proposed settlement. For the precise terms and conditions of the Settlement, please see the settlement agreement available at the investor relations section of Sunrun's website at <http://www.sunrun.com>, by contacting Counsel for Derivative Plaintiffs referenced below, by accessing the Court docket in this case, for a fee, through the Court's Public Access to Court Electronic Records (PACER) system at <https://ecf.cand.uscourts.gov>, or by visiting the office of the Clerk of the Court for the United States District Court for the Northern District of California, 450 Golden Gate Avenue, San Francisco, CA 94102, between 9:00 a.m. and 4:00 p.m., Monday through Friday, excluding Court holidays.

Any other inquiries regarding the Settlement or the Derivative Actions should be addressed in writing to the following:

<b>Counsel for Derivative Plaintiffs</b>	<b>Counsel for Nominal Defendant Sunrun</b>
Joshua M. Lifshitz Lifshitz & Miller LLP 821 Franklin Ave., Suite 209 Garden City, NY 11530	Susan S. Muck Fenwick & West LLP 555 California Street, 12 <sup>th</sup> Floor San Francisco, CA 94104

**PLEASE DO NOT TELEPHONE THE COURT, COURT CLERK'S OFFICE, OR ANY REPRESENTATIVE OF SUNRUN REGARDING THIS NOTICE**